BRAC International Holdings B.V.

Financial statements 2013

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Directors' report

Management of BRAC International Holdings B.V. (herafter: 'the Company') hereby presents its financial statements for the period ended 31 December 2013.

The Company, having its legal address in The Hague and its office address at Teleport-boulevard 140, 1043 EJ Amsterdam, is a private limited liability company under Dutch law, with 100% of its shares held by Stichting BRAC International, a foundation registered in the Netherlands.

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

General information

The Company's business objectives are:

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

The core activity of BRAC International Holdings B.V. is to provide microfinance services to the poor and marginalized people. The Company plans to venture into social enterprises. Administratively, it also plays a role in consolidating the financial results of all our international microfinance operations. In 2013, BRAC Uganda Microfinance Ltd, BRAC Tanzania Finance Ltd, BRAC Microfinance Sierra Leone Ltd, BRAC Lanka Investment (Private) Ltd, BRAC Myanmar Microfinance Company Ltd and BRAC Liberia Microfinance Company Ltd are part of this consolidation.

The consolidated financial statements include the financial data of the parent company, its group companies and other companies over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account. Group companies exclusively acquired with the view to resale, are exempted from consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full, with minority interests presented within group equity separate from parent's equity.

Values

Innovation – the Company has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.
Integrity – the Company values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethics.
Inclusiveness – the Company is committed to engaging, supporting and recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socio-economic status and geography.
Effectiveness – the Company values efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Legal Structure

BRAC International Holdings B.V. is a wholly owned subsidiary of Stichting BRAC International. As of 31 December 2013, all of BRAC International Holdings B.V.'s 7,600,000 shares are owned and issued to Stichting BRAC International. For investment purposes the number of shares may increase in the future. The additional capital will come from Stichting BRAC International solely. BRAC International Holdings B.V. owns a 51% shareholding in our microfinance entities in Sierra Leone and Liberia and a 100% shareholding in our investment company in Sri Lanka. By way of exercising enough influence over our microfinance entities in Tanzania and Uganda, BRAC International Holdings B.V. is able to consolidate their results of operations with that of BRAC International Holdings B.V.

Significant risks and uncertainties

The Company is facing several uncertainties. This uncertainties mainly relates to instability in the countries which we are operating. The Company is taking measures to handle this in a continuous basis.

The Company is in full compliance with law and regulations.

Directors' responsibility statement

The Company's directors are responsible for the preparation and presentation of the consolidated financial statements, comprising the consolidated and separate balance sheet as at 31 December 2013 and the consolidated and separate profit and loss account for the year ended 31 December 2013. They are also responsible for the notes to the consolidated and separate financial statements. The notes include a summary of significant accounting policies and other explanatory notes, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

The internal organization and staffing level

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

Microfinance entities consolidated within BRAC International Holdings B.V. currently employ 2,621 personnel:

- Uganda : 1,394
- Tanzania : 767
- Sierra Leone : 266
- Liberia : 155
- Myanmar : 9
- Sri Lanka : 30

Board members

The following board members served during the period:

1. Sir Fazle Hasan Abed
2. Dr. Mahabub Hossain
3. Muhammad A. (Rumee) Ali
4. Susan Davis
5. Sylvia Borren
6. Orangefield Trust (Netherlands) B.V.

The Company is managed by a Board of Directors consisting of one Director A and two or more Directors B. In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The authority to represent the Company is vested in a Director A and a Director B acting jointly.

Directors B:	Director A:
Sir Fazle Hasan Abed Dr. Mahabub Hossain Muhammad A. (Rumee) Ali Susan Davis Sylvia Borren	Orangefield Trust (Netherlands) B.V.

Financial information

The Company's financial performance during the year ended 31 December 2013 is as follows:

- Interest income on loans increased by 1.5% from EUR 18,154,161 in 2012 to EUR 17,880,940 in 2013.
- Loans and advances to customers increased by 13.2% from EUR 30,657,679 in 2012 to EUR 34,710,819 in 2013.
- Cash and cash equivalents increased by 25.4% from EUR 14,389,883 in 2012 to EUR 18,050,764 in 2013.
- Operating expenses increased by 6.4% from EUR 14,657,038 in 2012 to EUR 15,598,416 in 2013.
- Total assets increased by 27.7% from EUR 47,303,860 in 2012 to EUR 60,409,938 in 2013.

During the year, the Company had an attributable profit of EUR 1,825,297 (2012: profit was EUR 3,251,088).

