Stichting BRAC International

Consolidated financial statements 2016

Contents

Management Board report

The Management Board of Stichting BRAC International ('the Foundation'), organised and existing under the laws of the Netherlands with its registered address at Bezuidenhoutseweg 2, 2594 AV The Hague, hereby submits the consolidated financial statements for the year ended 31 December 2016.

Our identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it has helped. BRAC was ranked the number one NGO in the world for the second consecutive year in 2017 by the Geneva based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector. BRAC retained the top spot as part of the 2017 top 500 NGOs World rankings.

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

In 2002, BRAC started to venture out of Bangladesh in Afghanistan and started to implement programmes according to the contexts in different countries. Over the years, BRAC expanded its operation both in Asia and Africa. In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands, to govern all entities outside Bangladesh and with an objective to engage in charitable and social welfare activities in any country of the world.

Stichting BRAC International runs as a welfare institution that brings BRAC's various development programmes into one platform across the world. The institutional expertise on successfully implemented programmes is deployed in countries while programmes are either replicated or re-designed as per the country context. The activities in countries are in the following major thematic areas: Financial inclusion, Health, Education, Early Childhood and Adolescents, Agriculture and food security and Research and specially designed programmes for Targeted Ultra-Poor communities in countries. Financial inclusion through microfinance programmes runs in six out of ten countries that are making substantial contribution to achieve economic emancipation and getting out of poverty for the people in general.

Our global reach

Stichting BRAC International is based in the Netherlands. However, its reach is far greater, and it creates opportunity for an estimated 19 million people living in poverty in 10 countries spread over two continents. Currently, it operates in five countries in the Africa: Uganda, Tanzania, South Sudan, Liberia and Sierra Leone, and five countries in the Asia: Afghanistan, Pakistan, Nepal, Myanmar and the Philippines. We no longer have any operation in Haiti. All of the operations in the countries are brought under one umbrella, giving our international programmes greater cohesiveness and efficiency. BRAC UK and BRAC USA are independent affiliates that raise our profile globally. In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

Our role in financial matters

On the financial matters, the Foundation plays the role to consolidate the financial results of all country operations. The consolidated financial statements include the financial data of the Foundation, its group companies and other legal entities over which the Foundation has control.

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

Our vision

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

Our mission

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

Our values

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

Integrity: The Foundation 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 Foundation holds these to be the most essential elements of our work ethic.

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

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

Our goal

Stichting BRAC International aims to contribute to welfare activities to alleviate poverty and improve the lives of the people. In line with the Millennium Development Goals

(MDG) and Sustainable Development Goals (SDG), Stichting BRAC International will work to:

— end poverty and hunger through financial inclusion;
— achieve universal primary education;
— promote gender equality and empower women;
— skill development of the adolescents;
— improve reproductive and maternal health;
— ensure environmental sustainability;

The Foundation will receive grants and other assistance to the attainment of its goals.

Our commitment towards the SDGs

The Sustainable Development Goals (SDGs), officially known as 'Transforming our world: the 2030 Agenda for Sustainable Development' is a set of 17 'global goals', first of which, is 'No Poverty'. Other notable SDGs are no hunger (#2), quality education (#4), gender equality (#5), clean water and sanitation (#6) and climate action (#13).

Stichting BRAC International, by its nature is a socially responsible organisation. The commitment of the organisation is to eradicate poverty from the world through helping the people under poverty by engaging them in economic activities and create sustainable income generation for themselves. In addition to that, we support people who do not have access and affordability to quality education, healthcare and other subsistence needs.

Stichting BRAC International responds to humanitarian and rehabilitation needs around the world. With experience in post-war rehabilitation programmes in Bangladesh in 1972 and Afghanistan in 2002, we went to Sri Lanka after the tsunami in 2004. We also went to Haiti after the 2010 earthquake and Nepal after the 2015 earthquake.

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

Stichting BRAC International carries out all of its development programmes mainly from donor grants through its branches and controlled entities in various countries. The microfinance programmes are run through its 100% owned subsidiary, BRAC International Holdings B.V.

Governance

Stichting BRAC International is registered in the Netherlands and governed by a 10-member Supervisory Board.

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities.

On 8 December 2016, on its 31st meeting, the Stichting Board adopted the amendments to the Constitution of Stichting BRAC International to change its governance structure.

From 28 December 2016, the following structure came into effect after ratification of the amendments by a public notary in The Hague:

a. the present Governing Board becomes the Supervisory Board of Stichting BRAC International; and

b. the Supervisory Board appointed the Management Board of Stichting BRAC International comprising an Executive Director, a Director Finance and a maximum of three BRAC International Programme Directors.

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities.

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval.

The Supervisory Board (formerly Stichting BRAC International Governing Board) consists of the following members:

1.	Sir Fazle Hasan Abed KCMG	Chair
2.	Dr. Muhammad Musa	Member
3.	Ms. Parveen Mahmud	Member
4.	Dr. Ahmad Mastaqur Raza Chowdhury	Member (Appointed on 8 March 2016)
5.	Dr. Debapriya Bhattacharya	Member
6.	Ms Shabana Azmi	Member
7.	Mr. Shafiq ul Hassan	Member
8.	Ms. Irene Khan	Member
9.	Ms. Sylvia Borren	Member
10.	Dr. Fawzia Rasheed	Member (Appointed on 29 June 2016)

The Management Board consists of the following members:

1.	Mr. Faruque Ahmed	Executive Director (Appointed on 28 Dec. 2016)
2.	Mr. Saif Md Imran Siddique	Director (Appointed on 28 Dec. 2016)
3.	Mr. Shameran Abed	Director (Appointed on 28 Dec. 2016)
4.	Ms. Lamia Rashid	Director (Appointed on 28 Dec. 2016)
5.	Mr. Jalal Uddin Ahmed	Director (Appointed on 28 Dec. 2016)

The board members are appointed by co-optation. The period of membership is governed by the constitution and there is no board remuneration applicable for the Supervisory Board.

The Supervisory Board members are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. The Supervisory Board is in charge of the overall supervision of the policies pursued by the Management Board and day-to-day operations of the Management Board and its associated institutions and/or legal entities. In the discharge of its duties, the Supervisory Board is guided by the interests of the Foundation and its associated institutions and act as an advisor to the Management Board.

In doing so the members confirm that:

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

The board sub committees such as Audit and Finance Committee have met twice in this year and reviewed all the financial and budget proposals before recommending to the Board.

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

Code of Conduct

Stichting BRAC International follows a set of codes of conduct to operate in a multi-cultural environment. The Human Resources department of the organisation is the custodian of the codes of conduct and is responsible for overall supervision, implementation and practice across the organisation.

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and sexual harassment in the organisation. The 'whistle blower' policy is in place and HR takes actions as and when required.

Significant risks and uncertainties

Risks and uncertainties are integral part of operation for any kind of organisation. For Stichting BRAC International, significant risks and uncertainties mainly involves around instability and uncertainties in the post-conflict and in-conflict countries where we operate in. The Foundation is taking necessary measures to handle this on a continuous basis with a risk management framework.

Risk management is practiced across the organisation 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 categorised 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 organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring and coordination between countries, head office and affiliates.

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 or legal regulations or regulatory requirements are mostly having precautionary measures as risk mitigation, and are mostly based on learnings from previous experience. Maintaining good relationship with government agencies and rapport building are most common mitigation activities.

Financial risk

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

Credit risk

Credit risk arises principally from the Foundation’s 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 Foundation’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Foundation’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 Foundation considers and consolidates all elements of credit risk exposure.

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

Policy objectives:

— Protect the Foundation 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 foundation 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 the group.
— Meet legal or statutory requirements.
— Assist in safeguarding the Foundation’s assets: people, finance, property and reputation.

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

The risk management function is responsible to oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment and ensures that those are in conformity with global standards.

Currency risk

Stichting BRAC International is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency and at the Foundation level the US dollar (USD). The presentation currency is USD. The currency in which transactions primarily are denominated is USD. Stichting BRAC International does 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.

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 optimising the return on risk.

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

Interest rate risk and cash-flow risk

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

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely 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 foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangement are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institution facilities.

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

The Foundation is in full compliance with all applicable laws and regulations.

Financial reporting risks

Risks related to false reporting to donors or lenders of the Foundation, lack of sound financial policy, systems and processes are being mitigated though multi-layered internal control systems, that makes the monitoring process stronger.

The Internal Audit department conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

External audit of Stichting BRAC International and all of its subsidiaries are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards (IFRS) and the laws of relevant countries.

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

Financial information

In 2016, the Foundation had a budget of USD 138 million in the field of financial and development services. As of December 2016 we have been able to utilise USD 114 million. Sectoral budget versus utilisation rates are given below:

Programmes	**Budget USD 1,000**	**Utilisation USD 1,000**	**Utilised %**
Microfinance	**63,466**	**57,621**	**91**
Social Enterprise	**999**	**687**	**69**
Education	**37,917**	**30,865**	**81**
Health	**10,427**	**7,524**	**72**
Agriculture and Livelihood programme	**4,103**	**3,851**	**94**
Adolescents and Youth programme	**5,031**	**2,835**	**56**
Research	**1,772**	**1,924**	**109**
Others	**9,924**	**6,197**	**62**
Secretariat costs	**4,818**	**2,816**	**58**
	138,457	**114,320**	**83**

The utilisation of the budget depends on the country situation, fund actually received and on time completion of the project deliverables. The major driver was narrowing down of programmes in South Sudan and savings in secretariat costs.

