BRAC International Holdings B.V.

Annual report 2020

"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. 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 meet all these requirements.

Composition and functioning of the Supervisory Board

The Supervisory Board is chaired by Ms Marilou van Golstein Brouwers from 6 August 2019 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. The Supervisory Board members appointed as per December 2016 will be considered for reappointment in the June 2021 board. As the organisation values balanced diversity, the Supervisory Board has two females and two male 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	Dr Muhammad Musa (appointed on 28 December 2016)	Director	Bangladeshi
3	Ms Parveen Mahmud (appointed on 28 December 2016)	Director	Bangladeshi
4	Mr Gregory Chen (appointed on 6 August 2019)	Director	American

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 four times in duly conveyed meetings during the 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.

The Supervisory Board in its supervising role

As a part of its governance role, the Supervisory Board approved the 2020 audited Financial Statements and Board report, the 2021 revised budget and the 2021 annual plan and budget. The annual report 2020 of the external auditors KPMG was also presented and discussed with the Supervisory Board.

The Finance and Audit Board committee, consisting of two members 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 through a periodical checks ensure 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 2020 the impact of the pandamic on operations 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, 23 June 2021

On behalf of the Supervisory Board, BRAC International Holdings BV

Ms Marilou van Golstein Brouwers, Board Chair

Dr Muhammad Musa

Ms Parveen Mahmud

Mr Gregory Chen

Management Board Report

The Management Board of BRAC International Holdings B.V. ('the Company') hereby presents its Management Board Report and the financial statements for the year ended on 31 December 2020.

Our identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it reaches. BRAC was ranked the number one NGO in the world for the fifth consecutive year in 2020 by the Geneva based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector through its operations around the world.

The journey of BRAC began in 1972 in the newly sovereign Country of Bangladesh. BRAC works with people and communities to realise their potential through an integrated model of social development, humanitarian response and social enterprises. Today BRAC reaches an estimated 138 million people around the world with over 110,000 dedicated and motivated employees.

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.

BRAC International Holdings B.V, a fully own subsidiary of Stichting BRAC International started its journey in 2010 incorporating all micro finance entities outside of Bangladesh. BRAC International Holdings B.V. is a holding company, managing the several micro-finance subsidiaries in Africa and Asia. Refer to note 26 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. BRAC 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 our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The company holds these to be the most essential elements of our work 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 our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Our activities

BRAC International Holdings B.V. (BIHBV) is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core acticity of BIHBV 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. Besides the core activity of the company, a social enterprise programme is also included in the structure that currently includes a seed production and - distribution enterprise in Uganda.

The company's business objectives according to the Articles of Association are:

- to make available management and know-how, to administer, to provide for the management of and to supervise other enterprises, to provide business services, to perform all other acts in the financial, industrial and commercial field;
- to participate in, to take a participating interest in and to cooperate with other enterprises, either directly or indirectly; and

— to acquire and dispose of assets, to finance third parties, including the granting of loans to shareholders, also with a view to the taking or acquisition of shares in the capital of the Company itself or of a depositary receipts thereof, to assume liabilities for third parties carrying on a business or not and to provide collateral or personal security for them.

The company is involved into these social enterprises that also have the objective to generate funding for the social development programmes.

The legal entities under BIHBV often operate in highly volatile and complex environments, such as post-Ebola crisis in West Africa, enduring political conflicts in few of the Asian countries, 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.

Most of the microfinance entities have a positive result after taxes. Currently these profits and the related cash flows are reinvested into the microfinance operation in the respective 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 of the Company as it helps to keep core cost minimum and thus maximise their reach and impact. As such, BRAC International Holdings B.V. is contributing to the society as a whole.

BRAC International Holdings B.V. has the role to manage and consolidate the financial results of the microfinance and social enterprise operations in the 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 BRAC International Holdings B.V. 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 2020

Growth for impact

In line with the BRAC Global Strategy to ultimately reach 250 million people with our BRAC programmes by 2030, management developed its Growth for Impact plan for BRAC International Holdings B.V. (BIHBV) for the period 2020-2024, which was later extended by one year to 2025 due to the emergence of COVID-19. This ambitious agenda for the next five years endeavours to reach out to an additional one million people in existing countries and to expand in up to five 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 BRAC International Finance B.V. with the issuing of a first round of notes in 2021.

COVID - 19 Pandemic

The targets of the first year of the Growth for Impact plan of BIHBV were effected by the COVID-19 pandemic and due the subsequent measures of the authorities to control the spread of the infection. The pandemic has affected nearly every business sector and region of the world, including microfinance services offered by the Company subsidiaries.

All microfinance entities suspended operations at various durations in consideration of the health and safety of staff and clients and in line with directives from the government and regulatory authorities (where applicable). All staff received training on COVID-19 prevention and control and protective wear, such as masks and hand sanitisers, to ensure their safety from the virus. Staff of respective entities also collaborated with BRAC's social development programmes to raise public awareness on COVID-19. The company had to take a higher amount of loan loss provision, determined based on a consistently applied methodology, as an impact of COVID-19 and is continuing reviewing the actual situation in 2021.

All entities conducted rapid assessments to understand the impact of the pandemic on clients' livelihoods and to inform management on resumption modalities that would best meet clients' needs and preferences. Staff also maintained communication with clients via mobile phones to provide them assurance that BRAC is with them. All entities continued to pay staff salaries during the suspension period. To withstand the economic shock of the pandemic, clients were offered moratorium on loan repayments and refinancing and rescheduling options to enhance their financial resilience and to assist them to receover from the crisis.

Furthermore the company concentrated on the cash flow and other elements of operational continuity risks and were able to successfully complete the discussions with international lenders to postpone the installments of their loans.

The initial budget for the year 2020 was to grow to 704,000 borrowers with a related interest income of USD 70 million and a surplus after tax of USD 4.5 million. The target was later revised to USD 48 million interest income and an after tax loss of USD 4.1million. The target number of clients was revised to 655,000. The actual results in 2020 was better than anticipated due to the shorter lockdown in country operations than expected, the actual BIHBV after tax loss was USD 0.44 million compared to budgeted loss of USD 4.1 million.

Country specific information

East Africa

Uganda experienced the longest period of response measures that restricted movements and limited ability to conduct economic activity. The client base of our micro finance bank and portfolio decreased and our PAR and provision for not performing loans went up significantly due to the most prolonged lockdown period compared to other countries. In order to strengthen the core capital ratio the company converted the debt of the shareholder into a subordinated loan.

The new management team for BRAC Uganda Social Business Enterprise Ltd is actively trying to improve its efficiency and profitability. Although the entity is still in a loss position for the year 2020 there was an improvement in the income from in sales by 72% and the corresponding negative result has reduced by 31%.

In Tanzania, the neighbouring country of Uganda, there was no official lockdown, nevertheless management of BRAC Tanzania Finance Ltd (BTFL) took necessary safety measures to protect staff and clients from the virus. Consequently, there was modest growth in client numbers and portfolio. The portfolio at risk increased from 2% to 4%.

For BRAC Tanzania Finance, the license to operate as a Tier-2 financial institution has been approved in May 2021.

In the year 2020 a new social enterprise company was established in Tanzania named BRAC Enterprises Tanzania Limited to support early childhood education by Playful Learning for young children in Tanzania. It aims to build, launch, and evaluate an innovative early childhood development model for 3-5 year old children. No operations are performed in 2020 and this is expected to start in 2021.

BRAC Rwanda Microfinance Company Plc, our newest micro finance entity in the East Africa area is still in the expansion phase. Country management was able to increase the number of branches from 7 to 14 and serve 7,196 clients. The disbursements and the outstanding portfolio increased by more than 200%.

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.

West Africa

The client base of BRAC Liberia Microfinance Company Ltd (BLMCL) remained almost unchanged compared to 2019. Disbursements also remained at a healthy level of USD 18 million on a yearly basis. The portfolio at risk increased from 1% to 3%. BLMCL Management opened 2 new branches in 2020.

The client base of BRAC Microfinance SL (Sierra Leone) Ltd (BMSLL) remained at the same level as to pre-covid period. Disbursements were around USD 17 million on a yearly basis. The portfolio at risk increased from 2% to 7%. BMSLL Management opened 3 new branches in 2020.

Asia

BRAC Myanmar Microfinance Co (BMMCL) Ltd was confronted by various lockdowns during the year on a national - and on a regional level. Despite this difficult environment BMMCL management was able to open up 10 new branches bringing the number up to 85 and increased the number of borrowers from 124,889 to 154,119. Around USD 55 million was disbursed in 2020. Given the economic impact of the pandemic on our clients the portfolio at risk went up from 1% to 6% at year end. The entity obtained the license to open savings accounts for its clients . At as 2020, 166,822 depositors savings accounts were opened with a total of USD 825,626 as deposited savings.

