

Stichting BRAC International

Consolidated financial
statements 2015

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Directors' report

The Board of Directors of Stichting BRAC International, a Foundation, organized 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 2015.

Stichting BRAC International is incorporated in The Hague (the Netherlands).

Our identity

BRAC is a development organisation dedicated to alleviating poverty by empowering the poor. BRAC journey began in 1972 in the newly sovereign Bangladesh, and over the course of its evolution, BRAC has been playing a role of recognising and tackling the many different realities of poverty. From 2002 BRAC started to venture out of Bangladesh in Afghanistan and started to implement programs after contextualising those as per need. Later on Programs were expanded to Pakistan, Srilanka, Uganda, Tanzania, Sierra Leone, Liberia, South Sudan, Haiti, Myanmar and Nepal.

To supervise all those entities outside Bangladesh, Stichting BRAC International, a non-profit foundation, was formed on 16 March 2009 with an objective to engage in charitable and social welfare activities in any country of the world. It can be described as a general welfare institution that contains BRAC's diverse development programmes at international level, across the world into one platform. The activities mainly focus on long-term sustainable poverty reduction, with a unique and holistic approach to poverty alleviation and empowerment of the poor. This is done through a range of core programmes in five major categories:

1. Well-being and resilience through disaster management, health, nutrition, water, sanitation and hygiene programmes.
2. Expanding horizons through education and migration programmes.
3. Economic development and social protection through Agriculture and food security, integrated development, microfinance, enterprise and investments and targeting the ultra-poor programmes.
4. Empowerment through community empowerment, gender justice, diversity, human rights and legal aid services.
5. Support programs through governance, management and capacity building under skills development programmes.

All these programmes contribute to the socio-economic development of the poor and people in need and the ultimate aim to achieve sustainable economic emancipation.

Our global reach

The foundation is based in the Netherlands. However, its reach is far greater, currently having operations in 10 countries spread over two continents. Currently it operates in five countries in the Africa region – Uganda, Tanzania, South Sudan, Liberia and Sierra Leone and five countries in the Asia region – Afghanistan, Pakistan, Nepal, Myanmar and the Philippines. All of the operations are brought under one umbrella, i.e. Stichting BRAC International. 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 parent 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

Stichting BRAC International's vision is of a just, enlightened, healthy, and democratic world free from hunger, poverty, environmental degradation, and all forms of exploitation based on age, sex, and ethnicity.

Our mission

Our mission is to work with people whose lives are dominated by extreme poverty, illiteracy, disease, and other disadvantages. With a holistic approach, we strive to bring about positive changes in the quality of life of the poor.

We achieve our mission by:

- working with the poor and disadvantaged members of the society especially women and children;
- mitigating the threat of poverty;
- engaging in multifaceted interventions for large scale poverty alleviation;
- working towards attaining socially, financially, and environmentally sustainable programmes;
- promoting human rights, dignity, and gender equality;
- helping to shape national and global policies on poverty reduction and social progress;
- fostering the development of human potential;
- working towards the advancement of education;
- the provision of general public health, education, and water;
- promoting arts and sciences;
- encouraging research in the fields of human well-being.

Our aim

Stichting BRAC International aims to contribute to welfare activities to alleviate poverty and improve the lives of the poor. In line with the Millennium Development Goals (MDG) and Sustainable Development Goals (SDG), Stichting BRAC International will work to:

- end poverty and hunger;
- achieve universal primary education;
- promote gender equality and empower women;
- improve maternal health;

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- control TB, malaria, and other diseases;
- ensure environmental sustainability;
- develop a global partnership to development.

Stichting BRAC International will receive grants, charities, and other assistance to the attainment of its goals.

Social responsibility – commitment towards the SDGs

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

With BRAC's experience in post-war rehabilitation programs in various countries, starting with Bangladesh in 1972 and Afghanistan in 2002, BRAC responds to humanitarian and rehabilitation needs anywhere needed. To mention, taking up rehabilitation program in Nepal after earthquake in 2015, in Haiti after earthquake in 2010 and in Sri Lanka after Tsunami in 2004.

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

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

Significant risks and uncertainties

Risks and uncertainties are integral part of operation for any kind of organization. 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, based on the risk management framework.

Risk management is practiced across the organization in a structured approach, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high risk elements. The risk management is categorized into five major categories 1) Strategic, 2) Operational, 3) Financial, 4) External and Environmental and 5) Political and Legal risks.

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Strategic risks

The strategic risks are mainly identified from organizational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of donor funding due to changes in donor organization 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 regulations or regulatory requirements are mostly have precautionary measures as risk mitigation, and 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 organization 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 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 Foundations 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.

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

Policy objectives

- Protect the 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 BI;
- Meet legal or statutory requirements; and
- Assist in safeguarding Foundations 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 o are in conformity with global standards

Currency risk

Stichting BRAC 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 the US dollar (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 optimizing the return on risk.

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Management of market risks

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

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. BRAC 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 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 arrangements 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 institutions 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 organization maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions.

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

Financial reporting

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

The internal audit department normally 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.

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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 organization is the custodian of the Codes of conduct, who is responsible for overall supervision, implementation and practice across the organization.

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

Financial information

In 2015 the foundation has a budget of USD 145.381 million in the field of financial and development services. As of December 2015 we have been able to utilise 113 million. Sectoral Budget vs. Utilisation rates are given below:

Programs	Budget USD 1,000	Utilisation USD 1,000	Utilised %
Microfinance	63,362	44,514	70
Education	40,131	34,154	85
Health	15,330	11,976	78
Agriculture and livelihood programs	8,278	7,170	87
ELA	4,723	3,801	80
Research	1,160	1,570	135
Others	7,644	5,723	75
Secretariat costs	4,753	3,625	76
	145,381	112,533	77

We are planning to mobilize and run programmes worth approximately USD 138 million in 2016. We have a strong financial position and are able to roll out our mission.

The consolidated financial performance during the year ended 31 December 2015 is as follows:

Income

Grants income (NGO activities) increased by USD 16,069,306 to USD 68,324,698 (2014: 52,255,392) showing an increment by 31%. This mainly due to consolidation of BRAC Pakistan operation and additional support from BRAC Bangladesh

Service charge on loans on loans increased by 8,015,701 (28%) from USD 29,133,416 in 2014 to USD 37,149,117 in 2015. This is due to increase in loan disbursement in the countries

Operating expenses increased by 20% from USD 74,272,075 in 2014 to USD 89,194,687 in 2015. This increase relates to the increased number of employees and higher costs of outsourced work and other external costs.

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The net result for the year 2015 amounts to USD 15.74 million (2014: USD 9.74 million). The group reserves amount to USD 54.59 million (2014: USD 43.46 million). The solvency (group reserves/total assets) is 35 % (2014: 32.0%).

Total assets increased by 19,838,889 (14%) from USD 138,049,251 in 2014 to USD 157,888,140 in 2015.