Financial position and analysis as per balance sheet and profit and loss account

- Operating Self Sufficiency = Financial income/total cost
  = EUR 19,367,135/ EUR 18,571,774
  = 104%
- Return on Performing Assets = Financial income/average total assets
  = EUR 19,367,135/ EUR 53,856,899
  = 36%
- Operating Cost Ratio = Operating cost/average total assets
  = EUR 14,295,104/ EUR 53,856,899
  = 27%
- Cash Position Indicator = Cash and deposits due from banks/average total assets
  = EUR 18,050,764/ EUR 53,856,899
  = 34%
- Donor Dependency Ratio = Donor (grant) income/total income
  = EUR 1,498,325/ EUR 21,326,054
  = 7%
- Income Utilization Ratio = Total expenditure/total income
  = EUR 18,571,774/ EUR 21,326,054
  = 87%

Outlook

Investment

BRAC International Holdings B.V. is continuously looking for investment opportunities in the matured microfinance and other markets abroad. In 2013, we have acquired a 59% stake in a finance company in Sri Lanka. We want to continue our microfinance operations under this joint venture and eventually add other hire purchase and leasing products. Very recently, the authorities have brought changes in terms of both capital requirements and asset base of finance companies and we are working to that end. In Uganda, the authorities advised us strongly to convert our microfinance institution to a regulated entity based on sheer size and our outreach. We plan to start our transformation process in Uganda by the end of 2014. Our social enterprise in Uganda has recently purchased a seed processing machine for our seed enterprise that would kick-start the unit in July 2014. We have also invested in a tissue culture lab in Uganda which is expected to invent new varieties and potent plantation. In 2014, we also plan to invest in fixed deposit schemes at an interest rate of 3% as opposed to the interest rate of close to 1% that we are currently receiving from our bankers.

Financing

The financing of these ventures is coming from a mixed variety of sources. Stichting BRAC International infusing capital into BRAC International Holdings B.V. is one source. Quite often we are trying to partner with reputable local and international companies and attract additional capital. The donor community is also helping us fund some of these endeavors.

HR

BRAC is investing on a continuous basis in the quality of their staff.

Diversity of 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 well balanced.

Signing off Board

The financial statements were approved by the Board of Directors and are signed on its behalf.

Amsterdam, 10 June 2014

The Board of directors

BRAC International Holdings B.V.

Tanwir Rahman, CPA

Director Finance BRAC International Holdings B.V.

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Consolidated balance sheet as at 31 December 2013

(after allocation of result)

		2013		2012	
		EUR	EUR	EUR	EUR
Fixed assets					
Intangible fixed assets	*1*	1,339,099		–	
Tangible fixed assets	*2*	2,424,773		639,460	
Financial fixed assets	*3*	34,710,819		30,657,679	
			38,474,691		31,297,139
Current assets					
Inventories	*4*	34,792		24,321	
Trade and other receivables	*5*	3,849,691		1,592,517	
Cash and cash equivalents	*6*	18,050,764		14,389,883	
			21,935,247		16,006,721
			60,409,938		47,303,860
Group equity					
Shareholder's equity	*21*	21,592,028		12,837,271	
Minority interests	*7*	3,069,769		2,165,252	
			24,661,797		15,002,523
Non-current liabilities	*8*		20,878,633		20,726,344
Other liabilities	*9*		14,869,508		11,574,993
			60,409,938		47,303,860

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Consolidated profit and loss account for the year ended 31 December 2013

		2013		2012	
		EUR	EUR	EUR	EUR
Net turnover	*12*	17,880,940		18,154,161	
Other operating income	*13*	3,000,851		2,739,609	
Total operating income			20,881,791		20,893,770
Wages and salaries	*14*	(8,260,463)		(7,969,821)	
Amortization and depreciation on intangible and tangible fixed assets		(214,423)		(208,455)	
Impairment losses on loans and advances to customers		(1,088,889)		(1,469,145)	
Other operating expenses	*15*	(6,034,641)		(5,009,617)	
Total operating expenses			(15,598,416)		(14,657,038)
Operating result			5,283,375		6,236,732
Interest income and similar income		444,263		879,458	
Interest expenses and similar charges		(2,973,358)		(2,549,302)	
			(2,529,095)		(1,669,844)
Result from ordinary activities before tax			2,754,280		4,566,888
Tax on result from ordinary activities	*16*		(1,324,011)		(1,900,668)
Result after tax			1,430,269		2,666,220
Minority interests			395,028		584,868
Net result			1,825,297		3,251,088

