

Stichting BRAC International

Annual report 2021

"Small is beautiful but scale is necessary"

Sir Fazle Hasan Abed

Founder of BRAC

Contents

Supervisory Board Report	3
Management Board Report	6
Consolidated financial statements	
Consolidated balance sheet as at 31 December 2021	31
Consolidated statement of income and expenses for the year ended 31 December 2021	32
Consolidated statement of comprehensive income for the year ended 31 December 2021	34
Consolidated statement of changes in reserves for the year ended 31 December 2021	35
Consolidated cash flow statement for the year ended 31 December 2021	36
Notes to the 2021 consolidated financial statements	38
Stand-alone financial statements	
Stand-alone balance sheet as at 31 December 2021	93
Stand-alone statement of income and expenses for the year ended 31 December 2021	94
Notes to the 2021 stand-alone financial statements	95
Other information	107

Supervisory Board Report

The Supervisory Board has an overseeing role at Stichting BRAC International (hereinafter “Foundation”, “SBI” or “BI”), and acts as the employer and advisor for the Management Board. The Supervisory Board upholds the principles of the code of good governance for the Foundation and acts accordingly. The Supervisory Board’s mandate and tasks are laid down in statutes. This report is prepared taking into account the guidance of RJ 405, but as this report is voluntary it does not require to meet all these requirements.

Composition and functioning of the Supervisory Board

The Supervisory Board was chaired by the founder of BRAC Sir Fazle Hasan Abed until 6 August 2019. The current Chair Ms Irene Zubaida Khan took over the position on 16 September 2020.

The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no Board remuneration applicable for the Supervisory Board. As the organisation values women empowerment and diversity, six out of the eight (75%) Supervisory Board members are female.

The list of current Board members is as follows:

	Name	Member	Nationality
1	Ms Irene Zubaida Khan (Appointed on 16 September 2020)	Chair	Bangladeshi
2	Ms Sylvia Borren (Re-appointed on 8 December 2020)	Vice Chair	Dutch
3	Ms Marilou van Golstein Brouwers (Appointed on 28 March 2019)	Member	Dutch
4	Ms Parveen Mahmud (Re-appointed on 8 December 2020)	Member	Bangladeshi
5	Dr Debapriya Bhattacharya (Re-appointed on 8 December 2020)	Member	Bangladeshi
6	Ms Victoria Sekitoleko (Appointed on 8 November 2018)	Member	Ugandan
7	Mr Stephen Frederick Rasmussen (Appointed on 24 June 2021)	Member	American
8	Ms Amira Mosad Elmissiry (Appointed on 24 June 2021)	Member	Zimbabwe

The following persons have served as members of the Supervisory Board previously and resigned in 2021:

- Mr Gregory Chen (resigned on 23 September 2021).

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the strategy, annual report, budget, and business plans.

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

In doing so, the members confirm that:

- the Supervisory Board met four times in duly conveyed meetings during the year;
- they oversee the foundation's finance reporting process and monitor the control environment;
- 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 Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2021 audited financial statements and Board report, the 2022 budget and the 2022 annual plan. The audit report of external auditors for 2021 was presented and discussed with the Supervisory Board.

The Finance and Audit committee, consisting of two members of the Supervisory Board, provides advice to the Supervisory Board on the annual financial statements, budget and annual report. The committee also monitors the follow-up of points raised by internal, external audits and recommendations in the auditor's Management Letter.

The board members also provided significant time in reviewing the impact of COVID-19 and the Business Continuity plan during the COVID-19 pandemic, onboarding the Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme. They have analysed the cash flow projection of the entities and the potential risk of each entity.

The Supervisory Board as an employer and advisor

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

Stichting BRAC International

Compensation

Members of the Supervisory Board do not receive compensation for their work. The Foundation only provides a honorarium of USD 200 (two hundred) to members for attending Board and Board committee meetings.

The Hague, 15 June 2022

On behalf of Stichting BRAC International Supervisory Board

Ms Irene Zubaida Khan

Ms Marilou van Golstein Brouwers

Ms Sylvia Borren

Ms Victoria Sekitoleko

Ms Parveen Mahmud

Mr Stephen Frederick Rasmussen

Dr Debapriya Bhattacharya

Ms Amira Mosad Elmissiry

Management Board Report

The Management Board of Stichting BRAC International hereby submits the Management Board Report and the financial statements for the year ended 31 December 2021.

General information

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world. Stichting BRAC International is a foundation, organised and existing under the laws of the Netherlands with its registered address at Spaarneplein 2, 2515 VK The Hague.

Our identity

BRAC is an award-winning international non-governmental development organisation, with the vision of a world free from all forms of exploitation and discrimination, where everyone has the opportunity to realise their potential. BRAC is a leader in developing and implementing cost-effective, evidence-based programmes to assist poor and disadvantaged communities in low-income countries, including in conflict-prone and post-disaster settings. It is an organisation of and for the people of the Global South, pioneering new development and social enterprise approaches to equip communities to achieve prosperity. As well as being the world's largest NGO by number of staff and people directly reached, BRAC has regularly been ranked the number one NGO in the world by the Geneva-based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector. BRAC retained the top spot in 2021 among the top 500 NGOs for the sixth consecutive year.

BRAC was founded in Bangladesh in 1972 by Sir Fazle Hasan Abed. It started its first programme outside of Bangladesh in Afghanistan in 2002, and has since reached millions of people in 12 countries in Asia and Africa. BRAC has a holistic approach to development that uses a wide array of programmes and social enterprises, including in microfinance, education, health, agriculture, gender and human rights. BRAC believes that every person has inherent potential, and when an enabling environment is created and that potential is unleashed, even the poorest can become agents of positive change in their own lives, for their families and their communities.

Stichting BRAC International runs as a foundation that brings BRAC's various development programmes into one platform in all BRAC entities in Africa and Asia. The institutional expertise on successfully implemented programmes is deployed in countries while programmes are either replicated or re-designed as per the country context. The activities in countries are in the following major thematic areas: Financial inclusion, Health, Education, Early Childhood and Adolescents, Agriculture and food security and Research and specially designed programmes for Targeted Ultra-Poor communities in countries. Financial inclusion through microfinance programmes runs in six out of ten countries that are making substantial contribution to achieve economic emancipation and getting people out of poverty in general. BRAC Ghana savings & loans Ltd. is fully incorporated and in regular contact with the Bank of Ghana to meet all requirements to obtain the license to enable the company to start its microfinance program. This will be the seventh country in which we will operate.

Our global reach

Stichting BRAC International is based in the Netherlands. However, its reach is far greater, and it creates opportunity for an estimated 110 million people living in poverty in 12 countries spread over two continents. As of 31 December 2021, it operated in six countries in Africa: Uganda, Tanzania, South Sudan, Liberia, Sierra Leone and Rwanda, and four countries in Asia: Afghanistan, Nepal, Myanmar and the Philippines. In 2019, Stichting BRAC International started its Africa Regional office in Kenya and management is in the process of starting microfinance activities in Ghana.

All of the operations in the countries are brought under one umbrella under the Foundation, giving our international programmes greater cohesiveness and efficiency. BRAC UK and BRAC USA are independent affiliates that raise the BRAC profile globally and are engaged in fund raising activities in North America and European Markets.

In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

Management Board's role in financial matters

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

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

Our vision

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

Our mission

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

Our values

Innovation

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

Integrity

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

Inclusiveness

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

Effectiveness

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

Our goal

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

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

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

Our commitment towards the SDGs

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

The Foundation, by its nature is a socially responsible organisation. The commitment of the organisation is to eradicate poverty from the world through helping the people under poverty by engaging them in economic activities and create sustainable income generation for themselves. In addition to that, we support people who do not have access and affordability to quality education, healthcare and other subsistence needs. We respond to humanitarian and rehabilitation needs in countries around the world. With experience in post-war rehabilitation programmes in Bangladesh in 1972 and Afghanistan in 2002, we went to Sri Lanka after the tsunami in 2004. We also went to Haiti after the 2010 earthquake and Nepal after the 2015 earthquake.

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

The Foundation carries out all of its development programmes mainly from donor grants through its branches and controlled entities in various countries. The micro-finance programmes are run through its 100% owned subsidiary, BRAC International Holdings B.V. BRAC International Holdings B.V. plays the role to manage and consolidate the financial results of the microfinance operations in the six countries. The social enterprise programmes are run through its 100% owned subsidiary, BRAC International Enterprises B.V. which was incorporated December 2021. BRAC International Enterprises B.V. plays the role to manage and consolidate the financial results of the social enterprise operations in Uganda and Tanzania.

Governance

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

Supervisory Board

Stichting BRAC International has an eight (8) member Supervisory Board. The Supervisory Board Report on page 3-5 outlines the governance role of the Supervisory Board and composition of members.

Management Board

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

The Management Board is appointed by the Supervisory Board and their performance is reviewed annually.

The following persons have served as members of the Management Board in 2021:

Name	Member	Nationality
Mr Shameran Abed (Appointed on 1 March 2021)	Executive Director	British
Ms Ruth Okowa (Appointed on 6 August 2019)	Director	Kenyan
Mr Syed Abdul Muntakim (Appointed on 6 August 2019)	Director	British

The following persons have served as members of the Management Board previously and resigned in 2021:

- Dr. Muhammad Musa (Resigned on 31 July 2021);
- Ms Munmun Salma Chowdhury (appointed on 1 March 2021 and resigned on 31 December 2021).

The Foundation is trying to bring in more female participation into its Management Board. The male/female gender diversity in the Management Board is 67/33.

The Management Board meets on a periodic basis. In the discharge of their duties, the Directors are guided by the interests of the organisation and supervise the activities carried out by the subsidiary entities. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

Consolidation principles

Stichting BRAC International has the role to manage and consolidate the financial results of the NGO programmes, microfinance and social enterprise operations in the 10 countries, a dormant company in Sri Lanka and in the process of starting micro-finance operations in Ghana. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the Organisation has control.

Control exists when the Foundation, directly or indirectly via BRAC International Holdings B.V. and BRAC International Enterprise B.V., has the power 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 where applicable.

Significant risks and uncertainties

Risks and uncertainties are an integral part of operation for any kind of organisation. For the foundation, significant risks and uncertainties mainly involves around instability and uncertainties in the countries where we operate in. The Foundation is taking necessary measures to handle this on a continuous basis, based on a risk management framework. The general policy is to mitigate and avoid risks. No activities with respect to trading and/or speculation are executed.

The Foundation recognises 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 the group.

- Meet legal or statutory requirements.
- Assist in safeguarding organisational assets: people, finance, property and reputation.
- Financial instruments only can be used to mitigate risks, these cannot be used for trading and speculation purposes.

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

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

Risk management is practiced across the organisation in a structured approach, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high-risk elements. The risk management is categorised into five major categories: 1) Strategic, 2) Operational, 3) External/environmental/political/legal risks, 4) Financial, and 5) Financial reporting risks.

Strategic risks

The strategic risks are mainly identified from the organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure, loss of secured funding from lending institutions and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the program teams of the countries and 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 communication, visits and following up from head office as well as local country offices on a regular basis. In addition to that the country monitoring team provides quarterly reports to the group monitoring head which is reviewed and discussed in the management team.

External / environmental / political / legal risks

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

Financial risk

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

Credit risk

The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the organisational customer base, including the default risk of the country in which customers are located, as these factors may have an influence on credit risk. The level of credit risk is also determined based on the donor conditions agreed with the donor (i.e. prepayments or subsequent payment). In case the donor funds are obtained subsequent to the expenditures the payment terms are pre-defined. Management is working with reputable parties and thus the risk is considered low.

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 respective management teams. For risk management reporting purposes, the Foundation considers and consolidates all above mentioned elements of credit risk exposure. The Foundation expects to take such approach in all its subsidiaries subject to availability in the local market.

Stichting BRAC International does not have any significant exposure to any individual customer or counterparty. The service of providing unsecured loans to group members in subsidiary BRAC International Holdings B.V. is one of 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.

Currency risk

The Foundation is exposed to currency risk denominated in a currency other than the respective functional currencies of micro finance and NGO entities. The functional currencies in the subsidiaries are their respective local currency and at group level, the US dollar (USD) is the functional and presentation currency. As a general rule, the micro finance and NGO entities gives preference to obtaining local funding (both for borrowings and donor funds) to minimise any currency risk. Additionally, the subsidiaries strive to match foreign currency payables and receivables in such manner that the currency risk is minimized, if not mitigated.

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

Country	2021	2020	Currency depreciation / (appreciation)
Uganda (UGX)	3,544.30	3,645.43	-3%
Tanzania (TZS)	2,308.00	2,321.50	-1%
Zanzibar (TZS)	2,308.00	2,321.50	-1%
Rwanda (RWF)	1,009.62	972.48	4%
Sierra Leone (SLL)	11,255.72	10,133.36	11%
Liberia (LRD)	142.43	161.02	-12%
Myanmar (Kyat)	1,778.00	1,329.10	34%
South Sudan (USD)	1.00	1.00	0%
Afghanistan (AFN)	103.73	77.10	35%
Nepal (NPR)	119.06	117.30	2%
Philippines (PESO)	50.77	48.04	6%
Kenya (KES)	112.84	108.80	4%
The Netherlands (EUR)	0.88	0.84	5%

Interest rate risk and cash flow risk

The Foundation's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans provided to group members. The organisation 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 optimising the return on risk.

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

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary 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 institution facilities.

The Foundation manages its debt maturity profile, operation cash flows and the availability of funding to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the organisation maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure smooth operation.

In December 2020, BRAC International Holdings B.V. incorporated a new Private Limited Liability Company in the Netherlands named BRAC International Finance B.V. The primary objective of the new company is to source external borrowings to support liquidity needs of its microfinance subsidiaries from 2022 and onwards. In May 2022 the first deal was closed and funds will be used to distribute to the subsidiaries of the microfinance entity to support growth.

Financial reporting risks

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

The Internal Audit department conducts audits on a sample basis using risk-based approach. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

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

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

External audit of the Foundation and all of its subsidiaries are undertaken annually. For the consolidated financial statements of Stichting BRAC International Dutch Accounting Standard 640 of Dutch GAAP is applied. The subsidiaries submit additional Group Reporting Pack following the Dutch GAAP to support the consolidation process.

Code of Conduct

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

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

Budget utilization

In 2021, the Foundation had a budget of USD 134.5 million in the field of financial and development services. The Foundation was able to utilise USD 131.8 million for the year ended 2021. The budget amount includes cost of operation, capital expenditures and portfolio growth for microfinance. Sectorial budget versus utilisation rates are given below:

Particulars	Budget 2021 USD mln	Utilisation USD mln	Utilised %
Microfinance	83.9	86.7	103
Social Enterprise	1.6	0.9	56
Education	18.2	17.1	94
Early Childhood Development	1.6	1.6	100
Health	7.4	6.5	88
Agriculture and Livelihood programme	2.0	1.8	90
Youth programme	3.1	3.5	113
Ultra-Poor Graduation	1.6	2.2	138
Social Protection (CCAP)	1.2	0.4	33
Research for social development	1.8	1.9	106
Others	2.7	1.7	63
Secretariat costs	9.4	7.5	80
	134.5	131.8	98

NGO Programmes

Education Programme

Active in: Afghanistan, Tanzania, Uganda, South Sudan, and The Philippines

Education is a basic human right that boosts economic growth in societies and is proven to reduce inequality and mitigate intergenerational poverty. Education increases an individual's ability to contribute to society and to lead a fulfilling life. BRAC's community-based education programming focuses on improving participation, raising awareness on gender equality and child rights, and encouraging ownership by communities. BRAC supports learners returning to mainstream education, when possible, as well as those who have dropped out of school to pursue and complete the cycle of education using a community-based or/and accelerated approach. BRAC elevates access to girls' education by recruiting female teachers, offering classes at convenient times of the day, locating schools close to where girls live and advocating for and engaging communities in the importance of girls' education. BRAC International's main community-based education programmes are in Afghanistan and South Sudan.

