

Stichting BRAC International

Consolidated financial statements 2017

Stichting BRAC International

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Supervisory Board Report

The Supervisory Board has a supervisory role at Stichting BRAC International 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.

Composition and functioning of the Supervisory Board

The Supervisory Board has ten members and is chaired by Sir Fazle Hasan Abed. The chair of the Stichting BRAC International Supervisory Board is the chair of the Supervisory Board of BRAC International Holdings BV, its for profit subsidiary. Sir Fazle is also the founder and chairperson of BRAC.

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 diversity, the Supervisory Board currently has equal number of female and male members.

In 2017, the members appointed Ms. Sylvia Borren as the vice chair of the Board. Two new Board committees have been formed to look into Board Nomination and Board Procedure.

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the Company's annual report, financial statements, 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 three times in duly conveyed meetings during the year;
- they retain full and effective control over the Foundation;
- the Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2016 audited financial statements and Board report, the 2017 revised budget and the 2018 annual plan and budget. The annual report on external auditors for 2016 was also presented and discussed. The Board also discusses in detail the results and outcome of projects run by Stichting BRAC International.

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The Board approved all new projects undertaken by the Foundation during the year. In 2017, 9 (nine) new projects were approved by the Supervisory Board amounting to USD 61 million. .

The Finance and Audit Board committee, consisting of three members of the Supervisory Board, prepares advice for the Supervisory Board on the annual financial statements, budget, and annual reports. The committee also monitors the follow-up of points raised in internal and external audits and recommendations in the auditor's letter to the management.

The Supervisory Board as an employer and advisor

The Supervisory Board appoints the Management Board and conducts their performance reviews. The Board also listens to various proposals of the Management Board and advises on operation from time to time.

Compensation

Members of the Supervisory Board do not receive compensation for their work. From June 2017, the Foundation started providing an honorarium of USD 200 (two hundred) to members for attending Board and Board committee meetings.

The Hague, 22nd June 2018

On behalf of Stichting BRAC International Supervisory Board

Sir Fazle Hasan Abed KCMG, Chair

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Management Board Report

The Management board of Stichting BRAC International ('the Foundation'), organised and existing under the laws of the Netherlands with its registered address at Bezuidenhoutseweg 2, 2594 AV The Hague, hereby submits the consolidated and stand-alone financial statements for the year ended 31 December 2017.

Our Identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it has helped.

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

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

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

BRAC was ranked the number one NGO in the world for the third consecutive years in 2018 by the NGO Advisor, a Geneva based independent organisation committed to highlighting innovation, impact and governance in the non-profit sector. BRAC retained the top spot as part of the 2018 top 500 NGOs World rankings.

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 10 countries spread over two continents. Currently, it operates in five countries in Africa: Uganda, Tanzania, South Sudan, Liberia and Sierra Leone, and five countries in Asia: Afghanistan, Pakistan, Nepal, Myanmar and the Philippines.

All of the operations in the countries are brought under one umbrella, giving our

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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 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.

Our role in financial matters

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

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

Our vision

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

Our mission

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

Our values

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

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

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

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

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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).

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

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

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

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

Governance

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 from the end of 2016.

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Supervisory Board

Stichting BRAC International has a ten (10) member Supervisory Board.

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

The current members of the Supervisory Board are:

1.	Sir Fazle Hasan Abed KCMG	Chair	Bangladeshi
2.	Ms. Sylvia Borren	Vice Chair	Dutch
3.	Dr. Muhammad Musa	Member	Bangladeshi
4.	Ms. Parveen Mahmud	Member	Bangladeshi
5.	Dr. Ahmad Mstaqur Raza Chowdhury	Member	Bangladeshi
6.	Dr. Debapriya Bhattacharya	Member	Bangladeshi
7.	Ms Shabana Azmi	Member	Indian
8.	Mr. Shafiqul Hassan	Member	British
9.	Ms. Irene Khan	Member	Bangladeshi
10.	Dr. Fawzia Rasheed	Member	British

Management Board

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

The Management Board is appointed by Supervisory Board and their performance is reviewed annually. The Management Board consists of the following members:

1.	Mr. Faruque Ahmed	Executive Director	Bangladeshi
2.	Mr. Saif Md Imran Siddique	Director	Bangladeshi
3.	Mr. Shameran Abed	Director	Bangladeshi
4.	Ms. Lamia Rashid	Director	Bangladeshi

The gender diversity in the management board is 75/25. The Foundation is trying to bring in more female participation into its Management board. The management board meets on a weekly basis.

Code of Conduct

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

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and sexual harassment in the

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organisation. The 'whistle blower' policy is in place and HR takes actions as and when required.

Significant risks and uncertainties

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

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

Strategic risks

The strategic risks are mainly identified from organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring 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 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 rapport building are most common mitigation activities.

Financial risk

The financial risk management policy seeks to identify, appraise and monitor the risks identified by Stichting BRAC International, whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. The organisation does not,

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however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, has sought the grant assistance of donors.

Credit risk

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

The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Foundation's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. In addition, natural calamities, such as natural disaster or disease outbreak triggers risk of credit, which is beyond any control or cannot be mitigated through precautionary measures.

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

Stichting BRAC International does not have any significant exposure to any individual customer or counterparty. The provision of unsecured loans to group members is the main aspect of the group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

Management of credit risk

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

Policy objectives:

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

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

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

Currency risk

Stichting BRAC International is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency and at the Foundation level the US dollar (USD). The presentation currency is USD. The currency in which transactions primarily are denominated is USD. Stichting BRAC International does not use hedging mechanism to reduce currency risk. In case of hyper-inflation economies such as South Sudan, hedging is extremely difficult. In those situations, the group manages risk by keeping funds as much as possible in USD and converting funds into local only when necessary.

Market risk

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

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

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

Interest rate risk and cash-flow risk

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

Liquidity risk

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

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

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

Financial reporting risks

Risks related to false reporting to donors or lenders of the Foundation, lack of sound financial policy, systems and processes are being mitigated 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. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

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

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

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

Financial information

In 2017, the Foundation had a budget of USD 133.98 million in the field of financial and development services. As of December 2017, we have been able to utilise USD 98.42 million. Sectorial budget versus utilisation rates are given below:

Programmes	Budget USD millions	Utilisation USD millions	Utilised %
Microfinance	83.64	52.94	63
Social Enterprise	0.86	0.81	94
Education	24.58	21.03	86
Health	8.74	8.30	95
Agriculture and Livelihood programme	1.97	1.69	86
Adolescents and Youth programme	2.99	2.96	99

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Research	2.28	1.21	53
TUP	0.78	0.82	104
Others	4.14	4.92	119
Secretariat costs	4.00	3.36	84
	<u>133.98</u>	<u>98.03</u>	<u>73</u>

The utilisation of the budget depends on the country situation, fund actually received and on time completion of the project deliverables. The major driver of the lower utilisation compared to budget was the lower growth of microfinance operations in East Africa and the narrowing down of programmes in South Sudan and Philippines.

Activities

Microfinance

During the year, Soros Economic Development Fund (SEDF), a 24.5% shareholder in two BRAC West African entities (Sierra Leone and Liberia), donated its shares to BRAC USA who in turn donated the shares to Stichting BRAC International. Stichting BRAC International donated the shares against the received carrying value to BRAC International holdings B.V. As a result, BRAC International Holdings B.V. now holds 100% shares in both West African companies. BRAC International Holdings BV also disbursed USD 500,000 each as share premium to both the companies.

The Myanmar Microfinance entity achieved break even on a year-over-year basis in 2017. To support further growth, a corporate guarantee of approximately USD 1 million (equivalent to kyat 1.3 billion) to May Bank for a term loan facility in Myanmar Microfinance Operation has been provided by the Company.

The transformation for Uganda microfinance to a tier-II company is also on going. The company has engaged an external consultant to find selected similar partners for a potential investment / share dilution in the Uganda entity.

The Pakistan entity maintained its profitability and has been able to offset all past losses in 2017.

The Tanzania entity continued to generate surplus. This year the company opened eleven (11) new branches in Tanzania.

Social Development Programmes

In 2017, Stichting BRAC International started new projects worth USD 61 million in Education, Health, Disaster recovery and Emergency response, Youth and Agriculture & Livelihood programmes. The majority of the projects is in Afghanistan. The Management Board was also engaged to formulate a strategy paper on Africa, which was approved by the Supervisory Board in March 2017.

The violence and insecurity in South Sudan has led management to curtail its operation. All the current projects has been phased out in January 2018 and the management is in discussion with multiple donors to finalise the best strategy to work in such environment.

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The consolidated financial performance during the year ended 31 December 2017 is as follows:

Income and expenditure

Grants income (NGO activities) decreased by USD 6,456,257 to USD 43,603,033 (2016: USD 50,059,290) showing a decline of 13%. This was mainly due to phase out of donor funded projects in Tanzania, Philippines and South Sudan and reduction in new grant agreements compared to last year.