Activities

Microfinance and social enterprise

During 2016, USD 3 million was invested against issue of new shares for the Microfinance operation in Myanmar. The board has approved to transform the Uganda Microfinance company into a Tier-2 credit institution and the application process is in progress.

During the year Omidyar Network, a 24.5% shareholder in BRAC West African entities donated its share to BRAC International Holdings B.V. In addition to that they also donated a cash grant of USD 1.5 million for the said entities. The BRAC B.V. board has also approved an additional equity injection of USD 1 million each in Sierra Leone and Liberia Microfinance operations. However, no disbursement has been made as of the reporting date.

A corporate guarantee of approximately USD 1.8 million (equivalent to UGX 6 billion) to Bank of Africa for an overdraft facility in Uganda Microfinance Operation.

The Foundation also acquired 100% shares of BRAC Social Enterprise Uganda Limited in January 2016 at the book value from BRAC Industries Limited. The value of acquired shares was USD 627,440.

Non-microfinance programmes

In 2016, Stichting BRAC International started new projects worth USD 16.4 million in Education, Health, Targeting Ultra Poor, Youth and Agriculture & Livelihood programmes. The Management Board was also engaged to formulate a strategy paper on Africa, which was approved by the Supervisory Board in March 2017. During July 2016, civil war broke out in South Sudan resulting in temporary evacuation of all international staff. As the situation in South Sudan did not improve to a normal level, the Management Board decided to curtail the country operation to a minimum level.

The consolidated financial performance during the year ended 31 December 2016 is as follows:

Income and expenditure

Grants income (NGO activities) decreased by USD 18,265,408 to USD 50,059,290 (2015: USD 68,324,698) showing a decline of 27%. This was mainly due to completion of donor funded projects in countries and reduction in new grant agreements compared to last year.

Service charge on loans increased by 10,340,278 (28%) from USD 37,149,117 in 2015 to USD 47,489,395 in 2016. This is due to increase in loan disbursement in the countries.

Operating expenses decreased by 9% from USD 89,194,687 in 2015 to USD 80,812,328 in 2016. This decline was driven by reduction in donor funded programmes in countries as mentioned above, that resulted in reduced programme-related expenses as well as personnel costs.

The net result for the year 2016 amounts to USD 13.35 million (2015: USD 15.74 million). The main reason of such reduction is decrease in grant funding in NGO programmes. The group reserves amount to USD 67.37 million (2015: USD 54.59 million). The solvency (group reserves/total assets) was 39.1% (2015: 34.6%).

Total assets increased by USD 14,210,003 from USD 157,888,140 in 2015 to USD 172,098,143 in 2016, representing 9% growth year over year.

Loans and advances to customers increased by 24% from USD 82,413,286 in 2015 to USD 102,323,890 in 2016.

Cash and cash equivalents decreased by 7% from USD 61,145,544 in 2015 to USD 56,930,907 in 2016. Cash movement of the Foundation has been disclosed in the cash flow statement.

Surplus

The surplus for the period and the state of the entity's affairs are shown in the attached financial statements. These will be available for the goals of the Foundation and of its underlying entities.

The reserves are split into General reserves and Legal reserves. The distribution of Legal reserves is restricted for particular countries. The general reserves are sufficient to achieve the goals of the Foundation and guarantee the going concern.

Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2016 is 14% (2015: 16%). This shows the Foundation is financially strong to manage its objectives than last year.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the foundation is 1.81 (2015: 1.95). It shows the Foundation has sufficient strength to manage its liabilities.

Outlook for 2017

Planned spending 2017

The sectoral planned spending for 2017 are as follows:

Programmes	Actual 2016 USD 1,000	Budget 2017 USD 1,000	Increase / decrease (-) %
Microfinance	57,621	83,645	45%
Social enterprise	687	998	45%
Education	30,865	20,365	-34%
Health	7,524	4,836	-36%
Agriculture and Livelihood programe	3,851	1,911	-50%
Adolescents and Youth programme	2,835	2,006	-29%
Research	1,924	1,965	2%
Others	6,197	1,782	-71%
Secretariat costs	2,816	4,004	42%
	114,320	121,512	6%

The business plan for 2017 is in line with the donor funding available for the period. This has declined from 2016 given the external and business environment is getting difficult every year. Changing priorities of donor agencies and price increase of commodities are the main concerns for the budget achievement. However, some of the countries, mainly in Africa, having hyper-inflation economy, are exposed to foreign currency loss, that has posted dent in the overall consolidated financial statements to a large extent in the bottom line.

BRAC Uganda Microfinance Ltd is in process of transforming the organisation into a Tier-2 credit institution where the newly transformed company will be allowed to take deposits from its programme clients. The transformation was approved by the Board in June 2016. The License application process is in progress and it is expected that we shall be awarded with a new License by end of 2017.

On the NGO side the Foundation will continue its operation on the core programmes such as education, health, agriculture and food security with special focus on early childhood development, maternal health. The Foundation will also try to expand its graduation programme (Target ultra-poor) to other BRAC International countries.

In Stichting BRAC International, there is a separate department for research and development. This department is based in Kampala, Uganda and carries out R&D activities for all the legal entities in all countries. Budget for research is allocated within the programmes and the activities are managed centrally from Kampala.

Financing of programmes

The financing of the programmes under Stichting BRAC International in all of the countries is managed by two basic sources i) microfinance programmes and ii) donor grants.

For microfinance programmes, service charges income is the biggest source.

Donor grants are mainly used to implement development programmes in thematic areas. Apart from the Foundation itself, the affiliates (BRAC USA and BRAC UK) are also helping us secure match and donor funding.

In addition, the Foundation partners with reputable local and international organisations as part of the local requirements and thus attracting additional capital.

HR

The Foundation is investing on a continuous basis in the quality of its staff. However, the number of employees has reduced from 7,068 in 2015 to 6,331 in 2016. This was mainly due to closure of projects in countries.

The Management Board’s responsibility statement

The Foundation’s Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2016, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

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

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

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the Foundation’s annual report, financial statements and budget.

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

Signing-off board

The Management Board has prepared the financial statements and recommends that the Supervisory Board adopts the financial statements as presented in this 2016 Report.

The Hague, 21 June 2017

The Management Board:	Signature:
1. Mr. Faruque Ahmed	
2. Mr. Saif Md Imran Siddique	
3. Mr. Shameran Abed	
4. Ms. Lamia Rashid	
5. Mr. Jalal Uddin Ahmed	

The Supervisory Board:	Signature:
1. Sir Fazle Hasan Abed KCMG	
2. Dr. Ahmad Mastaqur Raza Chowdhury	
3. Dr. Muhammad Musa	
4. Ms. Parveen Mahmud	
5. Ms. Sylvia Borren	
6. Dr. Debapriya Bhattacharya	
7. Ms. Shabana Azmi	
8. Mr. Shafiq ul Hassan	
9. Ms. Irene Khan	
10. Dr. Fawzia Rasheed	

Consolidated balance sheet as at 31 December 2016

(before appropriation of result)

		2016		2015	
		USD	**USD**	USD	USD
Fixed assets					
Intangible fixed assets	*1*	**235,168**		287,966	
Tangible fixed assets	*2*	**3,227,444**		3,197,643	
Financial fixed assets	*3*	**2,122,361**		2,726,374	
			5,584,973		6,211,983
Current assets					
Inventories	*4*	**382,154**		344,003	
Loans and advances to customers	*5*	**102,323,890**		82,413,286	
Other receivables	*6*	**6,876,219**		7,773,324	
Cash and cash equivalents	*7*	**56,930,907**		61,145,544	
			166,513,170		151,676,157
Total assets			**172,098,143**		157,888,140
Group reserves	*8*				
Reserves		**67,371,674**		54,587,330	
Minority interests		**989,970**		1,517,606	
			68,361,644		56,104,936
Long-term liabilities	*9*		**12,201,347**		23,389,391
Current liabilities	*10*		**91,535,152**		78,393,813
Total liabilities and reserves			**172,098,143**		157,888,140

Consolidated statement of income and expenses for the year ended 31 December 2016

		2016		2015	
		USD	USD	USD	USD
Income					
Grant income	*12*	**50,059,290**		68,324,698	
Service charge income	*13*	**47,489,395**		37,149,117	
Other operating income	*14*	**6,182,085**		8,186,888	
Total operating income			**103,730,770**		113,660,703
Cost of outsourced work and other external costs	*15*	**(44,466,974)**		(48,143,557)	
Wages and salaries	*16*	**(28,667,596)**		(31,170,334)	
Social security and pension charges	*17*	**(1,502,099)**		(1,544,938)	
Amortisation and depreciation on intangible and tangible fixed assets	*1,2*	**(860,118)**		(1,029,255)	
Impairment losses on loans and advances to customers	*5*	**(939,703)**		(2,387,987)	
Other operating expenses	*18*	**(3,850,166)**		(4,918,615)	
Total operating expenses			**(80,286,656)**		(89,194,686)
Operating result			**23,444,114**		24,466,017
Interest income and similar income		**1,349,978**		280,856	
Interest expenses and similar charges		**(4,456,706)**		(5,188,370)	
			(3,106,728)		(4,907,514)
Result from ordinary activities before tax			**20,337,386**		19,558,503
Corporate income tax	*19*		**(6,962,575)**		(4,109,507)
Result after tax (carried forward)			**13,374,811**		15,448,996