With support from NORAD, BRAC Uganda and Tanzania implemented the EELAY (Education, Empowerment and Life Skills for Adolescents and Young Children) project which aims to empower adolescent girls both socially and economically to enable them to deal with issues of self-esteem, domestic violence and unemployment. BRAC Uganda also implemented Mastercard Scholars programme.

In the Philippines, Abot Kaalaman sa Pamilyang Bangsamoro (AKAP) project (phase 3) funded by Palladium began and a UNICEF grant supporting BRAC response to the sudden onset of emergencies through Education in Emergencies (EiE) will support education programming in the event of natural disaster.

BRAC Afghanistan implemented the Girls Education Challenge (GEC) and currently is implementing Girls Education Challenge Transition (GEC-T) with the support of The Foreign, Commonwealth and Development Office of the Government (FCDO). Under Afghanistan Girls Education (AGE) project, funded by Global Affairs Canada, BRAC Afghanistan has worked with the Afghan Ministry of Education to plan for, establish and operate 1,000 community based programmes in remote and hard to reach areas in ten provinces with the goal of reaching 30,000 Afghan children, especially young girls.

In South Sudan, the Community Based Education (CoBE) project is funded by Global Affairs Canada. BRAC South Sudan works closely with the government and communities to establish schools, hire and train teachers, and enrol 6,825 students, primarily girls, who have been out of school.

Early Childhood Development (ECD) Programme

Active in: Tanzania, Uganda and Sierra Leone

In 2021, the ECD programme has been operational in Tanzania, Uganda and Sierra Leone with different projects focusing on children's early stimulation and play based learning.

Youth Empowerment Programme

Active in: Uganda, Tanzania, South Sudan, Liberia, Sierra Leone and Philippines

Realising the diverse needs of young people, particularly the adolescent girls and young women, the youth empowerment programme takes a three pillared approach to ensure youth are educated, socially and economically empowered and their enabling environment is strengthened to support them reaching their full potential. The programme as a whole work towards empowering adolescent girls and young women. This enable them to fight existing social and economic oppressions by showing them the pathways to deal with those obstacles.

In March 2021, BRAC Uganda signed an MoU with UNFPA Uganda to expand the Youth Empowerment programming through ELA club-based activities across countries including refugee camp. BRAC Uganda also signed a contract with European Commission (EC) in 2021 for Strengthening Safety, Protection and Peaceful Co-existence for Women and Youth in Northern Uganda. The goal of this project is to contribute to safety, protection and wellbeing among 15,000 refugees and host communities in Arua, Adjumani and Lamwo. In October 2021, BRAC Uganda received funding from the Bill & Melinda Gates Foundation for an add on to the ELAS project with an opportunity to expand the ELAS project by developing a digital or otherwise mediated version of the ELA model. With this, BRAC started to pilot and testing gamified version of ELA content through interactive voice response (IVR) via basic telephony (i.e., feature phones) through formative research.

BRAC Tanzania started working with the Standard Chartered Bank within the scope of Youth Empowerment programme for the economic recovery of Youth from post COVID-19 pandemic.

In April 2021, with the funding from European Union, BRAC South Sudan within the scope of Youth Empowerment programme started the project Communities Rise - a community-based education top-up integrating adult learning towards economic, social, and political equity targeting 3,000 young men and women in Northern Bahr el Ghazal and Eastern Equatoria.

In partnership with GIZ, BRAC Sierra Leone started with the Employment Promotion Programme for promoting Youth Employment through Local Economic Development.

BRAC Liberia continued to work with UNFPA in the scope of the Adolescent and youth empowerment programme in 2021.

In November 2021 BRAC Philippines secured a funding from the Signify foundation to implement Youth and Skills in the Philippines with an aim to build capacity of the marginalised youth particularly women as lighting entrepreneurs in Bangsamoro Autonomous Region in Muslim Mindanao. In 2021 the Youth Empowerment Programme reached a total of 82,164 participants, which includes adolescent girls and young women, adolescent boys and young men, mentors, parents, club management committee members across the programme operating countries.

Health Programme

Active in: Afghanistan and Uganda

The Malaria project in BRAC Afghanistan continued its implementation including testing suspected cases and provided first-line anti-malarial treatment. Community Health Workers (CHW) received training and worked on the project coverage areas to provide services to the community population. The CHWs are carried out anti-malarial campaigns, screening, supporting parasitological tests, distributing anti-malarial dosages and undertaking referral systems to the patients. Furthermore, BRAC conducted Community Based Malaria Management (CBMM) training to CHWs in Panjsher, Kapisa and Parwan provinces' health facilities.

The health programme is a major pillar of BRAC Uganda, operating in 72 districts with a total of 4,130 community health promoters. During the 3rd quarter in 2021, BRAC signed a strategic Memorandum of understanding (MoU) with the Ministry of Health which will open room for future positioning, strategic partnerships, and collaborations for large-scale funding that donor channels through the government e.g., Global Fund. As part of capacity building, about 6,000 Community health workers were reached through remote training focusing on COVID-19 and Integrated Community Case Management and more than 296,941 participants reached with Behaviour Change Communication (BCC) messages on COVID-19. Further, BRAC provided technical and logistical support to the MoH to develop the National Community health strategy. Virtual national level consultation of Ministries, Departments and Agencies (MDAs) were also conducted.

Agriculture, Food Security and Livelihood (AFSL) Programme

Active in: Liberia, Sierra Leone, Tanzania, Uganda and Myanmar

The AFSL programme's focus is to increase agricultural productivity and profitability while improving livelihoods through extending sustainable technologies and strengthening market linkages. The programme jointly worked with the Microfinance programme and successfully developed and piloted an agricultural loan product for Sierra Leone and Liberia to serve both the livestock and crop farmers. In Liberia, AFSL is in the first year of implementation of 2nd phase of the King Philanthropies (KP) supported project targeting 7,500 households and an additional 20,000 indirect beneficiaries. BRAC Sierra Leone implemented the EU funded livestock project targeting 4,140 smallholder livestock farmers to improve food security and reduce poverty.

AFSL is implementing a project on coffee value chain in Tanzania in partnership with Vi-Agroforestry with a role to strengthen and build the capacity of Agricultural Marketing Cooperative Society (AMCOS) on organizational development, marketing governance and technical/business skills to enable AMCOS provide services to their members.

In Myanmar, BRAC has successfully secured a cost extension funding from World Fish for the support and training of participants on how to nurse fishponds and hatcheries.

In Uganda, BRAC Uganda signed a three-year responsible party agreement with the UNDP and to implement Austrian Development Agency (ADA) funded project to create farmer awareness campaigns for climate change, train on climate smart agriculture (CSA) and provide of inputs and micro-irrigation equipment.

Emergency Preparedness and Response Programme (EPRP)

Active in: Sierra Leone, Uganda and Myanmar

With funding from the Bill and Melinda Gates Foundation, the BI Humanitarian Programme completed the implementation of the Emergency Preparedness and Response Programme on April 2021. The aim of the project was to build the response capacities of community leaders, volunteers, teachers and school students in Uganda, Sierra Leone and Myanmar. The initiative received additional supplementary funds from the Gates Foundation to engage in mitigation work in Myanmar and Sierra Leone and to provide training on psychosocial care and hygiene practices for community volunteers and school disaster committees in Uganda. During a budget review in 2021, it was decided that two additional communities and schools in Sierra Leone would be included into the project's reach using the available resources.

As part of the final deliverables for the project, the end line surveys were completed for Sierra Leone and Uganda. Due to the social unrest in Myanmar, the consultant hired for the end line survey was not able to complete the data collection process. Additionally, the emergency preparedness plans and the Early Warning Systems (EWS) for the additional schools and communities were also completed.

An external consultant was hired to conduct the final evaluation of the project which involved an elaborate data collection process comprised of both quantitative and qualitative methods. The findings from the final evaluation report were also shared with the Gates Foundation.

The closing phase also included exit meetings with the stakeholders and a lesson learned workshop that covered aspects of what went well, what could have been better etc. However, regardless of the delays induced by the COVID-19 and the unrest in Myanmar, almost all of the deliverables were submitted to the Gates Foundation in addition to the findings from the final evaluation. The BI Humanitarian team also submitted the final project narrative and financial reports to the gate's foundation.

Ultra-Poor Graduation (UPG) Programme

Active in: Liberia, Tanzania and Uganda

BRAC International has its UPG operation in Liberia and Uganda and completed the designing of a Disability Inclusive Graduation (DIG) Programme for Tanzania.

In Uganda, the direct implementation activities in Disability Inclusive Graduation project have been significantly hampered due to discontinuation of funding by the donors. The funding discontinuation pushed the programme into uncertainty by halting the regular follow-ups for a few months along with downsizing the total number staff and supervision structure. Even with all these adjustments, DIG-Uganda was able to transfer assets (cow, goat, chickens, etc.) to all the 2,700 participants by the end of September 2021.

In Liberia, the UPG programme has completed the graduation screening in June 2021 and successfully ensured graduation for at least 85% of total 750 participants in July.

In Tanzania, UPG has completed the designing of a Disability Inclusive Graduation (DIG) programme for Tanzania. The design phase included and robust community assessment, collaborating assessment report generation, in-person Inclusive Design workshop with partners and stakeholders and producing design documents.

Accelerating Impact for Young Women in Africa (AIM) Program

Active in: Uganda, Tanzania, Rwanda, Sierra Leone, Liberia, Ghana and Kenya

BRAC International (BI) has entered into a USD 267.6 million partnership with Mastercard Foundation (MCF) to empower adolescent girls and young women (AGYW), between the ages of 12-35, living in poverty in Africa. The Mastercard Foundation – BRAC International Partnership will result in systemic change that creates a positive and measurable impact for 1.2 million adolescent girls and young women and 9.5 million people in Africa by 2027.

Through the partnership, BRAC International will build on our proven and scalable social and economic development approaches across seven countries in East and West Africa: Uganda, Tanzania, Rwanda, Sierra Leone, Liberia, Ghana and Kenya. The programme will focus on working with communities to:

- foster the agency and voice of adolescent girls and young women (AGYW) to act on their aspirations,
- enable AGYW to engage in sustainable livelihoods, and
- create an enabling environment for AGYW, including support for AGYW to engage in advocacy.

Ultra-Poor Graduation Initiatives (UPGI)

UPGI has transitioned smoothly to Stichting BRAC International in 2021 from BRAC USA to scale up work across Africa and Asia. Fundamental to this shift has been the engagement of an Employer of Record that enables UPGI to add new staff anywhere in the world. UPGI has also recruited and on-boarded a new senior leadership team in 2021. This team brings complementary skills and regional experiences suited to scaling and deepening work across diverse geographies in Africa and Asia. While these fundamental changes have been underway the core teams have sustained Technical Assistance service delivery in 6 countries, though this has been impeded by travel restrictions on UPGI and its clients.

UPGI is building new capacity to shape the global dialogue with major investments in communications and advocacy. These investments are paying off earlier than planned with shaping the global dialogue and influence ahead of Year 1 target- in this case the pandemic has had a different effect of accelerating the focus on poverty and social protection. UPGI continued to attract and deliver on existing contractual work with a range of multilateral, government and private sector partners, including the Asian Development Bank (Philippines and Tamil Nadu, India), International Fund for Agriculture and Development (Tunisia), National Agency for Social and Economic Inclusion, (Guinea), UNICEF (Rwanda), Sawiris Foundation for Social Development (Egypt), and World Bank (Zambia). UPGI also provided support internally to BRAC International on their Disability Inclusive Graduation programs, as part of the UPG program, in Uganda and Tanzania. Rwanda, India, Tanzania and the Philippines have been prioritized in BRAC's Audacious proposal as focus countries.

Microfinance

Active in: Myanmar, Tanzania, Uganda, Liberia, Sierra Leone and Rwanda

In line with BRAC Global Strategy to reach 250 million people by 2030, management developed its Growth for Impact plan for the Company for the period 2020-2024, which was later extended by two years to 2026 due to the emergence of COVID-19. This ambitious agenda for the period endeavours to reach an additional one million people in existing countries and to expand in to three countries. To tackle the colossal gap in financial inclusion for women, youth and smallholders farmers, the plan also includes specific youth and agriculture finance strategies.

In order to achieve the mission and the associated social performance and financial targets, management will strengthen and support the maturing of the microfinance entities in six strategic priority areas. The strategic initiatives undertaken include systematically measuring and reporting on social performance management and client impact, to develop innovative new loan products, digitise operations and channels, develop human resources, and to ensure adequate funding of the entity operations. Management has made progress to determine an adequate finance, legal and tax structure to facilitate the newly incorporated subsidiary named BRAC International Finance B.V. with the issuing of a first round of notes in 2022.

COVID-19 Pandemic

In 2021, BRAC International Holdings B.V. gradually pivoted back from focusing primarily on recovery to refocusing on improving the economic and social position of people at an individual and community level and resuming the implementation of its Growth for Impact plan. However, the advent of the Delta variant at the start of the year led to subsequent restrictions in some countries leading to a negative impact on operations, especially in the first three quarters of the year.

To curb the spread of the Delta variant, respective governments issued travel restrictions making staff movement difficult. Although the Government of Uganda had imposed a 42-day lockdown, BRAC Uganda Bank Limited (BUBL), as an essential service provider, remained open to continue to provide access to financial services to its customers. Rwanda experienced a lockdown in some operational regions from mid-July until the end of August. The Government in Myanmar declared a public holiday from July to September to control the spread of the new variant. Government vaccination roll-out began in most countries around the end of the first quarter. By the end of 2021, a majority of BRAC's staff members had received vaccines in their respective countries. This achievement ensured that the company was able to continue the operations and that these were not affected much by the COVID-19 pandemic.

As the year progressed, all entities continued to adapt their operations strategy according to the country contexts. Despite new virus mutations, by the end of the year, clients' income levels had improved and an overall customer portfolio balances increased. As a result, most subsidiaries of BRAC International Holdings B.V. were able to generate a profit.

Innovative product development

Following our human-centered design approaches as well as the Company's agri-finance strategy, the subsidiaries in Liberia and Sierra Leone started piloting agri-finance products in 2021. Through our lessons learned (pilot monitoring and review) process, preliminary insights are being regularly captured over the course of the pilots in all countries to inform improvements/adjustments.

Digitisation

Part of the overall strategy is to increase digital options in our operations as well as towards clients. For this, BRAC Tanzania Finance Ltd (BTFL) has been piloting loan repayments using mobile money for Group Loan clients in six branches in Tanzania from 2021. BRAC Liberia Microfinance Company Ltd (BLMCL) is scaling up its deployment of the Digital Field Application (DFA) in 20 branches and BRAC Rwanda Microfinance Company PLC (BRMCP) started piloting the sending of SMS notifications to clients as confirmation of their loan instalment payment and savings deposit, alongside using DFA in all branches.

