

Annual Report 2023

Stichting BRAC International

“Small is beautiful, but scale is necessary”

~ Sir Fazle Hasan Abed, Founder of BRAC

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Supervisory Board Report

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

Composition and functioning of the Supervisory Board

The Supervisory Board of SBI is chaired by Ms. Irene Zubaida Khan. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no compensation applicable for the Supervisory Board except board honorarium. As the organisation values women empowerment and diversity, six out of the nine (67%) Supervisory Board members are female.

The list of effective Board members as of 31 December 2023 is as follows:

	Name	Membership	Nationality
1	Ms. Irene Zubaida Khan (Appointed on 16 September 2020)	Chair	Bangladeshi
2	Ms. Sylvia Borren (Re-appointed on 8 December 2020)	Vice Chair	Dutch
3	Mr. Allert Pieter van den Ham (Appointed on 14 September 2022)	Member	Dutch
4	Ms. Parveen Mahmud (Re-appointed on 8 December 2020)	Member	Bangladeshi
5	Dr. Debapriya Bhattacharya (Re-appointed on 8 December 2020)	Member	Bangladeshi
6	Mr. Stephen Frederick Rasmussen (Appointed on 24 June 2021)	Member	American
7	Ms. Amira Mosad Elmissiry (Appointed on 24 June 2021)	Member	Zimbabwean
8	Ms. Enid Muthoni Ndiga (Appointed on 1 July 2023)	Member	Kenyan
9	Ms. Farzana Ahmed (Appointed on 1 July 2023)	Member	Australian and Bangladeshi

The following persons have served as members of the Supervisory Board previously and resigned during 2023 and 2024:

- Ms. Victoria Sekitoleko (term expired on 28 February 2023).
- Ms. Parveen Mahmud (resigned on 1 February 2024)

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the strategy, 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 Foundation 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 foundation's finance reporting process and monitor the control environment.
- the Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The attendance of board members are as follows. Ms. Parveen Mahmud could not attend the board meetings during 2023 on personal grounds.

SI No	Name	March 2023	July 2023	October 2023	December 2023
1	Ms. Irene Zubaida Khan	√	√	√	√
2	Ms. Sylvia Borren	√	√	√	√
3	Mr. Allert Pieter van den Ham	√	√	√	√
4	Ms. Parveen Mahmud	X	X	X	X
5	Dr. Debapriya Bhattacharya	√	√	√	√
6	Mr. Stephen Frederick Rasmussen	√	√	X	√
7	Ms. Amira Mosad Elmissiry	√	√	√	X
8	Ms. Enid Muthoni Ndiga	N/A	√	X	√
9	Ms. Farzana Ahmed	N/A	X	√	√

The Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2022 audited annual report and the 2023 annual plan and budget on 7 August 2023. The findings from the external auditors are discussed with the Supervisory Board and the Audit & Risk Committee during the year.

The Supervisory Board, through the Audit and Risk Committee, monitors and guides sufficiency of measures to be taken for combating fraudulent practices and ensuring legal and regulatory compliance.

The Audit and Risk committee of Stichting BRAC International has four members. Three members represent the Supervisory Board of Stichting BRAC International and one member represent the Supervisory Board of BRAC international Holdings BV. The Audit and Risk Committee provides advice to the Supervisory Board on the annual financial statements, budget, and annual report. The committee also monitors the follow-up of points raised by internal and external audits, and recommendations in the auditors' Management Letters. In addition, the Audit and Risk Committee is responsible for the appointment, oversight and monitoring of the qualification, independence, and

performance of the Internal Audit department. The Internal Audit department ensures through periodical checks that the organisation follows all applicable laws and regulations and reports to the Committee its findings.

The Supervisory Board is regularly informed about and consulted on major developments related to the organisational strategy and entity-specific strategies, including the Growth for Impact strategy for microfinance.

The other primary functions of the Committee are 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

The Supervisory Board as an employer and advisor

The Supervisory Board appoints the Management Board and conducts their performance reviews. The Supervisory Board assists the management board by giving advice.