Consolidated cash flow statement for the year ended 31 December 2013

	2013		2012	
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Result after tax		1,430,269		2,666,220
Adjusted for:				
• Depreciation/amortization/other value adjustments	214,423		208,455	
• Impairment / write off in loans	3,020,230		2,576,595	
• Changes in working capital (excluding eash aud cash equivalents and short-term bank overdrafts)	3,007,364		(1,487,728)	
Cash flow from business operations		(2,772,711)		1,297,322
Cash flow from operating activities		(1,342,442)		3,963,542
Investments in:				
• Tangible fixed assets	(198,956)		(216,630)	
Acquisition of group companies	(3,668,931)		–	
Loans to cutomers distributed	80,486,254		75,412,912	
Loans to cutomers repayment	(75,957,163)		(74,028,954)	
Cash flow from investing activities		661,204		1,167,328
Take up in borrowings	3,776,094		1,364,651	
Repayment of borrowings	(6,513,991)		(3,544,907)	
Donor grant received	1,841,214		2,118,042	
Payment of donor grants	(1,369,465)		(1,555,798)	
Share capital contribution	5,582,000		–	
Share premium contribution	277,859		3,968,402	
Change in minority interest	904,517		(743,740)	
Cash flow from financing activities		4,498,228		1,606,650
Net cash flow		3,816,990		6,737,520
Exchange rate and translation differences on eash and cash equivalents		(156,109)		112,437
Changes in cash and cash equivalents		3,660,881		6,849,957

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Consolidated statement of recognised income and expenses for the year ended 31 December 2013

	2013		2012	
	EUR	**EUR**	EUR	EUR
Consolidated net result after tax attributable to the company		**1,825,297**		3,251,088
Translation differences on foreign participating interests	**(430,399)**		(459,255)	
Realized revaluation gain charged directly to shareholder's equity	–		–	
Total of items recognized directly in shareholder's equity of the Company as part of the group entity		**(430,399)**		(459,255)
Total result of the legal entity		**1,394,898**		2,791,833

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Notes to the 2013 consolidated financial statements

General

Relationship with parent company and principal activities

The Company, having its legal address in The Hague and its office address at Teleport-boulevard 140, 1043 EJ Amsterdam, is a private limited liability company under Dutch law, with 100% of its shares held by Stichting BRAC International.

Financial reporting period

The financial statements are for the period from 1 January 2013 to 31 December 2013.

Basis of preparation

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

The applied accounting policies are based on the historical cost convention.

Going concern

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

Accounting policies

General

Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed 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 recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

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

Expenses are recognized 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.

If a transaction results in a transfer of future economic benefits and/or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Revenues are recognized when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the Company's functional currency.
All financial information in euros has been rounded.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Consolidation principles

The consolidated financial statements include the financial data of the Company, its group companies and other companies over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account. Group companies exclusively acquired with the view to resale, are exempted from consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full with minority interests presented within group equity separate from parent's equity.

For a summary of the consolidated group companies, please refer to note 18 'Financial fixed assets'.

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.

Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Translation gains and losses are taken to the profit and loss account as expenditure.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at exchange rates applying on the balance sheet date. Income and expenses of foreign operations are translated into euros at the exchange rate applying on the transaction date.

Translation gains and losses are taken to the foreign currency translation reserve. If a foreign operation is fully or partially sold, the respective amount is transferred from this reserve to the profit and loss account.

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, and trade and other payables.

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. Derivatives embedded in contracts shall be separated from the host contract and accounted for as a separate financial instrument if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognized through profit and loss.

Financial instruments, including derivatives separated from their host contracts, are initially recognized at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement.

Financial instruments embedded in contracts that are not accounted for separately from the host contract are recognized in accordance with the host contract.

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

Financial instruments held for trading

Financial instruments (assets and liabilities) held for trading are carried at fair value and changes in the fair value are recognized in the profit and loss account. In the first period of recognition, attributable transaction costs are charged to the profit and loss account.

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Purchased loans and bonds

Purchased loans and bonds which the Company intends to hold to maturity (and is capable of doing so), are measured at amortized cost on the basis of the effective interest method, less impairment losses.

If listed on a stock exchange, other purchased loans and bonds are carried at fair value. Changes in the fair value are recognized in the profit and loss account. Unlisted purchased loans and bonds are carried at amortized cost on the basis of the effective interest method, less impairment losses.

Loans granted and other receivables

Loans granted and other receivables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

Investments in equity instruments

The group's investments in shares, provided these are listed, are carried at fair value following their initial recognition. Until derecognition, changes in the fair value are recognized directly in equity to the extent that the result of the individual investment is cumulatively positive. Upon derecognition of the investment, the cumulative result recognized in equity is transferred to the profit and loss account. Any cumulative decrease in fair value to below cost is recognized in the profit and loss account.

The group's investments in unlisted shares are carried at cost.