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

Cash and cash equivalents decreased by 8% from USD 66,648,111 in 2014 to USD 61,145,544 in 2015. Cash movement of the foundation has been adequately disclosed in the cash flow statement.

Solvency ratio

The solvency ratio (Result after Tax+ Depreciation and amortization / Total long term and short term liability) of foundation 2015 is 16 % (2014: 11%). 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 1.95 (2014: 1.91). It shows the foundation has sufficient strength to manage its liabilities.

The increment in assets and Loans are mainly due to incorporation of BRAC Pakistan and Zanzibar.

The Board's responsibility statement

The Foundation's directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2015, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

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

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

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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 reserve is restricted for particular countries. The general reserves are sufficient to achieve the goals of the Foundation and guarantee the going concern.

Activities

Microfinance

During 2015, USD 3 million was invested against issue of new shares for the Microfinance operation in Myanmar. The board has decided to transform the Uganda Microfinance company into a Non-banking Finance company limited and the activity is in process. A guarantee of USD 2.1 million to Habib Bank Limited, Rotterdam Branch was provided by BV against which a USD 5 million loan was provided to Microfinance Company in Pakistan. A credit line of USD 1 million was created for the Sierra Leone and Liberia Microfinance Operations. However no disbursement has been made.

Non Microfinance

In 2015 a new housing project was launched with USD 1.5 million support from BRAC Bangladesh to build 400 houses in the earth quake affected area of Kavre in Nepal. Apart from that all the other activities in Education, health, agriculture and livelihood sectors have been continued. The foundation started new projects worth 47.62 million in 2015.

Planned spending 2016

The sectoral planned spending for 2016 are as follows:

Programs	Budget USD 1,000
Microfinance	63,466
Social enterprise	999
Education	37,917
Health	10,427
Agriculture and livelihood programs	4,512
ELA	5,031
Research	1,772
Others	9,515
Secretariat costs	4,818
	<hr/>
	138,457
	<hr/> <hr/>

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In Stichting BRAC International, there is a standalone wing 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 programs and the activities are managed centrally.

The business plan for 2016 is quite ambitious, 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 will dent the overall consolidated financial statements to a large extent in the bottom line.

Financing of Programmes

The financing of the programmes under Stichting BRAC International in all of the countries are managed by three basic sources. For Microfinance programs, Service charges income is the biggest source.

Donor grants are mainly used to implement non microfinance programs. 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 companies as part of the local requirements and thus attracting additional capital.

HR

BRAC is investing on a continuous basis in the quality of its staff (2015: 7,068 people; 2014: 6,705). The Board expects staff increase in 2016 by 2%.

Board members

The following members served during the period:

- | | | |
|-----|----------------------------|---------------------------------------|
| 1. | Sir Fazle Hasan Abed | Chairman |
| 2. | Dr. Muhammad Musa | Secretary (joined in September 2015) |
| 3. | Parveen Mahmud | Treasurer |
| 4. | Dr. Mahabub Hossain | Director (resigned in June 2015) |
| 5. | Muhammad Abdul Ali | Director (resigned in June 2015) |
| 6. | Sylvia Borren | Director |
| 7. | Susan Davis | Director (resigned in September 2015) |
| 8. | Shafiqul Hassan | Director |
| 9. | Shabana Azmi | Director |
| 10. | Irene Zubaida Khan | Director |
| 11. | Dr. Debopriyo Bhattacharya | Director |

The board members are appointed by co-optation. We do not have guidelines with respect to the period and there is no board remuneration applicable.

Corporate governance

The Board members are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. 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.

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 approximately 55/45.

Signing-off board

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

The Hague, 30 June 2016

Board of Directors:

Signature:

Sir Fazle Hasan Abed	Chairman
Parveen Mahmud	Treasurer
Dr. Muhammad Musa	Secretary
Dr. Ahmed Mastaqur Raza Chowdhury	Director
Sylvia Borren	Director
Shafiqul Hassan	Director
Shabana Azmi	Director
Irene Zubaida Khan	Director
Dr. Debopriyo Bhattacharya	Director

Consolidated balance sheet as at 31 December 2015

(before appropriation of surplus)

		2015		2014	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	287,966		253,251	
Tangible fixed assets	2	3,197,643		3,378,125	
Financial fixed assets	3	1,126,461		–	
Deferred tax		1,599,913		1,266,130	
			6,211,983		4,897,506
Current assets					
Inventories	4	344,003		325,380	
Loans and advances to customers	6	82,413,286		58,933,448	
Other receivables	5	7,773,324		7,244,807	
Cash and cash equivalents	7	61,145,544		66,648,110	
			151,676,157		133,151,745
Total assets			157,888,140		138,049,251
Group reserves	8				
Reserves		54,587,330		43,495,698	
Minority interests		1,517,606		2,060,614	
			56,104,936		45,556,312
Long-term borrowings	9		23,389,391		22,825,518
Current liabilities	10		78,393,813		69,667,421
Total liabilities and reserves			157,888,140		138,049,251

Consolidated statement of income and expenses for the year ended 31 December 2015

		2015		2014
		USD	USD	USD
Income				
Grant income	12	68,324,698		52,255,392
Service charge income	13	37,149,117		29,133,416
Other operating income	14	8,186,888		9,502,707
		<hr/>		<hr/>
Total operating income			113,660,703	90,891,515
Cost of outsourced work and other external costs	15	(53,062,172)		(43,859,259)
Wages and salaries	16	(31,170,334)		(27,269,899)
Social security and pension charges	17	(1,544,938)		(1,063,917)
Amortization and depreciation on intangible and tangible fixed assets		(1,029,255)		(888,128)
Impairment losses on loans and advances to customers		(2,387,987)		(1,190,872)
		<hr/>		<hr/>
Total operating expenses			(89,194,686)	(74,272,075)
Operating result			24,466,017	16,619,440
Interest income and similar income		280,856		1,094,029
Interest expenses and similar charges		(5,188,370)		(5,874,866)
		<hr/>		<hr/>
			(4,907,514)	(4,780,837)
Result from ordinary activities before tax			19,558,503	11,838,603
Tax on result from ordinary activities	18	(4,109,507)		(2,516,558)
		<hr/>		<hr/>
Result after tax (carried forward)			15,448,996	9,322,045

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	2015 USD	2014 USD
Brought forward	15,448,996	9,322,045
Minority interests	294,434	421,747
Net result (surplus)	15,743,430	9,743,792

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

	2015		2014	
	USD	USD	USD	USD
Consolidated net result after tax attributable to the foundation		15,743,430		9,743,792
Translation differences on foreign participating interests	(6,474,920)		(3,816,319)	
Donated equity	368,222		787,900	
	<hr/>		<hr/>	
Total of items recognized directly in reserves of the foundation as part of the group reserves		(6,106,698)		(3,028,419)
		<hr/>		<hr/>
Total result of the legal entity		9,636,732		6,715,373
		<hr/>		<hr/>

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

	General reserve	Legal reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2014	36,885,609	–	(105,373)	36,780,236
Donated equity	787,990	–	–	787,990
Result for the year	9,743,792	–	–	9,743,792
Foreign currency translation differences*	(3,828,653)	–	12,333	(3,816,320)
As at 31 December 2014	<u>43,588,738</u>	<u>–</u>	<u>(93,040)</u>	<u>43,495,698</u>
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	<u>19,831,528</u>	<u>41,323,762</u>	<u>(6,567,960)</u>	<u>54,587,330</u>

Reference is made to note 8.