Compensation

Members of the Supervisory Board do not receive compensation for their work. The Foundation only provides an honorarium of USD 200 (two hundred) per meeting to members for attending Board and Board committee meetings. However, the board members are reimbursed for travel related costs at actual.

The Hague, 20 August 2024

Signed:

Ms. Irene Zubaida Khan

Mr. Allert Pieter van den Ham

Ms. Sylvia Borren

Dr. Debapriya Bhattacharya

Ms. Amira Mosad Elmissiry

Mr. Stephen Frederick Rasmussen

Ms. Enid Muthoni Ndiga

Ms. Farzana Ahmed

Management Board Report

The Management Board of Stichting BRAC International hereby submits the Management Board Report and the financial statements for the year ended 31 December 2023.

About BRAC

BRAC is an international non-governmental organisation, with the vision of a world free from all forms of exploitation and discrimination, where everyone has the opportunity to realise their potential. BRAC is a leader in developing and implementing cost-effective, evidence-based programmes to assist poor and disadvantaged communities in low-income countries, including in conflict-prone and post-disaster settings. Founded in Bangladesh in 1972 by Sir Fazle Hasan Abed, BRAC now works across ten countries in Asia and Africa, reaching millions of people through its programmes. BRAC has been ranked multiple times as the number one NGO in the world by the Geneva-based NGO Advisor.

About Stichting BRAC International

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands, organised and existing under the laws of the Netherlands with its registered address at Zuid Hollandlaan 7, 2596 AL, The Hague. BI comprises multiple programmes and modalities that work together to address the complex challenges of poverty and inequality, including development programmes, microfinance institutions, social enterprises, and the Ultra Poor Graduation Initiative (UPGI), which promotes BRAC's Graduation model to end extreme poverty. These programmes and modalities support our holistic approach, combining social development with market-based solutions to achieve impact at scale. BRAC UK and BRAC USA are independent affiliates that are engaged in fundraising activities in North America and European Markets. In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

Activities

Stichting BRAC International creates opportunities for people living in poverty through programmes including Health, Education, Early Childhood Development, Youth Empowerment, Agriculture, Food Security and Livelihoods (AFSL), Humanitarian Programme, Ultra-Poor Graduation, Microfinance, as well as through its microfinance and social enterprise operations, and the Ultra-Poor Graduation Initiative.

The Foundation carries out all its development programmes mainly through donor grants through its branches and controlled entities across nine countries in Asia and Africa, as of 31 December 2023 namely, Afghanistan, Myanmar, the Philippines, Uganda, Tanzania, South Sudan, Liberia, Sierra Leone, and Rwanda. The microfinance programmes are run through its 100%-owned subsidiary, BRAC International Holdings B.V. (BIHBV). BIHBV manages microfinance operations in seven countries – Myanmar, Uganda, Tanzania, Liberia, Sierra Leone, Rwanda, and Ghana. The social enterprise programmes are run through its 100% owned subsidiary, BRAC International Enterprises B.V. (BIEBV) which was incorporated in December 2021. BIEBV seeks to unlock the potential that market-led solutions can have in addressing critical development challenges, working in tandem with BI's development programmes and microfinance to support greater scale and impact across the organisation. In addition to direct delivery, BI also works with governments through the Ultra-Poor Graduation Initiative by employing alternative modalities such as providing technical assistance, partnerships,

and advocacy to influence systems change and complement the direct delivery strategies.