Communications and knowledge management

The Company's overall objective is delivering impact at scale. With respect to this, the Company hosted a webinar on 1 September 2021, to mark the launch of the BRAC Microfinance Impact Report, "[Demonstrating the Impact of Client-Centric Microfinance](#)". The report is based on the key results from 2019 and 2020 Lean DataSM Impact Surveys conducted by 60 Decibels in seven countries (including Bangladesh) where BRAC has microfinance operations. More than 600 people registered for the webinar and more than 600 people have watched the webinar on Youtube. Two internal webinars were organized in April: one on Digital Field Application (DFA) implementation, and another on Digital and Alternative Delivery Channel pilots to allow subsidiaries to share challenges and lessons learned based on their experiences of implementing these technologies

Country specific microfinance information

East Africa

Uganda experienced the longest period of lockdowns that restricted staff movements and limited ability to conduct economic activity. The client number of BRAC Uganda Bank Ltd (BUBL), portfolio, PAR, and provision for non performing loans somewhat improved compared to 2020, but remains significantly behind pre-pandemic operational levels. In order to strengthen the core capital ratio, the Company converted a large part of the subordinated loan into equity and the other three shareholders provided capital by means of cash injection. The total capital provided by the four shareholders (DEG-Deutsche Investitions- und Entwicklungsgesellschaft GmbH, Triple Jump B.V., ShoreCap III, LP and the Company). amounted to UGX 11.4 billion (approximately USD 3.2 million). The shareholding of the company remains the same at 49%.

Although there were no official lockdowns in Tanzania in 2021, management of BRAC Tanzania Finance Ltd (BTFL) remained vigilant to monitor any adverse effects on the Company and took safety measures to protect staff and clients from the virus. Consequently, there was significant growth in client numbers and portfolio. The portfolio at risk decreased from 3.8% to 2.8%. The license to operate as a Tier-2 financial institution was approved in May 2021. A total of USD 117 million was disbursed in loans by the end of 2021 (2020: USD 85 million).

The formalisation of the change in ownership of BRAC Zanzibar Finance Ltd. is in process. It is expected that all formalities (i.e. the transfer of shares) will be completed in 2022.

BRAC Rwanda Microfinance Company PLC (BRMCP), our newest microfinance entity in the East Africa is still in the expansion phase. The total number of branches increased from 14 to 25 and clients served from 7,196 to 18,861. The disbursements and the outstanding portfolio increased significantly, due to that Rwanda continues to expand its operations following the start-up. A total of USD 4.7 million was disbursed in loans by the end of 2021 (2020: USD 1.7 million).

The Company's regional branch office in Nairobi, Kenya continued to support the Company's operating entities in line with the Growth for Impact Plan and provide technical assistance to achieve their strategic priorities.

Stichting BRAC International

In 2021, the social enterprises in Tanzania and Uganda demerged from the micro-finance operations. This demerger has been recognized in the annual accounts following the 'pooling of interest' method. This method allows BIHBV to account for the transaction as if it occurred per 1 January 2020 in their consolidated financial statements. As both entities were already consolidated in the financial statements of Stichting BRAC International there is no impact.

West Africa

The client numbers of BRAC Liberia Microfinance Company Ltd (BLMCL) increased by approximately 17% to 46,516 compared to 2020. Disbursements also increased to USD 28.0 million by the end of 2021 (2020: USD 15.2 million). The portfolio at risk decreased from 2.9% to 1.5%. BLMCL opened 2 new branches in 2021.

The client base of BRAC Microfinance Sierra Leone Ltd (BMSLL) increased by approximately 12.5% to 64,381 compared to 2020. Total loan disbursements amounted to USD 27 million by the end of 2021. The portfolio at risk decreased from 7.3% to 3.4%. BMSLL opened 3 new branches in 2021.

BRAC Ghana savings & loans Ltd. is fully incorporated and in regular contact with the Bank of Ghana to meet all requirements to obtain the license to enable the company to start its microfinance program.

Asia

Besides the continued impact of the pandemic, BRAC Myanmar Microfinance Company Ltd (BMMCL) was confronted in February 2021 with a military coup in the country. Internet connection and movement were restricted due to civil protests and curfews were imposed by the army. A business activity and contingency plan was activated keeping staff safety as the top priority. The overall situation had negatively impacted cumulative loan disbursement and collection for the year, however, the situation stabilized as the year progressed. The overall number of borrowers had decreased from 154,119 to 144,535 and USD 41 million was disbursed in 2021. Given the impact of the pandemic as well as the military coup, BMMCL worked with clients to assess the impact on their livelihoods and support where possible, which resulted in moratorium on loan repayments, refinancing and other options. As a result, the portfolio at risk went up from 6.5% to 21.9% at year end. As at December 2021, BMMCL had accumulated a total of approximately USD 1.34 million (2020: USD 0.83 million) as voluntary savings from clients.

Social enterprise

Active in: Uganda and Tanzania

BRAC Uganda Social Business Enterprise Ltd had a challenging year in 2021 due to the COVID-19 impact. Overall, there was USD 254,252 loss reported in 2021 mainly due to an increase in production cost and lower sales. The new management team for BRAC Uganda Social Business Enterprise Ltd is committed for performance improvement in 2022 as a recovery from the COVID-19 impact.

BRAC Enterprise Tanzania Limited (BETL) started its journey on 23rd July 2020 with a funding support from Vitol Foundation and Erol Foundation. The entity will focus on the enterprise model schools related to early childhood development. Currently it is organising overall set up of the entity.

A new social enterprise entity (BRAC International Enterprise B.V.) under Stichting BRAC International was created in 2021 to act as the holding company for all social enterprises in BRAC International. A dedicated management team is now appointed to provide direction and focus in managing social enterprises and help to scale up these operations for the future.

Financial information

Highlights

- Grants income (NGO activities) increased by USD 1.5 million to USD 38.9 million (2020: USD 37.4 million).
- Service charge on loans increased by USD 21.5 million (45%) to USD 69.2 million in 2021 as the operations are back to normal.
- Operating expenses increased by 8% to USD 96.6 million in 2021. This increase relates to the increased number of employees due to opening of new branches in Sierra Leone, Liberia, Tanzania and Rwanda.
- The net result for the year 2021 amounts to a surplus of USD 6.28 million (2020: USD 1.37 million loss) due to increased and improved business following the release of COVID-19 measures.
- The group reserves amount to USD 113.4 million (2020: USD 112.9 million). The group reserves/total assets ratio was 33.2% (2020: 44.9%).
- Total assets increased by USD 90.2 million to USD 341.9 million in 2021 driven by the portfolio growth in microfinance entities and growth in donor projects in the NGOs including Ultra Poor Graduation Initiative (UPGI) and AIM Programme.
- Loans to customers increased by 2% to USD 150.8 million in 2021.
- Impairment loss reserve increased from USD 9.8 million to USD 13.8 million in 2021 as management took a higher amount of provision mainly due to continued effects of COVID-19 impact, and the political situation in Myanmar, determined based on a consistently applied methodology.
- Cash and cash equivalents increased by 115% to USD 164.4 million in 2021. Cash movement of the Foundation has been disclosed in the cash flow statement. The major driver of changes in cash flow is the inclusion of the UPGI and MasterCard funded Accelerating Impact for Young Women (AIM) programme in the NGO operations.
- Current liabilities increased from USD 108.4 million to USD 188.3 million, which is a result of the increase in donor funds, voluntary deposits and loan security.

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

The reserves are split into General reserves and Legal reserves. The distribution of Legal reserves is restricted for specific countries. This is further highlighted in the notes of the financial statement. The general reserves are sufficient to achieve the goals of the Foundation and ensure the going concern of the entity.

Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2021 is 3.9 (2020: 0.5) due to the higher profit reported in BIHBV as a result of full recovery of the service charge in 2021 following resumption of post COVID recovery programme activities.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the Foundation is 1.72 (2020: 2.17). It shows that the Foundation has sufficient strength to manage its liabilities. The quick ratio decreased in 2021 due to the increase in current liabilities following the inclusion of new donor funding.

Outlook for 2022

Planned spending 2022

The sectorial planned spending for 2022 is as follows:

Particulars	Actual 2021 USD mln	Budget 2022 USD mln	Increase / (decrease) %
Microfinance	86.7	100.3	16
Social enterprise	0.9	2.1	133
Accelerating Impact for Young Women (AIM) Program	0.0	18.5	-
Humanitarian	0.0	14.1	-
Education	17.1	9.4	-45
ECD	1.6	2.4	50
Health	6.5	3.3	-49
Agriculture, Food Security and Livelihood programme	1.8	2.2	22
Youth programme	3.5	1.7	-51
Ultra-Poor Graduation Programme (UPGP)	2.2	1.0	-55
Social Protection (CCAP)	0.4	0.0	-
Research	1.9	2.8	47
Others	1.7	3.9	129
Ultra-Poor Graduation Initiatives (UPGI)	0.0	8.6	-
Secretariat costs	7.5	12.4	65
	131.8	182.7	39

NGO Programmes

2022 marks the 50th anniversary of BRAC as an organisation. Throughout the year, the operating entities will celebrate this milestone with their clients, staff and key stakeholders and renewing their commitment towards BRAC's mission.

Looking forward to 2022, the Foundation will mainly focus on delivering AIM programme along with continue its operation on the core programmes such as Education, Health, Agriculture and food security with special focus on Early childhood development, Maternal health. It will also try to expand its graduation programme (Ultra-poor graduation) to more countries where BRAC International is active.

In 2022, AIM program will be rolled out to Sierra Leone, Liberia, Tanzania and Uganda. The AIM program team has formed and operationalized cross-functional working groups to carry out some key program development activities, such as finalizing the program delivery and operations plan, developing training modules and curriculum, and planning and executing the community assessment activities. BRAC International monitoring and research teams are working together to develop a detailed Monitoring Evaluation Research and Learning (MERL) plan including framework to operationalize the MERL system in AIM. The inception phase deliverables include, developing an updated results framework with indicators and sub-indicators; detailed Monitoring & Evaluation framework with tools, methodologies, timeline and person responsible for different levels of data collection, analysis and reporting; Performance Indicators Reference Sheet (PIRS) for each of the impact and outcome level indicators described in the results framework. BRAC International HR teams are supporting AIM programme's goals by recruiting, managing and developing talents.

In delivering the AIM programme, BI will take a cross-sector approach that serves the multi-dimensional, locally specific needs of Adolescent Girls and Young Women living in poverty and their communities, through proven, scalable, and asset-based interventions. Beyond the transformational impact we will have on those 1.2 million girls and their families, this partnership also represents a catalytic organisational opportunity for BI. We have set out a set of business objectives to drive this; strengthening country and regional level capacity, improved processes for monitoring and evaluation, and building the necessary support systems (including in finance, grant management, communications, HR, safeguarding and gender) to not only deliver against the programme but also to better deliver impact at scale in BI countries beyond the AIM programme.

BRAC's Early Childhood Development (ECD) programming including Play Labs, Humanitarian Play Labs and Radio Play Labs/Helplines are an investment in human development towards breaking intergenerational cycles of poverty. In 2022, BRAC will launch the Global ECD Strategy which builds on BRAC's play-based approach to ECD, delivered through the Play Lab model and its iterations. BRAC aims to enable 10 million children from 0 to 8 and their caregivers to participate in quality play-based learning by 2030. In addition to the LEGO Play Lab programming and ongoing in 2022 in Tanzania and Uganda, in 2021/2022 BRAC International expanded through this LEGO COVID Response funding to offer technical assistance to the Ministry of Basic and Senior Secondary Education in Sierra Leone supporting ministerial capacity building, community engagement, curriculum, teacher training and quality assurance for play based learning. BRAC also received additional funding for the extension of the Norad funded EELAY project in Uganda and Tanzania from May to December 2022. Additional highlights include the Humanitarian Play Lab adaptation of the Play Lab for children ages 0-6 and their caregivers in humanitarian settings adopted for refugee context in Uganda and funded in Rhino Camp by the Yidan Prize, with Hilton funding expanding HPL through a two generational ECD/UPG programme beginning in August 2022.

Following change over in the government of Afghanistan in August of 2021, the current leadership of the Islamic Emirate of Afghanistan have announced resumption of education for boys and girls from grade 1-6 and for boys from grade 7-12. The policy surrounding education for girls from grade 7-12 is currently under discussion at the Central Government level. BRAC international is working to obtain permission from GAC to resume AGE operations.

BRAC International Enterprises is also piloting and testing play-based ECD social-enterprise models in Tanzania with a focus on urban centres, where there is demand, willingness, and ability among parents and other caregivers to pay a fee for service to subsidise lower cost (Angaza) programmes in impoverished neighbourhoods aiming with higher cost (Bloom) programmes in higher income communities.

In 2022, the Youth Empowerment Programme will roll out the approved Youth Empowerment strategy (2022-2026) across BI countries and all other BI entities with an aim to expand and diverse programme portfolio, to ensure quality programming through supporting and empowering adolescent girls and young women in Asia and Africa. The programme will focus on:

- direct delivery of youth empowerment programming by BRAC
- partnership with community-based organizations, international organizations and governments
- advisory services to strengthen other youth enabling programs and platforms.

The Agriculture Food Security and Livelihoods team was involved with the design of Mastercard funded AIM project and is working with the AIM team to develop the operational plan, curriculum and eventually roll the activities. We have submitted an unsolicited proposal to USAID Liberia worth of USD 3 million which will complement the KP project activities. The EU funded both projects (Livestock VC and Cassava VC) will be phased out in mid of 2022.

BI-UPG aims to start another graduation project in Uganda funded by Hilton foundation in the refugee camps in Imvepi and Rhino. The planning phase would start in July 2022 and finally starting the implementation in November 2022.

The planning and implementation of 30-months long DIG-Tanzania project is anticipated to start in October 2022.

BI-UPG technical team will heavily be involved in AIM-Inception and implementation for the graduation component as part of the AIM's holistic approach.

Having made substantial progress on shaping the global dialogue and in re-positioning of UPGI, the emphasis in 2022 is to broaden and deepen our country engagements. This will include moving from 20 staff based primarily in North America to adding 25 new staff in Year 2 predominantly based in Africa and Asia.

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

Social impact performance

We continue to strengthen and support our microfinance companies in strategic priorities areas to provide responsible, client centric, inclusive financial solutions. Our financial services to women living in poverty in rural and hard to reach areas will be delivered in a transparent, fair and safe way. The entities will continue to close gaps identified in their audits, and documented in the Action Plans, to increase compliance with the USSPM and CPPs and to achieve the targets set out in their Annual Strategic Plans. The annual client impact survey assessments will be completed in all six entities, to continue to help management to track the social impact over time and provide valuable feedback to further refine and ensure client centric offerings and operations.

Microfinance Business operations

Client resilience and recovery from the COVID-19 pandemic will continue to be a priority of some entities in 2022, while growth in the more stable markets will be pursued. The six strategic priority areas of the Growth for Impact strategic plan remain fit for purpose and will be executed by the entities in 2022. Microfinance program is targeting to increase by 48 branches and increase the number of borrowers from 693 thousand to 771 thousand during the year 2022. Number of savers expected to increase to 576 thousand. Principal outstanding is expected to increase by 11.8 million. It is expected to hit a USD 8.8 million profit before tax in 2022, which includes the expected start up cost of new country.