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

Consolidated cash flow statement for the year ended 31 December 2015

		2015		2014	
		USD	USD	USD	USD
Cash flow from operating activities					
Net result			15,743,430		9,743,792
Adjusted for:					
• Depreciation/amortization/ other value adjustments	1, 2	1,029,255		888,128	
• Impairment / write-off in loans	6	2,387,987		1,190,872	
• Interest income and expenses		4,907,514		4,780,837	
• Tax on result from ordinary activities	17	4,109,507		2,516,558	
• Change in minority interest	8	294,434		(1,816,268)	
• Other movements in loans		-		3,824,884	
• Change in consolidation scope		(14,295,620)		-	
• Changes in working capital:					
- Increase inventories		(18,623)		(49,574)	
• - Increase other receivables		(528,520)		722,670	
• - Increase other liabilities		2,048,097		752,462	
		<hr/>	(65,969)	<hr/>	12,810,569
Cash flow from business operations			15,667,461		22,554,361
Interest paid		(7,511,584)		(5,421,862)	
Income tax paid		(4,109,507)		2,516,558	
		<hr/>	(11,621,091)	<hr/>	(7,938,420)
Cash flow from operating activities (carried forward)			4,046,370		14,615,941

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		2015		2014
		USD	USD	USD
Brought forward			4,046,370	14,615,941
Investments in:				
• Tangible fixed assets	2	(1,223,120)		(1,372,751)
• Intangible fixed assets	1	(163,429)		–
• Acquisition of group companies		–		–
Disposals of (in)tangible fixed assets	2	34,715		4,285,108
Loans to customers distributed	6	(179,227,855)		(132,173,259)
Loans to customers repayment	6	166,024,115		113,597,718
Cash flow from investing activities			(14,555,574)	(15,663,184)
Take-up in borrowings	9	16,998,452		340,922
Repayment of borrowings	9	(7,511,584)		(4,045,596)
Changes in donor grant	10	(5,620,454)		7,717,604
Donated equity		(419,768)		787,990
Cash flow from financing activities			3,446,646	4,800,920
Net cash flow			(7,062,558)	3,753,677
Exchange rate and translation differences on cash and cash equivalents			1,559,992	2,487,855
Changes in cash and cash equivalents			(5,502,566)	6,241,532
Cash and cash equivalents as at the beginning of the financial year			66,648,110	60,406,578
Changes in cash and cash equivalents			(5,502,566)	6,241,532
Cash and cash equivalents as at the end of the financial year			61,145,544	66,648,110

Notes to the 2015 consolidated financial statements

The reporting entity

The foundation has its legal address in The Hague and its office address at Bezuidenhoutseweg 2, 2594 AV Den Haag.

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 2015 to 31 December 2015.

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 applied accounting policies 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.

Change in accounting policy - functional and presentation currency

These financial statements are presented in United States Dollar in 2015 compared to the Euro in 2014. Management is of the opinion that the USD presentation currency better reflects the actual international environment in which the group operates. The impact on the consolidated net equity amounts USD (93,040).

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

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

Accounting policies

General

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

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore.

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

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

Consolidation principles

The consolidated financial statements include the financial data of the standalone 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.

Stichting BRAC International

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

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

In the consolidated financial statements, intragroup shareholdings, debts, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the 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 standalone 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 standalone line item in the consolidated profit and loss account.

The foundations operations are of two types, Microfinance and Donor Funded Development program.

Group structure of Stichting BRAC International:

Stichting BRAC International owns the following group entities:

Name	Legal address	2015 Share of interest %	2014 Share of interest %
BRAC International Holding BV	The Netherlands	100	100
BRAC Uganda	Kampala	0	0
BRAC Liberia	Monrovia	Branch	Branch
BRAC Afghanistan	Kabul	0	0
BRAC Maendeleo Tanzania	Dar es Salaam	0	0
BRAC Sierra Leone	Freetown	Branch	Branch
BRAC Philippine	Cotabato City	Branch	Branch
BRAC Haiti	Pétion-Ville	Branch	Branch
BRAC South Sudan	Juba	0	0
BRAC Nepal	Kathmandu	Branch	Branch
BRAC Pakistan	Islamabad	0	0
BRAC	Zanzibar	0	0

Stichting BRAC International

Consolidated entities of BRAC International Holdings BV

The Stichting BRAC International holds 100% shares of BRAC International Holdings BV which consolidates all the Microfinance operations under its wing. BRAC International Holdings BV has shareholding interest in the companies below:

Name	Legal address	2015 Share of interest %	2014 Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown	51	51
BRAC Liberia Microfinance Ltd	Monrovia	51	51
BRAC Lanka Investments (Private) Ltd	Colombo	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon	100	100
BRAC Uganda Microfinance Ltd	Kampala	0	0
BRAC Tanzania Finance Ltd	Dar es Salaam	0	0
BRAC Pakistan	Islamabad	0	0
BRAC	Zanzibar	0	0

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

Consolidated entities of Stichting BRAC International

On the donor funded front the Stichting BRAC International has consolidated the companies below:

Name	Legal address	2015 Share of interest %	2014 Share of interest %
BRAC Uganda (NGO)	Kampala	0	0
BRAC Liberia (NGO)	Monrovia	Branch	Branch
BRAC Afghanistan (NGO)	Kabul	0	0
BRAC Maendeleo Tanzania	Dar es Salaam	0	0
BRAC Sierra Leone (NGO)	Freetown	Branch	Branch
BRAC Philippine	Cotabato City	Branch	Branch
BRAC Haiti	Pétion-Ville	Branch	Branch
BRAC South Sudan	Juba	0	0
BRAC Nepal	Kathmendu	Branch	Branch
BRAC Pakistan	Islamabad	0	0
BRAC	Zanzibar	0	0

Principles for the translation of foreign currency

Transactions in foreign currencies

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

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

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

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

Foreign operations

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

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

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

Use of estimates and judgment

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

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

Financial instruments

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

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

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

Loans granted and other receivables

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

Investments in unlisted equity instruments

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

Long-term and current liabilities and other financial commitments

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

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

Derivatives

The Foundation does not make use of derivatives.

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Intangible fixed assets

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

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

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

Software licences

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

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

Tangible fixed assets

Recognition and measurement

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

Donor grants for specific assets are deferred and released to the income statement in accordance with the depreciation period of the related assets.