Governance

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

Supervisory Board

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

Management Board

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

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

The following persons have served as members of the Management Board in 2023:

Name	Member	Nationality
Mr. Shameran Abed (Appointed on 1 March 2021)	Executive Director	British
Ms. Rudo Kayombo (Appointed on 16 March 2023)	Director	Zimbabwean
Mr. Saif Md Imran Siddique (Appointed on 14 September 2022)	Director	Bangladeshi

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

Development Programmes

Education Programme

Our education programme builds on our 50 years of experience in driving a community-based, participatory approach to learning, which is now being replicated in post-conflict and fragile settings across Asia and Africa. We prioritise joyful learning, and engage participatory, alternative, and innovative approaches for socio-emotional learning, play and character development. Schools are supported by a cradle-to-career network of early childhood, pre-primary, primary and secondary schools, as well as libraries, adolescent clubs, adult learning, education in emergencies and scholarships to enable tertiary education. We also support governments and non-governmental organisations with teacher training, curricula, and mentoring.

Active projects in: Afghanistan, the Philippines, South Sudan, and Tanzania

Early Childhood Development (ECD) Programme

Early childhood development (ECD) is one of the most cost-effective approaches to improve education, health, and socio-economic outcomes of children. It promotes school readiness and enrolment and enhances prospects of income generation throughout life by up to 68%, while also ensuring the rights of children are protected. Play Labs, BRAC's flagship model for ECD offers play-based, community-driven learning opportunities for children aged 3-6 years to learn, grow, and thrive. Younger children are supported through parent coaching and children aged 6-8 are supported to transition to schools. We adapted the approach for humanitarian and crisis contexts to enable children affected by crisis to learn and heal. The humanitarian play-based model has been replicated across refugee settlements in Uganda.

Active projects in: Tanzania, Uganda, Sierra Leone, and the Philippines

Youth Empowerment Programme

Adolescent girls and young women often face high barriers to education and economic opportunities, along with high rates of teenage pregnancy, early marriage, and other forms of gender-based violence. BRAC's Youth Empowerment programme sets up clubs for adolescent girls with the idea that girls and young women are critical drivers of social change, and investing in them produces a transformational effect in communities everywhere. Rigorous evaluations from the programme show a significant increase in income generating activities among adolescent girls and young women, higher resilience among girls as they stayed in school even during crises and decrease in teen pregnancy and early marriage.

BRAC's flagship programme, Accelerating Impact for Young Women (AIM), is an initiative designed to equip 1.2 million adolescent girls and young women (AGYW) between the ages of 12-35, across seven countries in Africa, with age-appropriate entrepreneurship, employability, and life-skills training, as well as the tools to start and scale their own businesses.

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

Health Programme

Access to quality and affordable healthcare remains a challenge, especially for communities at the last mile. Our model of community-based healthcare has brought lifesaving health services and information directly to the doorsteps of people living in poverty, across Asia and Africa. Every part of the system keeps quality, accessibility, and affordability at its centre, and takes lived realities, such as remoteness or lack of sanitary facilities, into account. We focus on a system strengthening approach, supporting governments to reduce neonatal and child mortality and morbidity, improve knowledge about reproductive health and access to family planning services, promote nutrition, combat infectious diseases like tuberculosis and malaria, and prevent non-communicable diseases.

Active projects in: Afghanistan and Uganda

Agriculture, Food Security and Livelihood (AFSL) Programme

Smallholder farmers grow about 80% of the food consumed in Asia and Africa. But these farmers, who are on the frontlines of climate change and economic shocks, often experience extreme poverty and hunger. Our decades of experience in addressing low production and productivity challenges in the agricultural value chain, shows evidence of the deep associations between poverty and food insecurity. We develop and implement cost-effective, evidence-based, climate-smart programmes on agriculture and food security across Africa and Asia. Our work demonstrates that smallholder farming can be pathways to positive transformations in communities. We work with farmers to develop their capacity, and promote more productive, nutrient-rich, environmentally sustainable farming systems, link farmer groups to markets and agri-finance products and help them adapt to climate change.