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 2020 has been given below:

Country	Approved budget 2020 USD 1,000	Actual result 2020 USD 1,000	Actual versus budget 2020 %
East Africa			
Uganda	**20,504**	**20,448**	**100**
Tanzania	**12,186**	**18,893**	**155**
Rwanda	**2,939**	**2,424**	**82**
West Africa			
Sierra Leone	**3,725**	**3,900**	**105**
Liberia	**3,194**	**4,629**	**145**
Asia			
Myanmar	**33,025**	**25,465**	**77**
Europe			
Netherlands	**2,807**	**3,293**	**117**
Total	**78,380**	**79,052**	**101**

The Company's financial performance during the year ended 31 December 2020 is as follows:

- Service charge on loans decreased by 19% to USD 47.7 million in 2020 as the management decided to waive the interest charge to the client during the lock-down period.
- Operating expenses increased by 13% to USD 48.9 million in 2020. This increase relates to the increased number of employees due to opening of new branches in Myanmar, Rwanda and increased compliance costs for Uganda. As a result, the net result of the group is negative USD 0.44 million (2019 net result was USD 12.3 million). Operating expenses includes USD 244,358 non-recurring expenses as result of Covid-19.
- Loans to customers increased by 10% to USD 152.4 million in 2020.
- Cash and cash equivalents increased by 32% to USD 49.2 million in 2020. The cash movements have been adequately disclosed in the cash flow statement.
- Current liabilities increased from USD 54.7 million to USD 92.7 million, which is a result of the increase in voluntary deposits, loan security fund and 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) decreased to 93.5% (2019: 141.6%) as the management decided to waive the interest charge to the clients during the lockdown period.
- Return on performing assets (Net income before tax/average total assets) decreased to negative 2% (2019: 11%) as a result of the COVID 19 impact.
- Return on equity (Net income before tax/total equity) is negative 4% (2019: 19%). This is due to the lower net income in 2020 as a result of COVID lockdown impact
- Cash position indicator (Cash and deposits into banks / average total assets) improved to 24% (2019: 21%).
- Impairment reserve ratio (Impairment reserve/gross loan to customer) is 6% (2019: 3%) as management took a higher amount of provision, determined based on a consistently applied methodology, as an impact of COVID 19.
- The solvency ratio [(Result after Tax + Depreciation and amortisation) / (Total Noncurrent and current liability)] of the Company in 2020 is negative 2% (2019: 16.6%). Management is expecting to restabilise the position in 2021 after the recovery from COVID-19 pandemic.
- Quick ratio [(current assets - inventories)/current liabilities] of the Company is 2.18 (2019: 3.31). It shows the Company has sufficient strength to manage its liabilities. The corporate income tax charge for the year is USD 396,970 (2019: USD 6,750,635). In 2020, majority of the subsidiaries charged a total tax of USD 3.1 milion and BRAC Uganda Bank Limited charged a tax credit of USD 2.7 million due to deferred tax recognition related to carry forward losses.

Operational highlights

	2020 USD	2019 USD
Number of Total Borrowers	**654,845**	646,442
Percentage of Female Borrowers	**96.07%**	96.23%
Number of savers	**483,016**	421,843
Number of Branches	**481**	459
Principal outstanding (USD million)	**152.4**	138.5
Clients deposits (USD million)	**14.3**	7.7
Disbursement for the year (USD million)	**238.4**	298.68
Average loan per Borrower (USD)	**361**	329
PAR > 30 days	**9.52%**	2.37%
Total assets (USD million)	**217.5**	192.8
Total Equity (USD million)	**100.4**	103.3
Total interest bearing debt (USD million)	**62.6**	47.6
Net results (USD million)	**0.4**	12.3
Operating self-sufficiency	**93.5%**	142.00%
Cost / Income ratio	**108.0%**	80.0%
Number of total staff	**5,292**	5,502
Number of female staff	**4,884**	4,641

Social impact performance

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 SPI4 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 Operating Plan (AOP) 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 2020, the average score of all six microfinance entities was 81% from 71% in December 2019.

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. The 2019 impact survey results served as a baseline to set targets and define strategies to further achieve positive long-term impact over the next five years. The second round of assessments were completed in 2020 in all six entities, and will be carried out in future years to help management to track the social impact over time and provide valuable feedback to further refine its offerings and operations.

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 13 million to the governments for the year can be specified as follows: Corporate Income Tax USD 4.9million, Personal Income Tax withheld on staff salaries USD 4.6 million, Valued Added Tax USD 0.3 million and Withholding Tax USD 3.3 million.

Outlook

COVID-19 impact

The company anticipates that entity operations in some markets may continue to experience disruptions throughout 2021 as subsequent waves and variants of COVID-19 trigger meaures to contain the spread. While vaccinations are made widely available in some countries, the company anticipates slow access/availability in the markets of operation. Business continuity plans will be activated if and when necessary with staff and client saftely 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 Operating Plans. The third round of 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 entities in 2021. The 2021 objectives of the Growth for Impact strategic plan will be executed as the entities progress from reocvery to rebuild, back to pre-covid operation stability, and the achievement of its ambitious growth targets. Microfinance program is targeting to increase 20 branches and 30 thousand borrowes in the year 2021. Number of savers expected to increase by 78 thousand. Principal outstanding is expected to increase by 7.5 million. It is expected to hit a USD 4.4 million profit in 2021 recovering from the loss in 2020.

2021 plans include several pilots of key strategic initiatives, including digital channels and agrifinance product prototypes. These learnings will be leveraged to refine offerings to ensure client centricty, sustainability and effectivness before scaling up.

For social enterprise, the Company hired a dedicated manager for its seed business and training centers in Uganda. It is in process of developing its next three year business plan focusing on growth, innovation by analysing the market conditions.

Financing

The financing of these ventures 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. 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.

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 employees in 2020 amount to 5,292 (2019: 5,502) which is a slight decrease and in line with the goal to allocate jobs to the relevant program. Number of female staff was around 87% (2019: 84%). For 2021 management expects further growth in the human resource capability to support the growth plan.

	2020		2019	
East Africa				
Uganda	**2,115**		2,140	
Tanzania	**1,575**		1,721	
Rwanda	**164**		75	
		3,854		3,936
West Africa				
Sierra Leone	**373**		380	
Liberia	**359**		354	
		732		734
Asia				
Myanmar	**699**		825	
		699		825
Dhaka office		**3**		5
Kenya Office		**2**		–
The Hague Office		**2**		2
Total		**5,292**		5,502

Code of Conduct

BRAC International Holdings B.V. 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 BRAC International Holdings B.V. 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 integral part of operation for any kind of organisation. For BRAC International Holdings B.V., 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 the 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 BRAC International Holdings B.V. 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 in order to mitigate the credit risk.

Currency risk

BRAC International Holdings B.V. 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. BRAC International Holdings B.V. and its subsidiaries use hedging mechanism to reduce currency risk mainly in case of foreign debt. In case of high-inflation economies such as Sierra Leone hedging 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:

Country	**2020**	2019	**Currency depreciation / (appreciation)**
Uganda (UGX)	**3,645.43**	3,665.21	-0.5%
Tanzania (TZS)	**2,321.50**	2,295.00	1.2%
Zanzibar (TZS)	**2,321.50**	2,295.00	1.2%
Rwanda (RWF)	**972.48**	922.52	5.4%
Sierra Leone (SLL)	**10,133.36**	9,716.71	4.3%
Liberia (LRD)	**161.02**	186.41	-13.6%
Myanmar (Kyat)	**1,329.10**	1,479.80	-10.2%
The Netherlands (EUR)	**0.84**	0.91	-7.7%

Interest rate risk and cash flow risk

BRAC International Holdings B.V.’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 International 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.

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 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.

On 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 from 2021 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 Audit and Finance 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, BRAC International Holdings B.V. adopted a two-tier governance structure to create a clear division between executive and supervisory responsibilities.

Subsequent events

In Myanmar, military launched a coup on the 1st of February 2021, detaining State Counselor and her top cabinet leaders in the early morning raids and seizing power from a government established after the 2015 elections. Myanmar Banks Association initially announced a temporarily closure of the bank but later in the day the bank association stated that they will reopen the banks from the next day (2 February). BRAC Myanmar has activated the business continuity plan (including asset management plan). The BRAC Country management Team has prioritised the safety and security of its staff and clients in this situation. The BRAC Management Team is continuously monitoring the situation and taking preventative measures to continue social development programme and micro finance programme activities, where necessary. Communication with existing donors and lenders is being done on a regular basis about the situation and potential impacts. Based on the policies implemented and the operational performance over the first five months no going concern is expected for BRAC Myanmar.

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 achieve gender diversity in near future and experience and professional qualifications of board members. As of today, gender diversity has not yet been achieved, despite our efforts to realise this. 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 2020, 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 2020.

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 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 2020.

