BRAC International Holdings B.V.

Annual report 2021

" Small is beautiful but scale is necessary "

Sir Fazle Hasan Abed

Founder of BRAC

Contents

Supervisory Board Report

The Supervisory Board has a supervisory role at BRAC International Holdings B.V. (here in after “Company” or “BIHBV”) 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 Company and acts accordingly. The Supervisory Board’s mandate and tasks are laid down in statutes. This report is prepared taking into account the guidance of RJ 405, but as this report is voluntary it does not require to meet all these requirements.

Composition and functioning of the Supervisory Board

The Supervisory Board is chaired by Ms Marilou van Golstein Brouwers, who took over the role from Sir Fazle Hasan Abed, the founder of BRAC.

The Supervisory Board members are appointed by co-optation. The period of membership is four years with an eligibility for immediate reappointment as governed by the constitution. As the organisation values more women empowerment, the Supervisory Board has three female members.

The following persons are the current members of the Supervisory Board:

	Name	Member	Nationality
1	**Ms Marilou van Golstein Brouwers** (appointed on 6 August 2019)	Chair	Dutch
2	**Ms Parveen Mahmud** (appointed on 23 June 2021)	Director	Bangladeshi
3	**Ms Amira Mosad Elmissiry** (appointed on 1 January 2022)	Director	Zimbabwe

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

— Dr Muhammad Musa (resigned on 31 July 2021);
— Mr Gregory Chen (resigned on 8 December 2021).

The Supervisory Board is charged with overseeing the policies pursued by the Management Board and approves the Company’s annual report, consolidated 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 Company and its associated institutions and acts as an advisor to the Management Board. In doing so, the members confirm that:

— the Supervisory Board met six times in duly conveyed meetings during the financial year;
— they oversee the Company’s finance reporting process and monitor the control environment implemented;

- 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 Microfinance operations are run as businesses, each being registered as a separate legal entity in the country where it is located and having its own Board. These local Boards include representatives of the B.V. Management Board. The financial results of these entities are consolidated under BRAC International Holdings B.V., since the company has control.

The Supervisory Board in its supervising role

As a part of its governance role, the Supervisory Board approved the 2021 audited annual report and the 2022 annual plan and budget. The audit report 2021, prepared by the external auditors KPMG, was also presented to and discussed with the Supervisory Board.

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

The Supervisory Board is regularly informed about and consulted on major developments related to the Growth for Impact strategy and especially this year about the impact of the global pandemic on the operations and financial aspects.

The Internal Audit team ensures through periodical checks that the organisation is in compliance with all applicable laws and regulations. The primary function of the Finance & Audit Committee ("the Committee") is to assist the Governing Body ('the Board') in fulfilling its oversight responsibilities for:

- The financial reporting and budgeting processes;
- The system of internal controls and risk assessment;
- The compliance with legal and regulatory requirements;
- The qualifications, independence and performance of the external auditors; and
- The qualifications, independence and performance of the internal audit function.

The Supervisory Board as an employer and as a sounding board

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

The Supervisory Board also assists the Management Board as a sounding board. In 2021 the impact of the COVID-19 pandemic on operations and the resumption plan was a regular agenda item in various board calls.

Compensation

Members of the Supervisory Board do not receive compensation for their work. They are only paid an honorarium of USD 200 for attending Board and Board committee meetings.

The Hague, 14 June 2022

On behalf of the Supervisory Board of BRAC International Holdings B.V.

Ms Marilou van Golstein Brouwers, Board Chair

Ms Parveen Mahmud

Ms Amira Mosad Elmissiry

Management Board Report

The Management Board of BRAC International Holdings B.V. (“the Company” or “BIHBV”) hereby presents its Management Board Report and the financial statements for the year ended on 31 December 2021.

Our identity

BRAC is an international development organisation founded in Bangladesh in 1972 that partners with over 100 million people living with inequality and poverty globally to create sustainable opportunities to realise potential. BRAC’s community-led, holistic approach is reflected in its unique integrated development model, which brings together social development, social enterprises and humanitarian response for lasting, systemic change. BRAC is born and proven in the south, and has become a world leader in developing and implementing cost-effective, evidence-based programmes at scale, with a particular focus on communities in marginalised, extremely poor or post-disaster settings across Asia and Africa.

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

The Company was set up in 2010 as a private limited liability company under the laws of the Netherlands and is a wholly-owned subsidiary of Stichting BRAC International. BIHBV is a socially responsible for-profit organisation, engaging people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people, particularly women in the Africa and Asia region, living in poverty and hard-to-reach areas to build their financial resilience and improve the quality of life for them and their families.

Since inception of the Company, all micro finance entities in Africa and Asia were incorporated. Refer to note 25 for a list of subsidiaries.

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 Company has been an innovator in the creation of opportunities for the people in need to lift themselves out of poverty. It values creativity in programme design and strive to display global leadership in ground-breaking development initiatives.

Integrity

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

Inclusiveness

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

Effectiveness

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

Our activities

The Company is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core activity of the Company is to provide microfinance services to people living at the bottom of the pyramid. It particularly focuses on women living in poverty in rural and hard-to-reach areas, to create self employment opportunities, build financial resilience, and harness women’s entrepreneurial spirit by empowering them economically. This focus is in line with Sustainable Development Goal (SDG) priority number one.

The legal entities under the Company often operate in highly volatile and complex environments, such as post-Ebola crisis in West Africa, enduring political conflicts in some countries in Asia, and managing countries with high inflation where foreign currency loss impacts the bottom line to a large extent. Despite the challenges and complexities, BRAC remains committed to its mission to stand beside people and communities who need it the most.

All of the microfinance entities, except for BRAC Myanmar Microfinance Ltd and BRAC Rwanda Microfinance Company PLC, have a positive result after taxes. Currently these profits and the related cash flows are reinvested into the microfinance operations in the respective countries and setting-up activities in new countries.

In most countries, the microfinance entity shares the cost of establishments with the social development programmes operated by the legal entities under Stichting BRAC International. The social development programmes such as Education, Health, and Agriculture programmes are benefitted through this as it helps to keep core cost at a minimum and thus maximise their reach and impact. As such, the Company is contributing to the society as a whole.

The Company has the role to manage and consolidate the financial results of the microfinance operations in six countries and a dormant entity in Sri Lanka. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the Company has control. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

Highlights of 2021

Growth for Impact

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

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

COVID-19 Pandemic

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

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

As the year progressed, all entities continued to adapt their operations strategy according to the country contexts. Despite new virus mutations, by the end of the year, clients' income levels had improved and overall customer portfolios balances increased. As a result, most subsidiaries of the Company were able to generate a profit. The Company maintained to concentrate on the cash flow and other elements of operational continuity risks.

Innovative product development

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

Digitisation

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

Communications and knowledge management

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

Country-specific information

East Africa

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

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

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

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

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

In 2021, the social enterprises in Tanzania and Uganda demerged from the microfinance operations. This demerger has been recognized in the annual accounts following the 'pooling of interest' method. This method allows BIHBV to account for the transaction as if it occurred per 1 January 2020. The impact on the equity and results are limited and disclosed separately in the financial statements in the note on accounting policies.

West Africa

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

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

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

Asia

Besides the continued impact of the COVID-19 pandemic, BRAC Myanmar Microfinance Company Ltd (BMMCL) was confronted in February 2021 with a military coupe in the country. Internet connection and movement were restricted due to civil protests and curfews were imposed by the army. A business activity and contingency plan was activated keeping staff safety as the top priority. The overall situation had negatively impacted cumulative loan disbursement and collection for the year, however, the situation stabilized as the year progressed. The overall number of borrowers had decreased from 154,119 to 144,535 and USD 41 million was disbursed in 2021. Given the impact of the pandemic as well as the military coupe, BMMCL worked with clients to assess the impact on their livelihoods and support where possible, which resulted in moratorium on loan repayments, refinancing and other options. As a result, the portfolio at risk went up from 6.5% to 21.9% at year end.
As at December 2021, BMMCL had accumulated a total of aproximately USD 1.34 million (2020: USD 0.83 million) as voluntary savings from clients.