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

Humanitarian Programme

Over the past decade, at least 300 disaster events have been recorded each year. Climate change, population growth and urbanisation contribute to an increase in both the number of people affected as well as the severity of disasters. The number of conflicts worldwide is continuously increasing. It is estimated that one person becomes displaced every three seconds. We work with communities to reduce risk from disasters before they happen, respond when they occur, and support people to build back better afterwards. Our approach prioritises building skills and creating livelihood opportunities for people and communities so they can prepare for and manage disasters better. We focus heavily on sustainable reintegration efforts, working with returnees and people who have been internally displaced as a result of a disaster or conflict.

Active projects in: Uganda, South Sudan, Afghanistan, and Philippines

Ultra-Poor Graduation (UPG) Programme

Global poverty is one of the most urgent issues facing our world today. Approximately 9.2% of the world's population live in extreme poverty, living on less than USD 2.15 per day. BRAC's Ultra-Poor Graduation approach is globally recognised and has been proven to unlock that potential and has, to date, enabled millions of households across Asia and Africa to break the cycle of extreme poverty through a multifaceted set of interventions designed to address the complex nature of extreme poverty. These interventions are adapted to the local context and include connecting participants to social protection, providing training and assets, financial literacy, and social empowerment through community engagement - all facilitated through hands-on coaching. The Graduation approach enables participants to develop sustainable livelihoods that set them on a path of upward economic mobility. They also develop social connections, improve their self-esteem, and establish active roles in their communities.

Active projects in: Uganda, Tanzania, and Afghanistan

Microfinance

Microfinance is an integral part of BRAC's holistic approach to development, equipping people who would otherwise be excluded from formal financial systems with the tools to invest in themselves, their families, and their communities. Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus 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. Additionally, through the AIM programme, participants aged 18-35 are being given life skills and social empowerment training, with a focus on livelihood and entrepreneurial activities. Selected participants will be equipped with inputs to start new businesses, microloans to grow their businesses, and links to savings groups and market actors. BRAC International Microfinance operates in seven countries - Myanmar, Uganda, Tanzania, Liberia, Sierra Leone, Rwanda, and Ghana.

In 2023, BI Microfinance reached over 88,000 new clients to serve a total of over 820,000 clients.

Social Enterprises

Through market-based approaches, BRAC International Enterprise BV (BIEBV), a subsidiary of Stichting BRAC International, seeks to contribute to BRAC International's social mission while generating profits that can be reinvested in the organisation's scale and impact - creating a pathway to sustainable, scalable impact that is not reliant on donor funding. BIEBV currently governs the operation of social enterprises in Uganda, Tanzania, and Liberia.

Ultra-Poor Graduation Initiatives (UPGI)

BRAC's Ultra-Poor Graduation Initiative provides technical assistance, advisory services and policy support to governments, NGOs, and multilateral institutions to support them to reach people from the poorest and most marginalized communities. The UPGI team support helps scale the Graduation approach by governments - Graduation is an evidence based two-year investment in an extremely poor household. To help the government, the UPGI team deploys small teams over multiple years to work alongside government partners to design and enhance government delivery and capabilities by leveraging BI's presence and contextualised knowledge to improve government programme quality. By the end of 2023, UPGI had established a long-term presence in seven countries - Ethiopia, India, Rwanda, Philippines, Indonesia, South Africa, and Nigeria.