	2016 USD	2015 USD
Brought forward	**13,374,811**	15,448,996
Minority interests	**(23,907)**	294,434
Net result (surplus)	**13,350,904**	15,743,430

Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016		2015	
	USD	USD	USD	USD
Consolidated net result after tax attributable to the Foundation		**13,350,904**		15,743,430
Translation differences on foreign participating interests	**(2,015,845)**		(6,474,920)	
Donated equity	**752,525**		368,222	
Total of items recognised directly in reserves of the Foundation as part of the group reserves		**(1,263,320)**		(6,106,698)
Total result of the legal entity		**12,087,584**		9,636,732

Consolidated statement of changes in equity for the year ended 31 December 2016

	General Reserve USD	Legal reserve USD	Foreign currency translation reserve USD	Total USD
As at 1 January 2015	43,588,738	–	(93,040)	43,495,698
Consolidation of Pakistan and Zanzibar	–	1,454,900	–	1,454,900
Donated equity	–	368,222	–	368,222
Unappropriated result for the year	6,586,900	9,156,530	–	15,743,430
Transferred to legal reserve	(30,344,110)	30,344,110	–	–
Foreign currency translation differences	–	–	(6,474,920)	(6,474,920)
As at 31 December 2015	19,831,528	41,323,762	(6,567,960)	54,587,330
As at 1 January 2016	**19,831,528**	**41,323,762**	**(6,567,960)**	**54,587,330**
Informal capital contribution Sierra Leone and Liberia	**696,760**	**–**	**–**	**696,760**
Donated equity	**752,525**	**–**	**–**	**752,525**
Unappropriated result for the year	**(161,421)**	**13,512,325**	**–**	**13,350,904**
Transferred to general reserve	**9,156,530**	**(9,156,530)**	**–**	**–**
Foreign currency translation differences	**–**	**(1,140,696)**	**(875,149)**	**(2,015,845)**
As at 31 December 2016	**30,275,922**	**44,538,861**	**(7,443,109)**	**67,371,674**

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.

Consolidated cash flow statement for the year ended 31 December 2016

		2016		2015	
		USD	**USD**	USD	USD
Cash flow from operating activities					
Net result			**13,350,904**		15,743,430
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	*1, 2*	**860,118**		1,029,255	
— Impairment / write-off in loans	*5*	**939,703**		2,387,987	
— Incremental stake in Sierra Leone and Liberia		**696,760**		–	
— Interest income and expenses		**3,106,728**		4,907,514	
— Tax on result from ordinary activities	*19*	**6,962,575**		4,109,507	
— Change in minority interest	*8*	**(527,636)**		294,434	
— Change in consolidation scope		**–**		(14,295,620)	
— Changes in working capital:					
- Increase inventories		**(38,151)**		(18,623)	
- Increase other receivables		**897,105**		(528,520)	
- Increase other liabilities		**2,546,686**		2,038,097	
			15,443,888		(75,969)
Cash flow from business operations			**28,794,792**		15,667,461
Interest paid		**(4,292,553)**		(7,511,584)	
Income tax paid		**(5,345,259)**		(4,109,507)	
			(9,637,812)		(11,621,091)
Cash flow from operating activities (carried forward)			**19,156,980**		4,046,370

		2016		2015	
		USD	**USD**	USD	USD
Brought forward			**19,156,980**		4,046,370
Investments in:					
— Tangible fixed assets	*2*	**(1,840,406)**		(1,223,120)	
— Intangible fixed assets	*1*	**(69,815)**		(163,429)	
Disposals of (in)tangible fixed assets	*2*	**(52,798)**		34,715	
Loans to customers distributed	*5*	**(222,352,297)**		(179,227,855)	
Loans to customers repayment	*5*	**203,330,481**		166,024,115	
Cash flow from investing activities			**(20,984,835)**		(14,555,574)
Increase in borrowings	*9*	**7,945,194**		16,998,452	
Repayment of borrowings	*9*	**(7,430,240)**		(7,511,584)	
Changes in donor grant	*9*	**(3,791,780)**		(5,620,454)	
Donated equity		**752,525**		(419,768)	
Cash flow from financing activities			**(2,524,321)**		3,446,646
Net cash flow			**(4,352,176)**		(7,062,558)
Exchange rate and translation differences on cash and cash equivalents			**137,539**		1,559,992
Changes in cash and cash equivalents			**(4,214,637)**		(5,502,566)
Cash and cash equivalents as at the beginning of the financial year			**61,145,544**		66,648,110
Changes in cash and cash equivalents			**(4,214,637)**		(5,502,566)
Cash and cash equivalents as at the end of the financial year			**56,930,907**		61,145,544

Notes to the 2016 consolidated financial statements

The reporting entity

Stichting BRAC International ('the Foundation') has its legal address in The Hague and its office address at Bezuidenhoutseweg 2, 2594 AV The Hague.

Stichting BRAC International's vision is in line with the vision of 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.

The Foundation'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 Foundation 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 have been prepared for the period from 1 January 2016 to 31 December 2016.

Basis of preparation

The financial statements have been prepared in accordance with the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

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

Going concern

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

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 statement of income and expenses 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 recognised when the Foundation has provided the services to the customer based upon the finance agreements.

The financial statements are presented in United States dollars (USD), the Foundation's functional currency.

Consolidation principles

The consolidated financial statements include the financial data of the stand-alone Foundation, its group companies and other companies over which the Foundation has control. Control exists when the Foundation 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 Foundation 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 Foundation with more or less influence.

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

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the 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 Foundation 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 stand-alone 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 stand-alone line item in the consolidated statement of income and expenses.

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

The Foundation's operations are of two types, Microfinance and Donor Funded Development programmes.

Group structure of Stichting BRAC International

The following NGO branches and entities have been consolidated under Stichting BRAC International:

Name	**Legal address**	**2016 Share of interest %**	2015 Share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	**100**	100
BRAC Uganda*	Kampala, Uganda	**0**	0
BRAC Liberia	Monrovia, Liberia	**Branch**	Branch
BRAC Afghanistan*	Kabul, Afghanistan	**0**	0
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	**0**	0
BRAC Sierra Leone	Freetown, Sierra Leone	**Branch**	Branch
BRAC Philippine	Cotabato City, Philippines	**Branch**	Branch
BRAC Haiti	Pétion-Ville, Haiti	**Closed**	Branch
BRAC South Sudan*	Juba, South Sudan	**0**	0
BRAC Nepal	Kathmundu, Nepal	**Branch**	Branch
BRAC Pakistan*	Islamabad, Pakistan	**0**	0
BRAC*	Mbweni, Zanzibar	**0**	0

* The entities with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors.

The goals of the consolidated group companies are aligned with the goals of the Foundation as set out in the Management Board report. Within these consolidated group companies, at least one of the executives of the Foundation is involved as member of the Board of Directors of the local entity.

Stichting BRAC International is represented in several countries as a Branch. On basis of the local registered offices, Stichting BRAC International manages its donor funded activities (NGO).

The Foundation closed its NGO branch in Haiti on 13 June 2016. All the assets, liabilities and the operation of that branch have been donated to Centres De Rehabilitation Physique Et Humaine D'Haiti (CREPHA), a local NGO.

Consolidated entities of BRAC International Holdings BV

Stichting BRAC International holds 100% shares of BRAC International Holdings B.V. which consolidates all the Microfinance operations under its wing. BRAC International Holdings B.V. has consolidated interests in the companies below:

Name	**Legal address**	**2016 Share of interest %**	2015 Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown, Sierra Leone	**75.5**	51
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	**75.5**	51
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	**100**	–
BRAC Uganda Microfinance Ltd	Kampala, Uganda	**0**	0
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	**0**	0
BRAC Pakistan	Islamabad, Pakistan	**0**	0
BRAC	Mbweni, Zanzibar	**0**	0

On 1 July 2016 Omidyar Network, owner of 24.5% shares in BRAC Liberia and Sierra Leone Microfinance Entities donated its shares to BRAC USA and made an exit from the investment. BRAC USA subsequently donated the shares to BRAC International Holdings B.V.

The entity acquired 100% share of BRAC Uganda Social Business Enterprise on 5 January 2016. Previous owner of the entity was BRAC Industries Ltd.

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

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 statement of income and expenses 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 statement of income and expenses. 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 recognises any translation differences in the statement of income and expenses, 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 statement of income and expenses.

Use of estimates and judgements

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

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

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 statement of income and expenses 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 statement of income and expenses 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 Foundation does not make use of derivatives.

Impairment of financial assets

A financial asset that is *not* stated at (1) fair value with value changes reflected in the statement of income and expenses, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. Those individually significant assets found not to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Foundation uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the statement of income and expenses and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

Impairment losses below (amortised) cost of investments in equity instruments that are stated at fair value through profit or loss, are recognised directly in profit or loss.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Offsetting financial instruments

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

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

Intangible fixed assets

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

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

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

Software licenses

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

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

Tangible fixed assets

Recognition and measurement

Land and buildings, plant and equipment, other fixed operating assets 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 statement of income and expenses in accordance with the depreciation period of the related assets.