Financial and non-financial operational performance

Financial highlights

The yearly budget includes operational expenses, capital expenses and portfolio growth. The analysis of the country budgeted vs. actuals expenses (i.e. operational expenses, capital expenditures and portfolio growth) for financial year 2021 has been given below:

Country	**Approved budget 2021**	**Actual result 2021**	**Actual versus budget 2021**
	USD 1,000	**USD 1,000**	**%**
East Africa			
Uganda	**30,315**	**23,538**	**78**
Tanzania	**27,218**	**35,528**	**131**
Rwanda	**6,279**	**4,174**	**66**
West Africa			
Sierra Leone	**5,658**	**7,478**	**132**
Liberia	**4,636**	**8,593**	**185**
Ghana	**921**	**–**	**0**
Asia			
Myanmar	**6,967**	**6,426**	**92**
Europe			
Netherlands	**5,532**	**2,899**	**52**
Total	**87,526**	**88,636**	**101**

The Company’s financial performance during the year ended 31 December 2021 is as follows:

— Service charge on loans increased by 45% to USD 69.2 million in 2021 as the operations are back to the normal situation.
— Operating expenses increased by 21% to USD 57.9 million in 2021. This increase relates to the increased number of employees due to opening of new branches in Sierra Leone, Liberia, Tanzania and Rwanda.
— The net result of the group increased to USD 5.9 million profit (2020 net result was negative USD 0.2 million) due to increased and improved business following the release of COVID-19 measures.
— Loans to customers increased by 2% to USD 150.8 million in 2021.
— Cash and cash equivalents increased by 5% to USD 51.7 million in 2021. The cash movements have been disclosed in the cash flow statement.
— Current liabilities decreased from USD 92.3 million to USD 88.5 million, which is a result of the decrease in the the current portion of longterm borrowing.
— The increase in assets and loans is mainly due to increase in disbursement in all Microfinance operations.

Financial position as per balance sheet and profit and loss account

— Operating self-sufficiency (Operating income/total cost) increased to 115.0% (2020: 93.8%) as the service charge increase in 2021 as operations started to normalize after the 2020 COVID year.
— Return on performing assets (Net income before tax/average total assets) increased to 4% (2020: negative 2%) as a result of the reduced COVID-19 impact.
— Return on equity (Net income before tax/total equity) is 10% (2020: negative 3%). This is due to the higher net income in 2021 as a result of the recovery from COVID-19 pandemic.
— Cash position indicator (Cash and deposits into banks / average total assets) is 23% (2020: 24%).
— Impairment reserve ratio (Impairment reserve/gross loan to customer) is 8% (2020: 6%) as management took a higher amount of provision mainly due to continued effects of COVID-19 and the political situation in Myanmar, determined based on a consistently applied methodology.
— The solvency ratio [(Result after Tax + Depreciation and amortisation) / (Total Non-current and current liability)] of the Company in 2021 is 6.5 (2020: negative 1.9). Management is expecting to restabilise the position further in 2022 after the recovery from COVID-19 pandemic.
— Quick ratio [(current assets – inventories)/current liabilities] of the Company is 2.3 (2020: 2.2). It shows the Company has sufficient strength to manage its current liabilities.

Operational highlights

	2021 USD	2020 USD
Number of total borrowers	**692,773**	654,845
Percentage of female borrowers	**95.9%**	96.07%
Number of savers	**497,134**	483,016
Number of Branches	**500**	481
Principal outstanding (USD million)	**160.5**	152.4
Clients deposits (USD million)	**20.5**	15.1
Disbursement for the year (USD million)	**311.9**	238.4
Average loan per borrower (USD)	**350**	361
PAR > 30 days	**9.00%**	9.52%
Total assets (USD million)	**223.2**	217.5
Total equity (USD million)	**102.5**	100.5
Total interest bearing debt (USD million)	**60.4**	62.6
Net results (USD million)	**5.9**	(0.4)
Operating self-sufficiency	**115.0%**	93.8%
Cost / Income ratio	**92.0%**	107.4%
Number of total staff	**5,661**	5,292
Number of female staff	**4,926**	4,884

Social impact performance

As part of being commited to the Client Protection Pathway, all microfinance entities are implementing the Universal Standards for Social Performance Management (USSPM), including the Client Protection Principles. The implementation of USSPM will help management to ensure that it creates value for target clients and achieve the mission of empowering them to create economic opportunities for themselves.

Self-assessment social audits have been conducted using the CERISE SPI online4 tool in all six country operations and were verified by a qualified auditor. The audit is used to identify and track gaps in compliance with the USSPM, and each country team has action plans, incorporated in their Annual Strategic Plan (ASP) and budget, to close these gaps. The local management leadership are accountable for implementing the action plans. Each quarter, the SPI4 audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2021, the average score of all six microfinance entities was 87% from 81% in December 2020.

In addition to systemic implementation of the USSPM, a systematic approach towards achievement of tangible long-term impact is employed. To achieve impact effectively in line with the mission, BIHBV Management has developed a theory of change to guide and drive the activities for all the microfinance entities, and regularly assesses the progress along the five stages of change using internally available data as well as conducting Lean DataSM insight surveys. The Lean DataSM assessments, conducted by 60 Decibels, evaluate client poverty profiles, client satisfaction, and clients' social outcomes. Since 2019, these impact surveys are being conducted annually among the clients of all subsidiearies to help management define strategies to achieve long term positive impact and track the social impact over time. In September 2021, the Company published its first impact report titled "Demonstrating the Impact of Client-Centric Microfinance" to share the social performance and client level impact results and promote client-centriciy among peer MFIs.

Tax contribution

Taxes are a vital source of revenue for countries around the world and help to fund essential services like education, health care and transport. In times of crisis such as the COVID-19 pandemic, taxes are also central to government policies to support people's lives and livelihoods.

This overview aims to provide information on the various taxes paid by our entities for the year and builds on the data as disclosed in note 21 of the financial statements.

Our total contribution of USD 9.8 million to the governments for the year can be specified as follows: Corporate Income Tax USD 2.8 million, Personal Income Tax withheld on staff salaries USD 5.1 million, Valued Added Tax USD 0.7 million and Withholding Tax USD 1.3 million.

Outlook

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

COVID-19 impact

At the end of 2021, countries across the globe were slowly opening up the economies and borders to the pre-pandemic situation. Despite these positive developments, the Company anticipates that entity operations in some markets may continue to experience disruptions throughout 2022 as subsequent waves and variants of COVID-19 may trigger measures to contain the spread. While vaccinations are becoming more and more available the countries of operation, it remains a slow process and the Company anticipates that this may also have an impact in some of the countries of operations during 2022. Where and when needed, business continuity plans will be activated if and when necessary with staff and client safety in mind.

Social impact performance

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

Business operations

Client resilience and recovery from the COVID-19 pandemic will continue to be a priority of some entities in 2022, while growth in the more stable markets will be pursued. The six strategic priority areas of the Growth for Impact strategic plan remain fit for purpose and will be executed by the entities in 2022. Microfinance program is targeting to increase by 48 branches and increase the number of borrowers from 693 thousand to 780 thousand during the year 2022. Number of savers expected to increase to 590 thousand. Principal outstanding is expected to increase by 14.2 million. It is expected to realize a USD 5.2 million profit before tax in 2022, which includes the expected start up cost of a new country.

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

Financing

The financing of the microfinance operations is coming from a mixed variety of sources. At the country level, microfinance income is our largest source, external debt being second. The Company has finalized its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries. This strategy shows a total funding need of approximately USD 349 million between 2022 and 2026, which relates partly to the refinancing of the current outstanding loans of approximately USD 60 million, but largely to finance the growth for impact strategy. It strives to achieve optimum capital structure in both group and subsidiary level in coming years. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure smooth operation.
To appropriately manage this funding strategy, a separate company, BRAC International Finance B.V. has been incorporated in December 2020.

Human resource, internal organisation and staff

The Company has an active Management Board supported by dedicated operational staff. The day-to-day management on the entity level is entrusted to the country CEO, who is assisted by the heads of divisions, departments and units.

The Company is investing on a continuous basis in the quality of their staff. The total number of employees increased in 2021 to 5,661 (2020: 5,292) and is in line with the goal to allocate jobs to the relevant program. Number of female staff was around 87% (2020: 92%).