Service charge on loans increased by USD 5,187,485 (11%) from USD 47,489,395 in 2016 to USD 52,676,880 in 2017. This is due to increase in loan disbursement by 11% in the countries as compared to last year.

Operating expenses decreased by 6% from USD 80,286,656 in 2016 to USD 75,759,686 in 2017. This decline was driven by reduction in donor funded programmes in countries as mentioned above that resulted in reduced programme-related expenses as well as personnel costs.

The net result for the year 2017 amounts to USD 19,026,046 (2016: USD 13,350,904). The main reason of such increase are the good results in development operation in Afghanistan, Pakistan and in microfinance programmes. The group reserves amount to USD 86,826,937 (2016: USD 67,371,674). The solvency (group reserves/total assets) was 47.4% (2016: 39.1%).

Total assets increased by USD 11,205,420 from USD 172,098,143 in 2016 to USD 183,303,563 in 2017, representing 7% growth year over year.

Loans and advances to customers increased by 8% from USD 102,323,890 in 2016 to USD 110,870,639 in 2017.

This year BRAC Uganda Microfinance Company followed a more stringent approach for loan write-off to comply with Bank of Uganda requirement. This resulting an additional write-off of USD 1.1 million in 2017.

Cash and cash equivalents increased by 4% from USD 56,811,344 in 2016 to USD 59,135,889 in 2017. Cash movement of the Foundation has been disclosed in the cash flow statement. The major driver of changes in cash flow is the higher realization of loans from customers in microfinance operations.

Net Results

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 particular 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 guarantee the going concern.

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Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2017 is 21% (2016: 14%). This shows the Foundation is financially strong to manage its objectives than last year.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the foundation is 2.42 (2016: 1.81). It shows the Foundation has sufficient strength to manage its liabilities.

Outlook for 2018

Planned spending 2018

The sectorial planned spending for 2018 are as follows:

Programmes	Actual 2017 USD millions	Budget 2018 USD millions	Increase / decrease (-) %
Microfinance	54.52	70.82	30
Social enterprise	0.77	1.05	36
Education	20.46	22.40	9
Health	8.64	8.06	(7)
Agriculture and Livelihood programme	1.70	2.07	22
Adolescents and Youth programme	2.83	3.34	18
Research	1.38	1.80	30
TUP and CCAP	2.07	4.31	108
Others	2.09	2.63	26
Secretariat costs	3.95	4.72	19
	98.41	121.20	23

The Microfinance business plan for 2018 is quite ambitious and in line with the country potential, given the fact that the external and business environment is getting more difficult every year. Changes in the regulatory environment for microfinance programmes in different countries are taking place, such as interest rate caps and borrowing limits on foreign currency loans. This will impact the business in terms of both top line and bottom line of the financial statements

Social development programs are in line with the donor funding available for the period. Changing priorities of donor agencies and price increase of commodities are the main concerns for the budget achievement. However, some of the countries, mainly in Africa, having hyper-inflation economy, are exposed to foreign currency loss, that has posted dent in the overall consolidated financial statements to a large extent in the bottom line.

The transformation of BRAC Uganda Microfinance Ltd is likely to continue in 2018 with the share dilution process expected by the end of the year. The License application

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process is in progress and it is expected that we shall be awarded with a Tier-II license during 2018.

The company is planning to start similar process of transformation of its entity in Pakistan in 2018.

On the Social development operation the Foundation will continue its operation on the core programmes such as Education, Health, Agriculture and food security with special focus on Early childhood development, Maternal health. The Foundation will also try to expand its graduation programme (Target-ultra-poor) to more countries where BRAC International is active.

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

Financing of programmes

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

For microfinance programmes, service charges income is the biggest source followed by external borrowings.

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

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

No significant changes are expected in the current financing structure.

HR

The Foundation is investing on a continuous basis in the quality of its staff. The number of employees has increased from 6,331 (Female 73%) in 2016 to 7,742 (Female 68%) in 2017.

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 2017, 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

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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 AGM adopts the financial statements 2017.

The Hague, 22 June 2018

The Management Board

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

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Consolidated balance sheet as at 31 December 2017

(before appropriation of result)

		2017		2016	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	297,190		235,168	
Tangible fixed assets	2	3,739,525		3,227,444	
Financial fixed assets	3	2,434,513		2,122,361	
			6,471,228		5,584,973
Current assets					
Inventories	4	516,939		382,154	
Loans and advances to customers	5	110,870,639		102,323,890	
Trade and other receivables	6	6,308,868		6,995,782	
Cash and cash equivalents	7	59,135,889		56,811,344	
			176,832,335		166,513,170
Total assets			183,303,563		172,098,143
Group reserves	8				
Reserves		86,826,937		67,371,674	
Minority interests		-		989,970	
			86,826,937		68,361,644
Non-current liabilities	9		23,667,535		12,201,347
Current liabilities	10		72,809,091		91,535,152
Total liabilities and reserves			183,303,563		172,098,143

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

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Consolidated statement of income and expenses for the year ended 31 December 2017

		2017		2016	
		USD	USD	USD	USD
Income					
Grant income	12	43,603,033		50,059,290	
Service charge income	13	52,676,880		47,489,395	
Other operating income	14	6,345,994		6,182,085	
Total operating income			102,625,907		103,730,770
Cost of outsourced work and other external costs	15	(37,360,164)		(44,466,974)	
Wages and salaries	16	(27,452,125)		(28,667,596)	
Social security and pension charges	17	(1,842,465)		(1,502,099)	
Amortisation and depreciation on intangible and tangible fixed assets	1,2	(770,489)		(860,118)	
Impairment losses on loans and advances to customers	5	(5,317,199)		(939,703)	
Other operating expenses	18	(3,017,244)		(3,850,166)	
Total operating expenses			(75,759,686)		(80,286,656)
Operating result			26,866,221		23,444,114
Interest income and similar income		1,472,526		1,349,978	
Interest expenses and similar charges		(5,208,054)		(4,456,706)	
			(3,735,528)		(3,106,728)
Result from ordinary activities before tax			23,130,693		20,337,386
Corporate income tax	19	(3,956,082)		(6,962,575)	
Result after tax (carried forward)			19,174,611		13,374,811

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

Stichting BRAC International

	2017	2016
	USD	USD
Brought forward	19,174,611	13,374,811
Minority interests	(148,565)	(23,907)
Net result	19,026,046	13,350,904

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

Stichting BRAC International

Consolidated statement of comprehensive income for the year ended 31 December 2017

	USD	2017	USD	USD	2016	USD
Consolidated net result after tax attributable to the Foundation			19,026,046			13,350,904
Translation differences on foreign participating interests	(602,495)			(2,015,845)		
Donated equity	-			752,525		
Total of items recognised directly in reserves of the Foundation as part of the group reserves			(602,495)			(1,263,320)
Total result of the legal entity			18,423,551			12,087,584

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

Stichting BRAC International

Consolidated statement of changes in equity for the year ended 31 December 2017

	General Reserve	Legal reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2016	19,831,528	41,323,762	(6,567,960)	54,587,330
Informal capital contribution Sierra Leone and Liberia	696,760	–	–	696,760
Donated equity	752,525	–	–	752,525
Unappropriated result for the year	(161,421)	13,512,325	–	13,350,904
Transferred to general reserve	9,156,530	(9,156,530)	–	–
Foreign currency translation differences	–	(1,140,696)	(875,149)	(2,015,845)
As at 31 December 2016	<u>30,275,922</u>	<u>44,538,861</u>	<u>(7,443,109)</u>	<u>67,371,674</u>
As at 1 January 2017	30,275,922	44,538,861	(7,443,109)	67,371,674
Informal capital contribution Sierra Leone and Liberia (ref. – note 8)	1,031,712	–	–	1,031,712
Unappropriated result for the year	5,609,679	13,416,367	–	19,026,046
Transferred to general reserve	–	–	–	–
Foreign currency translation differences	–	(1,898,615)	1,296,120	(602,495)
As at 31 December 2017	<u>36,917,313</u>	<u>56,056,613</u>	<u>(6,146,989)</u>	<u>86,826,937</u>

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

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

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Consolidated cash flow statement for the year ended 31 December 2017

		2017		2016	
	USD		USD	USD	USD
Cash flow from operating activities					
Net result			19,026,046		13,350,904
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	1, 2	770,489		860,118	
— Impairment/write-off in loans	5	5,317,199		939,703	
— Incremental stake in Sierra Leone and Liberia		1,031,712		696,760	
— Interest income and expenses		3,735,528		3,106,728	
— Tax on result from ordinary activities	19	3,956,082		6,962,575	
— Change in minority interest	8	(989,970)		(527,636)	
— Other movements in loans		(1,099,471)		(2,212,571)	
— Changes in working capital:					
- Increase inventories		(134,785)		(38,151)	
- Increase Trade and other receivables		686,914		777,543	
- Increase other liabilities		(11,545,558)		2,546,686	
			1,728,140		13,111,755
Cash flow from business operations			20,754,186		26,462,659
Interest paid		(4,777,369)		(4,292,553)	
Income tax paid		(5,107,506)		(5,345,259)	
			(9,884,875)		(9,637,812)
Cash flow from operating activities (carried forward)			10,869,311		16,824,847