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

Depreciation

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

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

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

Tangible fixed assets, for which the Foundation and its group companies possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the statement of income and expenses 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 statement of income and expenses. 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 with significant influence

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 Foundations accounting policies. If the Foundation 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 Foundation 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 Foundation fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Foundation 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

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

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

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

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Foundation 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 Foundation by providing finance directly to borrowers is categorised as loans to group members and is carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date and subsequently measured at the original effective interest rate at reporting date. All loans and advances are recognised when cash is advanced to borrowers.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Impairment of fixed assets

Tangible and intangible fixed assets

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

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

Financial fixed assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Foundation on terms that the Foundation 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 Foundation, or economic conditions that correlate with defaults in the Foundation.

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

The Foundation 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 Foundation estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason 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%.

2. In addition to the specific loan provisions, a general provision of 2% on current loans has been provided which was derived based on the Foundation's historic loss ratio. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest bearing loans (NIBL)' and are referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the Board where the Board thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequently recoveries are credited as income in the statement of comprehensive income.
3. When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to other income in the statement of comprehensive income.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Other receivables

Other receivables comprise 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.

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

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

Reserves

Within the reserve a distinction has been made in general reserve, legal reserve and foreign currency translation reserve. The purpose of the general reserve is to create a sufficient buffer that can be used to complete pending programmes and with due observance of existing legal and moral obligations.

Due to the fact that Stichting BRAC International is not entitled to distribute any of the company's reserves of Tanzania, Uganda, Pakistan, Zanzibar, Afghanistan and South Sudan entities its share in the reserves from the above countries is recorded in a legal reserve.

The translation reserve arises from the assets and liabilities that are part of the net investment in a foreign operation that 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.

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 Foundation's valuation principles.

Provisions

A provision is recognised if the following applies:

— the Foundation has a legal or constructive obligation, arising from a past event;

— the amount can be estimated reliably; and

— it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

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

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

Long-term liabilities

The valuation of long-term liabilities is explained under the heading 'Financial instruments'.

Current liabilities

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

Revenue recognition

Revenue is recognised on an accrual basis.

Donor grants and grant income

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

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

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

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 recognised on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as 'non-performing' loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realised. 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 of customers and other charges are recognised on an accrual basis when the service has been provided.

Rental income

Rental income from investment property is recognised in the statement of income and expenses on a straight-line basis over the term of the lease. Lease incentives granted to encourage lessees to enter into rental agreements are recognised as an integral part of total rental income, over the term of the lease.

Other income

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

HO logistics costs

Stichting BRAC International normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit. Stichting BRAC International 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 benefits are charged to the statement of income and expenses in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Foundation.

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

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

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

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

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 (Foundation, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has four Dutch employees, this paragraph has been included to explain the accounting treatment only).

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

Dutch pension plans

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

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

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

Leasing

The Foundation 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 Foundation 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 Foundation 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 Foundation acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the statement of income and expenses on a straight-line basis over the lease term.

Interest receivable and similar income and interest payable and similar charges

Interest income is recognised in the statement of income and expenses 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 statement of income and expenses. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the statement of income and expenses and the redemption premiums already recognised in the statement of income and expenses, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the statement of income and expenses are recognised as a reduction of the debt(s) to which they relate.

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

Interest on debts associated with an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying assets) is included in the production cost of an asset, if the future benefits related to that asset are expected to be large enough to cover the carrying amount of that item, including the allocated interest, and the economic benefits can be determined sufficiently reliable.

The interest is calculated on the basis of the interest payable on borrowings specifically for the production, less investment income on temporary investment of the borrowings. If the production is financed by loans that cannot be attributed specifically to the production of certain assets, the interest to be capitalised is calculated by multiplying the cost of production with the weighted interest rate on those loans, taking into account the period of production. The amount of expenditure on production comprises amounts allocated to the production, net of instalments received from purchasers and government grants and similar facilities received relating to the investment in the relevant asset. The amount of interest to be capitalised is not higher than the interest due for that period.

If the amount of the expected ultimately to be capitalised cost of the qualifying asset exceeds the recoverable amount, an impairment loss is recognised.

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 statement of income and expenses 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 Foundation 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 Foundation expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the result of these participating interests. Results on transactions, concerning a the transfer of assets and liabilities between the group and a non-consolidated participating interest 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.

Contingent liabilities

The Foundation recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Foundation, 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 Foundation 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 categorised 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

Movements in intangible fixed assets were as follows:

	Total USD
Balance as at 1 January 2016:	
— Purchase price	**391,082**
— Accumulated amortisation and impairment	**(103,116)**
— Carrying amount	**287,966**
Changes in carrying amount:	
— Investments	**69,815**
— Amortisation	**(120,605)**
— Exchange rate differences	**(2,008)**
— Change in carrying amount	**(52,798)**
Balance as at 31 December 2016:	
— Purchase price	**458,078**
— Accumulated amortisation and impairment	**(222,910)**
— Carrying amount	**235,168**

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

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Other USD	Total USD
Balance as at 1 January 2016:					
— Purchase price	381,141	2,777,140	2,560,645	2,022,274	7,741,200
— Accumulated depreciation and impairment	(34,938)	(1,798,047)	(1,644,801)	(1,065,771)	(4,543,557)
— Carrying amount	346,203	979,093	915,844	956,503	3,197,643
Changes in carrying amount:					
— Investments	582,806	740,277	180,338	336,985	1,840,406
— Disposals	–	(757,351)	(521,839)	(389,069)	(1,668,259)
— Depreciation	(170,253)	(595,828)	(235,378)	(215,525)	(1,216,984)
— Reversal of impairments	–	520,529	451,132	327,995	1,299,656
— Exchange rate differences purchase price	(244,622)	(683,858)	(703,804)	(314,995)	(1,947,279)
— Exchange rate differences accumulated depreciation	131,187	767,184	575,467	248,423	1,722,261
— Change in carrying amount	299,118	(9,047)	(254,084)	(6,186)	29,801
Balance as at 31 December 2016:					
— Purchase price	719,325	2,596,737	1,966,472	1,983,190	7,265,724
— Accumulated depreciation and impairment	(74,004)	(1,626,691)	(1,304,712)	(1,032,873)	(4,038,280)
— Carrying amount	645,321	970,046	661,760	950,317	3,227,444

3 Financial fixed assets

	2016	2015
	USD	USD
Investment in SFRE Fund	**1,144,224**	1,126,461
Deferred tax assets	**962,193**	1,599,913
Finance lease on leasehold land	**15,944**	–
	2,122,361	2,726,374

Investment in SFRE Fund

The investment in SFRE Fund has been made to 17400 ‘A’ shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 100 each and the Net Asset Value (NAV) per share is USD 65.76. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

The organisation’s total interest in SFRE Fund amounts to 9.14% as of December 2016. 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 and USD 1,740,000 has been invested till 31 December 2016 (NAV USD 1,144,224).

Deferred tax assets

The deferred tax assets arises due to all temporary differences in assets and liabilities between the accounting base and fiscal base using the principal tax rate of the subsidiaries.

Finance lease on lease hold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2016, the remaining lease period is 91 years.

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

4 Inventories

	2016 USD	2015 USD
Inventories	**382,154**	344,003

No provision for obsolete inventories is deemed necessary (2015: USD 0).

5 Loans and advances to customers

Principal loans outstanding

	2016 USD	2015 USD
Microfinance loans	**83,607,608**	68,878,682
Small enterprises programme (SEP)	**16,701,574**	13,371,047
Empowering and Livelihood for Adolescent Loans (ELA)	**2,304,798**	2,144,625
Agriculture	**2,630,333**	1,835,757
Integrated development programme	**210,310**	202,697
	105,454,623	86,432,808

Microfinance loans to group members are traditional small ticket loans and is approximately for a 20 and 40 weeks period. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks. These loans bear interest percentages from 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

	2016 USD	2015 USD
Opening balance as at 1 January	**86,432,808**	58,933,448
Change in consolidation scope	**–**	14,295,620
Disbursements during the year	**222,352,297**	179,227,855
Repayment during the year	**(203,330,482)**	(166,024,115)
Gross advance to customers	**105,454,623**	86,432,808
Interest receivable as at 31 December	**1,656,727**	669,336
Less write-offs during the year	**(1,001,690)**	(679,597)
Loan loss reserve	**(3,785,770)**	(4,009,261)
Closing balance as at 31 December	**102,323,890**	82,413,286

The movement of the loan loss reserve is below:

	2016 USD	2015 USD
Opening balance as at 1 January	**4,009,261**	2,633,013
Charged for the year	**939,703**	2,387,987
Change in consolidation scope	**–**	432,536
Write-off	**(1,001,690)**	(679,597)
FX adjustment	**(161,504)**	(764,678)
Closing balance as at 31 December	**3,785,770**	4,009,261

6 Other receivables

	2016 USD	2015 USD
Grants receivable	**3,635,863**	3,778,065
Advances to third parties	**711,484**	583,623
Advances to staff	**15,910**	27,769
Prepayments	**95,150**	1,863,841
Other assets	**2,417,812**	1,520,026
	6,876,219	7,773,324

Grants receivable mainly consist of funds receivable from donors against expenses made on various projects in Afghanistan (i.e. CIDA Girls Education project, National Solidarity project, etc.) and South Sudan (i.e. GESS Project, DFID GPAF project, etc.).