	2021		2020	
	EUR	**EUR**	EUR	EUR
East Africa				
Uganda	**2,009**		2,115	
Tanzania	**1,715**		1,575	
Rwanda	**233**		164	
Kenya	**12**		2	
		3,969		3,856
West Africa				
Sierra Leone	**541**		373	
Liberia	**386**		359	
		927		732
Asia				
Myanmar	**757**		699	
Dhaka	**4**		3	
		761		702
Europe				
Netherlands		**4**		2
Total		**5,661**		5,292

Code of Conduct

The Company follows a set of codes of conduct to operate in a multicultural environment. This Code of Conduct is based upon the principles of BRAC in Bangladesh as adopted by the Stichting BRAC International and is also implemented for the Company The Human Resources department of the organisation is the custodian of the codes of conduct and is responsible for overall supervision, implementation and practice across the organisation.

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and sexual harassment in the organisation. The Safeguarding policies have been updated to so that incidents are reported, investigated and remedial actions are taken where necessary.

Significant risks and uncertainties

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

Risk management is practiced across the organisation in a structured way, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high risk elements. The risk management is categorized into the following five major categories:

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 secured funding due to changes in priorities of the lending institutions. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the microfinance teams of the countries and head office.

Operational risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationship with local governments, and adoption of local cultures. Operational risks are mitigated through constant monitoring by group microfinance team through communication, visits and following up from head office as well as local country offices on a regular basis.

External, environmental, political and 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 and rapport building with government agencies and lending institutions are most common mitigation activities.

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

Financial risks

Credit risk

Credit risk arises principally from the Company's loans and receivables, financial fixed assets, trade and other receivables and cash. The credit risk is spread over a large number of counterparties (banks, customers and other third parties). Management has an internal process to review and monitor these counterparties upfront in order to mitigate the credit risk.

Currency risk

The Company 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 group level, the US dollar (USD) is the functional and presentation currency. The Company and its subsidiaries use strive to match foreign currency payables and receivables in such manner that the currency risk is minimized, if not mitigated. In case of high-inflation economies aligning receivables and payables is extremely difficult and management tries to get access of local funding as much as possible.

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

	2021	2020	Currency depreciation / (appreciation)
Uganda (UGX)	**3,544.30**	3,645.43	**-3%**
Tanzania (TZS)	**2,308.00**	2,321.50	**-1%**
Zanzibar (TZS)	**2,308.00**	2,321.50	**-1%**
Rwanda (RWF)	**1,009.62**	972.48	**4%**
Sierra Leone (SLL)	**11,255.72**	10,133.36	**11%**
Liberia (LRD)	**142.43**	161.02	**-12%**
Myanmar (Kyat)	**1,778.00**	1,329.10	**34%**
Kenya (KES)	**112.84**	108.80	**4%**
The Netherlands (EUR)	**0.88**	0.84	**5%**

Interest rate risk and cash flow risk

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

Market risk

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

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

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.

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 Company 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 Company and also from available financial institution facilities.

The Company 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 management team members also review the periodic cash flow forecast and overall liquidity needs to ensure adequate financing of the operations.

In December 2020, the Company incorporated a new Private Limited Liability Company in the Netherlands named BRAC International Finance B.V. The primary objective of the new company is to source external borrowings to support liquidity needs of it’s microfinance subsidiaries from 2022 onwards.

Financial reporting risks

Risks related to false reporting to stakeholders, e.g. investors and financial institutions, lack of sound financial policy, systems and processes are being mitigated though multi-layered internal control systems, that makes the monitoring process stronger.

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

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

External audit is conducted on an annual basis.

Governance

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

Subsequent events

With regards to the developed funding strategy of BRAC International Finance B.V., the first contracts were entered into with investors Proparco and Global Partners in April 2022. In May 2022 the first funding was closed for an amount of USD 41 million.

Management Board’s responsibility statement

In the discharge of their duties, the Directors are guided by the interests of the Company and the business carried on by the Company. For Management Board the Company intends to maintain gender diversity in near future and experience and professional qualifications of board members. Directors are selected and appointed on the basis of their qualifications and professional experience.

The Management Board is responsible for the preparation and fair presentation of the financial statements, comprising of the balance sheet as at 31 December 2021, the profit and loss account and the cash flow statement for the year and the notes to the consolidated financial statements for the year ended 2021.

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

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

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

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

Signing-off of board

The Management Board prepared the financial statements and recommends that the AGM adopts the financial statements 2021.

The Hague, 14 June 2022

Mr Shameran Abed

Ms Bridget Dougherty

Mr Hans Eskes

Consolidated balance sheet as at 31 December 2021

(before appropriation of result)

		2021		2020	
		USD	**USD**	USD	USD
Fixed assets					
Intangible fixed assets	*1*	**3,314,143**		2,461,300	
Tangible fixed assets	*2*	**4,745,383**		5,294,875	
Financial fixed assets	*3*	**7,926,284**		7,026,621	
			15,985,810		14,782,796
Current assets					
Inventories	*4*	**226,040**		157,523	
Loans to customers	*5*	**150,799,407**		148,059,617	
Trade and other receivables	*6*	**4,509,542**		5,151,806	
Cash and cash equivalents	*7*	**51,709,124**		49,123,315	
			207,244,113		202,492,261
			223,229,923		217,275,057
Group equity					
Shareholder's equity	*8*		**94,645,921**		94,643,089
Minority Interest	*8*		**7,838,410**		5,876,810
			102,484,331		100,519,899
Non-current liabilities	*9*		**32,285,705**		24,454,795
Current liabilities	*10*		**88,459,887**		92,300,363
			223,229,923		217,275,057

* The 2020 financial information has been adjusted for comparison purposes due to the demerger of the social enterprises business as described in the notes on accounting policies.

The notes on pages 28 to 74 are an integral part of these consolidated financial statements.

Consolidated profit and loss account for the year ended 31 December 2021

		2021		2020	
		USD	**USD**	USD	USD
Service charge income	*12*	**69,172,378**		47,706,485	
Other operating income	*13*	**6,826,912**		4,189,233	
Total operating income			**75,999,290**		51,895,718
Cost of outsourced work and other external cost	*14*	**(15,827,802)**		(11,787,907)	
Wages and salaries	*15*	**(23,297,845)**		(21,801,919)	
Social security and pension charges	*16*	**(2,107,755)**		(1,881,333)	
Amortisation and depreciation on intangible and tangible fixed assets	*1,2*	**(1,762,290)**		(1,623,175)	
Impairment losses on loans to customers	*5*	**(9,716,770)**		(7,027,418)	
Other operating expenses	*17*	**(5,277,270)**		(3,922,167)	
Total operating expenses			**(57,989,733)**		(48,043,919)
Operating result			**18,009,557**		3,851,799
Interest income and similar income	*18*	**1,752,521**		2,107,196	
Interest expenses and similar charges	*19*	**(9,856,752)**		(9,244,609)	
Impairment of financial fixed assets	*19*	**–**		(139,316)	
			(8,104,231)		(7,276,729)
Result from ordinary activities before tax			**9,905,326**		(3,424,930)
Corporate income tax	*21*		**(3,843,316)**		(396,970)
Result after tax			**6,062,010**		(3,821,900)
Minority interests			**(148,799)**		3,601,538
Net result			**5,913,211**		(220,362)

* The 2020 financial information has been adjusted for comparison purposes due to the demerger of the social enterprises as described in the notes on accounting policies.

The notes on pages 28 to 74 are an integral part of these consolidated financial statements.