The Hague, 23 June 2021

Mr Shameran Abed

Mr Hans Eskes

Consolidated balance sheet as at 31 December 2020

(before appropriation of result)

		2020		2019	
		USD	**USD**	USD	USD
Fixed assets					
Intangible fixed assets	*1*	**2,461,300**		1,695,531	
Tangible fixed assets	*2*	**5,597,741**		6,013,697	
Financial fixed assets	*3*	**7,041,526**		4,025,250	
			15,100,567		11,734,478
Current assets					
Inventories	*4*	**265,440**		158,131	
Loans to customers	*5*	**148,059,617**		137,811,720	
Trade and other receivables	*6*	**4,929,977**		5,788,210	
Cash and cash equivalents	*7*	**49,161,415**		37,299,905	
			202,416,449		181,057,966
			217,517,016		192,792,444
Group equity					
Shareholder's equity	*8*		**94,472,235**		93,815,942
Minority Interest	*8*		**5,876,810**		9,503,743
			100,349,045		103,319,685
Non-current liabilities	*9*		**24,454,795**		34,794,151
Current liabilities	*10*		**92,713,176**		54,678,608
			217,517,016		192,792,444

The notes on pages 29 to 76 are an integral part of these consolidated financial statements.

Consolidated profit and loss account for the year ended 31 December 2020

		2020		2019	
		USD	**USD**	USD	USD
Service charge income	*12*	**47,706,485**		59,111,653	
Other operating income	*13*	**4,880,744**		9,452,436	
Total operating income			**52,587,229**		68,564,089
Cost of outsourced work and other external cost	*14*	**(11,054,214)**		(13,213,061)	
Wages and salaries	*15*	**(21,959,658)**		(21,794,694)	
Social security and pension charges	*16*	**(1,895,978)**		(946,575)	
Amortisation and depreciation on intangible and tangible fixed assets	*1,2*	**(1,681,393)**		(1,428,015)	
Impairment losses on loans to customers	*5*	**(7,028,952)**		(1,444,275)	
Other operating expenses	*17*	**(5,326,946)**		(4,408,933)	
Total operating expenses			**(48,947,141)**		(43,235,553)
Operating result			**3,640,088**		25,328,536
Interest income and similar income	*18*	**2,071,487**		1,418,470	
Interest expenses and similar charges	*19*	**(9,219,333)**		(6,601,283)	
Impairment of financial fixed assets	*19*	**(139,316)**		–	
			(7,287,162)		(5,182,813)
Result from ordinary activities before tax			**(3,647,074)**		20,145,723
Corporate income tax	*21*		**(396,970)**		(6,750,635)
Result after tax			**(4,044,044)**		13,395,088
Minority interests			**3,601,538**		(1,065,418)
Net result			**(442,506)**		12,329,670

The notes on pages 29 to 76 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2020

	2020		2019	
	USD	**USD**	USD	USD
Consolidated net result after attributable to the Company		**(442,506)**		12,329,670
Translation differences on foreign participating interests	**1,098,799**		(1,631,375)	
Total of items recognised directly in shareholder's equity of the Company as part of the group entity		**1,098,799**		(1,631,375)
Total result of the legal entity		**656,293**		10,698,295

The notes on pages 29 to 76 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 2019	8,654,120	45,024,396	(6,016,677)	31,048,867	3,522,702	6,435,889	88,669,297
Changes:							
— Appropriation of results	–	–	–	–	6,435,889	(6,435,889)	–
— Translation difference share capital	(290,320)	–	290,320	–	–	–	–
— Translation difference participations	–	–	981,028	2,326,322	(4,938,725)	–	(1,631,375)
— Transfer from legal reserve (ref. – note 1)	–	31,457,706	–	(31,457,706)	–	–	–
— Changes in consolidation scope	–	–	–	(5,551,650)	–	–	(5,551,650)
— Result for the year	–	–	–	4,623,510	–	7,706,160	12,329,670
Balance as at 31 December 2019	8,363,800	76,482,102	(4,745,329)	989,343	5,019,866	7,706,160	93,815,942

	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**
Changes:							
— Appropriation of results	–	–	–	–	**7,706,160**	**(7,706,160)**	–
— Translation difference share capital	**962,160**	–	**(962,160)**	–	–	–	–
— Translation difference participations	–	–	**1,098,799**	–	–	–	**1,098,799**
— Transfer from legal reserve (ref. – note 1)	–	**989,343**	–	**(989,343)**	–	–	–
— Result for the year	–	–	–	–	–	**(442,506)**	**(442,506)**
Balance as at 31 December 2020	**9,325,960**	**77,471,445**	**(4,608,690)**	–	**12,726,026**	**(442,506)**	**94,472,235**

The notes on pages 27 to 76 are an integral part of these consolidated financial statements.

Legal reserve is restricted to the specific country operations and cannot be used for any other use. In 2019, the profits and net equity of Zanzibar (100%) operations were under this category. In 2020, BRAC Zanzibar Finance Ltd was incorporated by shares therefore no longer included under legal reserves.

Consolidated cash flow statement for the year ended 31 December 2020

		2020		2019	
		USD	**USD**	USD	USD
Net result			**(442,506)**		12,329,670
Adjusted for:					
— Depreciation/amortisation/other value adjustments	*1, 2*	**1,681,393**		1,428,015	
— Impairment/write-off in loans	*5*	**7,028,952**		1,444,275	
— Impairment provision on financial fixed assets		**139,316**			
— Interest income and expenses		**7,147,846**		5,182,813	
— Tax on result from ordinary activities	*21*	**396,970**		6,750,635	
— Change in minority interest		**(3,601,538)**		1,065,418	
— Other movements in loans	*5*	**(4,026,323)**		(3,671,250)	
— Changes in working capital:					
✓ Change in inventories		**(107,309)**		33,863	
✓ Change in other receivables		**1,737,006**		(3,648,155)	
✓ Change in other liabilities		**14,611,204**		8,164,391	
			25,007,517		16,750,005
Cash flow from business operations			**24,565,011**		29,079,675
Interest paid		**(6,973,656)**		(6,565,793)	
Income tax paid		**(4,935,784)**		(3,229,324)	
			(11,909,440)		(9,795,117)
Cash flow from operating activities (carried forward)			**12,655,571**		19,284,558

		2020		2019	
		USD	**USD**	USD	USD
Brought forward			**12,655,571**		19,284,558
Investments in:					
— Tangible fixed assets	*2*	**(872,046)**		(2,168,410)	
— Intangible fixed assets	*1*	**(1,050,672)**		(259,778)	
Disposals of (in)tangible fixed assets	*2*	**–**		34,095	
Sale of shares Uganda 51%		**–**		11,636,265	
Change in consolidation scope		**–**		(5,128,142)	
Loans to customers distributed	*5*	**(238,361,386)**		(298,683,466)	
Loans to customers repayment	*5*	**225,173,443**		274,331,147	
Cash flow from investing activities			**(15,110,661)**		(20,238,289)
Increase in borrowings	*9*	**26,372,882**		16,339,130	
Repayment of borrowings	*9*	**(12,496,527)**		(6,842,397)	
Cash flow from financing activities			**13,876,355**		9,496,733
Net cash flow			**11,421,265**		8,543,002
Exchange rate and translation differences on cash and cash equivalents			**440,245**		(286,303)
Changes in cash and cash equivalents			**11,861,510**		8,256,699

	2020	2019
	USD	USD
Cash and cash equivalents as at the beginning of the financial year	**37,299,905**	29,043,206
Changes in cash and cash equivalents	**11,861,510**	8,256,699
Cash and cash equivalents as at the end of the financial year	**49,161,415**	37,299,905

The notes on pages 29 to 76 are an integral part of these consolidated financial statements.

Notes to the 2020 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 2020 to 31 December 2020. The comparatives consist of the year 2019, which ended as at 31 December 2019.

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.

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 a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby the minority interest is presented 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 in the following companies:

Name	**Legal address**	**2020 share of interest %**	2019 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**	–
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	**100**	–
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	**100**	100
BRAC Uganda Bank Ltd	Kampala, Uganda	**49**	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	**Branch**	–
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC International Finance B.V.	The Hague, The Netherlands	**100**	–

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

On July 2020, a new social enterprise company was established in Tanzania named BRAC Enterprises Tanzania Limited to support early childhood education by Playful Learning for young children in Tanzania. It aims to build, launch, and evaluate an innovative early childhood development model for 3-5 year old children. The operational activities are not started in 2020 and are expected to start in 2021.

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.

On 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.

On 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.

Business combinations under common control

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

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

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

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

Principles for the translation of foreign currency

Transactions in foreign currencies

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

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the 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.

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

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

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

Hedging of the net investment in foreign operations

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

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.

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 five-year term of the contract.

Prepayments on intangible fixed assets

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

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

Donor grants for specific assets are deferred and released to the 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:

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

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

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

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

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

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

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

Impairment of fixed assets

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

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

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

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

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

- 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.

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

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

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

Cash and cash equivalents that are not readily available to the Foundation 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 income from sale of seeds and includes gains from disposal of assets. Sale of seeds are recognised when the significant risk and rewards are transferred to the customers.