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

Depreciation

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

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

- 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 capitalized. The obligation arising from the financial lease contract is recognized as a liability. The interest included in the future lease instalments is charged to the profit and loss account during the term of the finance lease contract.

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

Non-financial assets, like property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of value in use and the fair value less costs of disposal. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction, whilst value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The discount rate used for value-in-use calculations is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Reversal of impairment losses recognised in prior years (other than goodwill) is recorded as income when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity.

The net asset value is calculated on the basis of the 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.

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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 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

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

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

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

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

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

Impairment

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

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

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

The Company estimates losses on loans and advances as follows:

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. Loans within the maturity period are considered “Current Loans”. Loans which remain outstanding after the expiry of their maturity period are considered as “Late Loans”. Late loans which remain unpaid after one year of being classified as “Late Loans” are considered as “Non – Interest bearing loans (NIBL)” and are referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the board where the board thinks that they are not realizable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequently recoveries are credited as income in the statement of comprehensive income.
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.

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

Other receivables

Other receivables comprise of prepayments, deposits and other recoverable which arise during the normal course of business; they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

Cash and cash equivalents

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

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

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 the Stichting BRAC International is not entitled to distribute any of the company's reserves of Tanzania, Uganda, Pakistan, Zanzibar, Afghanistan and South Sudan entity its share of the reserves from the above countries are 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.

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Provisions and other liabilities

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

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

Loans and borrowings

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

Revenue recognition

Revenue is recognized on an accruals basis.

Donor grants and grant income

All donor grants received are initially recognized as grant received in advance 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 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 recognized 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 recognized on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as “non-performing” loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectability is reasonably assured.

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Membership fees and other charges

Membership fees of customers 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 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 recognized as an integral part of total rental income, over the term of the lease.

Other income

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

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

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the 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.

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

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Foundation, fund and members) are recognized and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has no Dutch employees, this paragraph has been included to explain the accounting treatment only).

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

Dutch pension plans

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

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

For any surplus at the pension fund as at balance sheet date, a receivable is recognized if the 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.

Interest receivable and similar income and interest payable and similar charges

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

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

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

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 capitalized 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 capitalized is not higher than the interest due for that period.

If the amount of the expected ultimately to be capitalized 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 profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

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

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

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

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

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

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

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

Leasing

The 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 it 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.

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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 profit and loss account on a straight-line basis over the lease term.

Contingent liabilities

The Foundation recognizes a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the 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 categorized in accordance with the nature of the instrument as from the date on which the hedge accounting is ended.

Determination of fair value

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

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

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1 Intangible fixed assets

	2015 USD	2014 USD
Cost		
Opening balance	283,802	–
Additions	163,429	283,402
FX Difference	(56,149)	–
	<u>391,082</u>	<u>283,402</u>
Amortization		
Opening balance	(30,151)	–
Amortization charged	(74,995)	(28,969)
FX Difference	2,030	(1,182)
	<u>(103,116)</u>	<u>(30,151)</u>
Closing balance	(103,116)	(30,151)
Balance as at 31 December 2015	<u>287,966</u>	<u>253,251</u>

The intangible fixed assets consists of expenditure on software assets.

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Equipment USD	Motor vehicles USD	Other USD	Total 2015 USD
Cost					
As at 1 January	382,297	2,688,900	2,052,995	1,964,131	7,088,323
Change in consolidation scope	–	220,637	376,135	129,661	726,433
Additions	70,954	501,938	375,250	274,978	1,223,120
Disposal	–	(161,923)	(232,930)	(50,791)	(445,644)
FX difference	(72,110)	(472,412)	(10,805)	(295,705)	(851,032)
As at 31 December	<u>381,141</u>	<u>2,777,140</u>	<u>2,560,645</u>	<u>2,022,274</u>	<u>7,741,200</u>

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	Land and buildings USD	Equipment USD	Motor vehicles USD	Other USD	Total 2015 USD
Depreciation					
As at 1 January	21,655	1,482,986	1,085,359	1,120,198	3,710,198
Change in consolidation scope	–	104,223	217,265	43,057	364,545
Charge for the year	12,217	372,566	408,208	190,525	983,516
Adjustment for disposal	–	(48,953)	(61,706)	(4,310)	(114,969)
FX difference	1,066	(112,775)	(4,325)	(283,699)	(399,733)
As at 31 December	<u>34,938</u>	<u>1,798,047</u>	<u>1,644,801</u>	<u>1,065,771</u>	<u>4,543,557</u>
Book value					
As at 31 December	<u>346,204</u>	<u>979,093</u>	<u>915,844</u>	<u>956,503</u>	<u>3,197,643</u>
As at 1 January	<u>360,642</u>	<u>1,205,914</u>	<u>967,636</u>	<u>843,933</u>	<u>3,378,125</u>

3 Investment in SFRE Fund

	2015 USD	2014 USD
Investment	<u>1,126,461</u>	<u>–</u>

The investment has been made an investment of A Share in SFRE fund Luxemburg and recognised at fair value. The total interest in SFRE Fund amounts 9.4%. SFRE (Sustainability – Finance - Real Economies SICAV -SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value based banks and expand their impact and reach. The cost of investment is USD 1,470,000. Total commitment for this investment is USD 4 million which can be called within 24 months after initial closing of February 2015.

4 Inventories

	2015 USD	2014 USD
Inventories	<u>344,003</u>	<u>325,380</u>

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

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5 Trade and other receivables

	2015 USD	2014 USD
Grant receivables	3,778,065	2,442,185
Advances to third parties	583,623	961,501
Advances to staff	27,769	19,401
Receivables related parties	–	48,614
Prepayments	1,863,841	1,491,321
Other assets	1,520,026	2,281,785
	<u>7,773,324</u>	<u>7,244,807</u>

Grant receivable mainly consists of fund 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.).

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

Other assets include advance Income and to the fiscal authorities for the subsidiary operation.

6 Loans and advances to customers

Principal loans outstanding

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

Loan to group members are traditional microfinance loans and is approximately for 20 and 40 weeks period. SEP loans are normally for a 6-12 months period. The duration for the ELA (Empowerment and Livelihood for Adolescents Loans) and Loans to local investment group is approximately 40 weeks and for SEP (Small enterprises programme) loans 12 months. These loans bear interest percentages from 20% 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.