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

	2021		2020	
	USD	**USD**	USD	USD
Consolidated net result after attributable to the Company		**5,913,211**		(220,362)
Translation differences on foreign participating interests	**(5,910,379)**		1,047,509	
Total of items recognised directly in shareholder's equity of the Company as part of the group entity		**(5,910,379)**		1,047,509
Total result of the legal entity		**2,832**		827,147

The notes on pages 28 to 74 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Issued capital	Share premium reserve	Foreign currency translation reserve	Legal reserve participation	Retained earnings	Unappro-priated result	Total
	USD	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2020	**8,363,800**	**76,482,102**	**(4,745,329)**	**989,343**	**5,019,866**	**7,706,160**	**93,815,942**
— De-merger of BRAC Social Business Enterprises Uganda Ltd	**–**	**(55,731)**	**–**	**–**	**–**	**–**	**(55,731)**
Adjusted balance as at 1 January 2020	**8,363,800**	**76,426,371**	**(4,745,329)**	**989,343**	**5,019,866**	**7,706,160**	**93,760,211**
Changes:							
— Appropriation of prior year(s) results	**–**	**–**	**–**	**–**	**7,706,160**	**(7,706,160)**	**–**
— Translation difference share capital	**962,160**	**–**	**(962,160)**	**–**	**–**	**–**	**–**
— Translation difference participations	**–**	**–**	**1,103,240**	**–**	**–**	**–**	**1,103,240**
— Transfer from legal reserve (ref. – note 1)	**–**	**989,343**	**–**	**(989,343)**	**–**	**–**	**–**
— Result for the year	**–**	**–**	**–**	**–**	**–**	**(220,362)**	**(220,362)**
Balance as at 31 December 2020	**9,325,960**	**77,415,714**	**(4,604,249)**	**–**	**12,726,026**	**(220,362)**	**94,643,089**

Legal reserve is restricted to the specific country operations and cannot be used for any other use. The profits and net equity of Zanzibar (100%) operations were under this category.

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

	Issued capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Unappro-priated result	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2021	9,325,960	77,415,714	(4,604,249)	12,726,026	(220,362)	94,643,089
Changes:						
— Appropriation of prior year(s) results	–	–	–	(220,362)	220,362	–
— Translation difference share capital	(718,200)	–	718,200	–	–	–
— Translation difference participations	–	–	(5,910,379)	–	–	(5,910,379)
— Result for the year	–	–	–	–	5,913,211	5,913,211
Balance as at 31 December 2021	8,607,760	77,415,714	(9,796,428)	12,505,664	5,913,211	94,645,921

The notes on pages 28 to 74 are an integral part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2021

		2021		2020	
		USD	**USD**	USD	USD
Net result			**5,913,211**		(220,362)
Adjusted for:					
— Depreciation/amortisation/other value adjustments	*1, 2*	**1,762,290**		1,623,175	
— Impairment/write-off in loans	*5*	**9,716,770**		7,027,418	
— Impairment provision on financial fixed assets		**–**		139,316	
— Interest income and expenses		**8,104,231**		7,137,413	
— Tax on result from ordinary activities	*21*	**3,843,316**		396,970	
— Change in minority interest		**148,799**		(3,601,538)	
— Other movements in loans	*5*	**1,315,944**		(4,026,323)	
— Changes in working capital:					
✓ Change in inventories		**(68,517)**		608	
✓ Change in other receivables		**185,000**		1,815,177	
✓ Change in other liabilities		**4,543,829**		14,182,166	
			29,551,662		24,694,382
Cash flow from business operations			**35,464,874**		24,474,020
Interest paid		**(7,370,346)**		(6,973,656)	
Income tax paid		**(2,869,212)**		(4,905,110)	
			(10,239,558)		(11,878,766)
Cash flow from operating activities (carried forward)			**25,225,316**		12,595,254

	Note	2021 USD	2021 USD	2020 USD	2020 USD
Brought forward			**25,225,316**		12,595,254
Investments in:					
— Tangible fixed assets	*2*	**(966,914)**		(872,046)	
— Intangible fixed assets	*1*	**(468,274)**		(1,050,672)	
Disposals of (in)tangible fixed assets	*2*	**358,525**		–	
Investments in capital work in progress to tangible and intangible fixed assets		**(582,122)**		–	
Loans to customers distributed	*5*	**(311,925,278)**		(238,361,386)	
Loans to customers repayment	*5*	**289,698,009**		225,173,443	
Cash flow from investing activities			**(23,886,053)**		(15,110,661)
Increase in borrowings	*9*	**49,690,586**		26,672,882	
Repayment of borrowings	*9*	**(46,906,811)**		(12,496,527)	
Cash flow from financing activities			**2,783,775**		14,176,355
Net cash flow			**4,123,038**		11,660,948
Exchange rate and translation differences on cash and cash equivalents			**(1,537,229)**		162,462
Changes in cash and cash equivalents			**2,585,809**		11,823,410

	2021 USD	2020 USD
Cash and cash equivalents as at the beginning of the financial year	**49,123,315**	37,299,905
Changes in cash and cash equivalents	**2,585,809**	11,823,410
Cash and cash equivalents as at the end of the financial year	**51,709,124**	49,123,315

The notes on pages 28 to 74 are an integral part of these consolidated financial statements.

Notes to the 2021 consolidated financial statements

The reporting entity

BRAC International Holdings B.V. ('the Company'), having its legal address in The Hague and its office address at Spaarneplein 2, 2515 VK, The Hague, is a private limited liability company under Dutch law and is registered as a financial holding under number 34393125 in the Chamber of Commerce.

The Company is a wholly-owned subsidiary of Stichting BRAC International, a foundation organised and existing under the laws of the Netherlands.

In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world.

These financial statements contain the financial information of both the Company and the consolidated companies of the Company ('the Group').

BRAC International Holdings B.V.'s vision is in line with the vision of its parent Stichting BRAC International and 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, BRAC International Holdings B.V., through its subsidiaries 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 Company'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 Company 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 are for the year from 1 January 2021 to 31 December 2021. The comparatives consist of the year 2020, which ended as at 31 December 2020. Refer to the note on accounting policies for the changes made in the comparative figures.

Basis of preparation

The consolidated financial statements of the Company are part of the statutory financial statements of the Company and have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

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 Company have been prepared on the basis of the going concern assumption.

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

General

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

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

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the 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 profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

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

In order to present the comparative information in line with current year's presentation the 'demerger' of BRAC Tanzania Enterprise Limited and BRAC Uganda Social Business Enterprises to BRAC International Enterprise B.V. has been adjusted. Following the 'pooling of interest' method, the demerger is adjusted in the comparative information as per 1 January 2020. As per this date, the impact on the total assets is USD 610.215, total liabilities USD 554,484 and equity USD 55,731.

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

- The valuation of the loans to customers.

Consolidation principles

Consolidation scope

The consolidated financial statements include the financial information of the Company, its group companies and other companies over which the Company can exercise control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Company with more or less influence.

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

Consolidation method

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

In the consolidated financial statements, intragroup shareholdings, debts, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Company has a less than 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 separately within equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

BRAC International Holdings B.V. has participating interest, directly or indirectly, in the following companies:

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

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

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

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

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

In 2021, following the group restructuring process the Company transferred the owneship of BRAC Enterprises Tanzania Limited and BRAC Social Business Enterprise Uganda Ltd. to BRAC International Enterprises B.V. The net result, assets, liabilities of both companies have been deconsolidated from BRAC International Holdings B.V. effective from 1 January 2020 in accordance with the pooling of interest method. Therefore both entities are not included in the table above.

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

Business combinations under common control

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

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

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

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

Per 30 December 2021, the social enterprises owned by the Company have been demerged to Brac International Enterprises B.V., a company residing in the Netherlands and fully owned by the same shareholder as the Company, Stichting Brac International. As this transaction can be classified as a common control transaction, the 'pooling of interest' method was applied to appropriately recognize this. The impact on the financial statements is described in the general section of the accounting policies.

Principles for the translation of foreign currency

Transactions in foreign currencies

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

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

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

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

Foreign operations

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

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

Financial instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: financial fixed assets, loans to customers and trade and other receivables and other financial liabilities.

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

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

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

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

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

Loans granted and other receivables

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

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account. This also includes the savings deposits from clients.

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

Derivatives

The Company 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 Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

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

Intangible fixed assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the 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.

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

Software licenses

Software licenses are stated at cost less accumulated amortisation and impairment losses. The capitalised amount is amortised on a straight-line basis during the term of the contract.

Prepayments on intangible fixed assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised. No amortization is recognized over the capital work in progress.

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

Donor grants for specific assets are deferred and released to the profit and loss account in accordance with the depreciation period of the related assets.

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

Depreciation

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

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

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

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

Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence can be exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the Company's accounting policies. If the Company 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 Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company 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 Company on behalf of the participating interest.