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

Other assets include advance income and advances of the fiscal authorities for the subsidiary operation. All the other receivables are due within 1 year.

7 Cash and cash equivalents

	2016 USD	2015 USD
Cash at bank	**45,116,229**	45,894,088
Short-term deposits	**11,650,815**	15,049,729
Cash in hand	**163,863**	201,727
	56,930,907	61,145,544

All cash and cash equivalent 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 reserves

	2016	2015
	USD	USD
Reserves	**67,371,674**	54,587,330
Minority interest	**989,970**	1,517,606
	68,361,644	56,104,936

Refer to note 28 for the movement schedule.

Reserves

	2016	2015
	USD	USD
General reserve	**30,275,921**	19,831,528
Legal reserve	**44,538,862**	41,323,762
Foreign currency translation reserve	**(7,443,109)**	(6,567,960)
	67,371,674	54,587,330

The legal reserve is the total equity for certain group entities where it is not possible to pay out dividend. These entities with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan, Pakistan and Zanzibar operations are under this category.

The movement in reserves can be specified as follows:

	2016	2015
	USD	USD
As at 1 January	**54,587,330**	43,495,698
Informal capital contribution Sierra Leone and Liberia	**696,760**	–
Consolidation of Pakistan and Zanzibar	**–**	1,454,900
Donated equity	**752,525**	368,222
Surplus for the year	**13,350,904**	15,743,430
Foreign currency translation differences	**(2,015,845)**	(6,474,920)
As at 31 December	**67,371,674**	54,587,330

Minority interests

	2016 USD	2015 USD
BRAC Liberia Microfinance Company Ltd. (24.5% / 49%)	**571,020**	1,019,276
BRAC Microfinance (Sierra Leone) Ltd. (24.5% / 49%)	**418,950**	498,330
	989,970	1,517,606

This balance sheet heading covers the third-party minority interests, representing the share (24.5%) (2015: 49%) of third parties in the shareholders' equity of the group companies in BRAC Microfinance (Sierra Leone) Ltd and BRAC Liberia Microfinance Company Ltd.

9 Long-term liabilities

	2016 USD	2015 USD
Borrowings	**36,281,219**	36,874,611
Less: Current portion of borrowings	**24,079,872**	13,485,220
Long-term borrowings	**12,201,347**	23,389,391

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

	2016 USD	2015 USD
Opening balance as at 1 January	**36,874,611**	24,011,989
Received during the year	**7,945,194**	16,998,452
Opening loan balance (new in consolidation)	**–**	8,941,828
Repayment during the year	**(7,430,240)**	(7,511,584)
Interest accrued	**255,561**	1,609,053
Foreign currency loss / (gain)	**(1,363,907)**	(7,175,127)
Closing balance as at 31 December	**36,281,219**	36,874,611

The lender-wise breakdown is below:

	Ref	2016 USD	2015 USD
BRAC Africa Micro Finance Limited	*1*	**10,067,165**	13,298,501
BRAC Bangladesh	*2*	**3,275,362**	2,752,229
Financial Sector Deepening Trust (FSDT)		**–**	397,363
responsAbility Investments AG	*3*	**6,896,928**	5,101,114
Bank of Africa	*4*	**2,988,954**	5,611,142
Habib Bank Limited	*5*	**5,089,894**	5,332,288
Pakistan Poverty Alleviation Fund	*6*	**3,620,447**	2,893,756
Stromme Foundation	*7*	**1,544,076**	–
Oikocredit	*8*	**1,403,706**	–
Others	*9*	**1,394,687**	1,488,218
		36,281,219	36,874,611

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 USD 17.25 million for Uganda and Tanzania with a revised interest rates of 14.85%. The loan period is 4.5 years up to December 2017 and repayable in three instalments in June 2016, June 2017 and December 2017. As at 31 December 2016, the outstanding liability amounts to USD 10,067,165 and the loan will be fully paid within one year.
2. In January 2007, BRAC Uganda Microfinance obtained a facility of UGX 2,187 million from BRAC Bangladesh for support of microfinance. It bears interest at 8% per annum. This loan is not secured. In 2013, UGX 640 million was repaid and the balance of UGX 1,547 million shall be repaid on demand. In March 2015, another agreement of USD 3 million was signed and in May 2015 USD 500,000 equivalent to UGX 1,489 million was disbursed. The loan is repayable in a period of 24 months. The loan is not secured and the interest rate is 5% per annum. Current portion of the loan is USD 500,000.
3. In 2015, term loan facility worth USD 7.5 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Uganda and Tanzania. The loan is repayable in three equal instalments and attracts interest at 6.95%. As at 31 December 2016, the outstanding liability amounts to USD 6,896,928, the current part of the liability amounts to USD 3,606,872 (2015: USD 1,003,770).
4. In May 2015, BRAC Microfinance obtained a term loan from Bank of Africa amounting to UGX 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 23%. At close of December 2016, principal amounting to UGX 4,819,899,000 had been repaid. As at 31 December 2016, the outstanding liability amounts to USD 1,321,816, the current part of the liability amounts to USD 1,261,071 (2015: USD1,193,998)

   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 as term loan and TZS 2 billion overdraft. Both are quoted at the rate of 18% raised to 21.5% during the year. During the year TZS 3.3 billion was repaid. The overdraft facility has not been utilised. As at 31 December 2016, the outstanding amount stands at USD 1,675,057 and the current portion of the loan was USD 1,675,067 (2015: USD 1,356,205).
5. 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 B.V. As at 31 December 2016, the outstanding liability amounts to USD 4,177,010, the current part of the liability amounts to USD 2,983578.

   BRAC Pakistan also enjoys a running finance facility with Habib Bank of PKR 95 million which is secured against a deposit of USD 1 million and attracts interest at KIBOR +0.75%.
6. 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 2016, the outstanding liability amounts to USD 3,620,447, the current part of the liability amounts to USD 1,629,059 (2015: USD 1,814,749)

7. BRAC Uganda secured a loan facility of UGX 5,500 million (USD 1,544,076) from Strommee Microfinance (E.A) limited in 2016. The loan is repayable in 4 years with a 1 year grace period and attracts interest at 18% p.a.
8. BRAC Uganda secured a loan facility of UGX 20,000 million (USD 5,600,000) from Oikocredit, Ecumenical Development Cooperative Society, UA (E.A) limited in 2016. The loan is repayable in 18 quarterly installments in 5 years with 9 months of grace period and attract interest at 14% p.a. During the year first disbursement of UGX 5,000 MN has been received.
9. Other includes a loan from Kiva Micro funds, a 501 non-profit organisation 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. (2015: USD 1,488,218).

10 Current liabilities

	2016 USD	2015 USD
Donor funds	**28,034,899**	31,826,698
Current portion of the borrowings (note 9)	**24,079,872**	13,485,220
Other current liabilities	**39,420,381**	33,081,895
	91,535,152	78,393,813

Donor funds

	2016 USD	2015 USD
Donor funds received in advance	**23,796,103**	27,009,237
Donor funds invested in microfinance loans	**2,587,154**	2,102,909
Donor funds utilised in fixed assets	**1,651,642**	2,714,552
	28,034,899	31,826,698

All amounts included are due within one year.

Donor funds received in advance

	2016	2015
	USD	USD
Opening balance	**27,009,237**	32,730,686
Received during the year	**51,568,493**	64,712,837
Transfer to donor funds in fixed assets	**(120,055)**	(705,757)
Foundation's contribution	**(212,510)**	10,824
Transfer to donor funds - loan to group members	**(854,254)**	(538,219)
Released to statement of income and expenses	**(49,081,149)**	(67,561,460)
Released to others	**(1,029,845)**	(1,122,356)
Receivable from donor	**3,810,143**	2,989,292
Other receivables	**(3,166,400)**	541,735
Translation difference	**(4,127,557)**	(4,048,345)
Closing balance	**23,796,103**	27,009,237

Donor funds invested in microfinance loans

	2016	2015
	USD	USD
Opening balance as at 1 January	**2,102,909**	1,834,748
Transferred from donor funds received in advance	**854,254**	538,219
Translation difference	**(370,009)**	(270,058)
Closing balance as at 31 December	**2,587,154**	2,102,909

Donor funds utilised in fixed assets

	2016	2015
	USD	USD
Opening balance	**2,714,552**	2,881,718
Transfer from grant received in advance	**120,055**	702,988
Released to statement of income and expenses	**(362,829)**	(763,238)
Transferred to capital fund	**(393,924)**	(4,380)
Assets handed over to others	**(144,398)**	(98,994)
Translation difference	**(281,814)**	(3,542)
Closing balance	**1,651,642**	2,714,552

Other current liabilities

	2016 USD	2015 USD
Loan Security Fund – short-term	**17,103,107**	14,706,275
Payable to BRAC Bangladesh	**8,781,042**	8,048,645
Payable to biTs (BRAC IT Services Ltd)	**451,467**	–
Accrued expenses	**4,738,048**	2,251,182
Tax payable	**1,286,868**	941,866
Other liabilities	**7,059,849**	7,133,927
	39,420,381	33,081,895

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. forfeit all or part of the Loan Security Fund to the extent of the amount at risk. The loans have durations 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 Foundation and its subsidiaries. The amount is payable on demand.