2022 plans include the continuation of and several key strategic initiatives relating to digital transformation and agrifinance product development. These learnings will be leveraged to refine offerings to ensure client centricity, sustainability and effectiveness before scaling up.

Financing of programmes

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

The financing of the microfinance operations is coming from a mixed variety of sources. At the country level, microfinance income is our largest source, external debt being second. BRAC International Holdings B.V. has finalized its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries. This strategy shows a total funding need of approximately USD 349 million between 2022 and 2026, which relates partly to the refinancing of the current outstanding loans of approximately USD 60 million, but largely to finance the growth for impact strategy. It strives to achieve optimum capital structure in both group and subsidiary level in coming years. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure smooth operation.

To appropriately manage this funding strategy, a separate company, BRAC International Finance B.V. has been incorporated in December 2020.

Donor grants are mainly used to implement development programmes in thematic areas. Apart from the Foundation itself, the affiliates, BRAC USA and BRAC UK, are also helping the foundation to secure donor funding. Sufficient funds are obtained in 2021 to continue the social business programmes.

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

Human resource, internal organisation and staff

The Foundation is investing on the recruitment and retention of quality staff. Training programmes were conducted throughout the year for capacity building in the organisation. The number of employees are 6,940 (2020: 8,032), Female 79% (2020: 71%). For 2022 management expects growth in the human resource capability to support the implementation of Mastercard funded AIM programme.

Country	2021	2020	
East Africa			
Uganda	2,419	2,561	
Tanzania	1,789	1,699	
Rwanda	233	164	
South Sudan	51	36	
	<hr/>	<hr/>	
	4,492		4,460
West Africa			
Sierra Leone	574	501	
Liberia	449	460	
	<hr/>	<hr/>	
	1,023		961
Asia			
Afghanistan	498	1,645	
Myanmar	783	875	
Nepal	2	8	
Philippines	46	4	
	<hr/>	<hr/>	
	1,329		2,532
Dhaka office	72		58
Kenya Office	19		14
The Hague Office	5		7
	<hr/>	<hr/>	
Total	6,940		8,032
	<hr/>	<hr/>	

Subsequent events

With regards to the developed funding strategy of BRAC International Finance B.V., the first contracts were entered into with investors Proparco and Global Partners In April 2022. In May 2022 the first funding was closed for an amount of USD 40.7 million.

The Management Board's responsibility statement

The Foundation's Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2021, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

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

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

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

Signing-off by board

The Management Board prepared the financial statements and recommends that the Supervisory Board approves the 2021 financial statements.

The Hague, 15 June 2022

On behalf of the Management Board

Mr Shameran Abed, Executive Director

Ms Ruth Okowa, Regional Director, Africa

Mr Syed Abdul Muntakim, Chief Finance and Risk Officer

Consolidated balance sheet as at 31 December 2021

(before appropriation of result)

		2021		2020	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	3,314,143		2,461,300	
Tangible fixed assets	2	6,336,972		6,936,616	
Financial fixed assets	3	7,968,233		7,068,147	
		<hr/>		<hr/>	
			17,619,348		16,466,063
Current assets					
Inventories	4	473,084		376,036	
Loans to customers	5	150,799,407		148,059,617	
Trade and other receivables	6	8,613,451		10,289,851	
Cash and cash equivalents	7	164,358,145		76,492,913	
		<hr/>		<hr/>	
			324,244,087		235,218,417
Total assets			<hr/> 341,863,435 <hr/>		<hr/> 251,684,480 <hr/>
Group reserves					
Reserves	8	113,410,431		112,932,482	
Minority interests	8	7,838,410		5,876,810	
		<hr/>		<hr/>	
			121,248,841		118,809,292
Non-current liabilities	9		32,285,705		24,454,795
Current liabilities	10		188,328,889		108,420,393
			<hr/>		<hr/>
Total liabilities and reserves			<hr/> 341,863,435 <hr/>		<hr/> 251,684,480 <hr/>

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Consolidated statement of income and expenses for the year ended 31 December 2021

		2021		2020	
		USD	USD	USD	USD
Income					
Grant income	12	38,893,590		37,433,154	
Service charge income	13	69,172,378		47,706,485	
Other operating income	14	7,603,716		6,534,284	
Total operating income			115,669,684		91,673,923
Cost of outsourced work and other external costs	15	(38,294,505)		(35,019,240)	
Wages and salaries	16	(37,532,242)		(37,074,211)	
Social security and pension charges	17	(2,684,592)		(2,496,266)	
Amortisation and depreciation on intangible and tangible fixed assets	1,2	(2,221,610)		(2,077,085)	
Impairment losses on loans to customers	5	(9,685,741)		(7,028,952)	
Other operating expenses	18	(6,213,000)		(5,556,405)	
Total operating expenses			(96,631,690)		(89,252,159)
Operating result			19,037,994		2,421,764
Interest income and similar income	19	1,915,271		2,389,060	
Interest expenses and similar charges	20	(10,682,342)		(9,247,236)	
Impairment of financial fixed assets	20	–		(139,316)	
			(8,767,071)		(6,997,492)
Result from ordinary activities before tax			10,270,923		(4,575,728)
Corporate income tax	21		(3,843,455)		(398,542)
Result after tax (carried forward)			6,427,468		(4,974,270)

Stichting BRAC International

	2021	2020
	USD	USD
Brought forward	6,427,468	(4,974,270)
Minority interests	(148,799)	3,601,538
Net result	6,278,669	(1,372,732)

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021		2020	
	USD	USD	USD	USD
Consolidated result after tax attributable to the Foundation		6,278,669		(1,372,732)
Translation differences on foreign participating interests	(5,800,720)		1,009,994	
Total of items recognised directly in reserves of the Foundation as part of the group reserves		(5,800,720)		1,009,994
Comprehensive income		477,949		(362,738)

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Consolidated statement of changes in reserves for the year ended 31 December 2021

	General reserve	Legal Reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2020	117,450,189	6,973,181	(12,353,093)	112,070,277
Unappropriated result for the year	(239,913)	(1,132,819)	–	(1,372,732)
Transferred to general reserve (ref. – note 1)	989,343	(989,343)	–	–
Foreign currency translation differences	–	1,224,943	1,009,994	2,234,937
As at 31 December 2020	<u>118,199,619</u>	<u>6,075,962</u>	<u>(11,343,099)</u>	<u>112,932,482</u>
As at 1 January 2021	118,199,619	6,075,962	(11,343,099)	112,932,482
Unappropriated result for the year	9,454,934	(3,176,265)	–	6,278,669
Foreign currency translation differences	–	(66,586)	(5,734,134)	(5,800,720)
As at 31 December 2021	<u>127,654,553</u>	<u>2,833,111</u>	<u>(17,077,233)</u>	<u>113,410,431</u>

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Legal reserve is restricted for the specific country operation and cannot be used for any other use. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan operations are included under this category.

The Board of Management proposes to the General Meeting of Affiliates to appropriate the profit after tax for 2021 other reserves.

Consolidated cash flow statement for the year ended 31 December 2021

		2021		2020	
	USD	USD	USD	USD	USD
Cash flow from operating activities					
Net result		6,278,669			(1,372,732)
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	1,2	2,221,610		2,077,085	
— Impairment/write-off in loans	5	9,685,741		7,028,952	
— Impairment provision on financial fixed assets				139,316	
— Interest income and expenses		8,767,071		6,858,176	
— Tax on result from ordinary activities	21	3,843,455		398,542	
— Change in minority interest	8	148,799		(3,601,538)	
— Other movements in loans	5	1,315,944		(4,026,323)	
— Changes in working capital:					
✓ Change in inventories		(97,048)		(54,529)	
✓ Change in trade and other receivables		1,219,136		1,688,976	
✓ Change in other liabilities		88,056,499		13,469,870	
		115,161,207			23,978,527
Cash flow from business operations		121,439,876			22,605,795
Interest paid		(7,370,346)		(6,973,656)	
Income tax paid		(2,869,212)		(4,935,784)	
		(10,239,558)			(11,909,440)
Cash flow from operating activities (carried forward)		111,200,318			10,696,355

Stichting BRAC International

		2021		2020	
		USD	USD	USD	USD
Brought forward			111,200,318		10,696,355
Investments in:					
— Tangible fixed assets	2	(1,498,509)		(1,253,138)	
— Intangible fixed assets	1	(468,274)		(1,050,672)	
Disposals of (in)tangible fixed assets		606,750		—	
Loans to customers distributed	5	(311,925,278)		(238,361,386)	
Loans to customers repayment	5	289,698,009		225,173,443	
Cash flow from investing activities			(23,587,302)		(15,491,753)
Increase in borrowings	9	49,690,586		26,372,882	
Repayment of borrowings	9	(46,906,811)		(12,496,527)	
Cash flow from financing activities			2,783,775		13,876,355
Net cash flow			90,396,791		9,080,957
Exchange rate and translation differences on cash and cash equivalents			(2,351,559)		1,702,750
Changes in cash and cash equivalents			87,865,232		10,783,707
				2021	2020
				USD	USD
<i>Cash and cash equivalents as at the beginning of the financial year</i>				76,492,913	65,709,206
Changes in cash and cash equivalents				87,865,232	10,783,707
Cash and cash equivalents as at the end of the financial year				164,358,145	76,492,913

The notes on pages 38 to 92 are an integral part of these consolidated financial statements.

Notes to the 2021 consolidated financial statements

The reporting entity

Stichting BRAC International ('the Foundation'), has its legal address in The Hague and its office address at Spaarneplein 2, 2515 VK, The Hague, is a Foundation under Dutch law and is registered as a RSIN 820561320 under number 27339472 in the Trade Register.

Stichting BRAC International's vision is to 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.

To achieve this vision, the Foundation, through its subsidiaries (both for profit and not for profit) uses a comprehensive approach to poverty reduction which strategically links programmes in Economic Development (Microfinance and Social Enterprise), to create and protect the livelihoods of poor people.

The 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 micro-finance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

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

Financial reporting period

The financial statements are for the year from 1 January 2021 to 31 December 2021. The comparatives consist of the year 2020, which ended as at 31 December 2020.

Basis of preparation

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

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

Going concern

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

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

General

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

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

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

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

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

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

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

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

Functional and presentation currency

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

Use of estimates and judgements

The preparation of financial statements in conformity with the Netherlands Civil Code requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

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

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

- The valuation of the loans to customers.

Consolidation principles

Consolidation scope

The consolidated financial statements include the financial information of the Foundation, its group companies and other companies over which the Foundation can exercise 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.

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

Consolidation method

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

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

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

Group structure of Stichting BRAC International

The following group companies have been consolidated under Stichting BRAC International:

Name	Legal address	2021 share of interest %	2020 share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	100	100
BRAC International Enterprises B.V. **	The Hague, The Netherlands	100	–
BRAC Liberia	Monrovia, Liberia	Branch	Branch
BRAC Sierra Leone	Freetown, Sierra Leone	Branch	Branch
BRAC Philippine	Cotabato City, Philippines	Branch	Branch
BRAC Nepal	Kathmandu, Nepal	Branch	Branch
BRAC Kenya	Nairobi, Kenya	Branch	Branch
BRAC Uganda*	Kampala, Uganda	–	–
BRAC Afghanistan*	Kabul, Afghanistan	–	–
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	–	–
BRAC South Sudan*	Juba, South Sudan	–	–

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

** BRAC Uganda Social Business and BRAC Enterprise Tanzania Limited are subsidiaries of this intermediate holding BRAC International Enterprises B.V.

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

Consolidated entities of BRAC International Holdings B.V.

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

Stichting BRAC International

Name	Legal address	2021 share of interest %	2020 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	–
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100

In 2020, following a group restructuring, the legal entity form of BRAC Zanzibar Finance Limited was transferred from a company Limited by Guarantee to a company Limited by Shares to BRAC International Holdings B.V. via Stichting BRAC International. The net book value of the assets transferred was USD 0.99 million and treated as a share premium contribution.

BRAC Uganda Bank Ltd remained to be consolidated fully, despite having a 49% shareholding, as the Foundation continues to have full control on over the entity. Full control has been considered due to, but not limited to, the inability of the other shareholders to make critical business resolutions. For the most critical business resolutions a majority of at least 60% is required. This cannot be achieved without the involvement of BRAC International Holdings B.V. Furthermore, the Foundation has the ability to appoint a majority of the directors.

In May 2020, the company opened a branch office in Nairobi, Kenya, in order to create the legal structure to hire local and international staff. The branch in Kenya will support the BIHBV operating entities in line with the Growth for Impact Plan and provide technical assistance to achieve their strategic priorities.

In December 2020, BRAC International Holdings B.V. incorporated a new Private Limited Liability company in the Netherlands named BRAC International Finance B.V. The primary objective of the new company is to source external borrowings to support liquidity needs of its microfinance subsidiaries.

In 2021, following the group restructuring process the company transferred the ownership of BRAC Enterprises Tanzania Limited and BRAC Social Business Enterprise Uganda Ltd. to BRAC International Enterprises B.V. The profit-loss, assets, liabilities of both the companies have been deconsolidated from BRAC International Holdings B.V. effective from 01 January 2020 in accordance with the pooling of interest method. Therefore, both entities are not included in the table above. As both group companies were already a (in)direct subsidiary of Stichting BRAC International there is no impact on the balances and transactions.

In July 2021, BRAC International Holdings B.V. incorporated a new Private Limited Liability company in Accra, Ghana named BRAC Ghana Savings and Loans Ltd. The primary objective of the new company is to support microfinance activities in Ghana. The newly incorporated entity is expected to be operational in 2022.

Business combinations under common control

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

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

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

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

Principles for the translation of foreign currency

Transactions in foreign currencies

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

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

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

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

Foreign operations

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

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

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: financial fixed assets, loans to customers and trade and other receivables and other financial liabilities.

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

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

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

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

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

Loans granted and other receivables

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

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the statement of income and expenses.

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

Derivatives

The Foundation does not make use of derivatives.

Offsetting financial instruments

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

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

Intangible fixed assets

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

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

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

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

BRAC considers the useful life of the acquired software to be four years and the software is amortised on a straight line basis.

Software licenses

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

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

Prepayments on intangible fixed assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised.

Tangible fixed assets

Recognition and measurement

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

Land and buildings, plant and equipment, other fixed operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, plus other costs that are necessary to get the assets to their location and condition for their intended use.

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

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

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

Depreciation

Depreciation is recognised in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, taking into account any estimated residual value of the individual assets. Land is not depreciated.

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

	2021	2020
	%	%
Buildings	5	5
Equipment	20	20
Computers	33.33	33.33
Motor vehicles	20	20
Other	10	10

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

Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence 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. In assessing whether the Foundation has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

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

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

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

Participating interests with no significant influence

Participating interests where no significant influence can be exercised are measured at the lower of cost or realisable value. The resulting difference in the net assets value is charged in the profit and loss statement.

Other financial fixed assets

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

Dividends

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

Impairment of fixed assets

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

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

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

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

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

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

Disposal of fixed assets

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

Inventories

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

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

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

Loans and advances

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

Loans originated by the Foundation by providing finance directly to borrowers is categorised as loans to group members and is carried at amortised cost on the basis of the effective interest method.