Costs of outsourced work and other external costs

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

Employee benefits

Employee benefits are charged to the 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 two 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. All transactions are entered into at arm’s length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise directors, subsidiaries of BRAC International, BRAC Bangladesh (including related BRAC entities) and key management personnel of the 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	Total USD
Balance as at 1 January 2020:		
— Purchase price	**2,205,025**	**2,205,025**
— Accumulated amortisation and impairment	**(509,494)**	**(509,494)**
— Carrying amount	**1,695,531**	**1,695,531**
Changes in carrying amount:		
— Investments	**1,050,672**	**1,050,672**
— Amortisation	**(297,361)**	**(297,361)**
— Exchange rate differences purchase price	**22,487**	**22,487**
— Exchange rate differences accumulated depreciation	**(10,029)**	**(10,029)**
— Change in carrying amount	**765,769**	**765,769**
Balance as at 31 December 2020:		
— Purchase price	**3,278,184**	**3,278,184**
— Accumulated amortisation and impairment	**(816,884)**	**(816,884)**
— Carrying amount	**2,461,300**	**2,461,300**

The intangible fixed assets consist of expenditure on software license purchased from third parties and 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 2020:					
— Purchase price	**376,199**	**4,233,419**	**609,577**	**3,683,852**	**8,903,047**
— Accumulated depreciation and impairment	**(59,870)**	**(1,373,436)**	**(341,297)**	**(1,114,747)**	**(2,889,350)**
— Carrying amount	**316,329**	**2,859,983**	**268,280**	**2,569,105**	**6,013,697**
Changes in carrying amount:					
— Investments	**43,725**	**475,494**	**137,535**	**263,838**	**920,592**
— Disposals	**–**	**(47,642)**	**(5,174)**	**4,270**	**(48,546)**
— Depreciation	**(17,409)**	**(809,616)**	**(84,698)**	**(475,218)**	**(1,386,940)**
— Reversal of depreciation on disposal	**–**	**25,547**	**5,044**	**11,833**	**42,424**
— Exchange rate differences purchase price	**(20,621)**	**(10,468)**	**115,531**	**21,805**	**106,247**
— Exchange rate differences accumulated depreciation	**8,934**	**2,626**	**28,463**	**(89,755)**	**(49,733)**
	14,629	**(364,059)**	**196,701**	**(263,227)**	**(415,956)**
Balance as at 31 December 2020:					
— Purchase price	**399,303**	**4,650,803**	**857,469**	**3,973,765**	**9,881,340**
— Accumulated depreciation and impairment	**(68,345)**	**(2,154,879)**	**(392,488)**	**(1,667,887)**	**(4,283,599)**
— Carrying amount	**330,958**	**2,495,924**	**464,981**	**2,305,878**	**5,597,741**

3 Financial fixed assets

Movements in financial fixed assets were as follows:

	2020 USD	2019 USD
Investment in SFRE Fund	**3,338,728**	3,392,071
Deferred tax assets	**3,687,893**	618,186
Financial lease	**14,905**	14,993
	7,041,526	4,025,250

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 impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 59.46. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future. Consequently, the difference have been impaired.

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 2020 (NAV USD 3,338,728). An impairment of USD 661,272 has been provisioned up to 2020.

	2020 USD	2019 USD
Investment in SFRE Fund at cost	**4,000,000**	4,000,000
Less: Cumulative Provision for Financial Loss	**(661,272)**	(607,929)
	3,338,728	3,392,071

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, Liberia, Sierra Leone and temporary tax assets in Tanzania due to higher provision of impairment losses. The management estimate to recover the past losses within next three years. The company is expecting to settle USD 1.9 million, related to recovery of tax losses applicable for BRAC Uganda Bank, out of the USD 3.7 million deferred tax assets in 2021.

Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi, for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2020, the remaining lease period is 87 years.

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

4 Inventories

	2020 USD	2019 USD
Finished products and goods for sale	**265,440**	158,131

No provision for obsolete inventories is deemed necessary (2019: USD 0).

5 Loans to customers

Principal loans outstanding

	2020 USD	2019 USD
Microfinance loans	**103,862,466**	101,480,853
Small enterprises programme (SEP) loans	**31,650,189**	29,911,196
Agriculture loans	**10,916,315**	3,675,683
Empowering and Livelihood for Adolescent Loans (ELA)	**6,111,486**	2,357,701
Other loans	**1,406,388**	3,333,468
	153,946,844	140,758,901

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 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 Deposit.

Loans to customers

	2020 USD	2019 USD
Opening balance as at 1 January	**140,758,901**	130,963,547
Changes in Consolidation Scope	**–**	(14,556,965)
Disbursements during the year	**238,361,386**	298,683,466
Repayment during the year	**(225,173,443)**	(274,331,147)
Gross advance to customers	**153,946,844**	140,758,901
Interest receivable as at 31 December	**5,427,175**	2,947,448
Write-offs during the year	**(1,546,596)**	(2,233,344)
Loan loss reserve	**(9,767,806)**	(3,661,285)
Closing balance as at 31 December	**148,059,617**	137,811,720

The movement of the loan loss reserve is below:

	2020 USD	2019 USD
Opening balance as at 1 January	**3,661,285**	5,068,867
Charged for the year	**7,028,952**	1,444,275
Changes in Consolidation Scope	**–**	(493,395)
Write-off	**(1,546,596)**	(2,233,344)
Foreign exchange adjustment	**624,165**	(125,118)
Closing balance as at 31 December	**9,767,806**	3,661,285

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 significant increase in the loan loss reserve is due to the impact of COVID-19 on the portfolio quality.

6 Trade and other receivables

	2020 **USD**	2019 USD
Advances and prepayments to third parties	**1,637,490**	899,834
Receivable from BRAC NGO operations	**628,339**	575,836
Cash in transit Uganda Dividend	**–**	1,361,656
Other receivables	**1,392,272**	2,557,780
Prepaid taxes	**1,271,876**	393,104
	4,929,977	5,788,210

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 the OPIC loan, National Bank of Rwanda, receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits.

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

7 Cash and cash equivalents

	2020 **USD**	2019 USD
Cash at bank	**30,854,380**	25,376,144
Short-term deposits	**17,617,166**	10,944,092
Cash in hand	**689,869**	979,669
	49,161,415	37,299,905

All cash and cash equivalent balances are available on demand. In addition, the company has a short term deposit balance with Azania Bank in Tanzania of USD 861,668.

8 Group equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 29 Shareholders' equity in the separate financial statements.

	2020 USD	2019 USD
Equity	**94,472,235**	93,815,942
Minority interest	**5,876,810**	9,503,743
	100,349,045	103,319,685

Refer to note 29 for the movement schedule.

Minority interests

	2020 USD	2019 USD
Minority interests:		
— BRAC Uganda Bank Ltd.	**5,876,810**	9,503,743

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

	2020 USD	2019 USD
Borrowings	**62,635,075**	47,614,679
Less: Current portion of borrowings	**(38,180,280)**	(12,820,528)
Non-current liabilities as per 31 December	**24,454,795**	34,794,151

Borrowings

The non-current liabilities per 31 December 2020 can be further disclosed as follows:

	2020 USD	Repayment obligation 2021 USD	Remaining duration >1 year USD	Remaining duration >5 year USD
responsAbility Investments AG	**663,795**	**492,191**	**171,604**	**–**
Bank of Africa	**1,919,738**	**1,509,298**	**410,440**	**–**
Stromme Microfinance (E.A.) Ltd.	**1,766,100**	**506,575**	**1,259,525**	**–**
Oiko Credit	**1,219,183**	**1,219,183**	**–**	**–**
Netherlands Development Finance Co. (FMO)	**9,031,845**	**7,538,583**	**1,493,262**	**–**
Triodos Investment Management	**7,782,262**	**6,627,761**	**1,154,501**	**–**
Global Partners	**5,953,664**	**4,549,357**	**1,404,307**	**–**
OPIC	**5,000,000**	**1,320,000**	**3,680,000**	**–**
aBi Trust and Finance	**3,147,564**	**861,188**	**2,286,376**	**–**
Yoma Bank	**2,558,122**	**2,558,122**	**–**	**–**
AGD Bank	**5,266,722**	**–**	**5,266,722**	**–**
UAB Bank	**7,125,000**	**7,125,000**	**–**	**–**
Citi Bank	**4,065,364**	**855,866**	**3,209,498**	**–**
UECCC	**1,097,264**	**–**	**1,097,264**	**–**
Mastercard Foundation	**1,466,204**	**1,466,204**	**–**	**–**
CRDB Bank	**1,938,400**	**–**	**1,938,400**	**–**
Others	**2,633,848**	**1,550,952**	**1,082,896**	**–**
	62,635,075	**38,180,280**	**24,454,795**	**–**