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

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		2017		2016	
		USD	USD	USD	USD
Brought forward			10,869,311		16,824,847
Investments in:					
— Tangible fixed assets	2	(1,567,022)		(1,840,406)	
— Intangible fixed assets	1	(173,053)		(69,815)	
Disposals of (in)tangible fixed assets	2	62,022		(52,798)	
Loans to customers distributed	5	(245,179,895)		(222,352,297)	
Loans to customers repayment	5	234,833,831		203,330,481	
Cash flow from investing activities			(12,024,117)		(20,984,836)
Increase in borrowings	9	26,357,548		7,945,194	
Repayment of borrowings	9	(21,559,712)		(7,430,240)	
Changes in donor grant	9	(7,314,259)		(3,791,780)	
Donated equity				752,525	
Cash flow from financing activities			(2,516,423)		(2,524,320)
Net cash flow			(3,671,229)		(6,684,310)
Exchange rate and translation differences on cash and cash equivalents			5,995,773		2,350,110
Changes in cash and cash equivalents			2,324,545		(4,334,200)
Cash and cash equivalents as at the beginning of the financial year			56,811,344		61,145,544
Changes in cash and cash equivalents			2,324,545		(4,334,200)
Cash and cash equivalents as at the end of the financial year			59,135,889		56,811,344

The notes on pages 24 to 68 are an integral part of these consolidated financial statements.

Stichting BRAC International

Notes to the 2017 consolidated financial statements

The reporting entity

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

Stichting BRAC International's vision is in line with the vision of BRAC Bangladesh, that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity.

In order 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 microfinance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

Financial reporting period

The financial statements have been prepared for the period from 1 January 2017 to 31 December 2017.

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.

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Accounting policies

General

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

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the 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 Company. 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 in to 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, taking into account any provisions related to the transaction.

If assets are recognised of which the Company 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.

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Consolidation principles

Consolidation scope

The consolidated financial statements include the financial information of the stand-alone 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.

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

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.

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

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

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

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Group structure of Stichting BRAC International

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

Name	Legal address	2017 Share of interest %	2016 Share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	100	100
BRAC Uganda*	Kampala, Uganda	0	0
BRAC Liberia	Monrovia, Liberia	Branch	Branch
BRAC Afghanistan*	Kabul, Afghanistan	0	0
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	0	0
BRAC Sierra Leone	Freetown, Sierra Leone	Branch	Branch
BRAC Philippine	Cotabato City, Philippines	Branch	Branch
BRAC South Sudan*	Juba, South Sudan	0	0
BRAC Nepal	Kathmundu, Nepal	Branch	Branch
BRAC Pakistan*	Islamabad, Pakistan	0	0
BRAC*	Mbweni, Zanzibar	0	0

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

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

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

Consolidated entities of BRAC International Holdings BV

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

Name	Legal address	2017 Share of interest %	2016 Share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	75.5
BRAC Liberia Microfinance Company Ltd	Monrovia, Liberia	100	75.5
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Social Business Enterprises Uganda Ltd.	Kampala, Uganda	100	100
BRAC Uganda Microfinance Ltd	Kampala, Uganda	0	0
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	0	0
BRAC Pakistan	Islamabad, Pakistan	0	0
BRAC	Mbweni, Zanzibar	0	0

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

Principles for the translation of foreign currency

Transactions in foreign currencies

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 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.

Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into the functional currency at the exchange rate at the balance sheet date.

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

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When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the statement of income and expenses.

Hedging of the net investment in foreign operations

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised as an expense in profit and loss.

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 statements and require judgments, estimates and assumptions:

- The valuation of the loans and advances to customers.

Financial instruments

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

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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.

Investments in unlisted equity instruments

Investments in unlisted shares are measured after their initial recognition at the lower of cost or market value. Purchases and sales of financial assets that belong to the category investments in unlisted equity instruments are accounted for at the transaction date. Dividends are recorded in the statement of income and expenses at the time when are declared.

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.

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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 Company 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.

Software licenses

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

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

Tangible fixed assets

Recognition and measurement

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 Company 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.

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.

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

Depreciation

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

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

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

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

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

Financial fixed assets

Participating interests with significant influence

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

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

Participating interests with a negative net asset value are valued at nil. 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

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and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Foundation fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Foundation on behalf of the participating interest. This provision is primarily charged to the non-current receivables on the respective participating interest that can be regarded as part of the net investment, and for the remainder it is presented under provisions.

Other financial fixed assets

Receivables from non-consolidated participating interests are initially measured at fair value plus directly attributable transaction costs. Subsequently, these receivables are measured at amortised cost using the effective interest method, less impairment losses.

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

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

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):

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- 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).

Inventories

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

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

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

Loans and advances

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

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

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

Impairment of 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.

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

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

The Foundation estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason therefore, industry and country practice is used to estimate the specific provision for loans and advances. Specific provision for the loans and advances considered to be non-performing (impaired) based on the criteria, and classification of such loans and advances, as follows:

— 1-30 days	: 1-5%.
— 31-90 days	: 20-50%.
— 91-180 days	: 20-100%.
— 181-365days	: 75-100%.
— 366 days and above past due	: 100%.
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. Subsequently recoveries are credited as income in the statement of comprehensive income.
3. When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to other income in the statement of comprehensive income.

Impairment of financial fixed assets

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.

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Trade and other receivables

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

Cash and cash equivalents

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

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

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

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

Cash and cash equivalents that are not readily available to the Company 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 company's reserves of Tanzania, Uganda, Pakistan, Zanzibar, Afghanistan and South Sudan entities its share in the reserves from the above countries is recorded in a legal reserve.

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

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Minority interests

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

Provisions

A provision is recognised if the following applies:

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

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

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

Other liabilities

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. After their initial recognition the other liabilities are measured at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

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

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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.

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 and written-off. Service charge is included in other income thereafter only when its receipt becomes probable, generally when it is realised.

Membership fees and other charges

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

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, bonuses, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and

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bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

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

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

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

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Foundation, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has four Dutch employees, this paragraph has been included to explain the accounting treatment only).

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

Dutch pension plans

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

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with

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the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

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

Leasing

The Foundation may enter into financial and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases.

All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

Financial leases

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

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

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

Operating leases

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

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Interest receivable and similar income and interest payable and similar charges

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

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

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

Interest expenses and similar charges are recognised in the period to which they belong. The interest is calculated on the basis of the interest payable on borrowings specifically for the microfinance operation and charged on an accrual basis.

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

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far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

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

Share in result of participating interests

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

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

Contingent liabilities

The Foundation recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Foundation, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Related party transactions

Transactions with related parties are disclosed if they have not been entered into 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 directors, subsidiaries of BRAC International, BRAC Bangladesh (including related BRAC entities) and key management personnel of the Foundation and companies with common ownership and/or directors.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash 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 weighted average exchange rates at the dates of the transactions. 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.

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Determination of fair value

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

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

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.

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1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Total USD
Balance as at 1 January 2017	
— Purchase price	458,078
— Accumulated amortisation and impairment	(222,910)
	<hr/>
— Carrying amount	235,168
	<hr/> <hr/>
Changes in carrying amount:	
— Investments	173,053
— Amortisation	(102,057)
— Exchange rate differences purchase price	(18,569)
— Exchange rate differences accumulated depreciation	9,595
	<hr/>
— Change in carrying amount	62,022
	<hr/> <hr/>
Balance as at 31 December 2017	
— Purchase price	612,562
— Accumulated amortisation and impairment	(315,372)
	<hr/>
— Carrying amount	297,190
	<hr/> <hr/>

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

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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 2017:					
—Purchase price	719,325	2,596,737	1,966,472	1,983,190	7,265,724
—Accumulated depreciation and impairment	(74,004)	(1,626,691)	(1,304,712)	(1,032,873)	(4,038,280)
—Carrying amount	<u>645,321</u>	<u>970,046</u>	<u>661,760</u>	<u>950,317</u>	<u>3,227,444</u>
Changes in carrying amount:					
—Investments	-	424,585	323,845	818,592	1,567,022
—Disposals	-	(60,995)	(79,904)	(93,155)	(234,054)
—Depreciation	(17,952)	(269,300)	(208,348)	(191,955)	(687,555)
—Reversal of depreciation on disposal	-	39,555	55,586	25,934	121,075
—Exchange rate differences purchase price	(90,316)	(366,219)	(332,335)	(209,255)	(998,125)
—Exchange rate differences accumulated depreciation	9,629	316,455	235,740	181,894	743,718
—Change in carrying amount	<u>(98,639)</u>	<u>84,081</u>	<u>(5,416)</u>	<u>532,055</u>	<u>512,081</u>
Balance as at 31 December 2017:					
—Purchase price	629,009	2,594,108	1,878,078	2,499,372	7,600,567
—Accumulated depreciation and impairment	(82,327)	(1,539,981)	(1,221,734)	(1,017,000)	(3,861,042)
—Carrying amount	<u>546,682</u>	<u>1,054,127</u>	<u>656,344</u>	<u>1,482,372</u>	<u>3,739,525</u>

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3 Financial fixed assets

	2017 USD	2016 USD
Investment in SFRE Fund	1,001,370	1,144,224
Deferred tax assets	1,417,676	962,193
Finance lease on leasehold land	15,467	15,944
	2,434,513	2,122,361

Investment in SFRE Fund

The investment in SFRE Fund has been made to 17400 'A' shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 100 each and the Net Asset Value (NAV) per share is USD 57.75. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

The organisation's total interest in SFRE Fund amounts to 9.14% as of December 2017. SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. Total commitment for this investment is USD 4 million and USD 1,740,000 has been invested till 31 December 2017 (NAV USD 1,001,370).