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Loans and advances to customers

	2015 USD	2014 USD
Opening balance as at 1 January	58,933,448	45,448,757
Changes in Consolidation Scope	14,295,620	–
Disbursements	179,227,855	132,173,259
Realisation	(166,024,115)	(113,597,718)
	<hr/>	<hr/>
Gross advance to customer	86,432,808	64,024,298
Less write-offs	(679,597)	(3,047,461)
Interest receivable	669,336	589,624
Impairment provision on loan advances	(4,009,261)	(2,633,013)
	<hr/>	<hr/>
Closing balance as at 31 December	82,413,286	58,933,448
	<hr/>	<hr/>

The movement of impairment provision on loan advances is below:

	2015 USD	2014 USD
Opening balance	2,633,013	4,865,004
Charged for the year	2,387,987	1,189,946
Change in consolidation scope	432,536	–
Write off	(679,597)	(3,047,461)
FX adjustment	(764,678)	(374,476)
	<hr/>	<hr/>
Closing balance	4,009,261	2,633,013
	<hr/>	<hr/>

7 Cash and cash equivalents

	2015 USD	2014 USD
Cash at bank	45,894,088	52,742,942
Short-term deposits	15,049,729	13,629,782
Cash in hand	201,727	275,386
	<hr/>	<hr/>
	61,145,544	66,648,110
	<hr/>	<hr/>

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

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8 Group reserves

	2015 USD	2014 USD
Reserves	54,587,330	43,495,698
Minority interest	1,517,606	2,060,614
	<u>56,104,936</u>	<u>45,556,312</u>

Refer to note 25 for the movement schedule.

Reserves

	2015 USD	2014 USD
General reserve	28,988,057	43,588,739
Legal reserve	32,167,232	–
Foreign currency translation reserve	(6,567,960)	(93,041)
	<u>54,587,330</u>	<u>43,495,698</u>

The legal reserve is in fact a legal reserve of participations since for certain group entities it's not possible to pay out dividend due the specific country operations and legal requirements and cannot be used for any other use. 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:

	2015 USD	2014 USD
As at 1 January	43,495,698	36,780,236
Consolidation of Pakistan and Zanzibar	1,454,900	–
Donated equity	368,222	787,990
Surplus for the year	15,743,430	9,743,792
Foreign currency translation differences	(6,474,920)	(3,816,320)
	<u>54,587,330</u>	<u>43,495,698</u>

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Minority interests

	2015 USD	2014 USD
BRAC Liberia Microfinance Company Ltd. (49%)	1,019,276	907,480
BRAC Microfinance (Sierra Leone) Ltd. (49%)	498,330	1,153,036
	<u>1,517,606</u>	<u>2,060,516</u>

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 and BRAC Liberia Microfinance Company Ltd.

9 Long-term borrowings

	2015 USD	2014 USD
Borrowings	36,874,611	24,011,989
Less: Current portion	13,485,220	1,186,471
	<u>23,389,391</u>	<u>22,825,518</u>

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

	2015 USD	2014 USD
Opening balance as at 1 January	24,011,989	27,069,710
Received during the year	16,998,452	340,922
Repayment during the year	8,941,828	(4,045,596)
Opening loan balance (new in consolidation)	(7,511,584)	–
Interest accrued	1,609,053	2,901,127
Foreign currency loss / (gain)	(7,175,126)	(2,254,175)
	<u>36,874,611</u>	<u>24,011,989</u>

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The lender wise breakdown is below:

	<i>Ref</i>	2015 USD	2014 USD
BRAC Africa Micro Finance Limited	<i>1</i>	13,298,501	16,282,652
BRAC Bangladesh	<i>2</i>	2,752,229	2,130,168
Financial Sector Deepening Trust (FSDT)	<i>3</i>	397,363	1,156,261
BRAC Lanka Guarantee Ltd		–	3,454,211
responsibility Investments AG	<i>4</i>	5,101,114	–
Bank of Africa	<i>5</i>	5,611,142	–
Habib Bank Limited	<i>6</i>	5,332,288	–
Pakistan Poverty Alleviation Fund	<i>7</i>	2,893,756	–
Others	<i>8</i>	1,488,217	988,698
		36,874,611	24,011,989

- 1 The BRAC Africa Micro Finance Limited loan agreement of USD 62 million was entered on 27 October 2008 for period of 7 years. On June 2013 the loan was restructured with a balance of equivalent to 17.25 million for Uganda and Tanzania with 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 2015, the outstanding liability amounts to USD 13,298,501, the current part of the liability amounts to USD 2,355,942.
- 2 In January 2007, BRAC Uganda Microfinance obtained a facility of USH 2,187,915,685 (USD 639 thousand) from BRAC Bangladesh for support of the microfinance. It bears interest at 8% per annum. This loan is not secured and shall be repaid in demand.
- 3 The loan with FSDT in Tanzania carries an interest of 10%, is repaid in equal quarterly instalments of TZS 282,458,050 (USD 130,301) and shall be fully repaid by September 2016. There was no drawdown during the year. The loan will be fully repaid by one year.
- 4 In 2015 term loan facility worth USD 7.5 million was secured from responsibility investments AG (a Swiss-based private enterprise) for 36 months for Uganda and Tanzania. As of December 2015 USD 5 million has been drawn. The loan is repayable in three equal instalments and attracts interest at 6.95%. As at 31 December 2015, the outstanding liability amounts to USD 5,101,114, the current part of the liability amounts to USD 1,003,770.
- 5 In May 2015, BRAC Uganda Microfinance Limited obtained a loan from Bank of Africa amounting to Ushs. 9,500,000,000 equivalent to USD 2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 19%. At close of December 2015, principal amounting to Ushs. 1,632,277,468 equivalent to USD 544,092 had been repaid. As at 31 December 2015, the outstanding liability amounts to USD 2,372,253, the current part of the liability amounts to USD 1,193,998.

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- 6 BRAC Tanzania Finance Limited secured a loan from Bank of Africa Tanzania in April 2015 for the period of 36 months. The loan amounted to TZS 8.066 billion (equivalent USD 5 million) as term loan and TZS 2 billion (equivalent USD 1.2 million) overdraft. Both are quoted at the rate of 18% raised to 19.5% during the year. During the year TZS 1.159 billion (equivalent USD 700,000) was repaid. The overdraft facility has not been utilised. The loan was obtained to finance issue of micro finance. BRAC Uganda and Tanzania operations also secured term loan and overdraft facility from bank of Africa. As at 31 December 2015, the outstanding liability amounts to USD 3,238,889, the current part of the liability amounts to USD 1,356,265.
- 7 BRAC Pakistan secured a loan facility of PKR 500 million (USD 5 million) from Habib bank. The loan is secured against SBP (State Bank of Pakistan)'s partial guarantee under Micro Credit Guarantee Facility for 60% of the o/s principal amount and a bank guarantee of USD 2.1 million from BRAC International Holdings BV. As at 31 December 2015, the outstanding liability amounts to USD 5,332,288, the current part of the liability amounts to USD 2,525,944.
- 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 up to an amount received by the Company under the agreement, a demand promissory note and a first charge on all assets / capital items created out of the agreement. The interests on these facilities are in the range of six month KIBOR rate with a floor of 8%. As at 31 December 2015, the outstanding liability amounts to USD 2,893,756, the current part of the liability amounts to USD 1,814,749.
- 8 Others include loan from Kiva Micro funds is a 501 non-profit organization that allows to lend money via the Internet for low-income entrepreneurs. The loans do not attract any interest. The loans are payable in one year.