Equity-based transactions

The fair value of the scheme for staff to purchase the Company's own shares is valued with the aid of the 'Monte Carlo' sampling model. The fair value of options granted to employees is determined with the aid of the Black-Scholes formula. Valuation factors include the share price on the valuation date, the exercise price of the instrument, the expected volatility (based on an evaluation of the historic volatility, particularly during a past period that corresponds with the expected term), the expected term of the instruments (based on experience from the past and the behavior of the instrument holders), the expected dividends and the risk-free interest rate (on the basis of government bonds). Service provision and non-market related conditions are not taken into account in determining the fair value.

Other financial commitments

Financial commitments that are not held for trading are carried at amortized cost on the basis of the effective interest rate method.

Principles for valuation of assets and liabilities

Intangible fixed assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Company's interest in the net realizable value of the assets acquired and the liabilities assumed at the transfer date, less cumulative amortization and impairment losses.

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is translated at the exchange rates at the date of acquisition. The capitalized goodwill is amortized on a straight-line basis over an estimated useful life of twenty years.

Tangible fixed assets

Land and buildings, plant and equipment, other fixed operating assets, tangible fixed assets in production and prepayments on tangible fixed assets are stated at cost of acquisition or manufacture, less accumulated depreciation.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, such as production cost, production overhead cost and interest paid to third parties during the period of construction or manufacturing.

Government grants are deducted from the cost price of the assets to which the grants relate.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets. Land, tangible fixed assets in production and prepayments on tangible fixed assets are not depreciated.

The following rates of depreciation are applied:

- Equipments : 15 - 33%.
- Vehicles : 20%.
- Other : 10%.

Maintenance expenditure is only capitalized when the maintenance extends the useful life of the asset.

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

Investment property

Investment property is initially recognized at cost of acquisition. After initial recognition investment property is carried at fair value and changes in the fair value are recognized in the profit and loss account.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. The net asset value is calculated on the basis of the Company's accounting policies. Participating interests with a negative net asset value are valued at nil. If the Company guarantees for the debts of the relevant participating interest, a provision is recognized. This provision is recognized primarily to the debit of the receivables on the respective participating interest and for the remainder presented under provisions for the part of the share of the losses incurred by the participating interest, or for the estimated payments by the Company on behalf of these participating interests.

Participating interests where no significant influence is exercised are stated at cost less any accumulated impairment losses.

Loans to non-consolidated participating interest are included at amortized cost using the effective interest method, less impairment losses.

The 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. Interest income is recognized in the profit and loss account as it accrues, using the effective interest rate method. Any profit or loss is recognized in the profit or loss as accounted for under financial income or expenses.

Bonds, listed and unlisted, recognized under financial fixed assets that are not held as part of a trading portfolio and which will be held to maturity, are valued at their amortized cost.

Loans and advances to customers

These are stated net of allowance for impairment losses on loans and advances to customers. Loan and advances are recorded at fair value of the consideration provided to customers.

Management regularly assesses the adequacy of the allowance for impairment based on the age of the loan portfolio. At each month-end BRAC calculates the required provision for loan losses based on loan classification and provisioning methodology which is shown below and any adjustments, if required, are made and accounted for in the financial statements for the year.

Days in arrear	Provision required
No arrear	2-4%
1-30	5%
31-180	20%
181-350	75%
>350	100%

Loans within the maturity period are considered 'Current loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late loans'. Late loans which remain unpaid after one year after being classified 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 the loan is not realizable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequent recoveries are credited as income in the profit and loss account.

Impairment

Assets with a long life should be tested for impairment in the case of changes or circumstances arising that lead to an indication that the carrying amount of the asset will not be recovered. The recoverability of assets in use is determined by comparing the carrying amount of an asset with the estimated present value of the future net cash flows which the asset is expected to generate.

If the carrying amount of an asset exceeds the estimated present value of the future cash flows, impairment is charged to the difference between the carrying amount and the recoverable amount.

Disposal of fixed assets

Assets available for sale are stated at the lower of their carrying amount and net realizable value.

Inventories

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

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

Receivables and securities

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

Shareholder's equity

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

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

Minority interests

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

Provisions

Provisions should be valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses.

A provision is recognized if the following applies:

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

Non-current liabilities

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

Current liabilities

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

Revenue recognition

Service charge on loan

Services charges on loans to customers are recognized in the profit and loss account using the effective interest rate method (EIR). EIR is a method to calculate the amortized cost of a financial asset and to allocate the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, BRAC estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Membership fees and other charges

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

Rental income

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

Other income

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

Donor grants

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities.

Donor grants are recognized 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 recognized as 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 recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

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 recognized as they can be deemed as not realized.