Deferred tax assets

The deferred tax assets arises due to all temporary differences in assets and liabilities between the accounting base and fiscal base using the principal tax rate of the subsidiaries. The company has unrealized past losses in Liberia, Sierra Leone and temporary tax assets in Tanzania due to higher provision of impairment losses. The management estimate to recover the past losses within next three years. The increase in tax assets is also due to the fact that Sierra Leone now recognizes the Deferred Tax Assets as the Company is profitable.

Finance lease on lease hold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises 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 2017, the remaining lease period is 90 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.

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4 Inventories

	2017 USD	2016 USD
Inventories	516,939	382,154

No provision for obsolete inventories is deemed necessary (2016: USD 0).

5 Loans and advances to customers

Principal loans outstanding

	2017 USD	2016 USD
Microfinance loans	91,084,100	83,607,608
Small enterprises programme (SEP)	19,242,427	16,701,574
Empowering and Livelihood for Adolescent Loans (ELA)	2,409,594	2,304,798
Agriculture	2,846,266	2,630,333
Integrated development programme	218,301	210,310
	115,800,688	105,454,623

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. All loans are unsecured.

Loans and advances to customers

	2017 USD	2016 USD
Opening balance as at 1 January	105,454,624	86,432,808
Disbursements during the year	245,179,895	222,352,297
Repayment during the year	(234,833,831)	(203,330,482)
Gross advance to customers	115,800,688	105,454,623
Interest receivable as at 31 December	1,518,832	1,656,727
Less write-offs during the year	(1,950,238)	(1,001,690)
Loan loss reserve	(4,498,643)	(3,785,770)
Closing balance as at 31 December	110,870,639	102,323,890

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The movement of the loan loss reserve is below:

	2017	2016
	USD	USD
Opening balance as at 1 January	3,785,770	4,009,261
Charged for the year	3,298,199	939,703
Change in consolidation scope		–
Write-off	(1,950,238)	(1,001,690)
FX adjustment	(635,088)	(161,504)
	<hr/>	<hr/>
Closing balance as at 31 December	4,498,643	3,785,770

This year, the Uganda microfinance subsidiary followed the Uganda banking law requirement, the write-off loans. The write off was done for microfinance loans over 180 days and social enterprise loans over 360 days, which resulted in a significantly loan-loss reserve than the company policy. As a result the total write-off is significantly higher than last year.

For all other countries the company policy if writing-off NIBL (non-interest bearing loans) loans (over 720 days) and for borrowers who are deceased or dislocated is followed.

6 Trade and other receivables

	2017	2016
	USD	USD
Grants receivable	3,592,866	3,635,863
Advances and prepayments to third parties	1,080,796	711,484
Advances to staff	104,458	15,910
Other assets	1,530,748	2,632,525
	<hr/>	<hr/>
	6,308,868	6,995,782

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects in Afghanistan (i.e. DFID Girls Education project, Partnership Contracts for Health, etc.), Pakistan (i.e. SENSEA Cohort, etc.) and South Sudan (i.e. GESS Project, USAID, etc.).

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

Other assets include deposits to BRAC International loan fund, Receivable from MTN against loan realised through mobile banking, advances of the fiscal authorities for the subsidiary operation and interest accrued on short term deposits. All the Trade and other receivables are due within 1 year.

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7 Cash and cash equivalents

	2017 USD	2016 USD
Cash at bank	40,856,598	45,116,229
Short-term deposits	18,119,810	11,531,252
Cash in hand	159,481	163,863
	<u>59,135,889</u>	<u>56,811,344</u>

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

8 Group reserves

	2017 USD	2016 USD
Reserves	86,826,937	67,371,674
Minority interest	-	989,970
	<u>86,826,937</u>	<u>68,361,644</u>

Refer to note 28 for the movement schedule.

Reserves

	2017 USD	2016 USD
General reserve	36,917,313	30,275,921
Legal reserve	56,056,613	44,538,862
Foreign currency translation reserve	(6,146,989)	(7,443,109)
	<u>86,826,937</u>	<u>67,371,674</u>

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, South Sudan, Pakistan and Zanzibar operations are under this category.

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The movement in reserves can be specified as follows:

	2017	2016
	USD	USD
As at 1 January	67,371,674	54,587,330
Informal capital contribution Sierra Leone and Liberia	1,031,712	696,760
Donated equity	-	752,525
Surplus for the year	19,026,046	13,350,904
Foreign currency translation differences	(602,495)	(2,015,845)
	<hr/>	<hr/>
As at 31 December	86,826,937	67,371,674
	<hr/>	<hr/>

Minority interests

	2017	2016
	USD	USD
BRAC Liberia Microfinance Company Ltd.	-	571,020
BRAC Microfinance (Sierra Leone) Ltd.	-	418,950
	<hr/>	<hr/>
	-	989,970
	<hr/>	<hr/>

On 31 October 2017 Soros Economic Development Fund (SEDF), owner of 24.5% shares in BRAC Liberia Microfinance Ltd and BRAC Microfinance (SL) Ltd donated its shares to BRAC USA and made an exit from the investment. BRAC USA in turn donated the shares to Stichting BRAC International. Stichting BRAC International donated the shares to BRAC International Holdings B.V. as capital contribution to the entity.

10 Non-current liabilities

	2017	2016
	USD	USD
Borrowings	40,566,904	36,281,219
Less: Current portion of borrowings	16,899,369	24,079,872
	<hr/>	<hr/>
Long-term borrowings	23,667,535	12,201,347
	<hr/>	<hr/>

The non-current liabilities per 31 December 2017 can be further disclosed as follows:

	2017	Repayment obligation 2018	Remaining duration >1 year	Remaining duration >5 year
	USD	USD	USD	USD
BRAC Africa Micro Finance Limited	-	-	-	-
BRAC Bangladesh	2,852,162	729,706	2,122,456	-
responsAbility Investments AG	3,308,018	3,308,018	-	-
Bank of Africa	267,619	267,619	-	-
Habib Bank Limited	2,925,195	2,925,195	-	-

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Pakistan Poverty Alleviation Fund	1,240,694	1,240,694	-	-
Pakistan Microfinance Investment Co. (PMIC)	4,528,165	3,396,124	1,132,041	-
Stromme Microfinance	3,110,438	822,942	2,287,496	-
Oiko Credit	3,528,828	913,242	2,615,586	-
Netherlands Development Finance Co. (FMO)	4,352,865	-	4,352,865	-
Triodos Investment Management	4,353,530	-	4,353,530	-
Global Partners	3,797,148	-	3,797,148	-
aBi Trust and Finance	1,690,597	328,767	1,361,830	-
Grameen Credit Agricole Foundation	1,476,913	595,856	881,057	-
May Bank Ltd.	917,528	480,059	437,469	-
Others	2,217,204	1,891,147	326,057	-
	40,566,904	16,899,369	23,667,535	-

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

	2017	2016
	USD	USD
Opening balance as at 1 January	36,281,219	36,874,611
Received during the year	26,357,548	7,945,194
Repayment during the year	(21,559,131)	(7,430,240)
Interest accrued	169,426	255,561
Foreign currency loss / (gain)	(682,158)	(1,363,907)
Closing balance as at 31 December	40,566,904	36,281,219

The fluctuation in foreign exchange rates in Tanzania and Uganda has been more stable in 2017 than last year, resulting into lower foreign currency gain.