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

Participating interests with no significant influence

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

Other financial fixed assets

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

Dividends

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

Impairment of fixed assets

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

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

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

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

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

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

Disposal of fixed assets

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

Inventories

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

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

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

Loans and advances

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

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

Impairment of financial assets

At each statement of financial position date BRAC International Holdings B.V. 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 Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

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

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

The Company estimates losses on loans and advances as follows:

— Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason, industry practice is used to estimate the specific provision for loans and advances. The Company followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.
— Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest bearing loans (NIBL)' and are referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the Board where the Board thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers.

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

Cash and cash equivalents

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

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

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

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

Shareholder’s equity

Share premium

Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire or acquire shares of the Company.

Costs and capital taxes associated with the issue of shares that are not capitalized are deducted from share premium, after taken into account tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from retained earnings.

Legal reserves

Legal reserves consist of a legal reserve for subsidiaries with no share of interest but subsidiaries locally established as companies limited by guarantee and having no share capital.

Foreign currency translation reserve

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

Minority interests

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

Provisions

A provision is recognised if the following applies:

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

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

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

Non-current liabilities

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

Current liabilities

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

Revenue recognition

Revenue is recognised on an accrual basis.

Service charge on loans and advances

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

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

Fees and commission income

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

Donor grants and grant income

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

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

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

BRAC 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. BRAC does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses and eliminated at the group consolidation level.

Other income

Other income mainly comprises of gains from disposal of assets.

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 profit and loss account 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 Company.

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

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

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 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 profit and loss account.

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

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

Dutch pension plans

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

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

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

Interest receivable and similar income and interest payable and similar charges

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

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

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

Corporate income tax

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

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

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

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

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

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

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

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

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

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

Leasing

The Company 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. The Company has only entered into operating lease agreement.

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

Financial leases

If the Company 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 Company 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 Company acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

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

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

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

Related party transactions

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

Related parties comprise of directors, subsidiaries and shareholder(s) of BRAC International Holding B.V., BRAC Bangladesh (including related BRAC entities) and key management personnel of the Company and companies with common ownership and/or directors.

Contingent liabilities

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

Determination of fair value

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

Subsequent events

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

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

1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

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

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

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixtures USD	Total USD
Balance as at 1 January 2021:					
— Purchase price	**43,671**	**4,451,239**	**853,773**	**3,970,071**	**9,318,754**
— Accumulated depreciation and impairment	**(1)**	**(1,965,856)**	**(392,273)**	**(1,665,749)**	**(4,023,879)**
— Carrying amount	**43,670**	**2,485,383**	**461,500**	**2,304,322**	**5,294,875**
Changes in carrying amount:					
— Investments	**–**	**790,838**	**1,515**	**174,561**	**966,914**
— Disposals	**–**	**(172,180)**	**(8,492)**	**(177,853)**	**(358,525)**
— Depreciation	**(2,463)**	**(962,953)**	**(114,764)**	**(415,566)**	**(1,495,746)**
— Reversal of depreciation on disposal	**–**	**162,292**	**12,028**	**92,962**	**267,282**
— Exchange rate differences purchase price	**255**	**251,770**	**(165,617)**	**17,138**	**103,546**
— Exchange rate differences accumulated depreciation	**(12)**	**(28,229)**	**12,530**	**(17,254)**	**(32,964)**
	(2,220)	**41,538**	**(262,799)**	**(326,012)**	**(549,493)**
Balance as at 31 December 2021:					
— Purchase price	**43,924**	**5,421,601**	**719,703**	**3,847,481**	**10,032,709**
— Accumulated depreciation and impairment	**(2,474)**	**(2,894,680)**	**(521,002)**	**(1,869,171)**	**(5,287,327)**
— Carrying amount	**41,450**	**2,526,921**	**198,701**	**1,978,310**	**4,745,382**

3 Financial fixed assets

Movements in financial fixed assets were as follows:

	2021	2020
	USD	USD
Investment in SFRE Fund	**3,707,639**	3,338,728
Deferred tax assets	**4,218,645**	3,687,893
	7,926,284	7,026,621

Investment in SFRE Fund

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

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

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

Deferred tax assets

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

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

4 Inventories

	2021 USD	2020 USD
Finished products and goods for sale	**226,040**	157,523

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

5 Loans to customers

Principal loans outstanding

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

Microfinance loans to group members are traditional small ticket loans, 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 a flat rate interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values as the time period of money is not material as the loans are no longer than 12 months. All loans are secured up to the balance of the Loan Security Fund.

Loans to customers

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

The movement of the loan loss provision is below:

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

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

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

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

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

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

Expected credit loss assessment for individual customers

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

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

6 Trade and other receivables

	2021	2020
	USD	USD
Advances and prepayments to third parties	**1,855,329**	1,634,400
Receivable from BRAC NGO operations	**857,384**	952,386
Other receivables	**982,217**	1,293,144
Prepaid taxes	**814,612**	1,271,876
	4,509,542	5,151,806

Prepayments are mainly rent paid in advances to the landlords for offices and guest house. All the other receivables are due within 1 year.

Other receivables includes deposits to BRAC USA for USD 250,000 for the OPIC loan and interest accrued on short-term deposits. The deposit will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

7 Cash and cash equivalents

	2021	2020
	USD	USD
Cash at bank	**35,157,636**	30,816,310
Short-term deposits	**15,670,666**	17,617,166
Cash in hand	**880,822**	689,869
	51,709,124	49,123,315

All cash and cash equivalent balances are available on demand.

8 Group equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 28 Shareholders' equity in the separate financial statements.

	2021	2020
	USD	USD
Equity	**94,645,921**	94,643,089
Minority interest	**7,838,410**	5,876,810
	102,484,331	100,519,899

Refer to note 28 for the movement schedule.

Minority interests

	2021	2020
	USD	USD
BRAC Uganda Bank Ltd.	**7,838,410**	5,876,810

This minority interest covers the third-party interests (51%) in the shareholders' equity of the group company BRAC Uganda Bank Ltd.

9 Non-current liabilities

	2021 USD	2020 USD
Borrowings	**60,426,536**	62,635,075
Less: Current portion of borrowings	**(28,140,831)**	(38,180,280)
Non-current liabilities as per 31 December	**32,285,705**	24,454,795

Borrowings

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

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

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

	2021 USD	2020 USD
Opening balance as at 1 January	**62,635,075**	47,614,679
Received during the year	**49,690,586**	26,672,882
Repayment during the year	**(46,906,811)**	(12,496,527)
Foreign currency (gain)/loss	**(4,992,314)**	844,041
Closing balance as at 31 December	**60,426,536**	62,635,075

The specification of the borrowings as at 31 December:

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

1. responsAbility Investments AG:

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

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

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

2. Bank of Africa:

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

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

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

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

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

4. Oiko Credit:

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

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

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

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

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

6. DFC (OPIC):

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

7. aBi Trust and Finance:

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

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

8. Yoma Bank:

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

9. AGD Bank:

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

10. UAB Bank:

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

11. Citi Bank:

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

12. Uganda Energy Credit Capitalization Company (UECCC):

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

13. Mastercard Foundation:

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

14. CRDB Bank:

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

15. MEB Bank:

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

16. Whole Planet Foundation:

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

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

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

17. Central bank of Sierra Leone:

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

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

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

19. Standard Charterd Bank:

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

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

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

10 Current liabilities

	2021	2020
	USD	USD
Donor funds	**2,965,068**	3,898,315
Current portion of the borrowings (note 9)	**28,140,831**	38,180,280
Other current liabilities	**57,353,988**	50,221,768
	88,459,887	92,300,363

Donor funds

	2021	2020
	USD	USD
Donor funds received in advance	**1,901,141**	2,564,860
Donor funds invested in microfinance loans	**1,041,325**	1,329,084
Donor funds utilized in fixed assets	**22,602**	4,371
	2,965,068	3,898,315

All amounts included are due within one year.