10 Current liabilities

	2015	2014
	USD	USD
Donor funds	31,826,698	37,447,152
Current portion of the borrowings (note-9)	13,485,220	1,186,471
Other liabilities	33,081,896	31,033,798
	<u>78,393,814</u>	<u>69,667,421</u>

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Donor funds

	2015 USD	2014 USD
Donor funds received in advance	27,009,237	32,730,686
Donor funds received in fixed assets	2,714,552	2,881,718
Donor funds received in loans to group members	2,102,909	1,834,748
	<u>31,826,698</u>	<u>37,447,152</u>

All amounts included are due within one year.

Donor funds received in advance

	2015 USD	2014 USD
Opening balance	32,730,686	29,764,475
Received during the year	64,712,837	57,170,481
Transfer to donor funds in fixed assets	(705,757)	(868,936)
Company's contribution	10,824	966
Transfer to donor funds - loan to group members	(538,219)	(906,881)
Released to profit and loss account	(67,561,460)	(52,764,515)
Released to others	(1,122,356)	(1,289,934)
Receivable from donor	2,989,292	2,250,933
Other receivables	541,735	278,815
Translation difference	(4,048,345)	(904,718)
	<u>27,009,237</u>	<u>32,730,686</u>

Donor funds investment in fixed assets

	2015 USD	2014 USD
Opening balance	2,881,718	2,890,035
Transfer from grant received in advance	702,988	837,790
Released to profit and loss account	(763,238)	(631,607)
Transferred to capital fund	(4,380)	(2,836)
Assets handed over to others	(98,994)	(195,955)
Translation difference	(3,542)	(15,709)
	<u>2,714,552</u>	<u>2,881,718</u>

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Donor funds invested in loan fund

	2015 USD	2014 USD
Opening balance as at 1 January	1,834,748	736,846
Transferred from donor funds received in advance	538,219	906,881
Others	(270,058)	191,021
	<hr/>	<hr/>
Closing balance as at 31 December	2,102,909	1,834,748
	<hr/> <hr/>	<hr/> <hr/>

Other current liabilities

	2015 USD	2014 USD
Loan Security Fund – short-term	14,706,275	11,431,918
Payable to BRAC Bangladesh	8,048,645	11,516,285
Accrued expenses	2,251,182	2,127,061
Tax payable	941,866	434,042
Other liabilities	7,133,928	5,524,492
	<hr/>	<hr/>
	33,081,896	31,033,798
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

11 Financial instruments

General

During the normal course of business, the 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 Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

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

Credit risk

Credit risk arises principally from the 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.

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

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

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Management of credit risk

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

Policy objectives

- Protect the 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 BI;
- Meet legal or statutory requirements; and
- Assist in safeguarding Foundations 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.

Interest rate risk and cash-flow risk

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

Market risk

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

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

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Management of market risk

Overall responsibility for management 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 from the working capital generated by the Foundation and also from available financial institutions facilities.

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

12 Grant income

The breakdown of grant income by country is as follows:

	2015 USD	2014 USD
Uganda	14,032,750	11,276,323
Afghanistan	16,640,208	18,468,428
Tanzania	4,308,520	3,644,133
Philippine	6,758,161	7,175,104
Sierra Leone	3,454,000	3,273,000
South Sudan	7,732,752	4,081,698
Liberia	3,802,382	1,904,278
The Netherlands	7,559,658	2,071,037
Haiti	222,102	361,391
Nepal	33,884	–
Pakistan	3,774,419	–
Zanzibar	5,862	–
	<hr/>	<hr/>
	68,324,698	52,255,392
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13 Service charge income

The breakdown of service charge by country is as follows:

	2015 USD	2014 USD
Uganda	17,306,857	14,409,432
Tanzania	12,390,831	11,345,532
Sierra Leone	1,061,000	941,001
Liberia	1,002,995	696,824
Sri Lanka	–	1,717,474
Myanmar	294,227	21,924
South Sudan	5,668	1,229
Pakistan	4,645,647	–
Zanzibar	441,892	–
	<u>37,149,117</u>	<u>29,133,416</u>

Service charge 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

	2015 USD	2014 USD
Overhead income	980,240	725,577
Fees and commission income	1,948,654	1,609,322
BRAC contribution income	332,107	684,757
Foreign exchange gains	851,868	503,189
Training income	1,645,212	1,767,226
Release loan to BRAC Bangladesh	–	2,174,352
Other income	2,428,807	2,038,284
	<u>8,186,888</u>	<u>9,502,707</u>

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.

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15 Cost of outsourced work and other external costs

	2015 USD	2014 USD
Programme supplies	19,931,770	15,899,185
Maintenance and general expenses	6,647,798	7,506,984
Travel and transportation	6,943,976	6,026,983
Training and development	8,115,237	7,406,260
Rent and utilities	5,063,678	4,087,206
Printing and office stationeries	832,978	697,357
Audit and legal fees	608,120	345,551
Other expenses	4,918,615	1,889,733
	<u>53,062,172</u>	<u>43,859,259</u>

Other expenses includes USD 2.2 million for various secretarial and management expenses in Stichting BRAC International.

16 Wages and salaries

	2015 USD	2014 USD
Salaries and benefits	<u>31,170,334</u>	<u>27,269,899</u>

During the 2015 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 7,068 people (2014: 6,705).

There is no board remuneration applicable.

17 Social security benefits

	2015 USD	2014 USD
Social security benefits	<u>(1,544,938)</u>	<u>(1,063,917)</u>

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

Stichting BRAC International

18 Tax on result from ordinary activities

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

The major components of the tax charge are as follows:

	2015 USD	2014 USD
Current tax	4,615,619	2,898,361
Movement in temporary differences	(506,112)	(381,803)
Tax on result from ordinary activities	<u>4,109,507</u>	<u>2,516,558</u>

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

The applicable weighted average tax rate is 19.8% (2014: 20.7%), whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions. The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2015		2014	
	USD	%	USD	%
Result before taxation	<u>19,558,503</u>		<u>11,838,603</u>	
Tax using the Company's domestic tax rate	4,889,626	25.0	2,959,651	25.0
Application of different tax rate	<u>(780,119)</u>		<u>(443,093)</u>	
Income tax according to consolidated profit and loss account	<u>4,109,507</u>	21.0	<u>2,516,558</u>	21.3

Surplus on development programs are exempted from tax.