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.

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 recognized in the profit and loss account except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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 realized.

Cash flow statement

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

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

1 Intangible fixed assets

	2013	2012
	EUR	EUR
Goodwill	**1,333,035**	–
Software	**6,064**	–
	1,339,099	–

The goodwill relates to the acquisition of 59% of the shares of BRAC Lanka Finance PLC by BRAC Lanka Investment (Private) Ltd. The purchase price amounts to approximately EUR 3.3 million. Based on the PPA assessment, management has calculated a goodwill of EUR 1.3 million.

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2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings	Equipment	Motor vehicles	Other	Investment property	Total 2013
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
As at 1 January	–	517,453	142,282	459,332	–	1,119,067
Additions	–	99,659	32,205	61,570	–	193,434
Acquisition of subsidiary in Sri Lanka	436,390	41,118	48,842	17,760	1,334,728	1,878,838
Disposal	–	–	(16,599)	–	–	(16,599)
Transfer difference	–	–	–	(46,639)	–	(46,639)
As at 31 December	436,390	658,230	206,730	492,023	1,334,728	3,128,101
Depreciation						
As at 1 January	–	239,338	83,884	156,385	–	479,607
Acquisition of subsidiary in Sri Lanka	–	25,996	40,244	14,170	–	80,410
Charge for the year	–	104,864	35,020	74,190	–	214,074
Adjustment for disposal	–	–	(16,599)	–	–	(16,599)
Transfer difference	–	–	–	(54,164)	–	(54,164)
As at 31 December	–	370,198	142,549	190,581	–	703,328
Book value						
As at 31 December	436,390	288,032	64,181	301,442	1,334,728	2,424,773
As at 1 January	–	278,115	58,398	302,947	–	639,460

Investment property

In order to adopt the fair value of the investment property, the property is valued by an independent registered valuator as at 31 December 2013. These assets relates to Land and buildings. The asset is valued on an open-market-value-for-existing-use basis. The Company earned rental income of approximately EUR 50,000 during the financial year.

3 Financial fixed assets

	2013 EUR	2012 EUR
Loans and advances to customers	**34,710,819**	30,657,679

Loans and advances to customers

	2013 EUR	2012 EUR
Principal loan outstanding	**37,391,612**	32,862,520
Loan written-off	**(1,374,869)**	(932,873)
Interest receivable	**339,437**	371,754
Impairment loss on loan advanee	**(1,645,361)**	(1,643,722)
	34,710,819	30,657,679

Principal loan outstanding

	2013 EUR	2012 EUR
Group loans	**31,470,453**	28,045,236
Small enterprises programme	**4,980,337**	4,224,257
ELA	**860,062**	593,027
Other	**80,760**	–
	37,391,612	32,862,520

The duration for group loans is 40 weeks and for SEP loans 12 months. Both loans bear interest percentages from 25% to 52% per annum.

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Loans and advances to customers

	2013 EUR	2012 EUR
Opening balance as at 1 January	**32,862,520**	31,478,562
Disbursement	**80,486,254**	75,412,912
Realisation	**(75,957,163)**	(74,028,954)
Gross advance to customer	**37,391,612**	32,862,520
Less write off	**(1,374,869)**	(932,873)
Interest receivable	**339,437**	371,754
Impairment loss on loans advance	**(1,645,361)**	(1,643,722)
Closing balance as at 31 December	**34,710,819**	30,657,679

4 Inventories

	2013 EUR	2012 EUR
Inventories	**34,792**	24,321

No provision for obsolete inventories is deemed necessary (2012: EUR 0).

5 Trade and other receivables

	2013 EUR	2012 EUR
Advances to third parties	**158,676**	339,835
Receivable from NGOs	**369,740**	362,328
Deferred tax asset	**738,783**	662,883
Rental receivables	**1,546,438**	–
Deposits, prepayments and others	**1,036,054**	227,471
	3,849,691	1,592,517

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.

6 Cash and cash equivalents

	2013 EUR	2012 EUR
Cash in hand	**50,256**	95,167
Cash at bank	**15,348,818**	9,057,827
Short term deposits	**2,651,690**	5,236,889
	18,050,764	14,389,883

The cash and cash equivalents balance includes an amount of EUR 4 Million that is not available on demand. This relates to funds that are in a blocked account because of counter guarantees for guarantees issued by the bank.