Management Board's role in financial matters

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

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

Financial information

Highlights

- Grants income (development activities) increased by USD 11.8 million to USD 70.1 million (2022: USD 58.3 million).
- Interest income increased by USD 6.2 million (8%) to USD 83.4 million in 2023 (2022: USD 77.2 million) due to growth in microfinance loan disbursements and as well as expanded operations in different countries. This interest income is attributed to the microfinance activities across the countries.
- Operating expenses increased by 20% to USD 133.4 million in 2023 (2022: USD 111.6 million). This increase relates to the increased number of employees due to opening of new branches in Ghana, Rwanda, Sierra Leone, Liberia, and Tanzania and expansion of activities of the Ultra Poor Graduation Initiatives (UPGI), and MasterCard Foundation funded AIM programme in five African countries. In addition, recalibration of salaries against market conditions and inflationary adjustment across all subsidiaries have contributed to this increase in expenses.
- The net result surplus decreased by 56% to USD 4.6 million in 2023 compared to USD 10.5 million in 2022. The results were significantly impacted mostly due to the first-time implementation of Hyperinflation accounting. This applies to operating entities that have a three-year cumulative inflation exceeding 100% in the period 2021 to 2023, i.e., Sierra Leone. The equity and profit and loss accounts were adjusted by USD 2.3 million to reflect the current purchasing power at the reporting date.
- The group reserves amount to USD 115.5 million (2022: USD 115.8 million). The group reserves/total assets ratio was 30.1% (2022: 29.7%).
- Total assets value decreased by USD 6.5 million to USD 383.8 million in 2023 (2022: USD 390.4 million), mainly due to reduced cash balance representing donor funds received in advance for development programmes. This reduction was partly offset by increased loan disbursements under microfinance programme.
- Loans to customers increased by 14% to USD 184.8 million in 2023 (2022: USD 162.7 million). The improvement was led by strong performance in the Tanzania, Liberia, and Uganda subsidiaries.
- Impairment loss reserve decreased from USD 10.5 million in 2022 to USD 7.7 million in 2023 mainly driven by write offs in Myanmar. Overall PAR reduced to 4.0% in 2023 from 6.3% in 2022.
- Cash and cash equivalents decreased by 18% to USD 152.6 million in 2023 (2022: USD 185.0 million). The reduction was mainly due to recognition of grant income from donor grants received in advance. Cash movement of the Foundation has been disclosed in the cash flow statement.

- Current liabilities decreased from USD 192.7 million in 2022 to USD 188.2 million in 2023, which is mainly a result of the utilisation of donor funds.

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

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

Performance against Budget

Particular (Amount in '000 USD)	Approved Budget 2023	Actual 2023	Variance	Utilisation
Income:	181,200	170,697	(10,503)	94%
- Grant Income	83,258	70,070	(13,188)	84%
- Interest Income	85,356	83,432	(1,924)	98%
- Other Operating Income	12,587	17,196	4,609	137%
Expenses:	(174,666)	(156,132)	18,534	89%
Cost of outsourced work and other operating expenses costs	(82,694)	(72,757)	9,937	88%
Wages and Salaries	(64,711)	(57,391)	7,320	89%
Amortisation and depreciation	(4,000)	(3,211)	788	80%
Impairment loss on loans to customers	(4,763)	(3,395)	1,368	71%
Interest expense	(18,499)	(19,378)	(880)	105%
Operating Result	6,534	14,565	8,031	223%
Result after tax	2,001	4,608	2,608	230%
Net result after minority interest	2,299	4,647	2,347	202%

Overall, operating result for the year 2023 was better than budget as a result of lower expenses compared to budget.

- Grant income utilisation against budget was 83%, mainly in combination of delayed execution of COHORT-1 of AIM programme in countries and lower spending on sub-grants under UPGI programme. Other operating income, however, was higher than budget mainly from higher bank interest income.
- The cost of outsourced work, external costs and salaries were at 88% of budget, marginally higher than that of the variance in grant income. This was mainly result of the Inflationary pressure on operational expenses, especially for procurement of programme supplies and other necessities.
- Interest expense was marginally higher compared to budget mainly as a result of exchange rate differences.

Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation) / (Total long-term and short-term liability) of the Foundation 2023 is 3.0% (2022: 4.8%). This decrease was mainly driven by reduced net surplus of the group resultant from hyper-inflation accounting in 2023 and inflationary pressure on operating expenses.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the Foundation is 1.89 (2022: 1.92). This shows that the Foundation has sufficient strength to manage its current liabilities. The quick ratio increased in 2023 due to the increase in loans and advances to customers and Cash and cash equivalents following the inclusion of new debt funding through BRAC International Finance B.V. (BIFBV).