Other liabilities include mainly interoffice provisions from BRAC Tanzania Finance Ltd amounting USD 2.1 million and staff retirement benefits from BRAC Pakistan and BRAC Uganda of USD 0.6 million and USD 0.7 million respectively. In addition, various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities. All the current liabilities are payable within one year.

11 Financial instruments

General

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

The Foundation 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 Foundation, 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 Management Board has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

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

Credit risk

Credit risk arises principally from the loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk that the Foundation 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 is spread over a large number of counterparties (banks, customers and other third parties).

The Foundation 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 Foundation considers and consolidates all elements of credit risk exposure.

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

Policy objectives

- Protect the Foundation 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 foundation 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 the Foundation.
- Meet legal or statutory requirements.

— Assist in safeguarding the Foundation’s assets: people, finance, property and reputation.

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

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

Currency risk

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

Interest rate risk and cash-flow risk

The Foundation’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. The Foundation does not engage in speculative transactions or take speculative positions on its interest rates.

Market risk

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

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

Management of market risk

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

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities.

Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangement are put in place in order to ensure that all future cash flow commitments are met form the working capital generated by the Foundation and also from available financial institutions facilities.

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

12 Grant income

The breakdown of grant income by country is as follows:

	2016	2015
	USD	USD
Uganda	**14,873,931**	14,032,750
Afghanistan	**11,655,344**	16,640,208
Philippine	**5,105,196**	6,758,161
Pakistan	**5,309,491**	3,774,419
South Sudan	**4,300,738**	7,732,752
Tanzania	**4,277,910**	4,308,520
Sierra Leone	**2,828,000**	3,454,000
Liberia	**1,540,488**	3,802,382
The Netherlands	**5,192**	7,559,658
Haiti	**–**	222,102
Nepal	**163,000**	33,884
Zanzibar	**–**	5,862
	50,059,290	68,324,698

13 Service charge income

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

	2016	2015
	USD	USD
Uganda	**22,879,757**	17,306,857
Tanzania	**14,840,969**	12,390,831
Pakistan	**5,193,039**	4,645,647
Sierra Leone	**1,277,000**	1,061,000
Liberia	**1,389,908**	1,002,995
Myanmar	**1,358,897**	294,227
Zanzibar	**549,825**	441,892
South Sudan	**–**	5,668
	47,489,395	37,149,117

Service charge income denotes the interest income earned on loans and advances disbursed to the borrowers and exist solely of income from Microfinance activities.

14 Other operating income

	2016	2015
	USD	USD
Overhead income	**168,905**	980,240
Fees and commission income	**2,359,130**	1,948,654
BRAC contribution income	**129,625**	332,107
Foreign exchange gains	**(830,420)**	851,868
Training income	**678,026**	1,645,212
Other income	**3,676,819**	2,428,807
	6,182,085	8,186,888

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.

15 Cost of outsourced work and other external costs

	2016	2015
	USD	USD
Programme supplies	**17,689,575**	19,931,770
Maintenance and general expenses	**7,858,647**	6,647,798
Travel and transportation	**6,441,135**	6,943,976
Training and development	**6,656,886**	8,115,237
Rent and utilities	**4,139,392**	5,063,678
Printing and office stationeries	**909,411**	832,978
Audit and legal fees	**771,928**	608,120
	44,466,974	48,143,557

16 Wages and salaries

	2016	2015
	USD	USD
Salaries and benefits	**28,667,596**	31,170,334

During the 2016 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 6,331 people (2015: 7,068). All the staffs are employed outside the Netherlands except 2 (2015: 1).

There is no board remuneration applicable.

17 Social security and pension charges

	2016 USD	2015 USD
Social security charges	**1,502,099**	1,544,938

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

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2016 is USD 9,868 (2015: USD 3,035).

18 Other operating expenses

	2016 USD	2015 USD
Other operating expenses	**3,850,166**	4,918,615

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

19 Corporate income tax

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

The major components of the tax charge are as follows:

	2016 USD	2015 USD
Current tax	**6,407,489**	4,615,619
Movement in temporary differences	**555,086**	(506,112)
Tax on result from ordinary activities	**6,962,575**	4,109,507

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%.

The applicable weighted average tax rate is 34.2 % (2015: 21%), 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:

	2016 USD	2016 %	2015 USD	2015 %
Result before taxation	**20,337,386**		19,558,503	
Tax using the domestic tax rate	**5,084,347**	**25.0**	4,889,626	25.0
Application of different tax rate	**1,878,230**		(780,119)	
Income tax according to consolidated statement of income and expenses	**6,962,575**	**34.2**	4,109,507	21.0

Surpluses on development programmes are exempted from tax. In 2015, there was more surplus from development operations which resulted in a lower average tax rate.

20 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Foundation and a natural person or entity that is affiliated with the Foundation. This includes, among other relations, the relationship between the Foundation 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:

	2016 USD	2015 USD
Term deposit to BRAC Bank	**5,435,238**	9,498,635
Payable to BRAC	**8,783,794**	8,048,645
BRAC Africa Microfinance Ltd	**10,067,165**	13,298,501
Payable to biTs	**451,467**	–
Payable to BRAC Lanka Guarantee Ltd	**301,784**	315,762

The following related party transactions occurred during the year:

	2016 USD	2015 USD
Interest payment on BRAC Bangladesh loans	**63,021**	53,890
Expenses charged by BRAC Bangladesh	**1,633,318**	1,472,783
Interest on loan from BRAC Africa Microfinance Ltd	**2,005,350**	2,086,428
Grants received from related parties	**–**	11,166,570
Recharged secretariat expenses to related parties	**1,630,567**	2,823,702
Software maintenance by biTs (BRAC IT Services Ltd)	**451,467**	–
Grants received through BRAC USA	**5,652,445**	10,584,331
Grants received through BRAC UK	**1,216,158**	1,472,783

21 Off-balance sheet assets and liabilities

The group has a capital commitment of SFRE Fund of USD 4 million. As of December 2016, USD 1.74 million is disbursed as at date of the auditor’s report.

Also the group provided a corporate guarantee to Bank of Africa for an amount of UGX 15.5 billion (USD 4.35 million) for a loan to BRAC Uganda Microfinance Limited. As of December 2016, the balance payable against this loan is equivalent to USD 1.32 million.

An additional equity injection of USD 1 million each for the BRAC Sierra Leone and Liberia microfinance entities is approved by the Governing Board. However, no disbursement has been made as of the reporting date.

22 Subsequent events

There are no subsequent events to report.

23 Segmental information

Operational segments

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

The group has three strategic operational segments: non-microfinance, microfinance and social enterprise.

Non-microfinance programme (Non-MF) includes all development interventions in Agriculture and Livelihood development, Education, Health, youth and skill development programmes, etc.

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

Social enterprise (SBE) involves the production and processing of seeds (maize and rice).

The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below.

Segmental balance sheet as at 31 December 2016

	Non-MF USD	MF USD	SBE USD	Holding USD	Elimination USD	Total USD
Fixed assets						
Intangible fixed assets	–	235,168	–	–	–	235,168
Tangible fixed assets	1,792,946	959,686	474,812	–	–	3,227,444
Financial fixed assets	808	961,385	15,944	17,941,908	(16,797,684)	2,122,361
	1,793,754	**2,156,239**	**490,756**	**17,941,908**	**(16,797,684)**	**5,584,973**
Current assets						
Inventories	297,368	69,227	15,559	–	–	382,154
Loans and advances to customers	–	102,323,890	–	–	–	102,323,890
Other receivables	5,503,351	2,358,939	54,612	12,426,538	(13,467,221)	6,876,219
Cash and cash equivalents	29,295,266	12,255,773	285,910	15,093,958	–	56,930,907
	35,095,985	**117,007,829**	**356,081**	**27,520,496**	**(13,467,221)**	**166,513,170**
	36,889,739	**119,164,068**	**846,837**	**45,462,404**	**(30,264,905)**	**172,098,143**
Group reserves						
Reserves	2,378,452	48,786,712	745,745	32,258,449	(16,797,684)	67,371,674
Minority interests	–	989,970	–	–	–	989,970
	2,378,452	**49,776,682**	**745,745**	**32,258,449**	**(16,797,684)**	**68,361,644**
Long-term borrowings	**1,403,258**	**10,798,089**	**–**	**–**	**–**	**12,201,347**
Current liabilities	**33,108,029**	**58,589,297**	**101,092**	**13,203,955**	**(13,467,221)**	**91,535,152**
	36,889,739	**119,164,068**	**846,837**	**45,462,404**	**(30,264,905)**	**172,098,143**