The lender-wise breakdown is below:

	<i>Ref</i>	2017	2016
		USD	USD
BRAC Africa Micro Finance Limited	1	-	10,067,165
BRAC Bangladesh	2	2,852,162	3,275,362
responsAbility Investments AG	3	3,308,018	6,896,928
Bank of Africa	4	267,619	2,988,954
Habib Bank Limited	5	2,925,195	5,089,894
Pakistan Poverty Alleviation Fund	6	1,240,694	3,620,447
Pakistan Microfinance Investment Co. (PMIC)	7	4,528,165	
Stromme Microfinance	8	3,110,438	1,544,076
Oiko Credit	9	3,528,828	1,403,706
Netherlands Development Finance Co. (FMO)	10	4,352,865	
Triodos Investment Management	10	4,353,530	
Global Partners	10	3,797,148	
aBi Trust and Finance	11	1,690,597	
Grameen Credit Agricole Foundation	12	1,476,913	
May Bank Ltd.	13	917,528	
Others	14	2,217,204	1,394,687
		40,566,904	36,281,219

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1. The BRAC Africa Micro Finance Limited loan agreement of USD 62 million was entered on 27 October 2008 for period of 7 years. On June 2013, the loan was restructured with a balance of equivalent to USD 17.25 million for Uganda and Tanzania with a revised interest rates of 14.85%. The loan period is 4.5 years up to December 2017 and repayable in three instalments in June 2016, June 2017 and December 2017. The loan has been fully repaid in December 2017.
2. In January 2007, BRAC Uganda Microfinance obtained a facility of UGX 2,187 million (USD 1.3 million) from BRAC Bangladesh for support of microfinance. It bears interest at 8% per annum. This loan is not secured. In 2013, UGX 640 million was repaid and the balance of UGX 1,547 million shall be repaid on demand.

BRAC South Sudan obtained a loan from BRAC Foundation totaling to \$3,000,000 in two instalments; USD 600,000 at an interest rate of 16% per annum on 1 December 2008, and a second instalment of USD 2,400,000 on 1 October 2010, which is interest free. The loan was obtained to support Microfinance Program in South Sudan (The Microfinance program was subsequently indefinitely suspended in 2012). The first instalment of USD 600,000 was due after 5 years and the second instalment of the loan was repayable within one year of disbursement. The first instalment has not been paid to-date and the total principal and interest amounted to US\$ 997,566 as at 31 December 2012 when BRAC Foundation stopped charging interest on this loan. The second loan disbursed in October 2010 had been repaid to a tune of US\$ 1,994,308 by 31 December 2014. The balance of USD 405,692 is still outstanding to-date. The total outstanding balance on both loans as at 31 December 2017 was USD 1,403,258 and this has not been repaid and there has been no renegotiation for the loan repayment. The loan is not secured and is non-interest bearing.

3. In 2015, term loan facility worth USD 7.5 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Uganda and Tanzania. The loan is repayable in three equal instalments and attracts interest at 6.95%. As at 31 December 2017, the outstanding liability amounts to USD 3,308,018 which is payable by December 2018.
4. In May 2015, BRAC Microfinance obtained a term loan from Bank of Africa amounting to UGX 9,500,000,000 equivalent to USD 2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 23%. At close of December 2016, principal amounting to UGX 4,819,899,000 had been repaid. As at 31 December 2017, the outstanding liability amounts to USD 267,619 which is payable by December 2018.
5. BRAC Pakistan secured a loan facility of PKR 500 million (USD 5 million) from Habib Bank. The loan is secured against SBP (State Bank of Pakistan)'s partial guarantee under Micro Credit Guarantee Facility for 60% of the outstanding principal amount and a bank guarantee of USD 2.1 million from BRAC International Holdings B.V. As at 31 December 2017, the outstanding liability amounts to USD 2,925,195 which is payable which is payable by December 2018.

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BRAC Pakistan also have a running finance facility with Habib Bank of PKR 95 million which is secured against a deposit of USD 1 million and attracts interest at KIBOR +0.75%.

6. BRAC Pakistan also continues multiple loan facilities from Pakistan Poverty Alleviation Fund (PPAF). These facilities are secured against assignment of rights over the Company's portfolio up to an amount received by the Company under the agreement, a demand promissory note and a first charge on all assets / capital items created out of the agreement. The interests on these facilities are in the range of six-month KIBOR rate with a floor of 8%. As at 31 December 2017, the outstanding liability amounts to USD 1,240,694 which is payable by December 2018.
7. BRAC Pakistan acquired a term loan facility of PKR 500 million (USD 4.50 million) from Pakistan Microfinance Investment Company (PMIC). The loan is secured against assignment of rights over a portfolio of the Company's advances up to PKR 625 Million and a demand promissory note. The loan will be paid in four equal installment starting from 30th June 2018 and the current portion of the loan is USD 3,396,124 and attracts interest at 6month KIBOR+3.25% p.a.
8. BRAC Uganda and Tanzania secured a loan facility of USD 1.5 million each in equivalent local currency from Strommee Microfinance (E.A) limited in 2016 and 2017. The loan is repayable in 4 years with a 1 year grace period and attracts interest at 18% p.a.
9. In October 2016, BRAC Uganda Microfinance obtained a loan from Oiko credit, 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 first tranche was received on the 23 December 2016 and a second and third tranches of Ushs 10 billion were received on 21 September 2017. The loan will be repaid in 18 quarterly instalments. As at 31 December 2017, the outstanding liability amounts to USD 3,528,828 and the current portion of the loan is USD 310,421.
10. In July 2017, BRAC Uganda and Tanzania Microfinance companies obtained a club loan facility of USD 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 15% to 17% and to be disbursed in 4 tranches. The principal repayments will commence from 2020. The loan is not secured.
11. 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% pa with six months grace period for principal. Principle and interest payments are made on a quarterly basis and the current outstanding of the loan is USD 1.69 million.
12. In April 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 2 billion (USD 1.50 million) from Grameen Credit Agricole Foundation. The loan is repayable in five equal installment and attracts an interest of 13% p.a. The current portion of the loan is USD 587,803.
13. In November 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 1.30 billion (USD 1 million) from May Bank Ltd. The loan is repayable in 24 monthly installment and attracts interest of 12.5% p.a. The current portion of the loan is USD

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477,590. The loan secured against a corporate guarantee from BRAC International Holdings B.V.

14. Other includes a loan from Kiva Micro funds, a 501 non-profit organisation that allows to lend money via the Internet for low-income entrepreneurs and also includes a loan from Central Bank of Liberia.

10 Current liabilities

	2017 USD	2016 USD
Donor funds	20,720,640	28,034,899
Current portion of the borrowings (note 9)	16,899,369	24,079,872
Other current liabilities	35,189,082	39,420,381
	72,809,091	91,535,152

Donor funds

	2017 USD	2016 USD
Donor funds received in advance	17,472,135	23,796,103
Donor funds invested in microfinance loans	1,734,186	2,587,154
Donor funds utilised in fixed assets	1,514,319	1,651,642
	20,720,640	28,034,899

All amounts included are due within one year.

Donor funds received in advance

	2017 USD	2016 USD
Opening balance	23,796,103	27,009,237
Received during the year	33,940,287	51,568,493
Transfer to donor funds in fixed assets	(256,444)	(120,055)
Foundation's contribution	77,686	(212,510)
Transfer to donor funds - loan to group members	(309,966)	(854,254)
Released to statement of income and expenses	(40,248,886)	(49,081,149)
Released to others	(383,537)	(1,029,845)
Receivable from donor	3,403,739	3,810,143
Other receivables	-	(3,166,400)
Translation difference	(2,546,847)	(4,127,557)
	17,472,135	23,796,103

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Donor funds invested in microfinance loans

	2017	2016
	USD	USD
Opening balance as at 1 January	2,587,154	2,102,909
Transferred from donor funds received in advance	309,966	854,254
Translation difference	(1,162,934)	(370,009)
	<hr/>	<hr/>
Closing balance as at 31 December	1,734,186	2,587,154
	<hr/>	<hr/>

Donor funds utilised in fixed assets

	2017	2016
	USD	USD
Opening balance	1,651,642	2,714,552
Transfer from grant received in advance	256,444	120,055
Released to statement of income and expenses	(269,480)	(362,829)
Transferred to capital fund	(3,000)	(393,924)
Assets handed over to others	(45,391)	(144,398)
Translation difference	(75,896)	(281,814)
	<hr/>	<hr/>
Closing balance	1,514,319	1,651,642
	<hr/>	<hr/>

Other current liabilities

	2017	2016
	USD	USD
Loan Security Fund – short-term	17,501,860	17,103,107
Payable to BRAC Bangladesh	5,949,241	8,781,042
Payable to biTs (BRAC IT Services Ltd)	1,020,866	451,467
Accrued expenses	4,431,541	4,738,048
Tax payable	691,957	1,286,868
Other liabilities	5,593,617	7,059,849
	<hr/>	<hr/>
	35,189,082	39,420,381
	<hr/>	<hr/>

The Loan Security Fund acts as collateral for the customers' loan obligations to the subsidiaries of BRAC International Holdings B.V. This is computed as 10% of a part of the customers' approved loans. In the event of any default, the subsidiaries of BRAC International Holdings B.V. 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 to 12 months depending on the loan types.

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

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Other liabilities include mainly grants for loans from BRAC Maendeleo to BRAC Tanzania Finance amounting USD 1.85 million which will be transferred to equity after getting final confirmation from the donor. It also includes interoffice provisions in BRAC Zanzibar USD 0.50 m and USD 0.45 m for gratuity provision in BRAC Pakistan. In addition, 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 and/or credit risks. These relate to financial instruments that are included in the balance sheet.