Impairment of financial assets

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

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

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

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

The Foundation estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason, industry practice is used to estimate the specific provision for loans and advances. The Foundation followed the guidance of IFRS 9, which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.
2. In addition to the specific loan provisions, a general provision of 1-2% on current loans has been provided which was derived based on the Foundation's historic loss ratio. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest-bearing loans (NIBL)' and are referred to the Board for write-off.

Apart from that, any loans can be written off subject to the approval of the Board where the Board thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers.

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include highly liquid investments with less than 90 days maturity from the date of acquisition, which is payable on demand, as well as cash in hand, deposits held at call with banks, subject to sweeping arrangements.

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

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

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

Reserves

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

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

Foreign currency translation reserve

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

Minority interests

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

Provisions

A provision is recognised if the following applies:

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

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

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or If the period over which the cash outflows are discounted is no longer than one year.

Non-current liabilities

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

Current liabilities

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

Revenue recognition

Revenue is recognised on an accrual basis.

Donor grants and grant income

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

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

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

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

Service charge on loans and advances

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

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

Fees and commission income

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

Other income

Other income comprises income from sale of seeds and includes gains from disposal of assets. Sale of seeds are recognised when the significant risk and rewards are transferred to the customers.

Costs of outsourced work and other external costs

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

Employee benefits

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

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

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

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

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

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Foundation, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has 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 is measured on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Dutch pension plans

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

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

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

Interest receivable and similar income and interest payable and similar charges

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

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

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

Corporate income tax

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

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

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

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

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

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

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

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

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the result of these participating interests. Results on transactions, concerning the transfer of assets and liabilities between the group and a non-consolidated participating interest and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

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

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.

At inception of an arrangement, the Foundation assesses whether the lease classifies as a finance or operating lease.

Financial leases

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

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

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

Operating leases

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

Cash flow statement

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

Cash flows in foreign currency are translated into US dollars using the average rate of exchange for the year. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

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

Related party transactions

Transactions with related parties are disclosed to the extent the transactions were not at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise of directors, subsidiaries of the foundation and BRAC International Holdings B.V., BRAC International Enterprise B.V., BRAC Bangladesh (including related BRAC entities) and key management personnel of the Foundation and companies with common ownership and/or directors.

Contingent liabilities

The Foundation discloses 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.

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.

Subsequent events

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

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

1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2021:			
— Purchase price	3,278,184	–	3,278,184
— Accumulated amortisation and impairment	(816,884)	–	(816,884)
	<hr/>	<hr/>	<hr/>
— Carrying amount	2,461,300	–	2,461,300
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes in carrying amount:			
— Investments	468,274	–	468,274
— Capital work in progress	(258,668)	840,790	582,122
— Amortisation	(266,935)	–	(266,935)
— Discontinued consolidations purchase price	(404)	–	(404)
— Discontinued consolidations acc. depreciation	168	–	168
— Exchange rate differences purchase price	59,144	3,749	62,893
— Exchange rate differences accumulated depreciation	6,725	–	6,725
	<hr/>	<hr/>	<hr/>
— Change in carrying amount	8,304	844,539	852,843
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance as at 31 December 2021:			
— Purchase price	3,546,530	844,539	4,391,069
— Accumulated amortisation and impairment	(1,076,926)	–	(1,076,926)
	<hr/>	<hr/>	<hr/>
— Carrying amount	2,469,604	844,539	3,314,143
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The intangible fixed assets consist of expenditure on software license purchased from third parties. The working in progress balance consist of expenses related to the core banking system enhancement.

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2021:					
— Purchase price	729,005	5,988,481	1,988,496	4,612,193	13,318,175
— Accumulated depreciation and impairment	(145,835)	(3,029,181)	(1,171,636)	(2,034,907)	(6,381,559)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Carrying amount	583,170	2,959,300	816,860	2,577,286	6,936,616
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Changes in carrying amount:					
— Investments	11,454	1,083,592	168,964	234,499	1,498,509
— Disposals	—	(281,567)	(54,222)	(270,962)	(606,750)
— Depreciation	(26,203)	(1,175,951)	(270,003)	(482,345)	(1,954,502)
— Reversal of depreciation on disposal	—	208,667	48,607	139,398	396,672
— Exchange rate differences purchase price	37,208	361,034	(163,756)	(163,188)	71,298
— Exchange rate differences accumulated depreciation	(3,484)	(141,224)	481	139,356	(4,871)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Change in carrying amount	18,975	54,551	(269,929)	(403,241)	(599,644)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2021:					
— Purchase price	777,667	7,151,540	1,939,482	4,412,543	14,281,233
— Accumulated depreciation and impairment	(175,522)	(4,137,689)	(1,392,551)	(2,238,498)	(7,944,260)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Carrying amount	602,145	3,013,851	546,931	2,174,045	6,336,972
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

3 Financial fixed assets

	2021 USD	2020 USD
Investment in SFRE Fund	3,707,639	3,338,728
Deferred tax assets	4,245,436	3,714,514
Finance lease on leasehold land	15,158	14,905
	<u>7,968,233</u>	<u>7,068,147</u>

Investment in SFRE Fund

The investment in SFRE Fund has been made to 56,151 'A' shares in SFRE fund Luxemburg and recognised at cost less accumulated impairment losses. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 66.03. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. The total commitment of USD 4 million has been invested till 31 December 2021 (NAV USD 3,707,639). A cumulative impairment of USD 292,361 has been recognized up to 2021. Due to positive developments of the net assets value of the investment USD 368,911 of the impairment is reversed in 2021.

	2021 USD	2020 USD
Investment in SFRE Fund at cost	4,000,000	4,000,000
Less: Accumulated impairment losses	(292,361)	(661,272)
	<u>3,707,639</u>	<u>3,338,728</u>

Deferred tax assets

The deferred tax assets arise due to all temporary differences between the accounting base and fiscal base in assets and liabilities using the principal tax rate of the subsidiaries. The foundation have unrealized past losses in Uganda and temporary tax assets in Sierra Leone and Tanzania due to the provision of impairment losses on receivables. The management estimates to recover the past losses within next three years.

It is the expectation that approximately USD 1.8 million of DTA will be utilized in 2022.

Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2021, the remaining lease period is 87 years.

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

4 Inventories

	2021 USD	2020 USD
Finished products and goods for resale	473,084	376,036

No provision for obsolete inventories is deemed necessary (2020: USD 0).

5 Loans to customers

Principal loans outstanding

	2021 USD	2020 USD
Microfinance loans	113,982,929	103,862,466
Small enterprises programme (SEP) loans	34,078,883	31,650,189
Agriculture loans	12,916,402	10,916,315
Empowering and Livelihood for Adolescent Loans (ELA)	16,003	1,303,298
Women Enterprise Program	3,964,010	4,808,188
Other loans	715,543	1,406,388
	165,673,770	153,946,844

Microfinance loans to group members are traditional small ticket loans and is approximately for a 20 and 40 weeks period and for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks. These loans bear interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values as the time period of money is not material as the loans are no longer than 12 months. All loans are secured up to the balance of Loan Security Fund.

Loans to customers

	2021 USD	2020 USD
Opening balance as at 1 January	153,946,844	140,758,901
Disbursements during the year	311,925,278	238,361,386
Translation differences	(10,500,343)	3,946,513
Repayment during the year	(289,698,009)	(229,119,956)
	<hr/>	<hr/>
Gross advance to customers	165,673,770	153,946,844
Interest receivable as at 31 December	4,111,231	5,427,175
Less write-offs during the year	(5,172,475)	(1,546,596)
Loan loss provision	(13,813,119)	(9,767,806)
	<hr/>	<hr/>
Closing balance as at 31 December	150,799,407	148,059,617

The movement of the loan loss provision is below:

	2021 USD	2020 USD
Opening balance as at 1 January	9,767,806	3,661,285
Charged for the year	9,696,535	7,028,952
Write-off	(5,172,475)	(1,546,596)
FX adjustment	(478,747)	624,165
	<hr/>	<hr/>
Closing balance as at 31 December	13,813,119	9,767,806

The Foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL. The increase of the loan loss provision in 2021 is due to the continued impact of COVID-19 on the portfolio quality, following lock downs in several countries during 2021, and also due to the political circumstances in Myanmar.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

A credit policy under which each customer is analysed individually in order to obtain a loan has been established. The Group limits its exposure to credit risk from customers by establishing a maximum payment period per type of loan (i.e. group lending, small enterprises, agriculture, etc.). Besides fix payment terms, customers are obliged to deposit 10% of the granted loan as a deposit.

At 31 December 2021, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2021 USD	2020 USD
Sierra Leone	11,706,459	9,235,000
Liberia	11,731,863	7,846,898
Uganda	46,435,835	45,560,593
Rwanda	2,389,193	903,502
Tanzania, incl. Zanzibar	58,249,707	46,899,457
Myanmar	35,160,713	43,501,394
	165,673,770	153,946,844

Expected credit loss assessment for individual customers

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2021.

	Weighted average loss rate %	Gross carrying amount USD	Loss allowance USD
Current (not past due)	2	143,966,682	3,163,955
1–30 days past due	23	5,378,793	1,237,522
31–180 days past due	49	12,062,447	5,943,820
181– 365 days past due	67	2,208,018	1,472,947
More than one year past due	97	2,057,831	1,994,874
Total	8	165,673,770	13,813,119

6 Trade and other receivables

	2021 USD	2020 USD
Grants receivable	3,996,245	5,332,749
Advances and prepayments to third parties	2,710,756	2,126,938
Advances to staff	71,615	80,366
Other assets	1,020,223	1,477,922
Prepaid taxes	814,612	1,271,876
	8,613,451	10,289,851

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects in Afghanistan (i.e. Girls Education Challenge project, MRRD - Citizen Charter project, BPHS Helmand Project, etc.), Myanmar (i.e. LIFT livelihood project), Philippines AKAP project and Liberia (ELA tie-off project).

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

Other assets include receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits.

The USD 1,250,000 receivable from BRAC USA will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

7 Cash and cash equivalents

	2021 USD	2020 USD
Cash at bank	131,240,995	52,568,307
Short-term deposits	32,179,041	22,678,166
Cash in hand	938,109	1,246,440
	<u>164,358,145</u>	<u>76,492,913</u>

All cash and cash equivalent balances are available on demand.

8 Group reserves

	2021 USD	2020 USD
Reserves	113,410,431	112,932,482
Minority interest	7,838,410	5,876,810
	<u>121,248,841</u>	<u>118,809,292</u>

Refer to note 30 for the movement schedule.

Reserves

	2021	2020
	USD	USD
General reserve	127,654,553	118,199,619
Legal reserve	2,833,111	6,075,962
Foreign currency translation reserve	(17,077,233)	(11,343,099)
	113,410,431	112,932,482

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

The movement in reserves can be specified as follows:

	2021	2020
	USD	USD
As at 1 January	112,932,482	112,070,277
Surplus/(loss) for the year	6,278,669	(1,372,732)
Foreign currency translation differences	(5,800,720)	2,234,937
As at 31 December	113,410,431	112,932,482

Minority interests

	2021	2020
	USD	USD
Minority interests:		
— BRAC Uganda Bank Ltd.	7,838,410	5,876,810

This minority interest covers the third-party interests in the shareholders' equity of the group company BRAC Uganda Bank Ltd.

9 Non-current liabilities

	2021 USD	2020 USD
Borrowings	60,426,536	62,635,075
Less: Current portion of borrowings	(28,140,831)	(38,180,280)
	<u>32,285,705</u>	<u>24,454,795</u>
Long-term borrowings	<u>32,285,705</u>	<u>24,454,795</u>

Borrowings

The non-current liabilities per 31 December 2021 can be further disclosed as follows:

	2021 USD	Repayment obligation 2022 USD	Remaining duration between >1 year and 5 years USD	Remaining duration >5 years USD
responsAbility Investments AG	6,517,967	1,994,150	4,523,817	–
Bank of Africa	4,063,246	1,957,048	2,106,198	–
Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.	3,180,438	447,846	1,245,013	1,487,579
Oiko Credit	–	–	–	–
Netherlands Development Finance Co. (FMO)	3,540,853	1,874,186	1,666,667	–
Triodos Investment Management	1,541,126	1,541,126	–	–
Global Partners	1,944,966	1,944,966	–	–
OPIC	3,680,000	1,650,000	2,030,000	–
aBi Trust and Finance	2,770,664	925,830	1,844,835	–
Yoma Bank	–	–	–	–
AGD Bank	3,937,008	–	3,937,008	–
UAB Bank	4,498,337	1,262,021	3,236,316	–
Citi Bank	3,066,332	1,115,030	1,951,302	–
UECCC	1,128,573	282,143	846,429	–
Mastercard Foundation	1,470,000	1,470,000	–	–
CRDB Bank	1,949,740	1,949,740	–	–
MEB Bank	3,586,895	2,688,862	898,033	–
Whole Planet Foundation	1,156,528	575,675	407,674	173,179
Central bank of Sierra Leone	1,156,018	1,156,018	–	–
Agent for Impact (AFI)	5,032,498	5,032,496	–	–
Standard Chartered Bank	4,332,756	–	4,332,756	–
Others	1,872,591	273,695	1,099,759	499,137
	<u>60,426,536</u>	<u>28,140,831</u>	<u>30,125,806</u>	<u>2,159,895</u>

Stichting BRAC International

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

	2021	2020
	USD	USD
Opening balance as at 1 January	62,635,075	47,614,679
Received during the year	49,690,586	26,372,882
Repayment during the year	(46,906,811)	(12,496,527)
Changes in Consolidation Scope	-	-
Interest accrued	-	-
Foreign currency loss/(gain)	(4,992,314)	1,144,041
	<hr/>	<hr/>
Closing balance as at 31 December	60,426,536	62,635,075
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The specification of the borrowings as at 31 December:

		2021	2020
		USD	USD
responsAbility Investments AG	1	6,517,967	663,795
Bank of Africa	2	4,063,246	1,919,738
Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.	3	3,180,438	1,766,100
Oiko Credit	4	-	1,219,183
Netherlands Development Finance Co. (FMO)	5	3,540,853	9,031,845
Triodos Investment Management	5	1,541,126	7,782,262
Global Partners	5	1,944,966	5,953,664
OPIC	6	3,680,000	5,000,000
aBi Trust and Finance	7	2,770,664	3,147,564
Yoma Bank	8	-	2,558,122
AGD Bank	9	3,937,008	5,266,722
UAB Bank	10	4,498,337	7,125,000
Citi Bank	11	3,066,332	4,065,364
UECCC	12	1,128,573	1,097,264
Mastercard Foundation	13	1,470,000	1,466,204
CRDB Bank	14	1,949,740	1,938,400
MEB Bank	15	3,586,895	451,433
Whole Planet Foundation	16	1,156,528	1,032,272
Central bank of Sierra Leone	17	1,156,018	-
Agent for Impact (AFI)	18	5,032,498	-
Standard Chartered Bank	19	4,332,756	-
Others	20	1,872,591	1,150,143
		<hr/>	<hr/>
		60,426,536	62,635,075
		<hr/>	<hr/>

1. responsAbility Investments AG:

In July 2019, term loan facility worth USD 1 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Tanzania. In June 2020, the loan agreement was revised to reduce the interest rate to 16.85% and defer the repayments for 6 months, with other loan terms remaining constant.