19 Transactions with related parties

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

Stichting BRAC International

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

Payable to BRAC Bangladesh:	USD	8,048,645	(2014: USD	11,516,285)
BRAC International Loan Fund:	USD	13,298,501	(2014: USD	16,282,652)
BRAC Lanka Guarantee Ltd:	USD	315,762	(2014: USD	3,454,211)
Term deposit to BRAC Bank Bangladesh:	USD	9,498,635	(2014: USD	7,498,635)

The following related party transactions occurred during the year:

Interest payment on related party loans:	USD	2,100,114	(2014: USD	2,740,409)
Grants received from related parties:	USD	11,166,570	(2014: USD	3,055,643)
Administration fees to related parties:	USD	2,823,702	(2014: USD	2,890,934)
Expenses Charged by BRAC Bangladesh:	USD	1,472,783	(2014: USD	1,765,877)
Grants received through BRAC USA:	USD	10,584,331	(2014: USD	14,179,383)
Grants received through BRAC UK:	USD	1,472,783	(2014: USD	310,594)

20 Off-balance sheet assets and liabilities

The group has a capital commitment of SFRE fund of USD 4 million. As of December 2015 USD 1.47 million is disbursed as at date of the audit report.

Standalone balance sheet as at 31 December 2015

(before appropriation of surplus)

		2015		2014	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets	22	846,025		1,090,736	
Financial fixed assets	23	7,349,554		10,169,600	
			8,195,579		11,260,336
Current assets					
Inventories		71,069		89,515	
Trade and other receivables	24	12,795,128		9,849,370	
Cash and cash equivalents	25	13,288,364		16,430,603	
			26,154,561		26,369,488
			34,350,140		37,629,824
Group reserves					
Reserves	26		22,420,097		17,067,765
Current liabilities					
	27		11,930,043		20,562,059
			34,350,140		37,629,824

* Reference is made to note 21 for the disclosure of the restatement.

Standalone statement of income and expenses for the year ended 31 December 2015

		2015		2014 (Restated)*	
		USD	USD	USD	USD
Income					
Grant income	28	21,830,187		12,992,797	
Other operating income	29	3,848,558		2,994,541	
		<hr/>		<hr/>	
Total operating income			25,678,745		15,987,338
Cost of outsourced work and other external costs	30	(13,838,625)		(10,802,608)	
Wages and salaries	31	(2,927,032)		(3,335,611)	
Social security and pension charges	31	(88,502)		(105,632)	
Amortization and depreciation on intangible and tangible fixed assets		(212,808)		(194,552)	
		<hr/>		<hr/>	
Total operating expenses			(17,066,967)		(14,438,403)
Operating result			8,611,778		1,548,935
Interest income and similar income			15,803		127,131
			<hr/>		<hr/>
Result from ordinary activities			8,627,581		1,676,066
Share in result of subsidiaries	34		(2,040,681)		(640,875)
			<hr/>		<hr/>
Net surplus			6,586,900		1,035,191
			<hr/> <hr/>		<hr/> <hr/>

* Reference is made to note 21 for the disclosure of the restatement.

Notes to the 2015 standalone financial statements

General

The standalone 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'. For the standalone profit and loss account, use has been made of the exemption pursuant to Section 2:402 of the Netherlands Civil Code.

In so far as no further explanation is provided of items in the standalone balance sheet and the standalone profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Reporting period

The financial statements have been prepared for a reporting period of one year, from 1 January 2015 to 31 December 2015.

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 standalone 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 standalone 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 unrealized, they have not been recognized.

21 Restatement of the Financial Statements

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

The impact on shareholders' equity is USD -22.2 million as per 31 December 2014 and EUR -17.9 million as per 1 January 2014. The impact on the result for the year 2014 is USD -4.3 million. In the reporting year 2015, Group companies without share interest in the share capital have been excluded from the financial fixed assets and also excluded in the comparative figures.

Particulars	Financial fixed assets USD	Unappro- priated results USD
Balance as at 1 January 2014	29,723,586	35,838,338
Restatement opening balance	(17,943,327)	(17,943,327)
	<hr/>	<hr/>
Restated balance as at 1 January 2014	11,780,259	17,895,061
	<hr/>	<hr/>
Balance as at 31 December 2014	32,414,495	39,312,660
Restatement opening balance	(17,943,327)	(17,943,327)
Restatement in the year 2014	(4,301,568)	(4,301,568)
	<hr/>	<hr/>
Total restatement	22,244,895	22,244,895
	<hr/>	<hr/>
Restated balance as at 31 December 2014	10,169,600	17,067,765
	<hr/>	<hr/>

* In the total restatement an additional amount is included in respect to income tax of previous year amounting USD 64,827. Therefore the total impact of the restatement amount USD 22,180,068.

Stichting BRAC International

22 Tangible fixed assets

	Land and buildings USD	Equipment USD	Motor vehicles USD	Other USD	Total 2015 USD
Cost:					
• As at 1 January	382,296	475,630	505,981	216,007	1,579,914
• Additions	4,448	58,415	86,349	12,798	162,010
• Disposal	–	(35,280)	(55,064)	–	(90,344)
• FX difference	(86,386)	(23,230)	(25,038)	(35,709)	(170,363)
As at 31 December	<u>300,358</u>	<u>475,535</u>	<u>512,228</u>	<u>193,096</u>	<u>1,481,217</u>
Depreciation:					
• As at 1 January	21,655	215,412	183,674	68,437	489,178
• Charge for the year	11,626	73,565	104,022	23,144	212,357
• Adjustment for disposal	–	(15,742)	(25,243)	–	(40,985)
• FX difference	869	(5,630)	(12,367)	(8,230)	(25,358)
As at 31 December	<u>34,150</u>	<u>267,605</u>	<u>250,086</u>	<u>83,351</u>	<u>635,192</u>
Book value:					
As at 31 December	<u>266,208</u>	<u>207,930</u>	<u>262,142</u>	<u>109,745</u>	<u>846,025</u>
As at 1 January	<u>360,641</u>	<u>260,218</u>	<u>322,307</u>	<u>147,570</u>	<u>1,090,736</u>

23 Financial fixed assets

	2015 USD	2014 USD
Subsidiary (BRAC International Holdings B.V.)	<u>7,349,554</u>	<u>10,169,600</u>

Stichting BRAC International

The movement of financial fixed assets is as follows:

	2015	2014
	USD	USD
Balance as at 1 January	10,169,600	29,723,586
Restatement of financial fixed assets	–	(17,943,327)
	<hr/>	<hr/>
Opening balance as per restatement as 1 January	10,169,600	11,780,259
Issue of share capital	–	–
Share premium contribution	–	724,804
Share in result of subsidiary	(2,040,681)	(640,875)
Donated equity	–	–
Foreign currency translation difference	(779,365)	(1,694,588)
	<hr/>	<hr/>
Balance as at 31 December	7,349,554	10,169,600
	<hr/>	<hr/>

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

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

Name	Legal address	2015 Share of interest %	2014 Share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown	51	51
BRAC Liberia Microfinance Ltd	Monrovia	51	51
BRAC Lanka Investments (Private) Ltd	Colombo	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon	100	100
BRAC Uganda Microfinance Ltd	Kampala	0	0
BRAC Tanzania Finance Ltd	Dar es Salaam	0	0
BRAC Pakistan	Islamabad	0	0
BRAC	Zanzibar	0	0

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

Stichting BRAC International

Previously the net assets of those companies were recognised in the equity of the company and as the financial assets of the foundation.. However based on the Dutch Gaap these companies are not recognised in from January 2015 resulting restatement of the financial statement of the foundation.