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

Risk management framework

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

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

Credit risk

Credit risk arises principally from the loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk that the Foundation incurs is USD 65.9 million, consisting of Loans and advances to customers, Receivable from NGOs, Prepayments and others, Cash at bank and Short-term deposits. The credit risk is spread over a large number of counterparties (banks, customers and other third parties).

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

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

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

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

Management of credit risk

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

Policy objectives

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

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

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

Currency risk

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

Interest rate risk and cash-flow risk

The Foundation's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group

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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 arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institutions facilities.

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

12 Grant income

The breakdown of grant income by country is as follows:

	2017	2016
	USD	USD
Uganda	14,860,933	14,873,931
Afghanistan	8,276,121	11,655,344
Philippine	3,096,102	5,105,196
Pakistan	5,368,627	5,309,491
South Sudan	1,518,000	4,300,738
Tanzania	2,075,099	4,277,910
Sierra Leone	1,107,000	2,828,000

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Liberia	2,162,313	1,540,488
The Netherlands	4,903,328	5,192
Nepal	217,017	163,000
Myanmar	18,493	–
	43,603,033	50,059,290

13 Service charge income

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

	2017	2016
	USD	USD
Uganda	22,143,895	22,879,757
Tanzania	17,954,274	14,840,969
Pakistan	5,540,702	5,193,039
Sierra Leone	2,377,000	1,277,000
Liberia	1,828,979	1,389,908
Myanmar	2,151,248	1,358,897
Zanzibar	680,782	549,825
	52,676,880	47,489,395

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

	2017	2016
	USD	USD
Overhead income	-	168,905
Fees and commission income	2,560,217	2,359,130
BRAC contribution income	50,561	129,625
Foreign exchange gains	(233,233)	(830,420)
Training income	422,427	678,026
Other income	3,546,022	3,676,819
	6,345,994	6,182,085

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

Other income includes non-refundable funds from closed projects in Afghanistan and from health programme in Uganda.

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15 Cost of outsourced work and other external costs

	2017 USD	2016 USD
Programme supplies	12,779,514	17,689,575
Maintenance and general expenses	7,669,498	7,858,647
Travel and transportation	6,501,640	6,441,135
Training and development	4,907,733	6,656,886
Rent and utilities	3,877,388	4,139,392
Printing and office stationeries	976,771	909,411
Audit and legal fees	647,620	771,928
	<u>37,360,164</u>	<u>44,466,974</u>

16 Wages and salaries

	2017 USD	2016 USD
Salaries and benefits	<u>27,452,125</u>	<u>28,667,596</u>

During the 2017 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 7,742 people (2016: 6,331). All the staffs are employed outside the Netherlands except 4 (2016: 2).

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and group companies amounted to USD 75,996 (2016: USD 0) for current and former managing directors.

17 Social security and pension charges

	2017 USD	2016 USD
Social security charges	<u>1,842,465</u>	<u>1,502,099</u>

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

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 2017 is USD 10,103 (2016: USD 6,369).

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18 Other operating expenses

	2017	2016
	USD	USD
Other operating expenses	3,017,244	3,850,166

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

19 Corporate income tax

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

The major components of the tax charge are as follows:

	2017	2016
	USD	USD
Current tax	4,408,947	6,407,489
Movement in temporary differences	(452,865)	555,086
Tax on result from ordinary activities	3,956,082	6,962,575

The applicable weighted average tax rate is 17.1% (2016: 34.2%), whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

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:

	2017		2016	
	USD	%	USD	%
Result before taxation	23,130,693		20,337,386	
Tax using the domestic tax rate	5,782,673	25.0	5,084,347	25.0
Application of different tax rate	(1,826,591)		1,878,230	
Income tax according to consolidated statement of income and expenses	3,956,082	17.1	6,962,577	34.2

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Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate is due to the fact that the company has some unrealized tax credit on past losses in West African countries especially in Sierra Leone, Liberia and Pakistan.

20 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Foundation and a natural person or entity that is affiliated with the Foundation. This includes, among other relations, the relationship between the Foundation and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. All the transaction were made on terms equivalent to those that prevail in arm's length transactions.

Therefore, there have been no transactions with related parties that were not on a commercial basis.

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

	2017 USD	2016 USD
Term deposit to BRAC Bank	5,471,011	5,435,238
Payable to BRAC, Bangladesh	5,949,241	8,783,794
BRAC Africa Microfinance Ltd	-	10,067,165
Payable to BRAC IT Services Ltd (biTs)	1,020,866	451,467
Payable to BRAC Lanka Guarantee Ltd	-	301,784

The following related party transactions occurred during the year:

	2017 USD	2016 USD
Interest payment on BRAC Bangladesh loans	126,044	63,021
Expenses charged by BRAC Bangladesh	1,816,226	1,633,318
In kind contribution by BRAC Bangladesh	4,705,040	-
Interest and principal repayment of loan to BRAC Africa Microfinance Ltd	11,129,197	2,005,350
Recharged secretariat expenses to related parties	2,103,027	1,630,567
Software maintenance by BRAC IT Services Ltd (biTs)	659,734	451,467
Grants received through BRAC USA	3,322,116	5,652,445
Grants received through BRAC UK	890,264	1,216,158
Remuneration to the Management Board	75,996	-

21 Off-balance sheet assets and liabilities

The Foundation provided a corporate guarantee to Bank of Africa for an amount of UGX 6 billion (USD 2 million) for a loan to BRAC Uganda Microfinance Limited. As of December 2017, the balance payable against this loan is equivalent to USD 267,619.

BRAC International Holdings B.V. has a capital commitment of SFRE Fund of USD 4 million. As of 31 December 2017 USD 1,740,000 million is disbursed. This company also

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committed USD 1 million each for BRAC Liberia Microfinance Company Ltd and BRAC Microfinance (SL) Ltd to improve the liquidity in the countries. As of 31 December 2017, USD 500,000 for each country has been disbursed.

BRAC International Holdings BV also provided a corporate guarantee to May Bank Ltd. for Kyat 1.3 billion (USD 1 million) term loan to BRAC Myanmar Microfinance.

22 Subsequent events

At the time of signing the financial statements, the directors are not aware of any events after the year-end not otherwise dealt with in these financial statements.

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23 Segmental information

Operational segments

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

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

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

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

Social 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.

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Segmental balance sheet as at 31 December 2017

	Social Development	Micro Finance	Social Business Enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Fixed assets						
Intangible fixed assets	-	297,190	-	-	-	297,190
Tangible fixed assets	1,522,781	1,785,412	431,332	-	-	3,739,525
Financial fixed assets	3,426	1,414,250	15,467	36,265,704	(35,264,334)	2,434,513
	1,526,207	3,496,852	446,799	36,265,704	(35,264,334)	6,471,228
Current assets						
Inventories	395,117	76,487	45,335	-	-	516,939
Loans and advances to customers	-	110,870,639	-	-	-	110,870,639
Trade and other receivables	4,560,066	2,901,180	139,171	2,689,266	(3,980,815)	6,308,868
Cash and cash equivalents	23,250,338	20,159,681	164,142	15,561,728	-	59,135,889
	28,205,521	134,007,987	348,648	18,250,994	(3,980,815)	176,832,335
	29,731,728	137,504,839	795,447	54,516,698	(39,245,149)	183,303,563
Group reserves						
Reserves	2,917,717	64,474,457	619,160	52,744,457	(33,928,854)	86,826,937
Minority interests	-	-	-	-	-	-
	2,917,717	64,474,457	619,160	52,744,457	(33,928,854)	86,826,937
Non-current liabilities	1,403,000	22,264,535	-	-	-	23,667,535
Current liabilities	25,411,011	50,765,847	176,287	1,772,241	(5,316,295)	72,809,091
	29,731,728	137,504,839	795,447	54,516,698	(39,245,149)	183,303,563

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Segmental statement of income and expenses for the year ended 2017