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

	2020 **USD**	2019 USD
Opening balance as at 1 January	**47,614,679**	47,907,962
Received during the year	**26,372,882**	16,339,130
Repayment during the year	**(12,496,527)**	(6,842,397)
Changes in Consolidation Scope	**–**	(9,756,237)
Interest accrued	**–**	(80,292)
Foreign currency (gain)/loss	**1,144,041**	46,513
Closing balance as at 31 December	**62,635,075**	47,614,679

The specification of the borrowings as at 31 December:

		2020 USD	2019 USD
BRAC Bangladesh		–	98,077
responsAbility Investments AG	*1*	**663,795**	830,449
Bank of Africa	*2*	**1,919,738**	3,927,258
Stromme Microfinance (E.A.) Ltd.	*3*	**1,766,100**	1,085,250
Oiko Credit	*4*	**1,219,183**	2,425,206
Netherlands Development Finance Co. (FMO)	*5*	**9,031,845**	10,277,266
Triodos Investment Management	*5*	**7,782,262**	7,777,992
Global Partners	*5*	**5,953,664**	5,980,886
OPIC	*6*	**5,000,000**	5,000,000
aBi Trust and Finance	*7*	**3,147,564**	3,492,296
Grameen Credit Agricole Foundation	*8*	–	270,307
Yoma Bank	*9*	**2,558,122**	4,595,215
AGD Bank	*10*	**5,266,722**	–
UAB Bank	*11*	**7,125,000**	–
Citi Bank	*12*	**4,065,364**	–
UECCC	*13*	**1,097,264**	–
Mastercard Foundation	*14*	**1,466,204**	–
CRDB Bank	*15*	**1,938,400**	–
Others	*16*	**2,633,848**	1,854,477
		62,635,075	47,614,679

1. **responsAbility Investments AG:** In July 2015, a loan agreement was signed with ResponsAbility Investments AG worth USD 4,500,000 to the equivalent of USHS 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. The outstanding balance was fully repaid on 3 September 2019. The loan was not secured.

   In July 2019, term loan facility worth USD 2 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Tanzania. The loan is repayable in six equal instalments and attracts interest at 7.1%. The repayment schedule was renogotiated and delayed by six months from the maturity date of June 2022 to December 2022.

2. **Bank of Africa:** In March 2019, BRAC Uganda Bank Limited obtained a loan from Bank of Africa amounting to USHS 15,000,000,000 equivalent to USD 4,092,535. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 14%. The loan is tagged to T-bill of 182 day and the outstanding balance is USHS 6.99 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

   In February 2019, BRAC Tanzania Finance Limited secured overdraft facility of TZS 2,000 million and trade line TZS 1,500 million making a total facility being TZS 3,500 million. The facility is subject to annual renewal on merit basis. The interest rate is 17% per annum.

3. **Stromme Microfinance (E.A.) Ltd.:** BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2018 for a period of 48 months. The company changed name to Soluti Finance E.A in 2020. The loan amounted to equivalent USD of 1.5 million as term loan. The loan is quoted at the rate of 18% fixed with no expected increase until maturity.
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 will be maturing 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 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 15% to 17% and to be disbursed in 4 tranches. The 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. The current outstanding balance is USD 1.3 million. It attracts an interest of 6.99% on USD term. The loan is unsecured.

   BRAC Liberia Microfinance Co Ltd received USD 500,000 from Global Partnership on September 3, 2019 at 6.6% interest rate with quarterly interest repayments. The principal is repayable as 50% in 2021 and 50% in 2022.
6. **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. The outstanding loan balance is Ushs 2 billion.

   In October 2019, a new 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 amount was disbursed on 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 9.5 billion (equivalent USD 3.1 million).

8. **Grameen Credit Agricole Foundation:** In April 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 2 billion (USD 1.50 million) from Grameen Credit Agricole Foundation. The loan is repayable in five equal instalments and attracts an interest of 13% p.a. The loan has been repaid in 2020.
9. **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.
10. **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.
11. **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.
12. **Citi Bank:** In January 2020, BRAC Uganda Bank Limited obtained a loan from Citi Bank amounting to Ushs 14.8 billion equivalent to USD 4,065,364 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 2020 was 13.03%. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and the outstanding balance is Ushs 14.8 billion.
13. **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.
14. **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.
15. **CRDB Bank:** In 2020, BRAC Tanzania Finance Limited secured a term loan of TZS 4,500 million from CRDB Bank PLC for working capital. The loan is for two years effective from 16 December 2020. The interest rate is 12% per annum.
16. 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, a loan from Whole Planet Foundation (WPF) in BRAC Tanzania Finance Limited, BRAC Microfinace (SL) Ltd, BRAC Liberia Microfinance Co Ltd; also includes a loan from Central Bank of Liberia and United Bank of Africa in Liberia and a loan from Myanmar Economic Bank in Myanmar.

Certain borrowings have covenant requirements, as per year-end, the covenants have been complied with.

10 Current liabilities

	2020	2019
	USD	USD
Donor funds	**3,898,315**	1,722,034
Current portion of the borrowings (note 10)	**38,180,280**	12,820,528
Other current liabilities	**50,634,581**	40,136,046
	92,713,176	54,678,608

Donor funds

	2020	2019
	USD	USD
Donor funds received in advance	**2,564,860**	983,943
Donor funds invested in microfinance loans	**1,329,084**	713,507
Donor funds utilized in fixed assets	**4,371**	24,584
	3,898,315	1,722,034

All amounts included are due within one year.

Donor funds received in advance

	2020	2019
	USD	USD
Opening balance as at 1 January	**983,943**	2,408,849
Received during the year	**2,964,224**	1,176,414
Transferred to donor funds invested in fixed assets	**(299,491)**	–
Transferred to donor fund investment in loans	**(340,676)**	–
Released to profit and loss account	**(526,838)**	(2,376,438)
Other	**(216,302)**	(224,882)
Closing balance as at 31 December	**2,564,860**	983,943

In 2020, BRAC Myanmar Microfinance Co received USD 0.34 milllion from Whole Planet Foundation, 0.23 million from The Leprosy Mission Myanmar, USD 0.48 million from UNOPS and BRAC Uganda Bank Ltd received USD 0.4 milion from Grameen Foundation, USD 0.8 million from MasterCard Foundation and the remaining from other donors. In 2019, Myanmar received USD 626,477 from UNCDF, Whole Planet Foundation and The Leprosy Mission Myanmar (TLMM). BRAC Rwanda Microfinance Co. received USD 500,000 from Whole Planet Foundation and BRAC USA.

The grants from the above donors were received for the enhancement of the Micro-finance 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

	2020 USD	2019 USD
Opening balance as at 1 January	**713,507**	1,006,155
Transferred from donor funds received in advance	**340,676**	–
Currency translation	**274,901**	(292,648)
Closing balance as at 31 December	**1,329,084**	713,507

Donor funds utilised in fixed assets

	2020 USD	2019 USD
Opening balance as at 1 January	**24,584**	170,921
Depreciation charged for the year released to the profit and loss account	**(2,080)**	(121,204)
Changes in consolidation scope	**–**	(26,679)
Currency translation	**(18,133)**	1,546
Closing balance as at 31 December	**4,371**	24,584

Other current liabilities

	2020 USD	2019 USD
Loan Security Fund	**25,594,150**	21,293,380
Deposits from savers	**15,112,564**	7,700,758
Payable to Stichting BRAC International	**2,566,480**	1,830,960
Payable to BRAC Bangladesh	**1,556,473**	1,549,698
Payable to biTs (BRAC IT Services Limited)	**207,333**	467,574
Tax payable	**1,061,549**	2,997,937
Accrued expenses	**1,605,852**	454,149
Other liabilities	**2,930,180**	3,841,590
	50,634,581	40,136,046

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

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

Payable to 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 389,096 (2019: USD 542,915). 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 9,767,806 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 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 has impact on the credit risks of repayment from customers. However, we have experience with such a crisis from EBOLA in West Africa. We noticed that borrowers are willing to repay and continue their business. We implemented Business Continuity Plan to manage our risks related to COVID 19. The company had to recognize higher impairment loss in 2020 as result of the COVID-19 impact on the loan portfolio.

Management of credit risk

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.

Off-balance sheet assets and liabilities

The Company provided a 60% corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 5.0 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 2.6 million.

The Company provided corporate guarantees to AGD Bank for USD 5.3 million (30% cash backed) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 5.3 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 5 million.

The Company provided corporate guarantees to Bank of Africa for 100% of USD 4.1 million for term loans to BRAC Uganda Bank Ltd. Current outstanding balance for the loan is USD 1.9 million.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis and therefore no significant future (operation) lease commitments are disclosed.