24 Trade and other receivables

	2015 USD	2014 USD
Grant receivables	455,733	384,559
Advances to third parties	83,773	317,089
Receivables related parties	12,188,183	8,016,468
Other assets	67,439	1,131,254
	<u>12,795,128</u>	<u>9,849,370</u>

The receivable from related parties includes USD 8.6 million provided to BRAC International Holdings BV for making various investments. BRAC International Holdings BV 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.

25 Cash and cash equivalents

	2015 USD	2014 USD
Cash at bank	11,255,847	12,742,262
Short-term deposits	2,003,617	3,646,440
Cash in hand	28,900	41,901
	<u>13,288,364</u>	<u>16,430,603</u>

The term deposits are made with a related party. These are repayable on demand.

Stichting BRAC International

26 Reserves

	2015 USD	2014 USD
Balance as at 1 January	17,067,765	35,838,338
Less : Restatement of financial fixed assets	–	17,943,327
	<hr/>	<hr/>
Revised balance as at 1 January	17,067,765	17,895,011
Changes:		
• Unappropriated surplus for the year	6,586,900	1,035,191
• Donated equity	–	248,949
• Foreign currency translation differences	(1,234,568)	(2,111,386)
	<hr/>	<hr/>
Balance as at 31 December	<u>22,420,097</u>	<u>17,067,765</u>

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

	2015 USD	2014 USD
Reserves according to the consolidated balance sheet	54,587,330	43,495,698
Less:		
Reserve of affiliated Foundations and companies without participating interest:		
• BRAC Uganda	3,916,820	3,405,204
• BRAC Afghanistan	762,660	698,052
• BRAC Meandeleo Tanzania	(274,432)	(75,897)
• BRAC South Sudan	(64,297)	220,506
• BRAC (Zanzibar)	238,388	-
• BRAC Pakistan	1,355,367	-
• BRAC Uganda Microfinance Company	15,574,864	12,568,564
• BRAC Tanzania Finance Limited	10,657,863	9,611,504
	<hr/>	<hr/>
	32,167,233	26,427,933
	<hr/>	<hr/>
Shareholders' equity according to the separate balance sheet	<u>22,420,097</u>	<u>17,067,765</u>

Stichting BRAC International

	2015 USD	2014 USD
Net result according to the consolidated profit and loss account	15,743,430	9,743,792
Less:		
Surplus of affiliated Foundations, without participating interest:		
• BRAC Uganda	1,174,313	857,248
• BRAC Afghanistan	769,803	1,274,110
• BRAC Meandeleo Tanzania	(3,439)	7,791
• BRAC South Sudan	(1,784,875)	1,806,823
• BRAC (Zanzibar)	53,987	-
• BRAC Pakistan	341,715	
• BRAC Uganda Microfinance Company	5,502,068	3,639,069
• BRAC Tanzania Finance Limited	3,102,958	1,123,561
	9,156,530	8,708,602
Net result according to the separate profit and loss account	6,586,900	1,035,190
27 Other current liabilities		
	2015 USD	2014 USD
Donor funds	8,129,022	11,645,750
Current liabilities	3,801,021	8,916,309
	11,930,043	20,562,059
Donor funds		
	2015 USD	2014 USD
Donor funds received in advance	7,296,328	10,766,431
Donor funds received in fixed assets	832,694	879,319
	8,129,022	11,645,750

Stichting BRAC International

Donor funds received in advance

	2015	2014
	USD	USD
Opening balance	10,766,431	12,702,779
Received during the year	18,784,768	10,269,578
Transfer to donor funds in fixed assets	(131,364)	(219,313)
Company's contribution	–	–
Transfer to donor funds - loan to group members	–	–
Released to profit and loss account	(21,566,615)	(12,842,249)
Released to others	(96,000)	–
Receivable from donor	197,886	193,307
Other receivables	–	–
Translation difference	(658,778)	662,329
	<u>7,296,328</u>	<u>10,766,431</u>

Donor funds investment in fixed assets

	2015	2014
	USD	USD
Opening balance	879,319	860,802
Transfer from grant received in advance	131,364	188,167
Released to profit and loss account	(263,573)	(150,548)
Transferred to capital fund	–	–
Assets handed over to others	–	–
Translation difference	85,584	(19,102)
	<u>832,694</u>	<u>879,319</u>

Stichting BRAC International

Current liabilities

	2015 USD	2014 USD
Related-party payables	2,571,124	7,159,169
Accrued expenses	341,647	510,031
Tax payable	1,334	2,907
Other liabilities	886,916	1,244,202
	<u>3,801,021</u>	<u>8,916,309</u>

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.

28 Income

	2015 USD	2014 USD
Grant income from donors	<u>21,830,187</u>	<u>12,992,797</u>

Grant income also includes 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 staffs are contributed to Stichting.

29 Other operating income

	2015 USD	2014 USD
Overhead income	3,206,757	2,428,044
BRAC contribution income	148,714	269,681
Foreign exchange gains	137,726	82,000
Other income	355,361	214,816
	<u>3,848,558</u>	<u>2,994,541</u>

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

30 Cost of outsourced work and other external costs

	2015 USD	2014 USD
Programme supplies	6,822,573	5,094,908
Maintenance and general expenses	1,138,198	581,610
Travel and transportation	851,610	913,825
Staff training and development	1,288,555	1,288,780
Rent and utilities	898,340	1,097,510
Printing and office stationeries	42,213	119,374
Audit and legal fees	175,171	158,592
Other expenses	2,621,965	1,548,009
	<u>13,838,625</u>	<u>10,802,608</u>

Other expenses include USD 2.2 million for various secretarial and management expenses in Stichting BRAC International.

31 Wages and salaries

	2015 USD	2014 USD
Staff costs	2,927,032	3,335,611
Social security and pension charges	88,502	105,632

During the 2015 financial year, the average number of staff employed in the foundations and its branches, converted into full-time equivalents, amounted to 451 people (2014: 522).

32 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.

Stichting BRAC International

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 risk 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.

33 Off-balance sheet assets and liabilities

The board of Stichting have decided to open a credit line of one million USD to its subsidiaries in Sierra Leone and Liberia. No disbursement has been made from this line during the year.

34 Share in result of subsidiary

BRAC International Holdings B.V.	(2,040,681)	(640,875)
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The Board of Directors prepared the financial statements on 29 June 2016 and recommends that the AGM adopts the financial statements as presented in this 2015 Report:

Amsterdam, 30 June 2016

F.H. Abed	Chairman
P. Mahmud	Treasurer
M. Musa	Secretary
A.M.R. Chowdhury	Director
S. Borren	Director
S. Azmi	Director
I.Z. Khan	Director
D. Bhattacharya	Director
S. Hassan	Director

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.

Subsequent events

There are no subsequent events to report.

Independent auditor's report

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