In March 2021, BRAC Tanzania Finance Limited secured term loans amounting to USD 4 million from with a tenure of 36 months at an interest rate of 14.90% per annum. The principal and interest repayments are made every six months.

In October 2021, BRAC Tanzania Finance Limited entered a loan agreement via ResponsAbility Investments AG to secure loans amounting to USD 3 million which was disbursed in two tranches. The first tranche amounting to USD 1.5 million was disbursed immediately whereas the second tranche amounting to USD 1.5 million was disbursed in November 2021. The interest rate of the term loans is 15.65% per annum. Interest repayments made every six months and principal payments made in 3 equal yearly instalments.

2. Bank of Africa:

In March 2019, BRAC Uganda Bank Limited obtained a loan from Bank of Africa amounting to Ushs 15 billion (USD 4.1 million) for a period of 3 years. Interest and principal is paid on a quarterly basis at a rate of 14% per annum. The loan is tagged to T-bill of 182 day and the outstanding balance is Ushs 1.5 billion (USD 0.42 million) maturing in March 2022. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In June 2021, BRAC Tanzania Finance Limited secured a term loan amounting to TZS 8,000 million (USD 3.5 million) from Bank of Africa Tanzania. The loan was obtained to finance micro-finance lending. The loan tenure is 36 months with equal monthly instalments at a fixed interest rate of 15% per annum. In July 2021, BRAC Tanzania Finance Limited utilised its short-term revolving facility amounting to TZS 1,500 million (USD 0.65 million) with a tenure of 150 days and then renewed it in November 2021. The interest rate for the short-term revolving facility is 17% per annum.

3. Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.:

The company changed name to Soluti Finance E.A in 2020. BRAC Tanzania Finance Limited secured a term loan amounting to TZS 3.6 billion from Soluti Finance East Africa Limited in August 2020 for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility but paying interest accruing during the grace period on a quarterly basis. The loan was disbursed in two tranches of TZS 2 billion and TZS 1.6 billion with a six-month gap between the tranches. The loan is quoted at the rate of 17% fixed with no expected increase until maturity. The loan was obtained to promote development through the micro-finance lending.

In June 2021, BRAC Uganda Bank Limited obtained a loan from Soluti Finance amounting to Ushs 6 billion for a period of 4 years with a grace period of 6 months. This loan facility has two purposes, Ushs 2 billion for Agriculture loans at an interest rate of 12.25% and Ushs 4 billion for general business loans at an interest rate of 17.5% per annum. Interest and principal is paid on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and is tagged to the T-bills 182 day the interest rate is being reviewed every six months. The outstanding balance of UGX 6.02 billion(USD 1.7 million).

4. Oiko Credit:

In October 2016, BRAC Uganda Bank obtained a loan from Oikocredit, the loan agreement was for a total principal loan amount of Ushs 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of Ushs 5 billion each. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on BRAC Uganda Finance's loan portfolio. The interest rate was revised to 14% from 16.1% because this facility is tagged to 182Tb+2%, which reduced in the year 2018 this rate has not been revised to date. The outstanding balance of Ushs 4.4 billion has been matured in December 2021.

5. Netherlands Development Finance Co. (FMO), Triodos Investment Management, Global Partners:

In July 2017, BRAC Uganda and Tanzania Microfinance companies obtained a club finance facility of USD 20 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 14% to 18% and to be disbursed in 4 tranches. The first principal repayment was originally due in June 2020 however, it was renegotiated to be paid in June 2022 and rest of the principal repayments remain as scheduled originally and is due in 2021. The loan is not secured.

BRAC Myanmar also secured a loan USD 2.5 million from FMO repayable in 4 equal instalments. It attracts an interest of 6.99% on USD term. The loan is unsecured. This loan was fully repaid in July 2021. Afterwards another agreement was signed with FMO for USD 7.5 million of which USD 2 million has been disbursed. The interest rate for this loan is 4.75% p a. The FMO second loan needs to be repaid in 6 semi-annual instalments and the final repayment will happen in January 2025.

BRAC Liberia Microfinance received USD 500,000 from Global Partnership in September 2019 and USD 504,000 in April 2021 at 6.6% interest rate with quarterly interest repayments. During the year 2021, a total of USD 250,000 has been repaid (USD 125,000 in June and USD 125,000 in December). The outstanding USD 750,000 will be repaid in two instalments (USD 125,000 in June 2022 and USD 615,000 in December 2022).

6. DFC (OPIC):

In February 2019, BRAC Myanmar Microfinance obtained a loan facility of USD 5 million from OPIC. The loan is repayable in 4 semi-annual instalment and attracts interest of 5% per annum. The loan is secured against a corporate guarantee from BRAC International Holdings B.V.

7. aBi Trust and Finance:

In July 2017, a loan agreement was signed between BRAC Uganda Microfinance and aBi Finance limited amounting to Ushs 6 billion (USD 1.69 million). The principle is repayable within 4 years and attracts an interest rate of minimum 14% per annum with six months grace period for principal. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. The outstanding loan balance is Ushs 903,728,182 (USD 0.3 million).

In October 2019, a loan agreement was signed between BRAC Uganda Bank Limited and aBi Finance limited amounting to Ushs 10 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 12.8% pa with six months grace period for principal. The Company changed its name to aBi 2020 Limited in 2020. The amount was disbursed on the 1 October 2019. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. This facility is tagged to 182Tb+2%. The outstanding loan balance is Ushs 8.9 billion (USD 2.5 million).

8. Yoma Bank:

In September 2018, BRAC Myanmar Microfinance obtained a loan facility of Kyat 6.80 billion (USD 4.5 million) from Yoma Bank Ltd. The loan is repayable in 4 semi-annual instalment and attracts interest of 13% per annum. The loan is secured against a back to back facility over USD 2.5 million loan from FMO. The loan is further secured against a corporate guarantee from BRAC International Holdings B.V. BRAC Myanmar Microfinance repaid the final principal payment in July 2021.

9. AGD Bank:

In 2020, BRAC Myanmar Microfinance Ltd entered into a facility agreement of Kyat 7 billion with AGD bank. The interest rate for the loan is fixed at 10% per annum. The loan is repayable on the 36 months anniversary of the first Disbursement date.

10. UAB Bank:

In 2020, BRAC Myanmar Microfinance Ltd entered a deal to accept and utilize 95% MMK withdrawal against deposited USD 7.5 million, initially for three months with monthly roll over (if required) under the same bank cross currency swap option. In 2021, BRAC Myanmar Microfinance Co Ltd obtained a 12 billion MMK loan (multiplier loan) which is equivalent to USD 6 million in two tranches. Interest rate is 12.25% per annum. BRAC Myanmar Microfinance Company Ltd needs to repay back this loan in three instalments for each trench. The repayment schedule would be 30% at the end of first year, 30% at the end of second year and 40% at the end of third year.

11. Citi Bank:

In January 2020, BRAC Uganda Bank Limited obtained a loan from Citi Bank amounting to Ushs 14.8 billion equivalent to USD 4,000,000 with a tenor of 4 years and a grace period of one year. Interest and principal is paid on a quarterly basis. The loan interest rate is tagged to T-bill of 182 day + 2.5% and the average interest rate for the 2021 was 13.03%. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and the outstanding balance is Ushs 10.9 billion (USD 3.1 million).

12. Uganda Energy Credit Capitalization Company (UECCC):

In December 2020, BRAC Uganda Bank Limited obtained a loan from UECCC amounting to Ushs 8 billion at an interest rate of 5% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2020, the Bank drew down Ushs 4 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. The outstanding balance of UGX 4 billion (USD 1.1 million) outstanding the principal repayment in March 2022.

13. Mastercard Foundation:

In July 2020, BRAC Uganda Bank Limited obtained managed funds from Mastercard foundation amounting to USD 1.47 million Equivalent Ushs 5.3 billion for one year; to facilitate refinancing of clients to help them recovery from the impact of the COVID-19 pandemic on their businesses. After the second country lockdown in 2021 by the government due to the pandemic the repayment of these funds was deferred to March 2022.

14. CRDB Bank:

In December 2020, BRAC Tanzania Finance Limited secured a term loan of TZS 4,500 million (USD 1.9 million) from CRDB Bank PLC for working capital. The loan duration is for 24 months with interest payment made quarterly and one lump sum principal repayment at the end of the loan term. The interest rate is fixed at 12% per annum.

15. MEB Bank:

In 2020, BRAC Myanmar obtained a MMK 600 million (equivalent to USD 324 thousand) Tea shop loan from MEB bank in Myanmar. In 2021, BRAC Myanmar obtained 1,200 million MMK Commercial Loan (equivalent to USD 648 thousand) and 10.355 billion MMK Interest free loan which is equivalent to USD 5.6 million. MMK 600 million loan was repaid in November 2021 and final repayment of MMK 10.533 billion is to be paid in January 2022. Interest rate of Tea shop loan was 1% and interest rate commercial loan is 11.5% p a. BRAC Myanmar Microfinance Co Ltd has not yet repaid the commercial loan which is MMK 1,200 million and it will be due in July 2022, January 2023 and July 2023, respectively.

16. Whole Planet Foundation:

BRAC Tanzania Finance Limited secured a free interest loan from Whole Planet Foundation (WPF) in July 2018 for the period of 36 months. The loan amount is USD 150,000 payable in three equal instalments (USD 50,000 each) after a grace period of 24 months. The loan is interest free as WPF used to be a partner in microfinance and in 2018 a loan was issued after realising that BRAC Tanzania is financially stable and self-sustaining. The final instalment is expected to be completed on 31 January 2022.

BRAC Liberia Microfinance Company Limited obtained loan amounts of USD 100,000, USD 200,000 and USD 200,000 in June 2018, April 2019, and January 2021, respectively, at 0% interest rate. Furthermore, WPF reinvested the instalment that was due in July 2021 amounting to USD 100,000. The loans are now repayable in April 2022 (USD 200,000); July 2022 (USD 100,000); and January 2023 (USD 100,000).

BRAC Microfinance (SL) limited obtained a total of USD 600,000 loan from WPF in three equal instalments in October 2018, August 2020, and July 2021. The loans are now repayable in July 2022, October 2023, and October 2024 in three equal instalments.

17. Central bank of Sierra Leone:

In May 2021, BRAC Microfinance (SL) Limited received SLL 22,306 billion (USD 2.2 million) at 0% interest rate. The loan is repayable in 12 equal instalments with the last instalment being scheduled in July 2022.

18. Agent for Impact (AFI): HANSAINVEST Finance I GmbH & Co. geschlossene Investmentkommanditgesellschaft

In September 2021, BRAC Tanzania Finance Limited signed a loan agreement with HANSAINVEST Finance I GmbH worth USD 5 million. The full amount was disbursed in a single tranche. The facility is payable in four equal instalments for a period of 36 months at an interest rate of 5.75% per annum. The interest rate is fixed for the entire duration of the loan agreement.

19. Standard Chartered Bank:

In September 2021, BRAC Tanzania Finance Limited secured a short-term loan facility amounting to TZS 10 billion (USD 4.3 million) from Standard Chartered Bank Tanzania Limited for the purpose of working capital. The loan duration is for 11 months with interest repayment made monthly and principal repayment made in two equal instalments. The interest rate is fixed at 9.8% per annum.

20. Other includes a loan from Kiva Micro funds, an USA 501 non-profit organisation that allows to lend money via the Internet for low-income entrepreneurs, also includes a loan from Central Bank of Liberia and East African Development Bank(EADB) in Uganda.

Certain borrowings have covenant requirements, as per year end, all subsidiaries complied with the various covenants, except for two loans in Uganda for which a waiver has been obtained from the respective investors.

10 Current liabilities

	2021 USD	2020 USD
Donor funds	99,479,449	15,064,226
Current portion of the borrowings (note 9)	28,140,831	38,180,280
Other current liabilities	60,708,609	55,175,887
	188,328,889	108,420,393

All the donor funds received in advance are approved by the donors. Donor fund increased significantly mainly due to the Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme.

Donor funds

	2021 USD	2020 USD
Donor funds received in advance	97,733,701	12,813,296
Donor funds invested in microfinance loans	1,041,325	1,329,084
Donor funds utilised in fixed assets	704,423	921,846
	99,479,449	15,064,226

All amounts included are due within one year.

Donor funds received in advance

	2021 USD	2020 USD
Opening balance	12,813,296	10,974,725
Received during the year	125,326,039	39,878,785
Transfer to donor funds in fixed assets	(290,388)	(587,178)
Transfer to donor funds - loan to group members	(611,728)	(340,676)
Released to statement of income and expenses	(40,702,798)	(36,660,884)
Released to others	(615,654)	(751,228)
Receivable from donor	2,078,260	-
Other receivables	-	-
Changes in Consolidation Scope	-	-
Translation difference	(263,326)	299,752
Closing balance	97,733,701	12,813,296

Donor funds invested in microfinance loans

	2021	2020
	USD	USD
Opening balance as at 1 January	1,329,084	713,507
Transferred from donor funds received in advance	611,728	340,676
Transferred to income and expenses	(647,392)	–
Translation difference	(252,095)	274,901
	<hr/>	<hr/>
Closing balance as at 31 December	1,041,325	1,329,084
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BRAC Myanmar Microfinance Company Ltd recognized deferred income (i.e., grant received in advance) in prior years for donor funds received. The funds have been utilised; however, the deferred income balance was not adjusted accordingly. Therefore, this balance is adjusted this year as the commitments were satisfied.

Donor funds utilised in fixed assets

	2021	2020
	USD	USD
Opening balance	921,846	1,104,325
Transfer from grant received in advance	290,388	282,613
Released to statement of income and expenses	(349,122)	(370,516)
Assets handed over to others	(145,904)	(18,133)
Translation difference	(12,785)	(76,443)
	<hr/>	<hr/>
Closing balance	704,423	921,846
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Other current liabilities

	2021	2020
	USD	USD
Loan Security Fund – short-term	27,268,329	25,594,150
Deposits from savers	20,470,454	15,112,564
Payable to BRAC Bangladesh	1,183,502	3,344,674
Payable to biTs (BRAC IT Services Ltd)	562,664	264,550
Accrued expenses	4,907,102	5,260,654
Corporate income tax payable	2,141,110	972,106
Withholding and other taxes	1,042,644	320,202
Other liabilities	3,132,802	4,306,987
	<hr/>	<hr/>
	60,708,609	55,175,887
	<hr/> <hr/>	<hr/> <hr/>

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

Deposits from customers includes the voluntary savings made by the clients and is payable on demand.

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 various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities. All the other liabilities are payable within one year.

11 Financial instruments

General

During the normal course of business, the Foundation uses various financial instruments that expose the Foundation to market, currency, interest, cash flow, liquidity and/or credit risks.

Risk management framework

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

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

Credit risk

Credit risk arises principally from the loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk calculated by the foundation is USD 13,813,119, which is equal to the loan loss provision. The credit risk is spread over a large number of counterparties (banks, customers and other third parties). The risk with respect to grant receivables is considered remote as the outstanding balances are with reputable parties.

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

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

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

The provision of non-collateralized 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.

The COVID-19 pandemic has had some impact on the credit risks of repayment from customers. We noticed that borrowers are willing to repay and continue their business, which is in line with our experience with such a crisis from EBOLA in West Africa. The Company recognized the required impairment loss in 2021 and also applied a consistently methodology in determining the loan loss provision per balance sheet date 2021.