Donor funds received in advance

	2021	2020
	USD	USD
Opening balance as at 1 January	**2,564,860**	983,943
Received during the year	**1,314,923**	2,964,224
Transferred to donor funds invested in fixed assets	**(14,731)**	(299,491)
Transferred to donor fund investment in loans	**(611,728)**	(340,676)
Released to profit and loss account	**(1,020,409)**	(526,838)
Other	**(331,774)**	(216,302)
Closing balance as at 31 December	**1,901,141**	2,564,860

The grants from the above donors were received for the enhancement of the Microfinance programme. The grants had been provided on the basis of the Company fulfilling certain conditions, failing to comply with which, part or all of the money may have to be refunded to the donor.

Donor funds invested in microfinance loans

	2021	2020
	USD	USD
Opening balance as at 1 January	**1,329,084**	713,507
Transferred from donor funds received in advance	**611,728**	340,676
Transferred to income and expenses	**(647,392)**	–
Currency translation	**(252,095)**	274,901
Closing balance as at 31 December	**1,041,325**	1,329,084

BRAC Myanmar recognized deferred income (i.e. grant received in advance) in prior years for donor funds received. The funds have been utilised, however the deferred income balance was not adjusted accordingly. Therefore this balance is adjusted this year as the commitments were satisfied.

Donor funds utilised in fixed assets

	2021 USD	2020 USD
Opening balance as at 1 January	**4,371**	24,584
Transferred from donor funds received in advance	**14,731**	
Depreciation charged for the year released to the profit and loss account	**(9,415)**	(2,080)
Changes in consolidation scope		–
Currency translation	**12,915**	(18,133)
Closing balance as at 31 December	**22,602**	4,371

Other current liabilities

	2021 USD	2020 USD
Loan Security Fund	**27,268,329**	25,594,150
Deposits from savers	**20,470,454**	15,112,564
Payable to Stichting BRAC International	**2,589,070**	2,560,789
Payable to BRAC Bangladesh	**123,590**	1,556,473
Payable to BRAC IT Services Limited)	**421,200**	207,333
Corporate income tax payable	**1,962,072**	777,774
Withholding and other taxes	**754,621**	283,775
Accrued expenses	**1,798,546**	1,555,792
Other liabilities	**1,966,106**	2,573,118
	57,353,988	50,221,768

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

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

Payable to Stichting BRAC International mainly relates to the amount provided by the parent entity to the Company for making various investments. The amount is payable on demand.

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

Other liability includes intercompany liability of USD 317,033 (2020: USD 389,096). It also includes various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities. All the other liabilities are payable within one year.

11 Financial instruments

General

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework.

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

Credit risk

Credit risk arises principally from the Company loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk calculated by the entity is USD 13,813,119 which is equal to the loan loss provision. The credit risk is spread over a large number of counterparties (banks, customers and other third parties).

The Company’s 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 Company considers and consolidates all elements of credit risk exposure.

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

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

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

The Company 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 Company 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 Company will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout BI.
- Meet legal or statutory requirements.
- Assist in safeguarding the Company's assets: people, finance, property and reputation.

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

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

Currency risk

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

Interest rate risk and cash flow risk

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, 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 Company 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 Company and also from available financial institutions facilities.

BRAC International Holdings B.V. 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 Company maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition the Company maintains banking facilities of a reasonable level.

12 Off-balance sheet assets and liabilities

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

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

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

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

As part of the preparation for transformation into a Tier II Financial Institution, the Company had to sell 51% of the shares of BRAC Uganda Microfinance Limited to meet the requirements under Section 18 of the Financial Institutions Act in 2019. On 20 May 2022 the Uganda Revenue Authorities informed BRAC Uganda BankLimited that they are of the opinion that the proceeds of the disposal of these shares are to be taxed in Uganda.

Management believes that the benefit, if any, of the disposal of these shares is exempt from tax in Uganda under Article 13 (4) of the DTA between Uganda and the Netherlands and will take appropriate advice to appeal to this position.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis. The expected rent commitment for 2022 amounts to USD 2.4 million.

12 Service charge income

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

	2021	2020
	USD	USD
Africa		
Uganda	**21,565,185**	13,510,160
Tanzania	**25,101,234**	19,248,315
Sierra Leone	**5,839,335**	3,905,000
Liberia	**5,022,080**	2,950,748
Zanzibar	**1,123,493**	893,311
Rwanda	**637,823**	197,022
	59,289,150	40,704,556
Asia		
Myanmar	**9,883,228**	7,001,929
	69,172,378	47,706,485

Service charge income denotes the interest income earned on loans and advances disbursed.

13 Other operating income

	2021	2020
	USD	USD
Fees and commission income	**3,298,580**	3,010,119
Grant income	**1,677,217**	810,926
Other income	**1,851,115**	368,188
	6,826,912	4,189,233

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

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

14 Cost of outsourced work and other external costs

	2021	2020
	USD	USD
General and administrative expenses	**2,727,721**	1,628,974
Travel and transportation	**4,687,792**	3,732,055
Office rent and utilities	**2,582,557**	2,317,945
Printing and office stationery	**1,059,805**	681,817
Staff training and development	**414,999**	319,092
Audit fees	**342,261**	329,159
Professional and consultancy	**1,825,073**	1,393,707
Software maintenance costs	**1,309,372**	863,160
Internet subscription charges	**878,222**	521,998
	15,827,802	11,787,907

General and administrative expenses is higher in 2021 due the fact that the branch offices are fully back to normal operations after the recovery from COVID-19.

15 Wages and salaries

	2021	2020
	USD	USD
Salaries and benefits	**23,297,845**	21,801,919

During the 2021 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 5,655 people (2020: 5,292). All staffs except 4 (2020: 2) were employed outside the Netherlands.

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

	2021	2020
Management	**82**	95
Microfinance services	**4,712**	4,624
Finance and IT	**586**	333
Monitoring, Risk and Internal Audit	**90**	91
Human Resources	**27**	21
Other Support functions	**164**	128
	5,661	5,292

16 Social security and pension charges

	2021	2020
	USD	USD
Social security charges and pension charges	**2,107,755**	1,881,333

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

The Company has an employee pension scheme (defined benefit) only in the Netherlands. The Company contributes 60% of the annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2021 is USD 4,285 (2020: USD 0).

17 Other operating expenses

	2021	2020
	USD	USD
Other operating expenses	**5,277,271**	3,922,167

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

18 Interest income and similar income

	2021	2020
	USD	USD
Bank Interest	**1,558,162**	1,985,080
Exchange differences	**193,659**	122,116
	1,752,521	2,107,196

19 Interest expenses and similar charges

	2021	2020
	USD	USD
Interest expense on external borrowings	**9,432,580**	8,970,598
Bank charges	**312,912**	238,302
Foreign exchange loss realised	**111,260**	35,709
	9,856,752	9,244,609

20 Auditor's fees

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

	KPMG Accountants N.V.	KPMG Network	Total KPMG
	USD 1,000	USD 1,000	USD 1,000
2021			
Audit of the financial statements	**108**	**73**	**181**
Other audit engagements			
Tax-related advisory services	**74**	**30**	**104**
Other non-audit services	**6**	**–**	**6**
	188	**103**	**291**
2020			
Audit of the financial statements	**82**	**147**	**229**
Other audit engagements	**–**	**–**	**–**
Tax-related advisory services	**–**	**138**	**138**
Other non-audit services	**15**	**–**	**15**
	97	**285**	**382**

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

21 Corporate income tax

The major components of the tax charge are as follows:

	2021	2020
	USD	USD
Current tax	**4,374,068**	3,466,677
Movement in temporary differences	**(530,752)**	(3,069,707)
Tax on result from ordinary activities	**3,843,316**	396,970

The applicable weighted average tax rate in 2021 was 38.9%, 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 in the various subsidiaries. The applied tax rate for calculation of deferred tax is between 25-30%.

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

	2021		2020	
	USD	**%**	USD	%
Result before tax	**9,905,326**		(3,424,930)	
Tax using the Company's domestic tax rate	**2,476,332**	**25.0**	(856,233)	25.0
Unused local tax losses	**1,014,568**		2,731,919	
Movement in temporary difference	**(530,752)**		(3,069,707)	
Application of different tax rate and unpaid provisions	**883,169**		1,590,991	
Income tax according to consolidated profit and loss account	**3,843,316**	**38.9**	396,970	11.6

The reason for higher effective tax rate in 2021 compared to 2020 is due to the fact that the group had lower movement in temporary differences and unused tax losses.