In relation to its transformation BRAC Uganda Bank changed its legal structure. In 2018, the net assets of BRAC Uganda Microfinance were transferred to the new company BRAC Uganda Bank, which qualifies as a common control transaction. The tax authorities are enquiring whether this transaction is subject to VAT. Within the Uganda Tax Law, there is an exemption from VAT on transfers of assets under common control, if both companies are registered for VAT. However, both companies are not VAT registered as this is not applicable for entities that provide microfinancing. Therefore, the company is of the opinion that this transaction is considered not to be in scope of the current legislation and no VAT is due on this common control transaction. The investigation of the URA is still ongoing and is expected to be finalized in August 2021. Would the outcome be different, this will have a significant impact on the financial results of BRAC Uganda Bank.

As part of the process to obtain the banking license, the company declared a dividend in 2018 which was paid in tranches to BRAC International Holdings B.V. 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. Would the outcome be different, this will have a significant impact on the result of BRAC Uganda Bank.

12 Service charge income

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

	2020 USD	2019 USD
Africa		
Uganda	**13,510,160**	23,970,620
Tanzania	**19,248,315**	21,437,116
Sierra Leone	**3,905,000**	4,342,000
Liberia	**2,950,748**	2,980,317
Zanzibar	**893,311**	949,566
Rwanda	**197,022**	34,081
	40,704,556	53,713,700
Asia		
Myanmar	**7,001,929**	5,397,953
	7,001,929	5,397,953
	47,706,485	59,111,653

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

13 Other operating income

	2020 USD	2019 USD
Fees and commission income	**3,010,119**	3,101,646
Grant income	**810,926**	2,309,033
Income from sale of seeds	**659,850**	436,603
Other income	**399,849**	3,605,154
	4,880,744	9,452,436

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to clients and sale of passbook. Other income includes gains made due to early repayment of loans, cost recovered from staffs as rent against share of space and utilities. In 2019, other income includes USD 3.4 million gain on sale of 51% shares in BRAC Uganda Bank Ltd.

14 Cost of outsourced work and other external costs

	2020	2019
	USD	USD
General and administrative expenses	**1,669,175**	3,226,523
Travel and transportation	**3,771,168**	4,371,461
Office rent	**1,936,700**	1,779,704
Utilities	**399,210**	327,701
Printing and office stationery	**695,282**	919,925
Staff training and development	**320,336**	541,637
Audit fees	**335,085**	313,708
Professional and consultancy	**1,405,260**	1,060,875
Internet subscription charges	**521,997**	671,527
	11,054,214	13,213,061

General and administrative expenses is lower in 2020 due the fact that many branch offices were closed during the lockdown period in COVID-19.

15 Wages and salaries

	2020	2019
	USD	USD
Salaries and benefits	**21,959,658**	21,794,694

During the 2020 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 5,292 people (2019: 5,502). All staffs except 2 (2019: 2) were employed outside the Netherlands.

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

	2020	2019
Management	**95**	95
Microfinance services	**4,624**	4,681
Finance and IT	**333**	438
Monitoring, Risk and Internal Audit	**91**	96
Human Resources	**21**	31
Other Support functions	**128**	161
	5,292	5,502

16 Social security and pension charges

	2020	2019
	USD	USD
Social security charges and pension charges	**1,895,978**	946,575

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 2020 is USD 0 (2019: USD 0).

17 Other operating expenses

	2020	2019
	USD	USD
Other operating expenses	**5,326,946**	4,408,933

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

18 Interest income and similar income

	2020	2019
	USD	USD
Bank Interest	**1,985,080**	1,330,734
Exchange differences	**86,407**	87,736
	2,071,487	1,418,470

19 Interest expenses and similar charges

	2020	2019
	USD	USD
External borrowings	**9,219,333**	6,601,283

On 31 December 2020, BRAC International Holdings B.V. decided to write-off the assets and liabilities in the dormant entity BRAC Lanka Investments (Private) Ltd. resulting in an impairment of USD 139,316.

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. USD 1,000	KPMG network USD 1,000	Total KPMG USD 1,000
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**
2019			
Audit of the financial statements	**73**	**126**	**199**
Other audit engagements	**–**	**–**	**–**
Tax-related advisory services	**–**	**96**	**96**
Other non-audit services	**–**	**–**	**–**
	73	**222**	**295**

The fees mentioned in the table for the audit of the financial statements 2020 (2019) relate to the total fees for the audit of the financial statements 2020 (2019), irrespective of whether the activities have been performed during the financial year 2020 (2019).

21 Corporate income tax

The major components of the tax charge are as follows:

	2020 USD	2019 USD
Current tax	**3,466,677**	5,709,917
Movement in temporary differences	**(3,069,707)**	1,040,718
Tax on result from ordinary activities	**396,970**	6,750,635

The applicable weighted average tax rate in 2019 was 34%, 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:

	2020		2019	
	USD	**%**	USD	%
Result before tax	**(3,647,074)**		20,145,723	
Tax using the Company's domestic tax rate	**(911,769)**	**25.0**	5,036,431	25.0
Application of different tax rate and unpaid provisions	**1,308,739**		1,714,204	
Income tax according to consolidated profit and loss account	**396,970**	**10.9**	6,750,635	34.0

The reason for lower weighted average tax rate in 2020 is due to the fact that the company had some unrealized tax credit on past losses in Uganda.

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, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. All the transaction were made on terms equivalent to those that prevail in arm's length transactions.

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

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

	2020	2019
	USD	USD
Term deposit with BRAC Bank	**3,633,541**	3,408,596
Receivable from BRAC USA	**250,000**	250,000
Short term loan to BRAC Myanmar Microfinance Co.	**7,500,000**	–
Short term loan to BRAC Uganda Bank Ltd	**1,741,522**	–
Short term loan to BRAC Uganda Social Business Enterprises Ltd	**300,000**	–
Receivable from BRAC NGO operations	**628,339**	575,836
Payable to BRAC NGO operations	**389,096**	542,915
Payable to Stichting BRAC International	**2,566,480**	1,830,960
Payable to BRAC Bangladesh	**1,556,473**	1,549,698

The following main related party transactions occurred during the year:

	2020	2019
	USD	USD
Expenses charged by Stichting BRAC International	**790,241**	1,601,764
Recharged secretariat expenses to related parties	**2,081,624**	1,466,227
Interest on intercompany loan	**261,217**	3,883
Remuneration to the Management Board Members	**68,748**	52,147

Payable to Stichting BRAC International mainly relates to the amount provided by Stichting BRAC International as an allocation of the scretariate expenses. The amount is payable on demand.

23 Subsequent events

Myanmar, military launched a coup on the 1st of February 2021, detaining State Counselor and her top cabinet leaders in the early morning raids and seizing power from a government established after the 2015 elections. Myanmar Banks Association initially announced a temporarily closure of the bank but later in the day the bank association stated that they will reopen the banks from the next day (2 February). BRAC Myanmar has activated the business continuity plan (including asset management plan). The BRAC Country management Team has prioritised the safety and security of its staff and clients in this situation. The BRAC Management Team is continuously monitoring the situation and taking preventative measures to continue social development programme and micro finance programme activities, where necessary. Communication with existing donors and lenders is being done on a regular basis about the situation and potential impacts. Based on the policies implemented and the operational performance over the first five months no going concern is expected for BRAC Myanmar.

24 Segmental information

Operational segments

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

The group has two strategic operational segments: microfinance and social business enterprise.

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

Social business enterprise (SBE) involves the production and processing of seeds (maize and rice). The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below. Each entity under the segments has their own budget and costs centres. The entities recognises on a accrual basis.

Segmental balance sheet as at 31 December 2020

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Fixed assets					
Intangible fixed assets	**2,461,300**	**–**	**–**	**–**	**2,461,300**
Tangible fixed assets	**5,294,875**	**302,866**	**–**	**–**	**5,597,741**
Financial fixed assets	**3,687,893**	**14,905**	**65,874,825**	**(62,536,097)**	**7,041,526**
	11,444,068	**317,771**	**65,874,825**	**(62,536,097)**	**15,100,567**
Current assets					
Inventories	**157,523**	**107,917**	**–**	**–**	**265,440**
Loans to customers	**148,059,617**	**–**	**–**	**–**	**148,059,617**
Other receivables	**4,769,711**	**102,218**	**19,431,666**	**(19,373,618)**	**4,929,977**
Cash and cash equivalents	**37,028,816**	**38,100**	**12,094,499**	**–**	**49,161,415**
	190,015,667	**248,235**	**31,526,165**	**(19,373,618)**	**202,416,449**
	201,459,735	**566,006**	**97,400,990**	**(81,909,715)**	**217,517,016**
Group equity					
Shareholder's equity	**62,706,853**	**(170,854)**	**94,472,235**	**(62,535,999)**	**94,472,235**
Minority interests	**5,876,810**	**–**	**–**	**–**	**5,876,810**
	68,583,663	**(170,854)**	**94,472,235**	**(62,535,999)**	**100,349,045**
Non-current liabilities	**24,454,795**	**–**	**–**	**–**	**24,454,795**
Current liabilities	**108,421,277**	**736,860**	**2,928,755**	**(19,373,716)**	**92,713,176**
	201,459,735	**566,006**	**97,400,990**	**(81,909,715)**	**217,517,016**