7 Group equity

Minority interests

	2013 EUR	2012 EUR
BRAC Mierofinance (Sierra Lcone) Ltd	**956,080**	894,731
BRAC Liberia Microfinance Company Ltd	**916,759**	1,270,521
BRAC Lanka Investment (Privatc) Ltd	**1,196,930**	–
	3,069,769	2,165,252

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

8 Non-current liabilities

	2013 EUR	2012 EUR
Borrowings	**18,503,860**	18,766,479
Donor funds	**2,374,773**	1,959,865
	20,878,633	20,726,344

Borrowings

	2013 EUR	2012 EUR
BRAC International Loan Fund (BILF)	**12,576,924**	15,154,864
Triple Jump B.V.	**20,256**	276,115
BRAC Bangladesh	**589,796**	765,601
Financial Sector Deepening Trust (FSDT)	**1,429,163**	1,995,122
LOLC Sri Lanka	**2,970,529**	–
Others	**917,192**	574,777
	18,503,860	18,766,479

The BILF loan agreement of USD 24.25 million was entered on 27 October 2008 for a period of seven years. Up to 1 January 2013 the Company had drawn USD 10.25 million. The loan was restructured on 17 June 2013 and the interest rate was increased from 12% to 14.85%. During the year, TZS 1.305 billion was repaid. The loan was obtained to finance the issue of microfinance loans and pay overhead, capital expenses and similar costs directly incurred in conducting micro finance programme.

The amount outstanding in relation to Triple Jump relates to interest accrued for 2012. This loan principal was fully repaid by June 2013.

In January 2007, BRAC Uganda Microfinance Ltd obtained a facility equivalent to USD 1,305,965 from BRAC Bangladesh for support of the microfinance programme. The loan period has now expired at the close of December 2012 and is now repayable on call. BRAC intends not to call this loan back within next year.

The loan with FSDT in Tanzania carries an interest of 10%, is repaid in equal quarterly instalment of TZS 282,458,050 and shall be fully repaid by September 2016. There was no drawdown during the year.

The capital amount of the loan with LOLC Srilanka is drawn by BRAC Lanka Finance Ltd and is due at the end of the loan term. Interest is payable monthly commencing 28 July 2013 at a rate of 19%. BRAC International Holdings B.V. has given garantees to this loan as set out in note 6.

Pursuant to the original loan agreement signed in October 2008, in June 2013 an amended and reinstated loan agreement for BRAC Uganda Microfinance Ltd was signed amounting to UGX 24,461,380,000, equivalent to USD 9,743,453. The loan period is four years up to June 2017 and will be paid as one instalment in June 2017.

Borrowings

	2013 EUR	2012 EUR
Opening balance as at 1 January	**18,766,479**	20,099,639
Received during the year	**3,776,094**	1,364,651
Repayment during the year	**(6,513,991)**	(3,544,907)
Interest accrued	**2,446,423**	1,472,615
Re-structuring fee	**476,605**	–
Foreign currency loss	**(447,750)**	(625,519)
Closing balance as at 31 December	**18,503,860**	18,766,479

Donor funds

	2013 EUR	2012 EUR
Donor funds received in advance	**1,507,349**	1,059,780
Donor funds invested in fixed assets	**329,580**	369,055
Donor funds invested in loan fund	**537,844**	531,030
	2,374,773	1,959,865

Donor funds received in advance

	2013 EUR	2012 EUR
Opening balance as at 1 January	**1,059,780**	490,503
Received during the year	**1,841,214**	2,118,042
Transferred to donor funds invested in fixed assets	**(33,727)**	–
Transferred to deferred income	–	(109,192)
Transferred to donor fund investment in loan	**(7,991)**	(31,026)
Released to profit and loss account	**(1,369,465)**	(1,446,606)
Other	**17,538**	38,059
Closing balance as at 31 December	**1,507,349**	1,059,780

Donor funds invested in fixed assets

	2013 EUR	2012 EUR
Opening balance as at 1 January	**369,055**	335,355
Transferred from donor funds received in advance	**33,729**	109,192
Depreciation charged for the year released to the profit and loss account	**(51,944)**	(51,473)
Other	**(21,260)**	(24,019)
Closing balance as at 31 December	**329,580**	369,055

9 Other liabilities

	2013 EUR	2012 EUR
Loan Security Fund	**7,012,905**	6,560,723
Accrued expenses	**160,966**	489,436
Payable to BRAC Bangladesh	**951,920**	688,151
Payable to Stichting BRAC International	**3,276,369**	2,388,538
Tax payable	**73,866**	405,942
Deposits from customers	**579,902**	–
Other liabilities	**2,813,580**	1,042,203
	14,869,508	11,574,993

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

10 Financial instruments

General

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

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

Credit risk

There is no inherent credit risk identified.

Currency risk

The group is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currency is the US dollar (USD), the presentation currency is the euro (EUR). The currency in which transactions primarily are denominated is USD.