22 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, among other relations, the relationship between the Company and its subsidiaries, share-holders, 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.

23 Subsequent events

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

24 Segmental information

Geographic information

The group business operation is mainly based in Asia, Africa and the Netherlands with separate management. 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 on the next page:

Geographical balance sheet as at 31 December 2021

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	3,309,743	4,400	–	–	3,314,143
Tangible fixed assets	4,603,738	141,645	–	–	4,745,383
Financial fixed assets	4,218,645	–	68,318,922	(64,611,283)	7,926,284
	12,132,126	146,045	68,318,922	(64,611,283)	15,985,810
Current assets					
Inventories	226,040	–	–	–	226,040
Loans to customers	119,803,498	30,995,909	–	–	150,799,407
Other receivables	3,470,590	1,029,420	15,119,350	(15,109,818)	4,509,542
Cash and cash equivalents	30,863,942	6,454,446	14,390,736	–	51,709,124
	154,364,070	38,479,775	29,510,086	(15,109,818)	207,244,113
	166,496,196	38,625,820	97,829,008	(79,721,101)	223,229,923
Shareholder’s equity	54,828,229	9,782,953	94,645,921	(64,611,182)	94,645,921
Minority interests	7,838,410	–	–	–	7,838,410
	62,666,639	9,782,953	94,645,921	(64,611,182)	102,484,331
Non-current liabilities	18,017,681	14,268,024	–	–	32,285,705
Current liabilities	85,811,876	14,574,843	3,183,087	(15,109,919)	88,459,887
	166,496,196	38,625,820	97,829,008	(79,721,101)	223,229,923

Geographical profit and loss account for the year ended 2021

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Service charge income	**59,289,150**	**9,883,228**	**–**	**–**	**69,172,378**
Other operating income	**5,781,880**	**571,116**	**3,403,241**	**(2,929,325)**	**6,826,912**
Total operating income	**65,071,030**	**10,454,344**	**3,403,241**	**(2,929,325)**	**75,999,290**
Cost of outsourced work and other external costs	**(15,024,170)**	**(1,740,233)**	**(2,221,463)**	**3,158,064**	**(15,827,802)**
Wages and salaries	**(20,596,677)**	**(2,442,498)**	**(258,670)**	**–**	**(23,297,845)**
Social security and pension charges	**(2,033,895)**	**(73,860)**	**–**	**–**	**(2,107,755)**
Amortisation and depreciation on intangible and tangible fixed assets	**(1,673,963)**	**(88,327)**	**–**	**–**	**(1,762,290)**
Impairment losses on loans to customers	**(3,223,473)**	**(6,473,062)**	**(20,235)**	**–**	**(9,716,770)**
Other operating expenses	**(5,592,208)**	**(44,866)**	**(58,851)**	**418,654**	**(5,277,271)**
Total operating expenses	**(48,144,386)**	**(10,862,846)**	**(2,559,219)**	**3,576,718**	**(57,989,733)**
Operating result (carried forward)	**16,926,644**	**(408,502)**	**844,022**	**647,393**	**18,009,557**

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	**16,926,644**	**(408,502)**	**844,022**	**647,393**	**18,009,557**
Interest income and similar income	**1,559,380**	**–**	**585,641**	**(392,500)**	**1,752,521**
Interest expenses and similar charges	**(8,174,923)**	**(2,035,324)**	**(39,005)**	**392,500**	**(9,856,752)**
	(6,615,543)	**(2,035,324)**	**546,636**	**–**	**(8,104,231)**
Result from ordinary activities before tax	**10,311,101**	**(2,443,826)**	**1,390,658**	**647,393**	**9,905,326**
Corporate income tax	**(3,562,325)**	**–**	**(280,991)**	**–**	**(3,843,316)**
Result after tax	**6,748,776**	**(2,443,826)**	**1,109,667**	**647,393**	**6,062,010**
Minority interests	**(148,799)**	**–**	**–**	**–**	**(148,799)**
Net result	**6,599,977**	**(2,443,826)**	**1,109,667**	**647,393**	**5,913,211**

Company balance sheet as at 31 December 2021

(before profit appropriation)

		2021		2020*	
		USD	**USD**	USD	USD
Fixed assets					
Financial fixed assets	*25*		**68,318,922**		66,045,679
Current assets					
Accounts receivable	*26*	**15,119,350**		19,431,666	
Cash and cash equivalents	*27*	**14,390,736**		12,094,499	
			29,510,086		31,526,165
			97,829,008		97,571,844
Shareholder's equity					
Issued capital	*28*	**8,607,760**		9,325,960	
Share premium reserve	*28*	**77,415,714**		77,415,714	
Foreign currency translation reserve	*28*	**(9,796,428)**		(4,604,249)	
Retained earnings	*28*	**12,505,664**		12,726,026	
Unappropriated result	*28*	**5,913,211**		(220,362)	
			94,645,921		94,643,089
Current liabilities					
Payable to shareholder and other related parties	*29*	**2,865,094**		2,727,451	
Accrued liabilities	*29*	**317,993**		201,304	
			3,183,087		2,928,755
			97,829,008		97,571,844

* The 2020 financial information has been adjusted for comparison purposes due to the demerger of the social enterprises as described in the notes on the consolidated accounting policies.

The notes on pages 77 to 86 are an integral part of these company financial statements.

Company profit and loss account for the year ended 31 December 2021

		2021		2020	
		USD	**USD**	USD	USD
Interest income		**695,593**		517,794	
Total operating income			**695,593**		517,794
Office expense and professional fees	*31*	**(246,166)**		250,067	
Financial expenses /(income)	*32*	**(448,899)**		61,052	
Total operating expense			**(695,065)**		311,119
Operating result			**1,390,658**		206,675
Tax on operating result	*33*		**280,991**		775,301
Net operating result			**1,109,667**		(568,626)
Share in result of participating interests	*34*		**4,803,544**		348,264
Net result			**5,913,211**		(220,362)

* The 2020 financial information has been adjusted for comparison purposes due to the demerger of the social enterprises as described in the notes on the consolidated accounting policies.

The notes on pages 77 to 86 are an integral part of these company financial statements.

Notes to the company financial statements 2021

General

The company financial statements are part of the 2021 financial statements of the group.

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

Accounting policies

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

Financial instruments

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

Share in result of participating interests

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

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

25 Financial fixed assets

	2021 USD	2020 USD
Participating interests in group companies	**64,611,283**	62,706,951
Investment in SFRE Fund	**3,707,639**	3,338,728
	68,318,922	66,045,679

Participating interests

	2021 USD	2020 USD
Opening balance as at 1 January	**62,706,951**	64,643,911
Demerger of BRAC Social Business Enterprises Uganda Ltd	**–**	(55,731)
Adjusted opening balance as at 1 January	**62,706,951**	64,588,180
Investment in BRAC International Finance B.V.	**–**	100
Investment in BRAC Myanmar Microfinance Company Ltd	**–**	1,750,000
Investment in BRAC Microfinance Sierra Leone Ltd	**–**	–
Investment in BRAC Rwanda Microfinance Co. PLC	**1,426,169**	2,000,000
Conversion of equity in BRAC Tanzania Finance Ltd.	**–**	–
Dividend from BRAC Tanzania Finance Ltd.	**–**	(9,537,215)
CGT on Conversion of BRAC Tanzania Finance Ltd.	**–**	1,465,038
Converion of subdebt in BUBL	**1,584,997**	–
Conversion of BRAC Zanzibar Finance Ltd.	**–**	989,343
Foreign currency translation differences	**(5,910,378)**	1,103,241
Result of subsidiaries	**4,803,544**	348,264
Closing balance as at 31 December	**64,611,283**	62,706,951

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

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

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

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

Investment in SFRE Fund

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

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

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

26 Accounts receivable

	2021	2020
	USD	USD
Receivable from BRAC USA OPIC loan in Myanmar	**250,000**	250,000
Computer and peripherals	**1,581**	–
VAT Input Q4 2020	**17,060**	10,446
Prepaid Corporate Income Tax		172,281
Interest receivable on short-term deposit	**105,920**	55,692
Short term loan receivable – BRAC Uganda Social Business	**–**	315,333
Short Term loan receivables - BRAC Myanmar Microfinance Company Ltd	**4,805,541**	7,594,521
Short-Term subordinated Loan Receivables - BRAC Uganda Bank Ltd	**2,749,442**	1,747,452
Short-Term loan receivables - BRAC Rwanda Microfinance Company Ltd	**402,027**	–
Receivables from subsidiaries	**6,787,779**	9,285,941
	15,119,350	19,431,666

The receivables from subsidiaries mainly relate to dividend receivable USD 4,053,904 from BRAC Tanzania Finance Ltd. which has been declared on 21 December 2020 (2020: USD 7.1 million). This is expected to be received during 2022. The remaining amount relates to the receiveable of management and logistics expenses as per TP policy.