Segmental statement of income and expenses for the year ended 2016

	Non-MF USD	MF USD	SBE USD	Holding USD	Elimination USD	Total USD
Grant income	49,431,468	622,630	–	5,192	–	50,059,290
Service charge income	–	47,489,395	–	–	–	47,489,395
Other operating income	2,463,985	4,280,111	474,408	2,938,621	(3,975,040)	6,182,085
Total operating income	**51,895,453**	**52,392,136**	**474,408**	**2,943,813**	**(3,975,040)**	**103,730,770**
Cost of outsourced work and other external costs	(36,169,337)	(9,357,717)	(144,090)	(2,770,870)	3,975,040	(44,466,974)
Wages and salaries	(14,858,883)	(13,627,979)	(98,382)	(82,352)	–	(28,667,596)
Social security and pension charges	(452,843)	(1,039,136)	(10,120)	–	–	(1,502,099)
Amortisation and depreciation on intangible and tan-gible fixed assets	(438,898)	(381,303)	(39,917)	–	–	(860,118)
Impairment losses on loans and advan-ces to customers	–	(939,703)	–	–	–	(939,703)
Other operating expenses	(1,550,704)	(1,726,484)	(272,854)	(300,124)	–	(3,850,166)
Total operating expenses	**(53,470,665)**	**(27,072,322)**	**(565,363)**	**(3,153,346)**	**3,975,040**	**(80,286,656)**
Operating result	**(1,575,212)**	**25,319,814**	**(90,955)**	**(209,533)**	**–**	**23,444,114**
Interest income and similar income	473,647	636,686	3,646	235,999	–	1,349,978
Interest expenses and similar charges	–	(4,456,706)	–	–	–	(4,456,706)
	473,647	**(3,820,020)**	**3,646**	**235,999**	**–**	**(3,106,728)**
Result from ordinary activities before tax	**(1,101,565)**	**21,499,794**	**(87,309)**	**26,466**	**–**	**20,337,386**
Tax on result from ordinary activities	(2,060)	(6,989,028)	28,513	–	–	(6,962,575)
Result after tax	**(1,103,625)**	**14,510,766**	**(58,796)**	**26,466**	**–**	**13,374,811**
Minority interests	–	(23,907)	–	–	–	(23,907)
Net result (surplus)	**(1,103,625)**	**14,486,859**	**(58,796)**	**26,466**	**–**	**13,350,904**

Geographic information

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

Geographical balance sheet as at 31 December 2016

	Africa USD	Asia USD	Netherlands USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	117,189	117,979	–	–	235,168
Tangible fixed assets	2,573,412	654,032	–	–	3,227,444
Financial fixed assets	978,137	–	17,941,908	(16,797,684)	2,122,361
	3,668,738	**772,011**	**17,941,908**	**(16,797,684)**	**5,584,973**
Current assets					
Inventories	379,532	2,622	–	–	382,154
Loans and advances to customers	82,567,760	19,756,130	–	–	102,323,890
Other receivables	3,389,396	4,527,506	12,426,538	(13,467,221)	6,876,219
Cash and cash equivalents	27,966,874	13,870,075	15,093,958	–	56,930,907
	114,303,562	**38,156,333**	**27,520,496**	**(13,467,221)**	**166,513,170**
	117,972,300	**38,928,344**	**45,462,404**	**(30,264,905)**	**172,098,143**
Group reserves					
Reserves	44,556,292	7,354,617	32,258,449	(16,797,684)	67,371,674
Minority interests	989,970	–	–	–	989,970
	45,546,262	**7,354,617**	**32,258,449**	**(16,797,684)**	**68,361,644**
Long-term borrowings	**9,012,265**	**3,189,082**	**–**	**–**	**12,201,347**
Current liabilities	**63,413,773**	**28,384,645**	**13,203,955**	**(13,467,221)**	**91,535,152**
	117,972,300	**38,928,344**	**45,462,404**	**(30,264,905)**	**172,098,143**

Geographical statement of income and expenses for the year ended 2016

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Grant income	27,821,067	22,233,031	5,192	–	50,059,290
Service charge income	40,937,459	6,551,936	–	–	47,489,395
Other operating income	5,831,225	1,387,279	2,938,621	(3,975,040)	6,182,085
Total operating income	**74,589,751**	**30,172,246**	**2,943,813**	**(3,975,040)**	**103,730,770**
Cost of outsourced work and other external costs	(28,572,556)	(17,098,588)	(2,770,870)	3,975,040	(44,466,974)
Wages and salaries	(17,613,587)	(10,971,657)	(82,352)	–	(28,667,596)
Social security and pension charges	(1,462,057)	(40,042)	–	–	(1,502,099)
Amortisation and depreciation on intangible and tangible fixed assets	(571,376)	(288,742)	–	–	(860,118)
Impairment losses on loans and advances to customers	(600,958)	(338,745)	–	–	(939,703)
Other operating expenses	(2,664,900)	(885,142)	(300,124)	–	(3,850,166)
Total operating expenses	**(51,485,434)**	**(29,622,916)**	**(3,153,346)**	**3,975,040**	**(80,286,656)**
Operating result	**23,104,317**	**549,330**	**(209,533)**	**–**	**23,444,114**
Interest income and similar income	1,107,108	6,871	235,999	–	1,349,978
Interest expenses and similar charges	(3,788,637)	(668,069)	–	–	(4,456,706)
	(2,681,529)	**(661,198)**	**235,999**	**–**	**(3,106,728)**
Result from ordinary activities before tax	**20,422,788**	**(111,868)**	**26,466**	**–**	**20,337,386**
Tax on result from ordinary activities	(6,849,612)	(112,963)	–	–	(6,962,575)
Result after tax	**13,573,176**	**(224,831)**	**26,466**	**–**	**13,374,811**
Minority interests	(23,907)	–	–	–	(23,907)
Net result (surplus)	**13,549,269**	**(224,831)**	**26,466**	**–**	**13,350,904**

Stand-alone balance sheet as at 31 December 2016

(before appropriation of result)

		2016		2015	
		USD	**USD**	USD	USD
Fixed assets					
Tangible fixed assets	*24*	**587,670**		846,025	
Financial fixed assets	*25*	**7,936,349**		7,349,554	
			8,524,019		8,195,579
Current assets					
Inventories		**5,987**		71,069	
Other receivables	*26*	**11,947,929**		12,795,128	
Cash and cash equivalents	*27*	**13,946,444**		13,288,364	
			25,900,360		26,154,561
			34,424,379		34,350,140
Group reserves	*28*				
Reserves			**23,487,334**		22,420,097
Current liabilities	*29*		**10,937,045**		11,930,043
			34,424,379		34,350,140

Stand-alone statement of income and expenses for the year ended 31 December 2016

		2016		2015	
		USD	**USD**	USD	USD
Income					
Grant income	*31*	**9,566,497**		21,830,187	
Other operating income	*32*	**1,114,177**		3,848,558	
Total operating income			**10,680,674**		25,678,745
Cost of outsourced work and other external costs	*33*	**(7,950,294)**		(11,216,660)	
Wages and salaries	*34*	**(1,671,059)**		(2,927,032)	
Social security and pension charges	*34*	**(91,405)**		(88,502)	
Amortisation and depreciation on intangible and tangible fixed assets		**(164,272)**		(212,808)	
Other operating expenses	*35*	**(678,124)**		(2,621,965)	
Total operating expenses			**(10,555,154)**		(17,066,967)
Operating result			**125,520**		8,611,778
Interest income and similar income			**62,356**		15,803
Result from ordinary activities			**187,876**		8,627,581
Share in result of participating interests	*37*		**(349,296)**		(2,040,681)
Net surplus			**(161,420)**		6,586,900

Notes to the 2016 stand-alone financial statements

General

The stand-alone financial statements have been prepared in accordance with the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

In so far as no further explanation is provided of items in the stand-alone balance sheet and the stand-alone statement of income and expenses, please refer to the notes to the consolidated balance sheet and statement of income and expenses.

Reporting period

The financial statements have been prepared for a reporting period of one year, from 1 January 2016 to 31 December 2016.

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 statement of income and expenses, with the exception of the following:

Financial instruments

In the stand-alone 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 stand-alone 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 Foundation'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 Foundation and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

24 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Other USD	Total USD
Balance as at 1 January 2016:					
— Purchase price	300,357	475,534	512,230	193,096	1,481,217
— Accumulated depreciation and impairment	34,150	267,606	250,085	83,351	635,192
— Carrying amount	266,207	207,928	262,145	109,745	846,025
Changes in carrying amount:					
— Investments	–	33,162	–	9,895	43,057
— Disposals	–	(111,375)	(8,869)	(28,075)	(148,319)
— Depreciation	(10,057)	(60,063)	(81,117)	(12,695)	(163,932)
— Exchange rate differences	(19,782)	80,285	(37,142)	(12,521)	10,840
— Balance	(29,839)	(57,991)	(127,128)	(43,396)	(258,354)
Balance as at 31 December 2016:					
— Purchase price	275,829	329,928	442,138	145,247	1,193,142
— Accumulated depreciation and impairment	39,461	179,990	307,122	78,898	605,472
— Carrying amount	236,368	149,938	135,016	66,349	587,670

25 Financial fixed assets

	2016 USD	2015 USD
Subsidiary (BRAC International Holdings B.V.)	**7,936,349**	7,349,554

The movement of financial fixed assets is as follows:

	2016 USD	2015 USD
Balance as at 1 January	**7,349,554**	10,169,600
Share in result of subsidiary	**(349,296)**	(2,040,681)
Donated equity		–
Foreign currency translation difference	**936,091**	(779,365)
Balance as at 31 December	**7,936,349**	7,349,554

Stichting BRAC International has a 100% share in the capital of BRAC International Holdings B.V., the Netherlands.