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.

11 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

12 Net turnover

The breakdown of net turnover by country is as follows:

	2013 EUR	2012 EUR
BRAC Microfinance (Sierra Leone) Ltd	893,073	885,190
BRAC Liberia Microfinance company Ltd	774,296	1,225,653
BRAC Uganda Microfinance Ltd	8,309,819	7,831,522
BRAC Tanzania Finance Ltd	7,661,642	8,211,796
BRAC Lanka Investment (Private) Ltd	242,110	–
	17,880,940	18,154,161

Service charges denote the interest income earned on loans and advances disbursed.

13 Other operating income

	2013 EUR	2012 EUR
Fees and commission income	1,008,619	975,767
Grant income	1,498,325	1,539,880
Foreign exchange gains	16,331	64,757
Other income	477,576	159,205
	3,000,851	2,739,609

14 Wages and salaries

	2013 EUR	2012 EUR
Salaries and benefits	8,260,463	7,969,821

During the 2013 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 2,621 people (2012: 2,858). All people were employed outside the Netherlands.

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15 Other operating expenses

	2013 EUR	2012 EUR
Maintenance and general expenses	**1,657,817**	1,395,408
Travel and transportation	**1,497,538**	1,314,980
HO logistics and management expenses	**767,374**	739,029
Office rent	**505,989**	485,940
Printing and office stationery	**260,935**	273,446
Utilities	**195,033**	180,432
Staff training and development	**198,006**	150,865
Audit fees	**257,579**	123,727
Other expenses	**694,370**	345,790
	6,034,641	5,009,617

16 Tax result from ordinary activities

The effective tax burden deviates from the nominal (applicable) tax burden. This deviation is due to the results in the different tax jurisdictions. These results are taxable in the individual tax jurisdictions. The nominal tax rates within the entities differ.

17 Transactions with related parties

Transactions with related parties occur when a relationship exists between the Company, its participating interests and their directors and key management personnel.

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

- Payable to Stichting BRAC International: EUR 3,276,369.
- Payable to BRAC: EUR 951,920.
- Payable to BRAC Bangladesh: EUR 1,609,161.
- BRAC International Loan Fund: EUR 12,576,924.

The following related party transactions occurred during the year:

- Interest payment on related party loans: EUR 2,235,570.

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Separate balance sheet as at 31 December 2013

(after profit appropriation)

		2013 EUR	2012 EUR
Fixed assets			
Financial fixed assets	*18*	**15,756,043**	12,700,006
Current assets			
Trade and other receivables	*19*	**140,904**	–
Cash and cash equivalents	*20*	**8,839,402**	2,002,353
		24,736,349	14,702,359
Shareholder's equity	*21*	**21,592,028**	12,837,271
Provisions		–	–
Non-current liabilities		–	–
Current liabilities	*22*	**3,144,321**	1,865,088
		24,736,349	14,702,359

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Separate profit and loss account for the year ended 31 December 2013

		2013		2012	
		EUR	EUR	EUR	EUR
Net turnover		–		–	
Cost of sales		–		–	
Gross margin on turnover			–		–
Other income	*24*		220,952		
General and administrative expenses	*25*	(330,553)		(312,987)	
Total operating expenses			(330,553)		(312,987)
Net result on turnover			(109,601)		(312,987)
Financial income and expenses	*26*		10,114		(15,686)
Result from ordinary activities before taxation			(99,487)		(328,673)
Taxation on result from ordinary activities		–		–	
Share of result from participating interests		1,924,784		3,579,761	
			1,924,784		3,579,761
Net result			1,825,297		3,251,088

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Notes to the 2013 separate financial statements

General

The separate financial statements are part of the 2013 financial statements of the group.

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

Accounting policies

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

Financial instruments

In the separate 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 separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share in result of participating interests

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

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18 Financial fixed assets

	2013 EUR	2012 EUR
Participating interests in group companies	**15,386,303**	12,700,006
Loan receivable from affiliates	**369,740**	–
	15,756,043	12,700,006

Participating interests in group companies

	2013 EUR	2012 EUR
Balance as at 1 January	**12,700,006**	6,111,098
• Acquisition	**914,053**	3,468,402
• Donated equity	**277,859**	–
• Foreign currency translation differences	**(430,399)**	(459,255)
• Result of subsidiaries	**1,924,784**	3,579,761
Balance as at 31 December	**15,386,303**	12,700,006

The group has the following capital interests:

Name	Effective date of acquisition	Registered office	Percentage of holdings
BRAC Microfinance Sierra Leone Ltd	1 January 2011	174, Wilkinson Road, Free Town, Sierra Leone	**51**
BRAC Liberia Microfinance Company Ltd	1 January 2011	Kongo Town, Monrovia, Liberia	**51**
BRAC Uganda Microfinance Ltd	1 January 2011	90, Busingiri Zone, Kampala, Uganda	**100**
BRAC Tanzania Finance Ltd	1 January 2012	Plot 2329, Block H, Mbezi Beach, Dar es Salaam, Tanzania	**100**
BRAC Lanka Investments (Private) Ltd	1 July 2013	No. 197/1, Templers Road, Mount Lavina, Sri Lanka	**100**
BRAC Lanka Finance PLC	26 June 2013	Sri Lanka	**59**
BRAC Myanmar Microfinance Company Ltd	15 October 2013	Yangon, Myanmar	**100**

Loan receivable from affiliates

	2013 EUR	2012 EUR
Receivable from affiliates	369,740	–

The interest rate on this loan is 7%.

19 Trade and other receivables

	2013 EUR	2012 EUR
Receivables from subsidiaries	140,904	–

20 Cash and cash equivalents

Cash and cash equivalents are available on demand.

21 Shareholder's equity

	Issued capital EUR	Share premium reserve EUR	Foreign currency translation reserve EUR	Retained earnings EUR	Total 2013 EUR	Total 2012 EUR
Balance as at 1 January	18,000	3,968,402	(459,255)	9,310,124	12,837,271	6,077,036
Changes:						
• Issue of share capital	7,582,000	(500,000)	–	–	7,082,000	–
• Issue of share premium	–	–	–	–	–	500,000
• Informal capital contribution	–	277,859	–	–	277,859	3,468,402
• Result for the year	–	–	–	1,825,297	1,825,297	3,251,088
• Translation differences	–	–	(430,399)	–	(430,399)	(459,255)
Balance as at 31 December	7,600,000	3,746,261	(889,654)	11,135,421	21,592,028	12,837,271

Issued capital

The Company's authorized capital, amounting to EUR 7,600,000 (2012: EUR 18,000), consists of 7,600,000 ordinary shares of EUR 1 each.

Share premium reserve

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares (above par income).

Foreign currency translation reserve

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

22 Current liabilities

	2013 EUR	2012 EUR
Debts to shareholder/participants	**3,103,962**	1,835,088
Other liabilities	**40,359**	30,000
	3,144,321	1,865,088

23 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

24 Other income

Other income relates to the acquisition of BRAC Lanka Investment (Private) Ltd.

25 General and administrative expenses

	2013 EUR	2012 EUR
Professional fees and other expenses	**267,953**	282,987
Audit fees	**62,600**	30,000
	330,553	312,987

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26 Financial income and expenses

	2013 EUR	2012 EUR
Foreign exchange loss	–	(15,686)
Bank interest	10,114	–
	10,114	(15,686)

27 Auditor's fees

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

	KPMG Accountants N.V. 2013 EUR 1,000	Other KPMG network 2013 EUR 1,000	Total KPMG 2013 EUR 1,000
Audit of the financial statements	30	96	126
Other audit engagements	–	–	–
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
	30	96	126

	KPMG Accountants N.V. 2012 EUR 1,000	Other KPMG network 2012 EUR 1,000	Total KPMG 2012 EUR 1,000
Audit of the financial statements	30	60	90
Other audit engagements	–	–	–
Tax-related advisory services	–	15	15
Other non-audit services	–	–	–
	30	75	105

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28 Remuneration of the Board of Directors

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and group companies amounted to EUR 43,500 (2012: EUR 27,000) for managing directors and former managing directors.

Directors B:

Sir Fazle Hasan Abed
Dr. Mahabub Hossain
Muhammad A. (Rumee) Ali
Susan Davis
Sylvia Borren

Director A:

Orangefield Trust (Netherlands) B.V.

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Other information

Provisions in the Articles of Association governing the appropriation of profit

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

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

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2013 result after taxation: to add the result to the retained earnings. In anticipation of the decision by the General Meeting of Shareholders, the result after tax for 2013 has been included under retained earnings in shareholder's equity.

Subsequent events

There are no subsequent events to report.

Independent auditor's report

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

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Independent auditor's report

To: the Board of Directors of BRAC International Holdings B.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of BRAC International Holdings B.V., 's-Gravenhage, which comprise the consolidated and separate balance sheet as at 31 December 2013, the consolidated and separate profit and loss account and cash flow statement and the consolidated statement of recognised income and expenses for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC International Holdings B.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amstelveen, 10 June 2014

KPMG Accountants N.V.

S. Haringa RA

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