Segmental profit and loss account for the year ended 2020

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Service charge income	**47,706,485**	**–**	**–**	**–**	**47,706,485**
Other operating income	**4,053,602**	**691,511**	**2,217,255**	**(2,081,624)**	**4,880,744**
Total operating income	**51,760,087**	**691,511**	**2,217,255**	**(2,081,624)**	**52,587,229**
Cost of outsourced work and other external cost	**(11,405,714)**	**(129,467)**	**(1,600,657)**	**2,081,624**	**(11,054,214)**
Wages and salaries	**(21,706,050)**	**(157,739)**	**(95,869)**	**–**	**(21,959,658)**
Social security and pension charges	**(1,881,333)**	**(14,645)**	**–**	**–**	**(1,895,978)**
Amortisation and depreciation on intangible and tangible fixed assets	**(1,623,175)**	**(58,218)**	**–**	**–**	**(1,681,393)**
Impairment losses on loans to customers	**(7,027,418)**	**(1,534)**	**–**	**–**	**(7,028,952)**
Other operating expenses	**(4,156,836)**	**(541,619)**	**(628,491)**	**–**	**(5,326,946)**
Total operating expenses	**(47,800,526)**	**(903,222)**	**(2,325,017)**	**2,081,624**	**(48,947,141)**
Operating result (carried forward)	**3,959,561**	**(211,711)**	**(107,762)**	**–**	**3,640,088**

	MF USD	SBE USD	Head office USD	Elimination USD	Total USD
Brought forward	**3,959,561**	**(211,711)**	**(107,762)**	**–**	**3,640,088**
Interest income and similar income	**1,962,575**	**–**	**370,129**	**(261,217)**	**2,071,487**
Interest expenses and similar charges	**(9,414,425)**	**(10,433)**	**(55,692)**	**261,217**	**(9,219,333)**
Impairment loss provision on financial fixed assets	**(139,316)**	**–**	**–**	**–**	**(139,316)**
	(7,591,166)	**(10,433)**	**314,437**	**–**	**(7,287,162)**
Result from ordinary activities before tax	**(3,631,605)**	**(222,144)**	**206,675**	**–**	**(3,647,074)**
Corporate income tax	**378,331**	**–**	**(775,301)**	**–**	**(396,970)**
Result after tax	**(3,253,274)**	**(222,144)**	**(568,626)**	**–**	**(4,044,044)**
Minority interests	**3,601,538**	**–**	**–**	**–**	**3,601,538**
Net result	**348,264**	**(222,144)**	**(568,626)**	**–**	**(442,506)**

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 below:

Geographical balance sheet as at 31 December 2020

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	2,423,736	37,564	–	–	2,461,300
Tangible fixed assets	5,371,607	226,134	–	–	5,597,741
Financial fixed assets	3,702,798	–	65,874,825	(62,536,097)	7,041,526
	11,498,141	263,698	65,874,825	(62,536,097)	15,100,567
Current assets					
Inventories	265,440	–	–	–	265,440
Loans to customers	104,140,023	43,919,594	–	–	148,059,617
Other receivables	3,517,662	1,354,267	19,431,666	(19,373,618)	4,929,977
Cash and cash equivalents	26,348,688	10,718,228	12,094,499	–	49,161,415
	134,271,813	55,992,089	31,526,165	(19,373,618)	202,416,449
	145,769,954	56,255,787	97,400,990	(81,909,715)	217,517,016
Shareholder’s equity	44,606,527	17,929,472	94,472,235	(62,535,999)	94,472,235
Minority interests	5,876,810				5,876,810
	50,483,337	17,929,472	94,472,235	(62,535,999)	100,349,045
Non-current liabilities	15,907,188	8,547,607	–	–	24,454,795
Current liabilities	79,379,429	29,778,708	2,928,755	(19,373,716)	92,713,176
	145,769,954	56,255,787	97,400,990	(81,909,715)	217,517,016

Geographical profit and loss account for the year ended 2020

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Service charge income	**40,704,556**	**7,001,929**	**–**	**–**	**47,706,485**
Other operating income	**3,820,365**	**924,748**	**2,217,255**	**(2,081,624)**	**4,880,744**
Total operating income	**44,524,921**	**7,926,677**	**2,217,255**	**(2,081,624)**	**52,587,229**
Cost of outsourced work and other external costs	**(10,294,271)**	**(1,240,910)**	**(1,600,657)**	**2,081,624**	**(11,054,214)**
Wages and salaries	**(18,715,163)**	**(3,148,626)**	**(95,869)**	**–**	**(21,959,658)**
Social security and pension charges	**(1,852,726)**	**(43,252)**	**–**	**–**	**(1,895,978)**
Amortisation and depreciation on intangible and tangible fixed assets	**(1,564,726)**	**(116,667)**	**–**	**–**	**(1,681,393)**
Impairment losses on loans to customers	**(6,339,380)**	**(689,572)**	**–**	**–**	**(7,028,952)**
Other operating expenses	**(4,340,517)**	**(357,938)**	**(628,491)**	**–**	**(5,326,946)**
Total operating expenses	**(43,106,783)**	**(5,596,965)**	**(2,325,017)**	**2,081,624**	**(48,947,141)**
Operating result (carried forward)	**1,418,138**	**2,329,712**	**(107,762)**	**–**	**3,640,088**

	Africa USD	Asia USD	The Netherlands USD	Elimination USD	Total USD
Brought forward	**1,418,138**	**2,329,712**	**(107,762)**	**–**	**3,640,088**
Interest income and similar income	**1,951,152**	**11,423**	**370,129**	**(261,217)**	**2,071,487**
Interest expenses and similar charges	**(7,393,124)**	**(2,031,734)**	**(55,692)**	**261,217**	**(9,219,333)**
Impairment loss provision on financial fixed assets	**–**	**(139,316)**	**–**	**–**	**(139,316)**
	(5,441,972)	**(2,159,627)**	**314,437**	**–**	**(7,287,162)**
Result from ordinary activities before tax	**(4,023,834)**	**170,085**	**206,675**	**–**	**(3,647,074)**
Corporate income tax	**538,233**	**(159,902)**	**(775,301)**	**–**	**(396,970)**
Result after tax	**(3,485,601)**	**10,183**	**(568,626)**	**–**	**(4,044,044)**
Minority interests	**3,601,538**	**–**	**–**	**–**	**3,601,538**
Net result	**115,937**	**10,183**	**(568,626)**	**–**	**(442,506)**

Company balance sheet as at 31 December 2020

(before profit appropriation)

		2020		2019	
		USD	**USD**	USD	USD
Fixed assets					
Financial fixed assets	*25*		**65,874,825**		68,035,982
Current assets					
Accounts receivable	*26*	**19,431,666**		10,475,724	
Cash and cash equivalents	*27*	**12,094,499**		16,950,156	
			31,526,165		27,425,880
			97,400,990		95,461,862
Shareholder's equity					
Issued capital	*28*	**9,325,960**		8,363,800	
Share premium reserve	*28*	**77,471,445**		76,482,102	
Foreign currency translation reserve	*28*	**(4,608,690)**		(4,745,329)	
Retained earnings	*28*	**12,726,026**		5,019,866	
Unappropriated result	*28*	**(442,506)**		7,706,160	
			94,472,235		92,826,599
Current liabilities					
Payable to shareholder and other related parties	*29*	**2,727,451**		2,300,894	
Accrued liabilities	*29*	**201,304**		334,369	
			2,928,755		2,635,263
			97,400,990		95,461,862

The notes on pages 79 to 88 are an integral part of these company financial statements.

Company profit and loss account for the year ended 2020

		2020		2019	
		USD	**USD**	USD	USD
Interest income		**517,794**		157,686	
Gain on sale of Uganda Shares		**–**		3,364,320	
Total operating income			**517,794**		3,522,006
Office expense and professional fees	*31*	**250,067**		2,305,832	
Financial expenses /(income)	*32*	**61,052**		(340,748)	
Total operating expense			**311,119**		1,965,084
Operating result			**206,675**		1,556,922
Tax on operating result	*33*		**775,301**		262,156
Net operating result			**(568,626)**		1,294,766
Share in result of participating interests	*34*		**126,120**		6,411,394
Net result			**(442,506)**		7,706,160

The notes on pages 79 to 88 are an integral part of these company financial statements.