	Social Development USD	Micro Finance USD	Social Business Enterprise USD	Holding USD	Elimination USD	Total USD
Grant income	38,199,918	499,787	-	4,903,328	-	43,603,033
Service charge income	-	52,676,880	-	-	-	52,676,880
Other operating income	3,902,214	2,869,800	562,801	2,779,450	(3,768,271)	6,345,994
Total operating income	42,102,132	56,046,467	562,801	7,682,778	(3,768,271)	102,625,907
Cost of outsourced work and other external costs	(26,978,840)	(11,027,148)	(176,721)	(2,945,726)	3,768,271	(37,360,164)
Wages and salaries	(11,453,502)	(15,727,435)	(127,679)	(143,509)	-	(27,452,125)
Social security and pension charges	(612,807)	(1,217,139)	(12,519)	-	-	(1,842,465)
Amortisation and depreciation on intangible and tan- gible fixed assets	(332,915)	(399,251)	(38,323)	-	-	(770,489)
Impairment losses on loans and advances to customers	(2,019,000)	(3,298,199)	-	(951,753)	951,753	(5,317,199)
Other operating expenses	(568,630)	(1,779,729)	(330,137)	(722,475)	383,727	(3,017,244)
Total operating expenses	(41,965,694)	(33,448,901)	(685,379)	(4,763,463)	5,103,751	(75,759,686)
Operating result	136,438	22,597,566	(122,578)	2,919,315	1,335,480	26,866,221
Interest income and similar income	319,789	896,324	13,514	242,899	-	1,472,526
Interest expenses and similar charges	-	(5,070,121)	4,921	(142,854)	-	(5,208,054)
	319,789	(4,173,797)	18,435	100,045	-	(3,735,528)
Result from ordinary activities before tax	456,227	18,423,769	(104,143)	3,019,360	1,335,480	23,130,693
Tax on result from ordinary activities	-	(3,956,082)	-	-	-	(3,956,082)
Result after tax	456,227	14,467,687	(104,143)	3,019,360	1,335,480	19,174,611
Minority interests	-	(148,565)	-	-	-	(148,565)
Net result	456,227	14,319,122	(104,143)	3,019,360	1,335,480	19,026,046

Stichting BRAC International

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 2017

	Africa USD	Asia USD	Netherlands USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	175,805	121,385	-	-	297,190
Tangible fixed assets	3,153,929	585,596	-	-	3,739,525
Financial fixed assets	1,433,143	-	36,265,704	(35,264,334)	2,434,513
	4,762,877	706,981	36,265,704	(35,264,334)	6,471,228
Current assets					
Inventories	516,029	910	-	-	516,939
Loans and advances to customers	86,592,287	24,278,352	-	-	110,870,639
Trade and other receivables	4,873,351	2,727,066	2,689,266	(3,980,815)	6,308,868
Cash and cash equivalents	32,840,452	10,733,709	15,561,728	-	59,135,889
	124,822,119	37,740,037	18,250,994	(3,980,815)	176,832,335
	129,584,996	38,447,018	54,516,698	(39,245,149)	183,303,563
Group reserves					
Reserves	57,033,870	10,977,464	52,744,457	(33,928,854)	86,826,937
Minority interests	-	-	-	-	-
	57,033,870	10,977,464	52,744,457	(33,928,854)	86,826,937
Non-current liabilities	20,141,053	3,526,482	-	-	23,667,535
Current liabilities	52,410,073	23,943,072	1,772,241	(5,316,295)	72,809,091
	129,584,996	38,447,018	54,516,698	(39,245,149)	183,303,563

Stichting BRAC International

Geographical statement of income and expenses for the year ended 2017

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	21,723,345	16,976,360	4,903,328	-	43,603,033
Service charge income	44,984,930	7,691,950	-	-	52,676,880
Other operating income	4,730,367	2,604,448	2,779,450	(3,768,271)	6,345,994
Total operating income	71,438,642	27,272,758	7,682,778	(3,768,271)	102,625,907
Cost of outsourced work and other external costs	(26,694,115)	(11,488,594)	(2,945,726)	3,768,271	(37,360,164)
Wages and salaries	(17,607,160)	(9,701,456)	(143,509)	-	(27,452,125)
Social security and pension charges	(1,828,392)	(14,073)	-	-	(1,842,465)
Amortisation and depreciation on intangible and tangible fixed assets	(532,645)	(237,844)	-	-	(770,489)
Impairment losses on loans and advances to customers	(5,101,578)	(215,621)	(951,753)	951,753	(5,317,199)
Other operating expenses	(2,145,512)	(532,984)	(722,475)	383,727	(3,017,244)
Total operating expenses	(53,909,402)	(22,190,572)	(4,763,463)	5,103,751	(75,759,686)
Operating result	17,529,240	5,082,186	2,919,315	1,335,480	26,866,221
Interest income and similar income	1,223,176	6,451	242,899	-	1,472,526
Interest expenses and similar charges	(4,150,932)	(914,268)	(142,854)	-	(5,208,054)
	(2,927,756)	(907,817)	100,045	-	(3,735,528)
Result from ordinary activities before tax	14,601,484	4,174,369	3,019,360	1,335,480	23,130,693
Tax on result from ordinary activities	(3,692,248)	(263,834)	-	-	(3,956,082)
Result after tax	10,909,236	3,910,535	3,019,360	1,335,480	19,174,611
Minority interests	(148,565)	-	-	-	(148,565)
Net result	10,760,671	3,910,535	3,019,360	1,335,480	19,026,046

Stichting BRAC International

Stand-alone balance sheet as at 31 December 2017

(before appropriation of result)

		2017		2016	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets	24	420,438		587,670	
Financial fixed assets	25	22,352,550		7,936,349	
		<hr/>	22,772,988	<hr/>	8,524,019
Current assets					
Inventories		-		5,987	
Trade and other receivables	26	2,004,344		11,950,545	
Cash and cash equivalents	27	10,506,684		13,943,828	
		<hr/>	12,511,028	<hr/>	25,900,360
			<hr/>		<hr/>
			35,284,016		34,424,379
			<hr/> <hr/>		<hr/> <hr/>
Group reserves	28				
Reserves			29,609,174		23,487,334
Current liabilities	29				
			5,674,842		10,937,045
			<hr/>		<hr/>
			35,284,016		34,424,379
			<hr/> <hr/>		<hr/> <hr/>

The notes on pages 71 to 80 are an integral part of these separate financial statements.

Stichting BRAC International

Stand-alone statement of income and expenses for the year ended 31 December 2017

		2017		2016	
		USD	USD	USD	USD
Income					
Grant income	31	11,297,124		9,566,497	
Other operating income	32	1,227,842		1,114,177	
		<hr/>		<hr/>	
Total operating income			12,524,966		10,680,674
Cost of outsourced work and other external costs	33	(6,368,303)		(7,950,294)	
Wages and salaries	34	(1,622,858)		(1,671,059)	
Social security and pension charges	34	(50,576)		(91,405)	
Amortisation and depreciation on intangible and tangible fixed assets		(139,737)		(164,272)	
Impairment losses on receivable		(777,423)		-	
Other operating expenses	35	(210,522)		(678,124)	
		<hr/>		<hr/>	
Total operating expenses			(9,169,419)		(10,555,154)
Operating result			3,355,547		125,520
Interest income and similar income			88,923		62,356
			<hr/>		<hr/>
Result from ordinary activities			3,444,470		187,876
Share in result of participating interests	37		1,004,059		(349,296)
			<hr/>		<hr/>
Net result			4,448,529		(161,420)
			<hr/>		<hr/>

The notes on pages 71 to 80 are an integral part of these separate financial statements.

Stichting BRAC International

Notes to the 2017 stand-alone financial statements

General

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

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

Reporting period

The financial statements have been prepared for a reporting period of one year, from 1 January 2017 to 31 December 2017.

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:

Financial instruments

In the stand-alone financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

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

Share in result of participating interests

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

Stichting BRAC International

24 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 2017:					
—Purchase price	275,829	329,928	442,138	145,247	1,193,142
—Accumulated depreciation and impairment	(39,461)	(179,990)	(307,122)	(78,899)	(605,472)
—Carrying amount	<u>236,368</u>	<u>149,938</u>	<u>135,016</u>	<u>66,348</u>	<u>587,670</u>
Changes in carrying amount:					
—Investments	-	38,661	-	12,861	51,522
—Disposals	-	(761)	-	(6,237)	(6,998)
—Depreciation	(8,219)	(41,764)	(70,001)	(19,752)	(139,736)
—Adjustment on depreciation for disposal	-	617	-	5,522	6,139
—Exchange rate differences purchase price	(64,800)	(41,637)	(34,700)	7,244	(133,893)
—Exchange rate differences accumulated depreciation	7,248	21,018	22,651	4,817	55,734
—Balance	<u>(65,771)</u>	<u>(23,866)</u>	<u>(82,050)</u>	<u>4,455</u>	<u>(167,232)</u>
Balance as at 31 December 2017:					
—Purchase price	211,029	326,191	407,438	159,115	1,103,773
—Accumulated depreciation and impairment	(40,432)	(200,119)	(354,472)	(88,312)	(683,335)
—Carrying amount	<u>170,597</u>	<u>126,072</u>	<u>52,966</u>	<u>70,803</u>	<u>420,438</u>

Stichting BRAC International

25 Financial fixed assets

	2017	2016
	USD	USD
Shareholding in BRAC International Holdings B.V.	22,352,550	7,936,349

The movement of financial fixed assets is as follows:

	2017	2016
	USD	USD
Balance as at 1 January	7,936,349	7,349,554
Share premium contribution	11,816,372	-
Informal capital contribution	1,031,712	696,760
Donated equity	-	752,525
Share in result of subsidiary	1,004,059	(349,296)
Foreign currency translation difference	564,058	(513,194)
Balance as at 31 December	22,352,550	7,936,349

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

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

Name	Legal address	2017	2016
		Share of	Share of
		interest	interest
		%	%
BRAC Microfinance Sierra Leone Ltd	Freetown, Sierra Leone	100	75.5
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	75.5
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Social Business Enterprise Ltd	Kampala, Uganda	100	100
BRAC Uganda Microfinance Ltd	Kampala, Uganda	0	0
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	0	0
BRAC Pakistan	Islamabad, Pakistan	0	0
BRAC	Mbweni, Zanzibar	0	0

On 31 October 2017 Soros Economic Development Fund (SEDF), owner of 24.5% shares in BRAC Liberia Microfinance Ltd and BRAC Microfinance (SL) Ltd donated its shares to BRAC USA and made an exit from the investment. BRAC USA in turn donated the shares to Stichting BRAC International. Stichting BRAC International donated the shares to BRAC International Holdings B.V. as informal capital contribution to the entity.