Management of credit risk:

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

Policy objectives:

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

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

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

Currency risk

The Group is exposed to currency risk on transactions denominated in a currency other than the respective functional currencies of group entities. The functional currency for the parent is the US dollar (USD), the presentation currency is USD. The currency in which transactions primarily are denominated is USD. The subsidiaries functional currency is the country local currency except BRAC South Sudan. BRAC follows inhouse hedging mechanism to mitigate the currency risks. The management regularly reviews the currency trends to manage currency risks.

Interest rate risk and cash flow risk

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, which are both exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

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

Liquidity risk

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

The Foundation manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Foundation maintains sufficient levels of cash or fixed deposits to meet its working capital requirements.

12 Grant income

The breakdown of grant income by country is as follows:

	2021	2020
	USD	USD
Uganda	12,418,348	14,285,970
Afghanistan	9,010,360	12,097,778
The Netherlands	6,093,930	2,889,644
Liberia	2,307,156	2,165,855
Tanzania	2,018,257	1,361,511
Philippine	836,548	242,885
Sierra Leone	1,501,502	1,390,633
Myanmar	1,105,136	729,394
Nepal	2,433	158,588
Kenya	562,448	245,913
Rwanda	222,222	394,328
South Sudan	2,815,250	1,470,655
	38,893,590	37,433,154

The breakdown of grant income by donor type is as follows:

	2021	2020
	USD	USD
Government	3,959,941	15,172,760
International Organization	22,661,788	12,087,571
Private sector / Foundation	7,538,441	8,270,805
United Nations	4,293,450	1,003,884
EU Commission	410,170	790,739
Donation from individuals	29,800	107,395
	38,893,590	37,433,154

13 Service charge income

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

	2021	2020
	USD	USD
Uganda	21,565,185	13,510,160
Tanzania	25,101,234	19,248,315
Sierra Leone	5,839,335	3,905,000
Myanmar	9,883,228	7,001,929
Liberia	5,022,080	2,950,748
Rwanda	637,823	197,022
Zanzibar	1,123,493	893,311
	69,172,378	47,706,485

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

14 Other operating income

	2021	2020
	USD	USD
Overhead income	389,368	1,314,700
Fees and commission income	3,299,184	3,010,119
BRAC contribution income	-	496,747
Training income	292,690	268,211
Income from sale of seeds	618,212	659,850
Other income	3,004,262	784,657
	7,603,716	6,534,284

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to customers and sale of passbook.

Other income includes gains made due to early repayment of loans, cost recovered from staffs as rent against share of space and utilities.

15 Cost of outsourced work and other external costs

	2021 USD	2020 USD
Programme supplies	10,501,517	12,944,220
General and administrative expenses	6,701,748	5,574,859
Travel and transportation	7,913,537	6,414,570
Staff Training and development	1,837,976	673,811
Rent and utilities	4,052,693	3,051,578
Printing and office stationeries	1,289,816	1,485,196
Audit fees	581,219	598,748
Professional and legal fees	2,665,443	2,613,941
Software maintenance costs	1,451,427	957,955
Internet costs	1,299,129	704,362
	38,294,505	35,019,240

16 Wages and salaries

	2021 USD	2020 USD
Salaries and benefits	37,532,242	37,074,211

During the 2021 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 6,940 people (2020: 8,032). All staffs are employed outside the Netherlands, except 5 (2020: 5).

This staffing level (average number of staff) can be divided into the following staff categories:

	2021	2020
Management	124	220
Microfinance services	4,720	4,624
NGO Program employees	823	2,008
Finance and IT	714	605
Monitoring, Risk and Internal Audit	140	140
Human Resources	55	40
Other Support functions	364	395
	6,940	8,032

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation and group companies amounted to USD 439,249 (2020: USD 628,721) for current and former managing directors.

17 Social security and pension charges

	2021 USD	2020 USD
Social security charges	2,684,592	2,496,266

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

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2021 is USD 21,411 (2020: USD 44,898).

18 Other operating expenses

	2021 USD	2020 USD
Other operating expenses	6,213,000	5,556,405

Other expenses include self-insurance provision, software maintenance, group member's death benefits provided to their families, etc.

19 Interest income and similar income

	2021 USD	2020 USD
Bank Interest	1,672,755	2,139,683
Exchange differences	242,516	249,377
	1,915,271	2,389,060

20 Interest expenses and similar charges

	2021 USD	2020 USD
Interest expense on external borrowings	9,432,168	8,981,031
Bank charges	396,638	262,444
Unrealised foreign exchange loss	435,600	-
Foreign exchange loss realised	417,936	3,761
	10,682,342	9,247,236

21 Corporate income tax

The major components of the tax charge are as follows:

	2021	2020
	USD	USD
Current tax	4,374,377	3,466,378
Movement in temporary differences	(530,922)	(3,067,836)
	<hr/>	<hr/>
Tax on result from ordinary activities	3,843,455	398,542
	<hr/>	<hr/>

The applicable weighted average tax rate in 2021 was 37.4%, whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

The tax expense recognised in the profit and loss account for 2021 amounts to USD 3,843,455 (2020: USD 398,542).

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

	2021		2020	
	USD	%	USD	%
Result before taxation	10,270,923		(4,575,728)	
	<hr/>		<hr/>	
Tax using the domestic tax rate	2,567,731	25.0	(1,143,932)	25.0
Unused local tax losses	1,014,568		2,731,919	
Movement in temporary differences	(530,922)		(3,067,836)	
Application of different tax rates abroad	792,079		1,878,391	
	<hr/>		<hr/>	
Income tax according to consolidated statement of income and expenses	3,843,455	37.4%	398,542	8.7
	<hr/>		<hr/>	

Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate in 2020 is due to the fact that the Foundation had lower movement in temporary differences and unused tax losses.

22 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Foundation and a natural person or entity that is affiliated with the Foundation. This includes, among other relations, the relationship between the Foundation and its group companies, affiliates, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged. All the transactions 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.

23 Off-balance sheet assets and liabilities

The Foundation provided corporate guarantees to OPIC for USD 5 million for term loans to BRAC Myanmar Microfinance. The Foundation deposited USD 1 million and BIHBV deposited USD 0.25 million with BRAC USA as part of this guarantee. Current outstanding balance for OPIC loan is USD 3.7 million.

BRAC International Holdings B.V. provided corporate guarantees to AGD Bank for USD 3.9 million (30% cash backed) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 3.9 million.

BRAC International Holdings B.V. provided corporate guarantees to Bank of Africa for 100% of USD 4.2 million for term loans to BRAC Uganda Bank Ltd. Current outstanding balance for the loan is USD 0.4 million.

As part of the process to obtain the banking license in Uganda, the company declared a dividend in 2018 which was paid in tranches during 2019. The Uganda Tax legislation normally requires that withholding tax is applicable over such transactions. However, no withholding tax has been paid, as the company is of the opinion that the conditions are met that avoid double tax payments as stipulated in the tax treaty between Uganda and the Netherlands. BRAC Uganda Bank Limited sought a private ruling from Uganda Revenue Authority (URA) to confirm management's view as to whether this dividend payment qualifies for WHT exemption under the treaty. Management believes the ruling will be made in favour of the bank and a such no provision is made in these financial statements. For the unlikely event that the outcome be different, the company has provided a guarantee to BRAC Uganda Bank for the amount of withholding tax.

As part of the preparation for transformation into a Tier II Financial Institution, the Company had to sell 51% of the shares of BRAC Uganda Microfinance Limited to meet the requirements under Section 18 of the Financial Institutions Act in 2019. On 20 May 2022 the Uganda Revenue Authorities informed BRAC Uganda Bank Limited that they are of the opinion that the proceeds of the disposal of these shares are to be taxed in Uganda. Management believes that the benefit, if any, of the disposal of these shares is exempt from tax in Uganda under Article 13 (4) of the DTA between Uganda and the Netherlands and will take appropriate advice to appeal to this position.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis. The expected rent commitment for 2022 amounts to USD 4 million.

24 Auditor's fees

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

	KPMG Accountants N.V. USD 1,000	Other KPMG Network USD 1,000	Total KPMG USD 1,000
2021	184	147	331
Audit of the financial statements			
Other audit engagements			
Tax-related advisory services	95	72	166
Other non-audit services	6		6
	285	219	504
2020			
Audit of the financial statements	163	202	365
Other audit engagements	–	–	–
Tax-related advisory services	–	230	230
Other non-audit services	30	–	30
	193	432	625

The fees mentioned in the table for the audit of the financial statements 2021 (2020) relate to the total fees for the audit of the financial statements 2021 (2020), irrespective of whether the activities have been performed during the financial year 2021 (2020).

25 Subsequent events

Following the finalization of its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries, BRAC International Holdings B.V. engaged with investors to execute the funding strategy. The first contracts were entered into with investors Proparco and Global Partners in April 2022 for a committed funding amount of USD 41.7 million. In May 2022 the drawdown of USD 12 million was completed by BRAC International Finance B.V. out of which BRAC International Holdings BV's guarantee amount would be USD 3.5 million (15% of the funding amount).

26 Segmental information

Operational segments

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

Stichting BRAC International

The group has three strategic operational segments: NGO, Microfinance and Social Business Enterprise.

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

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

Social Business Enterprise (SBE) involves the production and processing of seeds (maize, vegetables and rice).

The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below. Each entity under the segments has their own budget and costs centres. The entities recognises the costs on an accrual basis.

The cost of BIHBV head office, microfinance operations are allocated to all its subsidiaries based on the Transfer Pricing Policy developed based on the OECD guideline.

Segmental balance sheet as at 31 December 2021

	Non-Micro- Finance USD	Micro- finance USD	Social Enterprise USD	Holding USD	Elimination USD	Total USD
Fixed assets						
Intangible fixed assets	–	3,314,143	–	–	–	3,314,143
Tangible fixed assets	1,297,122	4,745,383	291,550	2,917	–	6,336,972
Financial fixed assets	26,791	4,218,645	15,158	162,972,423	(159,264,784)	7,968,233
	<u>1,323,913</u>	<u>12,278,171</u>	<u>306,708</u>	<u>162,975,340</u>	<u>(159,264,784)</u>	<u>17,619,348</u>
Current assets						
Inventories	184,584	226,040	62,460	–	–	473,084
Loans to customers	–	150,799,407	–	–	–	150,799,407
Trade and other receivables	6,555,814	4,500,010	70,885	21,670,308	(24,183,566)	8,613,451
Cash and cash equivalents	7,481,878	37,318,388	141,357	119,416,522	–	164,358,145
	<u>14,222,276</u>	<u>192,843,845</u>	<u>274,702</u>	<u>141,086,830</u>	<u>(24,183,566)</u>	<u>324,244,087</u>
	<u><u>15,546,189</u></u>	<u><u>205,122,016</u></u>	<u><u>581,410</u></u>	<u><u>304,062,170</u></u>	<u><u>(183,448,350)</u></u>	<u><u>341,863,435</u></u>

Stichting BRAC International

	Non-Micro- Finance USD	Micro- Finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Group reserves						
Reserves	1,865,735	64,611,182	(108,500)	206,059,134	(159,017,120)	113,410,431
Minority interests	–	7,838,410	–	–	–	7,838,410
	<u>1,865,735</u>	<u>72,449,592</u>	<u>(108,500)</u>	<u>206,059,134</u>	<u>(159,017,120)</u>	<u>121,248,841</u>
Non-current liabilities	–	32,285,705	–	–	–	32,285,705
Current liabilities	13,680,454	100,386,719	689,910	98,003,036	(24,431,230)	188,328,889
	<u>15,546,189</u>	<u>205,122,016</u>	<u>581,410</u>	<u>304,062,170</u>	<u>(183,448,350)</u>	<u>341,863,435</u>

Segmental statement of income and expenses for the year ended 2021

	Non-Micro- Finance USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Grant income	34,353,346	1,029,824	167,429	6,093,930	(2,750,939)	38,893,590
Service charge income	–	69,172,378	–	–	–	69,172,378
Other operating income	1,679,921	5,323,172	489,638	5,048,657	(4,937,672)	7,603,716
Total operating income	36,033,267	75,525,374	657,067	11,142,587	(7,688,611)	115,669,684
Cost of outsourced work and other external costs	(23,716,459)	(16,764,403)	(201,354)	(4,664,794)	7,052,505	(38,294,505)
Wages and salaries	(13,444,285)	(23,039,175)	(219,187)	(829,595)	–	(37,532,242)
Social security and pension charges	(554,898)	(2,107,755)	(21,939)	–	–	(2,684,592)
Amortisation and depreciation on intangible and tangible fixed assets	(428,996)	(1,762,290)	(30,324)	–	–	(2,221,610)
Impairment losses on loans to customers	–	(9,696,535)	(1,614)	(126,049)	138,457	(9,685,741)
Other operating expenses	(509,932)	(5,637,074)	(425,649)	(923,844)	1,283,499	(6,213,000)
Total operating expenses	(38,654,570)	(59,007,232)	(900,067)	(6,544,282)	8,474,461	(96,631,690)
Operating result (carried forward)	(2,621,303)	16,518,142	(243,000)	4,598,305	785,850	19,037,994

Stichting BRAC International

	Non-Micro- Finance USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Brought forward	(2,621,303)	16,518,142	(243,000)	4,598,305	785,850	19,037,994
Interest income and similar income	91,103	1,559,380	454	664,522	(400,188)	1,915,271
Interest expenses and similar charges	(78,440)	(10,210,247)	(9,581)	(784,262)	400,188	(10,682,342)
	<u>12,663</u>	<u>(8,650,867)</u>	<u>(9,127)</u>	<u>(119,740)</u>	<u>-</u>	<u>(8,767,071)</u>
Result from ordinary activities before tax	(2,608,640)	7,867,275	(252,127)	4,478,565	785,850	10,270,923
Tax on result from ordinary activities	(139)	(3,562,325)	-	(280,991)	-	(3,843,455)
Result after tax	(2,608,779)	4,304,950	(252,127)	4,197,574	785,850	6,427,468
Minority interests	-	(148,799)	-	-	-	(148,799)
Net result	(2,608,779)	4,156,151	(252,127)	4,197,574	785,850	6,278,669

Geographic information

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

Geographical balance sheet as at 31 December 2021

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	3,309,743	4,400	-	-	3,314,143
Tangible fixed assets	6,069,891	264,164	2,917	-	6,336,972
Financial fixed assets	4,260,594	-	162,972,423	(159,264,784)	7,968,233
	<u>13,640,228</u>	<u>268,564</u>	<u>162,975,340</u>	<u>(159,264,784)</u>	<u>17,619,348</u>
Current assets					
Inventories	473,084	-	-	-	473,084
Loans to customers	119,803,498	30,995,909	-	-	150,799,407
Trade and other receivables	4,625,122	6,501,587	21,670,308	(24,183,566)	8,613,451
Cash and cash equivalents	37,390,561	7,551,062	119,416,522	-	164,358,145
	<u>162,292,265</u>	<u>45,048,558</u>	<u>141,086,830</u>	<u>(24,183,566)</u>	<u>324,244,087</u>
	<u>175,932,493</u>	<u>45,317,122</u>	<u>304,062,170</u>	<u>(183,448,350)</u>	<u>341,863,435</u>
Group reserves					
Reserves	56,096,331	10,272,086	206,059,134	(159,017,120)	113,410,431
Minority interests	7,838,410	-	-	-	7,838,410
	<u>63,934,741</u>	<u>10,272,086</u>	<u>206,059,134</u>	<u>(159,017,120)</u>	<u>121,248,841</u>
Non-current liabilities	18,017,681	14,268,024	-	-	32,285,705
Current liabilities	93,980,071	20,777,012	98,003,036	(24,431,230)	188,328,889
	<u>175,932,493</u>	<u>45,317,122</u>	<u>304,062,170</u>	<u>(183,448,350)</u>	<u>341,863,435</u>