Notes to the company financial statements 2020

General

The company financial statements are part of the 2020 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

	2020 USD	2019 USD
Participating interests in group companies	**62,536,097**	64,643,911
Investment in SFRE Fund	**3,338,728**	3,392,071
	65,874,825	68,035,982

Participating interests

	2020 USD	2019 USD
Opening balance as at 1 January	**64,643,911**	31,656,183
Investment in BRAC International Finance B.V.	**100**	–
Investment in BRAC Myanmar Microfinance Company Ltd	**1,750,000**	5,700,000
Investment in BRAC Microfinance Sierra Leone Ltd	**–**	200,000
Investment in BRAC Rwanda Microfinance Co. PLC	**2,000,000**	1,000,000
Conversion of equity in BRAC Tanzania Finance Ltd.	**–**	31,457,705
Dividend from BRAC Tanzania Finance Ltd.	**(9,537,215)**	–
CGT on Conversion of BRAC Tanzania Finance Ltd.	**1,465,038**	
Conversion of BRAC Zanzibar Finance Ltd.	**989,343**	–
Sale of shares in BRAC Uganda Bank Ltd	**–**	(8,271,945)
Foreign currency translation differences	**1,098,800**	(3,509,426)
Result of subsidiaries	**126,120**	6,411,394
Closing balance as at 31 December	**62,536,097**	64,643,911

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

Name	**Legal address**	**2020 share of interest %**	2019 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**	–
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	**100**	–
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	**100**	100
BRAC Uganda Bank Ltd	Kampala, Uganda	**49**	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	**Branch**	–
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	**100**	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	**100**	100
BRAC International Finance B.V.	The Hague, The Netherlands	**100**	–

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.

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 impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 59.46. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future. Consequently, the difference have been impaired.

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 2020 (NAV USD 3,338,728). An impairment of USD 661,272 has been provisioned up to 2020.

26 Accounts receivable

	2020 USD	2019 USD
Receivable from BRAC USA OPIC loan in Myanmar	**250,000**	250,000
Accor Hospitality	–	3,191
VAT Input Q4 2020	**10,446**	–
Prepaid Corporate Income Tax	**172,281**	142,207
Interest receivable on short-term deposit	**55,692**	164,015
Cash in transit	–	1,361,656
Short term loan receivable – BRAC Uganda Social Business	**315,333**	303,883
Short Term loan receivables - BRAC Myanmar Microfinance Company Ltd	**7,594,521**	–
Short Term subordinated Loan Receivables - BRAC Uganda Bank Ltd	**1,747,452**	–
Receivables from subsidiaries	**9,285,941**	8,250,772
	19,431,666	10,475,724

The receivables from subsidiaries mainly relates to dividend receivable USD 7,141,057 from BRAC Tanzania Finance Ltd. which has been declared on 21 December 2020 (2019: USD 6.6 million dividend receivable BRAC Uganda Bank). This is expected to be received during 2021. The remanining amount relates to the receiveable of management and logistics expenses as per TP policy.

The USD 0.3 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

	2020	2019
	USD	USD
Cash at bank	**8,460,958**	13,541,559
Term deposits	**3,633,541**	3,408,597
	12,094,499	16,950,156

All cash and cash equivalent balances are available on demand.

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 2019	8,654,120	45,024,397	(1,526,223)	(1,416,023)	6,435,889	57,172,160
Changes:						
— Transfer of unappropriated results	–	–	–	6,435,889	(6,435,889)	–
— Informal capital contribution (ref. – note 1)	–	31,457,705	–	–	–	31,457,705
— Translation differences - share capital	(290,320)	–	290,320	–	–	–
— Translation differences - participation interest	–	–	(3,509,426)	–	–	(3,509,426)
— Result for the year	–	–	–	–	7,706,160	7,706,160
Balance as at 31 December 2019	8,363,800	76,482,102	(4,745,329)	5,019,866	7,706,160	92,826,599
Balance as at 1 January 2020	8,363,800	76,482,102	(4,745,329)	5,019,866	7,706,160	92,826,599
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	–	–	1,098,799	–	–	1,098,799
— Result for the year	–	–	–	–	(442,506)	(442,506)
Balance as at 31 December 2020	9,325,960	77,471,445	(4,608,690)	12,726,026	(442,506)	94,472,235

Issued capital

The Company's authorised capital, amounting to EUR 7,600,000 (USD 9,325,960) and in 2019: EUR 7,600,000 (USD 8,363,800), 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). On September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. Subsequently, 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the previous shareholders to BRAC International Holdings B.V. via Stichting BRAC International. This transaction was regarded as a common control transaction. The net book value of the assets transferred was USD 31.5 million and treated as a share premium contribution.

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.

Reconciliation of shareholder's equity and net result per the consolidated financial statements with shareholder's equity and net result per the company financial statements

	2020 **USD**	2019 USD
Shareholder's equity according to the consolidated balance sheet	**94,472,235**	93,815,942
Less: Shareholder's equity of affiliated companies, without participating interest: BRAC Zanzibar	**–**	989,343
Shareholder's equity according to company balance sheet	**94,472,235**	92,826,599

	2020 USD	2019 USD
Net result according to the consolidated profit and loss account	**(442,506)**	12,329,670
Less: Surplus of affiliated Foundations, without participating interest:		
— BRAC Tanzania Finance Company Ltd	**–**	4,308,067
— BRAC Zanzibar	**–**	315,443
Net result according to company profit and loss account	**(442,506)**	7,706,160

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2020 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 2020 has been included under unappropriated result in shareholder's equity.

29 Current liabilities

	2020 USD	2019 USD
Related party payables	**2,727,451**	2,300,894
Other liabilities	**201,304**	334,369
	2,928,755	2,635,263

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 2020, USD 500,000 is outstanding.

The Company committed USD 5 million to start up and grow the newly established microfinance company in Rwanda. The investment will be made in multiple tranches. As of December 2020, USD 3,575,916 has been transferred for equity and running cost.

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 2020, USD 7.5 million has been disbursed.

The Company provided a 60% corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 4.5 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 2.6 million.

The Company provided corporate guarantees to AGD Bank for USD 5.3 million (30% cash backed) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 5.3 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 5 million.

The Company provided corporate guarantees to Bank of Africa for 100% of USD 4.1 million for term loans to BRAC Uganda Bank Ltd. Current outstanding balance for the loan is USD 1.9 million.

31 Office expense and professional fees

	2020 **USD**	2019 USD
Secretariat expenses	**790,241**	1,601,764
Bank charge	**2,349**	2,278
Salaries and benefits	**95,869**	56,854
Training and development	–	7,551
Travel and transportation	**17,732**	25,833
Rent	**8,917**	20,616
Software maintenance cost	**128,875**	46,294
Professional and consultancy fees	**511,887**	219,169
Taxation consultancy fees	**151,568**	75,712
Audit fees	**120,312**	106,963
Meeting and workshop	**10,863**	43,505
Other operating expenses	**488,753**	669,540
Recharging of expense to the subsidiaries	**(2,077,299)**	(570,247)
	250,067	2,305,832

Secretariat expenses

The total BRAC International secretariat cost has been allocated between the Company and its parent at the rate of 45% and 55% (2019: 70% and 30%). 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 it's expenses to the subsidiaries based on the OECD guidelines. In 2019, the Company recharged its cost to the subsidiaries through charging head office logistics fees which is around 10% of field office expenses under subsidiaries.

Salaries and benefits

	2020 USD	2019 USD
Salaries and benefits	**84,182**	48,362
Social security charges	**11,687**	8,492
	95,869	56,854

32 Financial expenses / (income)

	2020 USD	2019 USD
Impairment loss / (income) on SFRE Investment Fund (ref note 25)	**53,343**	(249,310)
Foreign currency loss	**7,709**	(91,438)
	61,052	(340,748)

33 Tax on operating result

	2020 USD	2019 USD
Corporate income tax	**34,669**	71,668
CGT on converion of BRAC Tanzania Finance Ltd	–	190,488
Witholding tax on dividend from BRAC Tanzania Finance Ltd	**740,632**	–
	775,301	262,156

34 Share in result of participating interests after tax

	2020 **USD**	2019 USD
BRAC Uganda Bank Ltd	**(3,460,301)**	1,549,628
BRAC Tanzania Finance Ltd	**3,690,521**	2,935,773
BRAC Zanzibar Finance Ltd	**123,009**	–
BRAC Microfinance Sierra Leone Ltd	**842,000**	1,530,000
BRAC Liberia Microfinance Company Ltd	**182,051**	976,264
BRAC Myanmar Microfinance Company Ltd	**149,499**	589,343
BRAC Rwanda Microfinance Company Plc	**(1,039,199)**	(845,407)
BRAC Social Business Enterprise Uganda	**(222,144)**	(321,995)
BRAC Lanka Investments (Private) Ltd	**(139,316)**	(2,212)
BRAC International Finance B.V.	**–**	–
	126,120	6,411,394

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 68,748 (2019: USD 52,147) for current and former managing directors.

The Hague, 23 June 2021

The Management Board of BRAC International Holdings B.V.

Mr Shameran Abed Mr Hans Eskes

BRAC International Holdings B.V.

Supervisory Board, BRAC International Holdings B.V.

Ms Marilou van Golstein Brouwers, Board Chair

Dr Muhammad Musa

Ms Parveen Mahmud

Mr Gregory Chen

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.