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 companies, at least one of the executives of BRAC International Holdings B.V. is involved as member of the Board of Directors.

Stichting BRAC International

26 Trade and other receivables

	2017 USD	2016 USD
Grant receivables	277,206	265,000
Advances to third parties	62,546	128,880
Receivables related parties	1,591,635	11,451,604
Other assets	72,957	105,061
	<u>2,004,344</u>	<u>11,950,545</u>

The receivables from related parties include USD 500,000 provided to BRAC International Holdings B.V. The balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

In December 2017, Stichting BRAC International decided to convert the receivable of USD 11,816,372 from BRAC International Holdings B.V. into share premium as capital contribution.

27 Cash and cash equivalents

	2017 USD	2016 USD
Cash at bank	8,484,471	11,918,417
Short-term deposits	2,000,000	2,000,000
Cash in hand	22,213	25,412
	<u>10,506,684</u>	<u>13,943,828</u>

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

28 Reserves

	2017 USD	2016 USD
Balance as at 1 January	23,487,334	22,420,097
Changes:		
—Unappropriated result for the year	4,448,529	(161,420)
—Foreign currency translation differences	1,673,311	1,228,657
	<u>29,609,174</u>	<u>23,487,334</u>

Stichting BRAC International

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

	2017 USD	2016 USD
Reserves according to the consolidated balance sheet	86,826,937	67,371,674
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
- BRAC Uganda	5,583,860	4,207,451
- BRAC Afghanistan	1,357,215	512,508
- BRAC Maendeleo Tanzania	(63,187)	(65,555)
- BRAC South Sudan	(3,134,000)	(786,664)
- BRAC (Zanzibar)	463,511	356,406
- BRAC Pakistan	4,519,237	1,777,244
- BRAC Uganda Microfinance Company	28,819,351	23,265,287
- BRAC Tanzania Finance	18,510,626	14,617,663
	56,056,613	43,884,340
— Reversal of impairment	1,161,150	-
Reserves according to the stand-alone balance sheet	29,609,174	23,487,334
Net result according to the consolidated statement of income and expenses	19,026,046	13,350,904
Less:		
— Surplus of affiliated Foundations, without participating interest:		
- BRAC Uganda	1,480,821	572,212
- BRAC Afghanistan	1,087,087	(458,675)
- BRAC Maendeleo Tanzania	-	(2,060)
- BRAC South Sudan	(2,607,000)	(359,373)
- BRAC (Zanzibar)	121,003	76,588
- BRAC Pakistan	2,791,943	459,383
- BRAC Uganda Microfinance Company	6,091,360	9,162,865
- BRAC Tanzania Finance	4,451,153	4,061,384
	13,416,367	13,512,324
— Reversal of impairment	1,161,150	-
Net result according to the stand-alone statement of income and expenses	4,448,529	(161,420)

29 Current liabilities

	2017 USD	2016 USD
Donor funds	3,729,470	7,012,387
Other current liabilities	1,945,372	3,924,658
	5,674,842	10,937,045

Stichting BRAC International

Donor funds

	2017 USD	2016 USD
Donor funds received in advance	3,498,832	6,732,558
Donor funds utilised in fixed assets	230,638	279,829
	<u>3,729,470</u>	<u>7,012,387</u>

Donor funds received in advance

	2017 USD	2016 USD
Opening balance	6,732,558	7,296,328
Received during the year	3,470,492	10,028,214
Transfer to donor funds in fixed assets	(32,552)	(40,598)
Foundation's contribution	77,686	-
Released to statement of income and expenses	(6,581,000)	(10,153,589)
Released to others	-	-
Receivable from donor	29,288	319,520
Other receivables	-	66,934
Translation difference	(197,640)	(784,251)
	<u>3,498,832</u>	<u>6,732,558</u>

Donor funds utilised in fixed assets

	2017 USD	2016 USD
Opening balance	279,829	832,694
Transfer from grant received in advance	32,552	40,598
Released to statement of income and expenses	(59,088)	(119,357)
Transferred to capital fund	-	(347,399)
Translation difference	(22,655)	(126,707)
	<u>230,638</u>	<u>279,829</u>

Stichting BRAC International

Other current liabilities

	2017 USD	2016 USD
Related-party payables	1,007,466	2,662,423
Accrued expenses	496,075	267,971
Tax payable	18,080	19,594
Other liabilities	423,751	974,670
	<u>1,945,372</u>	<u>3,924,658</u>

Related party payables are mainly in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand.

All other current liabilities are payable within one year.

30 Off-balance sheet assets and liabilities

The foundation provided a corporate guarantee to Bank of Africa for an amount of UGX 6 billion (USD 2 million) for a loan to BRAC Uganda Microfinance Limited. As of December 2017, the balance payable against this loan is equivalent to USD 267,619.

31 Grant income

	2017 USD	2016 USD
Grant income from donors	<u>11,297,124</u>	<u>9,566,497</u>

In 2017, grant income includes USD 4.16 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 2017.

32 Other operating income

	2017 USD	2016 USD
Overhead income	959,770	616,189
BRAC contribution income		—
Foreign exchange gains/(loss)	130,123	(529,539)
Other income	137,949	1,027,527

Stichting BRAC International

<u>1,227,842</u>	<u>1,114,177</u>
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Stichting BRAC International provides various support such as Management, Accounting, Legal, Procurement, Recruitment, Training, IT support, Branding, etc., to its branches and subsidiaries and charges overhead against such support which is recorded as overhead income.

33 Cost of outsourced work and other external costs

	2017 USD	2016 USD
Programme supplies	2,986,242	4,636,886
Maintenance and general expenses	1,512,720	1,246,921
Travel and transportation	494,305	587,508
Staff training and development	804,857	830,547
Rent and utilities	349,712	469,766
Printing and office stationeries	40,968	35,475
Audit and legal fees	179,499	143,191
	<u>6,368,303</u>	<u>7,950,294</u>

34 Wages and salaries

	2017 USD	2016 USD
Staff costs	1,622,858	1,671,059
Social security and pension charges	50,576	91,405

During the 2017 financial year, the average number of staff employed in the Foundation and its branches, converted into full-time equivalents, amounted to 171 people (2016: 255). All the staff except 2 (2016:2) work outside the Netherlands.

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2017 is USD 8,079 (2016: USD 5,921).

35 Other operating expenses

	2017 USD	2016 USD
Other operating expenses	<u>210,522</u>	<u>678,124</u>

Stichting BRAC International

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

36 Financial instruments

General

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

The Foundation does not trade in these financial derivatives and follows procedures and a code of conduct to limit the size of the credit risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the Foundation, the resulting losses are limited to the fair value of the instruments in question.

The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit risk or fair risks.

Credit risk

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

Currency risks

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

Interest rate risk and cash flow risk

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

37 Share in result of participating interests

	2017 USD	2016 USD
BRAC International Holdings B.V.	<u>1,004,059</u>	<u>(349,296)</u>

Stichting BRAC International

38 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. 2017 USD 1,000	Other KPMG Network 2017 USD 1,000	Total KPMG 2017 USD 1,000
Audit of the financial statements	186	228	414
Other audit engagements	–	–	–
Tax-related advisory services	–	136	136
Other non-audit services	–	2	2
	186	366	552
	2016 USD 1,000	2016 USD 1,000	2016 USD 1,000
Audit of the financial statements	203	242	445
Other audit engagements	–	–	–
Tax-related advisory services	–	108	108
Other non-audit services	–	2	2
	203	352	555

39 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 81,152 (2016: USD 0) for current and former managing directors.

Stichting BRAC International

The Management Board prepared the financial statements on 22 June 2018 and recommends that the General Meeting adopts the financial statements as presented in this 2017 report:

The Hague, 22 June 2018

The Management Board

SL	Name	Signature
1.	Mr. Faruque Ahmed	
2.	Mr. Saif Md Imran Siddique	
3.	Mr. Shameran Abed	
4.	Ms. Lamia Rashid	

The Supervisory Board

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

Stichting BRAC International

Other information

Provisions in the Deed of Incorporation governing the appropriation of result

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

Branch offices

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

Independent auditor's report

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