Geographical statement of income and expenses for the year ended 2021

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	25,243,515	10,307,084	6,093,930	(2,750,939)	38,893,590
Service charge income	59,289,150	9,883,228	–	–	69,172,378
Other operating income	6,827,482	665,249	5,048,657	(4,937,672)	7,603,716
Total operating income	91,360,147	20,855,561	11,142,587	(7,688,611)	115,669,684
Cost of outsourced work and other external costs	(34,772,526)	(5,909,690)	(4,664,794)	7,052,505	(38,294,505)
Wages and salaries	(27,715,830)	(8,986,817)	(829,595)	–	(37,532,242)
Social security and pension charges	(2,609,330)	(75,262)	–	–	(2,684,592)
Amortisation and depreciation on intangible and tangible fixed assets	(2,029,351)	(192,259)	–	–	(2,221,610)
Impairment losses on loans to customers	(3,225,087)	(6,473,062)	(126,049)	138,457	(9,685,741)
Other operating expenses	(6,429,511)	(143,144)	(923,844)	1,283,499	(6,213,000)
Total operating expenses	(76,781,635)	(21,780,234)	(6,544,282)	8,474,461	(96,631,690)
Operating result (carried forward)	14,578,512	(924,673)	4,598,305	785,850	19,037,994

Stichting BRAC International

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	14,578,512	(924,673)	4,598,305	785,850	19,037,994
Interest income and similar income	1,599,726	51,211	664,522	(400,188)	1,915,271
Interest expenses and similar charges	(8,262,944)	(2,035,324)	(784,262)	400,188	(10,682,342)
	(6,663,218)	(1,984,113)	(119,740)	–	(8,767,071)
Result from ordinary activities before tax	7,915,294	(2,908,786)	4,478,565	785,850	10,270,923
Tax on result from ordinary activities	(3,562,464)	–	(280,991)	–	(3,843,455)
Result after tax	4,352,830	(2,908,786)	4,197,574	785,850	6,427,468
Minority interests	(148,799)	–	–	–	(148,799)
Net result	4,204,031	(2,908,786)	4,197,574	785,850	6,278,669

Stand-alone balance sheet as at 31 December 2021

(before appropriation of result)

		2021		2020	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets	26	559,867		513,649	
Financial fixed assets	27	94,653,501		94,472,235	
		<hr/>		<hr/>	
			95,213,368		94,985,884
Current assets					
Inventories		33,624			
Trade and other receivables	28	6,876,136		6,660,083	
Cash and cash equivalents	29	105,998,444		16,723,616	
		<hr/>		<hr/>	
			112,908,204		23,383,699
			<hr/>		<hr/>
			208,121,572		118,369,583
			<hr/>		<hr/>
Reserves	30				
Reserves			110,690,108		106,856,520
Current liabilities	31				
			97,431,464		11,513,063
			<hr/>		<hr/>
			208,121,572		118,369,583
			<hr/>		<hr/>

The notes on pages 95 to 105 are an integral part of these stand-alone financial statements.

Stand-alone statement of income and expenses for the year ended 31 December 2021

		2021		2020	
		USD	USD	USD	USD
Income					
Grant income	33	11,582,414		7,547,893	
Other operating income	34	2,557,448		1,830,376	
Total operating income			14,139,854		9,378,269
Cost of outsourced work and other external costs	35	(5,820,930)		(5,847,739)	
Wages and salaries	36	(3,492,588)		(2,998,879)	
Social security and pension charges	36	(112,273)		(125,288)	
Amortisation and depreciation on tangible fixed assets		(94,762)		(93,787)	
Other operating expenses	37	(142,910)		(385,927)	
Total operating expenses			(9,663,463)		(9,451,620)
Operating result			4,476,391		(73,351)
Interest income and similar income			(713,618)		275,944
Result from ordinary activities			3,762,773		202,593
Share in result of participating interests	38		5,659,518		(442,506)
Net result			9,422,291		(239,913)

The notes on pages 95 to 105 are an integral part of these stand-alone financial statements.

Notes to the 2021 stand-alone financial statements

General

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

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

Accounting policies

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

Participating interests in group companies

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

Share in result of participating interests

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

The foundation recovers its costs from the Donors by charging overheads to the NGO projects as per grant agreements.

The cost of the head office, microfinance operations are allocated to all its subsidiaries based on the Transfer Pricing Policy developed based on the OECD guideline.

26 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor Vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2021:					
— Purchase price	253,529	337,037	409,312	89,722	1,089,601
— Accumulated depreciation and impairment	(56,207)	(224,250)	(248,532)	(46,963)	(575,952)
— Carrying amount	197,322	112,787	160,780	42,759	513,649
Changes in carrying amount:					
— Investments	912	49,205	50,638	15,219	115,974
— Disposals	—	(1,878)	—	—	(1,878)
— Depreciation	(2,510)	(32,675)	(54,269)	(5,307)	(94,761)
— Adjustment on depreciation for disposal	—	678	—	—	678
— Exchange rate differences purchase price	33,503	39,887	2,026	1,242	76,658
— Exchange rate differences accumulated depreciation	(8,001)	(27,523)	(15,577)	648	(50,453)
— Balance	23,904	27,694	(17,182)	11,802	46,218
Balance as at 31 December 2021:					
— Purchase price	287,944	424,251	461,976	106,184	1,280,355
— Accumulated depreciation and impairment	(66,718)	(283,770)	(318,378)	(51,622)	(720,488)
— Carrying amount	221,226	140,481	143,598	54,562	559,867

27 Financial fixed assets

	2021 USD	2020 USD
Shareholding in BRAC International Holdings B.V.	94,645,921	94,472,235
Shareholding in BRAC International Enterprises B.V.	7,580	–
	<u>94,653,501</u>	<u>94,472,235</u>

The movement of financial fixed assets in BRAC International Holdings B.V. is as follows:

	2021 USD	2020 USD
Balance as at 1 January	94,472,235	92,826,599
Informal capital contribution	–	989,343
Group restructuring - BETL and BSBEU	170,854	–
Conversion of liability Investment Uganda SBE	323,021	–
Deconsolidation of Uganda SE	(323,021)	–
Share in result of subsidiary	5,913,211	(442,506)
Foreign currency translation difference	(5,910,379)	1,098,799
	<u>94,645,921</u>	<u>94,472,235</u>

The movement of financial fixed assets in BRAC International Enterprises B.V. is as follows:

	2021 USD	2020 USD
Group restructuring - BETL and BSBEU	(170,854)	–
Conversion of liability Investment Uganda SBE	323,021	–
Negative participation in BUSBE	109,106	–
Share in result of subsidiary	(253,693)	–
	<u>7,580</u>	<u>–</u>

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

Stichting BRAC International

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

Name	Legal address	2021 share of interest %	2020 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	-
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100

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

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

Name	Legal address	2021 share of interest %
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	100

All the subsidiaries are mainly governed by the Management Board Members of SBI and BIHBV.

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

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of BRAC International Holdings B.V. Within these consolidated group companies, at least one of the executives of the BRAC International Holdings B.V. is involved as member of the Board of Directors. BRAC Lanka Investments (Private) Ltd. Is a dormant entity since 2015.

28 Trade and other receivables

	2021	2020
	USD	USD
Grant receivables	1,264,496	1,435,989
Advances to third parties	557,211	218,675
Receivables related parties	5,013,571	4,899,576
Other assets	40,858	105,843
	6,876,136	6,660,083

The receivables from related parties include USD 2,545,942 (2020: USD 2,549,340) provided to BRAC International Holdings B.V. Other balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

The USD 1 million receivable from BRAC USA will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

29 Cash and cash equivalents

	2021	2020
	USD	USD
Cash at bank	90,984,527	11,237,022
Short-term deposits	15,000,000	5,061,000
Cash in hand	13,917	425,594
	105,998,444	16,723,616

All cash and cash equivalent balances are available on demand. The short-term deposits have been committed for 24 months initially but it is available on demand. In case of early withdrawal of the short-term deposit the interest income will be less than the agreed upon interest rate.

30 Reserve

	2021 USD	2020 USD
Balance as at 1 January	106,856,520	105,098,717
Changes:		
— Unappropriated result for the year	9,422,291	(239,913)
— Direct changes in equity of subsidiaries	(5,588,144)	1,997,716
Balance as at 31 December	<u>110,690,108</u>	<u>106,856,520</u>

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

	2021 USD	2020 USD
Reserves according to the consolidated balance sheet	113,410,431	112,932,482
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
BRAC Uganda	3,665,322	6,307,547
BRAC Afghanistan	511,342	1,164,191
BRAC Maendeleo Tanzania	(60,445)	(240,126)
BRAC South Sudan	(1,283,108)	(1,155,650)
BRAC (Zanzibar)	—	—
	<u>2,833,111</u>	<u>6,075,962</u>
— Reversal of impairment	(112,788)	—
Reserves according to the stand-alone balance sheet	110,690,108	106,856,520
Net result according to the consolidated statement of income and expenses (carried forward)	6,278,669	(1,372,732)

Stichting BRAC International

Less:

— Surplus of affiliated Foundations, without participating interest:		
BRAC Uganda	(2,792,379)	65,184
BRAC Afghanistan	(442,595)	(616,822)
BRAC Maendeleo Tanzania	186,167	(204,761)
BRAC South Sudan	(127,458)	(376,420)
BRAC (Zanzibar)	—	—
BRAC Tanzania Finance	—	—
	(3,176,265)	(1,132,819)
— Reversal of impairment	32,643	—
Net result according to the stand-alone statement of income and expenses	9,422,291	(239,913)

31 Current liabilities

	2021	2020
	USD	USD
Donor funds	95,751,400	8,703,459
Other current liabilities	1,680,064	2,809,604
	97,431,464	11,513,063

Donor funds

	2021	2020
	USD	USD
Donor funds received in advance	95,475,059	8,371,757
Donor funds utilised in fixed assets	276,341	331,702
	95,751,400	8,703,459

Donor fund increased significantly mainly due to the Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme.

Stichting BRAC International

Donor funds received in advance

	2021	2020
	USD	USD
Opening balance	8,371,757	3,065,415
Received during the year	99,244,069	11,861,353
Transfer to donor funds in fixed assets	(45,916)	(107,167)
Released to statement of income and expenses	(12,365,763)	(6,680,662)
Released to others	(109,279)	(85,213)
Receivable from donor	(87,329)	151,702
Other receivables	-	-
Translation difference	467,521	166,329
	<hr/>	<hr/>
Closing balance	95,475,059	8,371,757
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Donor funds utilised in fixed assets

	2021	2020
	USD	USD
Opening balance	331,702	256,489
Transfer from grant received in advance	45,916	105,379
Released to statement of income and expenses	(81,488)	(119,125)
Translation difference	(19,789)	88,959
	<hr/>	<hr/>
Closing balance	276,341	331,702
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Other current liabilities

	2021	2020
	USD	USD
Related-party payables	224,797	972,769
Accrued expenses	487,224	1,223,204
Corporate income tax payable	72,509	258
Withholding and other taxes	97,350	62,028
Provision for negative participation	109,106	-
Other liabilities	689,078	551,345
	<hr/>	<hr/>
	1,680,064	2,809,604
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Related party payables are mainly in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand. All other current liabilities are payable within one year.

32 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

33 Grant income

	2021	2020
	USD	USD
Grant income from donors	11,582,406	7,547,893

In 2021, grant income includes USD 2 million (2020: USD 1.76 million) in kind support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2021.

34 Other operating income

	2021	2020
	USD	USD
Overhead income	1,349,895	1,558,977
Other income	1,207,553	271,399
	2,557,448	1,830,376

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

35 Cost of outsourced work and other external costs

	2021 USD	2020 USD
Programme supplies	2,692,964	2,427,977
Maintenance and general expenses	1,344,650	1,247,375
Travel and transportation	565,158	503,355
Staff training and development	273,449	102,716
Rent and utilities	247,149	201,098
Printing and office stationeries	34,860	48,002
Audit fees	118,947	126,369
Professional and legal fees	470,143	1,132,434
Software maintenance costs	51,338	49,452
Internet costs	22,272	8,961
	<u>5,820,930</u>	<u>5,847,739</u>

36 Wages and salaries and social security and pension charges

	2021 USD	2020 USD
Staff costs	3,492,588	2,998,879
Social security and pension charges	112,273	125,288
	<u>3,604,861</u>	<u>3,124,167</u>

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2021 is USD 21,411 (2020: USD 44,898).

37 Other operating expenses

	2021 USD	2020 USD
Other operating expenses	142,910	413,489
	<u>142,910</u>	<u>413,489</u>

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

38 Share in result of participating interests

	2021 USD	2020 USD
BRAC International Holdings B.V.	5,913,211	(442,506)
BRAC International Enterprises B.V.	(253,693)	–
	<u>5,659,518</u>	<u>(442,506)</u>

40 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation amounted to USD 439,249 (2020: USD 628,721) for current and former Management Board Members.

41 Subsequent events

For the disclosure on subsequent events that are relevant to the Foundation, reference is made to the disclosure on subsequent events in the notes to the consolidated financial statements.

The Management Board prepared the financial statements on 15 June 2022 and recommends that the General Meeting adopts the financial statements as presented in this 2021 report:

The Hague, 15 June 2022

Management Board Stichting BRAC International

Mr Shameran Abed

Ms Ruth Okowa

Mr Syed Abdul Muntakim

Stichting BRAC International

Supervisory Board Stichting BRAC International

Ms Irene Zubaida Khan

Ms Marilou van Golstein Brouwers

Ms Sylvia Borren

Ms Victoria Sekitoleko

Ms Parveen Mahmud

Mr Stephen Frederick Rasmussen

Dr Debapriya Bhattacharya

Ms Amira Mosad Elmissiry

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.

Independent auditor's report

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



Independent auditor's report

To: the General Meeting and the Supervisory Board of Stichting BRAC International

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of Stichting BRAC International, based in The Hague, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting BRAC International as at 31 December 2021, and of its result for the year ended 31 December 2021 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- 1 the consolidated and stand-alone balance sheet as at 31 December 2021;
- 2 the consolidated and stand-alone statement of income and expenses for the year ended 31 December 2021;
- 3 the consolidated statement of comprehensive income for the year ended 31 December 2021;
- 4 the consolidated statement of changes in reserves for the year ended 31 December 2021;
- 5 the consolidated cash flow statement for the year ended 31 December 2021; and
- 6 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting BRAC International in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board and the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Foundation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group operations. Decisive were the size and/or the risk profile of the group operations. On this basis, we selected group operations for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 15 June 2022

KPMG Accountants N.V.

L.M.A. van Opzeeland RA