The USD 0.25 million receivable from BRAC USA will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

27 Cash and cash equivalents

	2021	2020
	USD	USD
Cash at bank	**10,757,195**	8,460,958
Term deposits	**3,633,541**	3,633,541
	14,390,736	12,094,499

All cash and cash equivalent balances are available on demand.

BRAC International Holdings B.V.

28 Shareholder's equity

	Issued capital USD	Share premium reserve USD	Foreign currency translation reserve USD	Retained earnings USD	Unappro-priated result USD	Total USD
Balance as at 1 January 2020	8,363,800	76,482,102	(4,745,329)	5,019,866	7,706,160	92,826,599
Demerger of BRAC Social Business Enterprises Uganda Ltd	–	(55,731)	–	–	–	(55,731)
Adjusted balance as at 1 January 2020	8,363,800	76,426,371	(4,745,329)	5,019,866	7,706,160	92,770,868
Changes:						
— Transfer of unappropriated results	–	–	–	7,706,160	(7,706,160)	–
— Informal capital contribution (ref. – note 1)	–	989,343	–	–	–	989,343
— Translation differences - share capital	962,160	–	(962,160)	–	–	–
— Translation differences - participation interest	–	–	1,103,240	–	–	1,103,240
— Result for the year	–	–	–	–	(220,362)	(220,362)
Balance as at 31 December 2020	9,325,960	77,415,714	(4,604,249)	12,726,026	(220,362)	94,643,089
Balance as at 1 January 2021	9,325,960	77,415,714	(4,604,249)	12,726,026	(220,362)	94,643,089
Changes:						
— Transfer of unappropriated results	–	–	–	(220,362)	220,362	–
— Translation differences - share capital	(718,200)	–	718,200	–	–	–
— Translation differences - participation interest	–	–	(5,910,379)	–	–	(5,910,379)
— Result for the year	–	–	–	–	5,913,211	5,913,211
Balance as at 31 December 2021	8,607,760	77,415,714	(9,796,428)	12,505,664	5,913,211	94,645,921

Issued capital

The Company's authorised capital, amounting to EUR 7,600,000 (USD 8,607,760) and in 2020 EUR 7,600,000 (USD 9,325,960), consists of 7,600,000 ordinary shares of EUR 1 each. All shares have been issued and fully paid up.

Share premium reserve

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

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

Foreign currency translation reserve

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

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2021 result after taxation: to add the result to the retained earnings. In anticipation of the decision by the General Meeting of Shareholders, the result after tax for 2021 has been included under unappropriated result in shareholder's equity.

29 Current liabilities

	2021 USD	2020 USD
Related party payables	**2,865,094**	2,727,451
Other liabilities	**317,993**	201,304
	3,183,087	2,928,755

Related party payables represent short term advances provided by Stichting BRAC International, which is repayable on demand.

30 Off-balance sheet assets and liabilities

The Company has committed USD 1 million for BRAC Liberia Microfinance Ltd to support the portfolio growth. As of 31 December 2021, USD 500,000 is outstanding.

The Company has extended a loan facility of USD 9 million in BRAC Myanmar Microfinance Company Ltd to finance its growth opportunities. As of December 2021, USD 7.5 million has been disbursed with a current outstanding balance of USD 4.7million.

The Company has extended a loan facility of USD 1.1 million in BRAC Rwanda Micro-finance Co. PLC to finance its growth opportunities. As of December 2021, USD 0.4 million has been disbursed.

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

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

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

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

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

31 Office expense and professional fees

	2021	2020
	USD	USD
Secretariat expenses	**1,025,054**	790,241
Bank charge	**4,003**	2,349
Salaries and benefits	**258,670**	95,869
Training and development	**800**	–
Travel and transportation	**13,689**	17,732
Rent	**14,163**	8,917
Software maintenance cost	**119,106**	128,875
Professional and consultancy fees	**843,447**	511,887
Taxation consultancy fees	**57,029**	151,568
Audit fees	**112,444**	120,312
Meeting and workshop	**35,731**	10,863
Other operating expenses	**427,762**	488,753
Recharging of expense to the subsidiaries	**(3,158,064)**	(2,077,299)
	(246,166)	250,067

Secretariat expenses

The total BRAC International secretariat cost has been allocated between the Company and its parent at the rate of 48% and 52% (2020: 45% and 55%). The Company changed the allocation of expenses based on the functional analysis (i.e. budgeted expenses) which is a better reflection where it was based on headcount in the past.

Recharging of expense to the subsidiaries

In 2020, the Company approved a transfer pricing policy to charge its expenses to the subsidiaries based on the OECD guidelines.

Salaries and benefits

	2021	2020
	USD	USD
Salaries and benefits	**245,402**	84,182
Social security charges	**13,267**	11,687
	258,670	95,869

32 Financial expenses / (income)

	2021 USD	2020 USD
Impairment loss / (income) on SFRE Investment Fund (ref note 25)	**(348,676)**	53,343
Foreign currency loss / (gain)	**(100,223)**	7,709
	(448,899)	61,052

33 Tax on operating result

	2021 USD	2020 USD
Corporate income tax	**319,916**	34,669
Tax expense prior years	**(38,925)**	–
Witholding tax on dividend from BRAC Tanzania Finance Ltd	**–**	740,632
	280,991	775,301

34 Share in result of participating interests after tax

	2021 USD	2020 USD
BRAC Uganda Bank Ltd	**142,964**	(3,460,301)
BRAC Tanzania Finance Ltd	**4,147,493**	3,690,521
BRAC Zanzibar Finance Ltd	**292,234**	123,009
BRAC Microfinance Sierra Leone Ltd	**2,189,140**	842,000
BRAC Liberia Microfinance Company Ltd	**1,442,591**	182,051
BRAC Myanmar Microfinance Company Ltd	**(1,796,433)**	149,499
BRAC Rwanda Microfinance Company Plc	**(1,614,445)**	(1,039,199)
BRAC Lanka Investments (Private) Ltd	**–**	(139,316)
BRAC International Finance B.V.	**–**	–
	4,803,544	348,264

35 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 Company and group companies amounted to USD 222,369 (2020: USD 68,748) for current and former managing directors.

The Hague, 14 June 2022

The Management Board of BRAC International Holdings B.V.

Mr Shameran Abed

Ms Bridget Dougherty

Mr Hans Eskes

Supervisory Board, BRAC International Holdings B.V.

Ms Marilou van Golstein Brouwers, Board Chair

Ms Parveen Mahmud

Ms Amira Mosad Elmissiry

Other information

Provisions in the Articles of Association governing the appropriation of profit

In accordance with the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, who have the right to appropriate the profits reported in the adopted financial statements.

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

Independent auditor's report

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

Independent auditor's report

To: the General Meeting and the Supervisory Board of BRAC International Holdings B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of BRAC International Holdings B.V., based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of BRAC International Holdings B.V. as at 31 December 2021 and of its result for the year ended 31 December 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1 the consolidated and company balance sheet as at 31 December 2021;

2 the consolidated and company profit and loss account for the year ended 31 December 2021;

3 the consolidated statement of comprehensive income for the year ended 31 December 2021;

4 the consolidated statement of changes in equity for the year ended 31 December 2021;

5 the consolidated cash flow statement for the year ended 31 December 2021; and

6 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on the other information included in the annual report

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

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the other information.

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

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management board report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;

— concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Amstelveen, 14 June 2022

KPMG Accountants N.V.

L.M.A. van Opzeeland RA