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

Name	Legal address	2016 Share of interest %	2015 Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown, Sierra Leone	**75.5**	51
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	**75.5**	51
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Social Business Enterprise	Kampala, Uganda	**100**	0
BRAC Uganda Microfinance Ltd	Kampala, Uganda	**0**	0
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	**0**	0
BRAC Pakistan	Islamabad, Pakistan	**0**	0
BRAC	Mbweni, Zanzibar	**0**	0

On 1 July 2016, Omidyar Network, owner of 24.5% shares in BRAC Liberia and Sierra Leone Microfinance Entities, donated its share to BRAC USA and made an exit from the investment. BRAC USA subsequently donated the shares to BRAC International Holdings B.V.

The entity acquired 100% share of BRAC Uganda Social Business Enterprise Ltd on 5 January 2016. Previous owner of the entity was BRAC Industries Ltd.

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

26 Other receivables

	2016	2015
	USD	USD
Grant receivables	**265,000**	455,733
Advances to third parties	**128,880**	83,773
Receivables related parties	**11,451,604**	12,188,183
Other assets	**102,445**	67,439
	11,947,929	12,795,128

The receivables from related parties include USD 9.65 million provided to BRAC International Holdings B.V. for making various investments. BRAC International Holdings B.V. is expected to issue new shares to the parent against this amount. The balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

27 Cash and cash equivalents

	2016	2015
	USD	USD
Cash at bank	**11,918,417**	11,255,847
Short-term deposits	**2,002,615**	2,003,617
Cash in hand	**25,412**	28,900
	13,946,444	13,288,364

All cash and cash equivalent 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.

28 Reserves

	2016	2015
	USD	USD
Balance as at 1 January	**22,420,097**	17,067,765
Changes:		
— Unappropriated surplus for the year	**(161,420)**	6,586,900
— Donated equity	–	–
— Foreign currency translation differences	**1,228,657**	(1,234,568)
Balance as at 31 December	**23,487,334**	22,420,097

Reconciliation of reserves and net result per the consolidated financial statements with reserves and net result per the stand-alone financial statements

	2016 USD	2015 USD
Reserves according to the consolidated balance sheet	**67,371,674**	54,587,330
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
- BRAC Uganda	**4,207,451**	3,916,820
- BRAC Afghanistan	**512,508**	762,660
- BRAC Maendeleo Tanzania	**(65,555)**	(274,432)
- BRAC South Sudan	**(786,664)**	(64,297)
- BRAC (Zanzibar)	**356,406**	238,388
- BRAC Pakistan	**1,777,244**	1,355,367
- BRAC Uganda Microfinance Company	**23,265,287**	15,574,864
- BRAC Tanzania Finance Limited	**14,617,663**	10,657,863
	43,884,340	32,167,233
Shareholders' equity according to the stand-alone balance sheet	**23,487,334**	22,420,097

	2016 USD	2015 USD
Net result according to the consolidated statement of income and expenses	**13,350,904**	15,743,430
Less:		
— Surplus of affiliated Foundations, without participating interest:		
- BRAC Uganda	**572,212**	1,174,313
- BRAC Afghanistan	**(458,675)**	769,803
- BRAC Maendeleo Tanzania	**(2,060)**	(3,439)
- BRAC South Sudan	**(359,373)**	(1,784,875)
- BRAC (Zanzibar)	**76,588**	53,987
- BRAC Pakistan	**459,383**	341,715
- BRAC Uganda Microfinance Company	**9,162,865**	5,502,068
- BRAC Tanzania Finance Limited	**4,061,384**	3,102,958
	13,512,324	9,156,530
Net result according to the stand-alone statement of income and expenses	**(161,420)**	6,586,900

29 Current liabilities

	2016 USD	2015 USD
Donor funds	**7,012,387**	8,129,022
Other current liabilities	**3,924,658**	3,801,021
	10,937,045	11,930,043

Donor funds

	2016 USD	2015 USD
Donor funds received in advance	**6,732,558**	7,296,328
Donor funds utilised in fixed assets	**279,829**	832,694
	7,012,387	8,129,022

Donor funds received in advance

	2016 USD	2015 USD
Opening balance	**7,296,328**	10,766,431
Received during the year	**10,028,214**	18,784,768
Transfer to donor funds in fixed assets	**(40,598)**	(131,364)
Foundation's contribution	**–**	–
Transfer to donor funds – loan to group members	**–**	–
Released to statement of income and expenses	**(10,153,589)**	(21,566,615)
Released to others	**–**	(96,000)
Receivable from donor	**319,520**	197,886
Other receivables	**66,934**	–
Translation difference	**(784,251)**	(658,778)
Closing balance	**6,732,558**	7,296,328

Donor funds utilised in fixed assets

	2016 USD	2015 USD
Opening balance	**832,694**	879,319
Transfer from grant received in advance	**40,598**	131,364
Released to statement of income and expenses	**(119,357)**	(263,573)
Transferred to capital fund	**(347,399)**	–
Assets handed over to others	**–**	–
Translation difference	**(126,707)**	85,584
Closing balance	**279,829**	832,694

Other current liabilities

	2016 USD	2015 USD
Related-party payables	**2,662,423**	2,571,124
Accrued expenses	**267,971**	341,647
Tax payable	**19,594**	1,334
Other liabilities	**974,670**	886,916
	3,924,658	3,801,021

Related party payables are mainly in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand.
All other current liabilities are payable within one year.

30 Off-balance sheet assets and liabilities

The board of the Foundation has decided to invest USD 1 million each to BRAC Sierra Leone and Liberia microfinance entities. No disbursement has been made from this line during the year.

Also the Foundation provided a corporate guarantee to Bank of Africa for an amount of UGX 15.5 billion (USD 4.35 million) for a loan to BRAC Uganda Microfinance Limited. As of December 2016, the balance payable against this loan is equivalent to USD 1.32 million.

31 Grant income

	2016 USD	2015 USD
Grant income from donors	**9,566,497**	21,830,187

In 2015, grant income includes USD 7.47 m support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International in its office and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2015.

32 Other operating income

	2016 USD	2015 USD
Overhead income	**616,189**	3,206,757
BRAC contribution income	**–**	148,714
Foreign exchange gains/(loss)	**(529,539)**	137,726
Other income	**1,027,527**	355,361
	1,114,177	3,848,558

Stichting BRAC International provides various support such as Management, Accounting, Legal, Procurement, Recruitment, Training, IT support, Branding, etc., to its branches and subsidiaries and charges overhead against such support which is recorded as overhead income.

33 Cost of outsourced work and other external costs

	2016 USD	2015 USD
Programme supplies	**4,636,886**	6,822,573
Maintenance and general expenses	**1,246,921**	1,138,198
Travel and transportation	**587,508**	851,610
Staff training and development	**830,547**	1,288,555
Rent and utilities	**469,766**	898,340
Printing and office stationeries	**35,475**	42,213
Audit and legal fees	**143,191**	175,171
	7,950,294	11,216,660

34 Wages and salaries

	2016 USD	2015 USD
Staff costs	**1,671,059**	2,927,032
Social security and pension charges	**91,405**	88,502

During the 2016 financial year, the average number of staff employed in the Foundation and its branches, converted into full-time equivalents, amounted to 255 people (2015: 451). All the staff except 2 (2015: 1) work outside the Netherlands.

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2016 is USD 9,868 (2015: USD 3,035).

35 Other operating expenses

	2016 USD	2015 USD
Other operating expenses	**678,124**	2,621,965

Other operating expenses include various programme expenses, security charges and supplies to the programmes.

36 Financial instruments

General

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

The Foundation 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 Foundation, 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 risk or fair risks.

Credit risk

Credit risk arises principally from the Foundation loans and receivables presented under cash. The maximum amount of credit risk that the Foundation incurs is USD 5.3 million cash at bank and short-term deposits. The main counterparty is Triodos Bank.

Currency risks

The group is exposed to currency risks that are denominated in a currency other than the respective functional currencies of group entities.

Interest rate risk and cash flow risk

The interest rate risk is limited to possible changes in the fair value of loans taken up and granted. There are no further risks identified relating to interest rate and cash flow.

37 Share in result of participating interests

	2016 USD	2015 USD
BRAC International Holdings B.V.	**(349,296)**	(2,040,681)

The Management Board prepared the financial statements on 31 May 2017 and recommends that the General Meeting adopts the financial statements as presented in this 2016 report:

Amsterdam, 21 June 2017

The Management Board: Signature:

1. Mr. Faruque Ahmed
2. Mr. Saif Md Imran Siddique
3. Mr. Shameran Abed
4. Ms. Lamia Rashid
5. Mr. Jalal Uddin Ahmed

The Supervisory Board:

1. Sir Fazle Hasan Abed KCMG
2. Dr. Ahmad Mastaqur Raza Chowdhury
3. Dr. Muhammad Musa
4. Ms. Parveen Mahmud
5. Ms Sylvia Borren
6. Dr. Debapriya Bhattacharya
7. Ms Shabana Azmi
8. Mr. Shafiq ul Hassan
9. Ms. Irene Khan
10. Dr. Fawzia Rasheed

Other information

Provisions in the Deed of Incorporation governing the appropriation of result

Based upon the Foundation's Deed of Incorporation and Dutch law, the result is at the disposal of the General Meeting of Affiliates, which can allocate said result either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Branch offices

The Foundation has branch offices in Sierra Leone, Liberia Philippines and Nepal.

Independent auditor's report

The independent auditor's report is set out in the pages hereafter.