Financing of programmes

The financing of the programmes under Stichting BRAC International in all of the countries is managed by two basic sources: i) donor grants for development programmes and ii) external debt financing arrangements and equity investments for microfinance operations.

The financing of the microfinance operations is coming from mixed sources. At the country level, microfinance income is our largest source, external debt being second. BRAC International Holdings B.V. has finalised 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.

The Debt Programme, managed by BRAC International Finance B.V. plays a key role in mobilising external funding for the group's microfinance institutions.

As of 31 December 2023, USD 38.4 million (2022 USD 26.8 million) was utilised out of the total commitments for Series 1 and invested in four BIHBV entities: a) BRAC Tanzania Finance Limited, b) BRAC Rwanda Microfinance Company PLC, c) BRAC Liberia Microfinance Company Ltd. and d) BRAC Microfinance (SL) Ltd. In 2024, approximately a further USD 32.3 million will be secured through Series 2 of the Debt Programme to support BIHBV entities' funding needs.

Keeping the future fundraising goal in mind, periodic investor engagement events and regular communications are being conducted to create a pool of supportive and interested investors who are likely to participate in the upcoming series.

Donor grants are mainly used to implement development programmes in thematic areas. Apart from the Foundation itself, the affiliates, BRAC USA and BRAC UK, are also helping the foundation to secure donor funding. Sufficient funds are obtained in 2023 to continue the development programmes.

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

Human resource, internal organisation and staff

The Foundation is investing in the recruitment and retention of quality staff. Training programmes were conducted throughout the year for capacity building in the organisation. The number of employees is 8,593 (2022: 7,898) out of which Female 81% (2022: 78%). For 2024 management expects growth in the human resource capability to support the implementation of Mastercard funded AIM programme.

Code of Conduct

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

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

Significant risks and uncertainties

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

The risk management concept in SBI is based on the 'Three Lines of Defence' model, to shield against risks that might threaten the achievement of our goals.

- The first line is the front-line business operations units which are fully responsible for all the risks in their respective areas of activities and have to ensure that effective controls are in place.
- The second line of defence consists of Risk Management and Compliance functions within SBI and the role is to provide oversight, guidance, and monitoring of the first line's risk management activities. The second line sets policies, standards, procedures, conducts training and awareness and risk assessments. Additionally, they ensure that the first line complies with applicable laws, regulations, and internal policies.
- The third line of defence is the Internal Audit function that provides objective and independent assurance. Their key responsibility is to assess whether the first- and second-line functions are operating effectively and provide assurance to senior management and the board of directors. It performs risk-based and general audits to ensure that the internal controls and risk management system, including risk management policy are effective and efficient.

Stichting BRAC International (SBI), including BIHBV, has a Risk Management Policy and Framework based on ISO 31000: 2018 that works as a strategic management tool to generate value across the organisation as an integral part of good management practice

and corporate governance. According to the BI Risk Management Policy and Framework, the risk governance structure comprises of 3 (three) significant stakeholders – Audit and Risk Committee of the Supervisory Board, Senior Management Team at the BI and BIHBV head office and Group Internal Audit Function. BI Risk Management team, reports to the Director Finance of BI and works closely with the management teams of all subsidiaries under SBI and BIHBV and reports to the Senior Management and Board Sub-Committee (Audit and Risk Committee) and seeks necessary endorsements on a periodic basis.

The Risk Management Committee at the management level reviews the risk management updates on a quarterly basis and make necessary changes in the risk components and risk ratings as necessary. The risk management reports are presented to the Audit and Risk Committee of SBI as well as the Supervisory Board as appropriate. The risk register at the country level is updated on a quarterly basis with the help of risk management focals at the country level, and the country management teams actively work on the risk register and take the necessary measures of the mitigation plans. The country management teams also periodically review and update on the status of the mitigation measures.

In SBI's Risk management framework, there are 7 (seven) risk categories. Major risks in each category are reported along with the approach to risk mitigation. Risks at SBI are reported in a 5x5 matrix, where the risks are plotted according to its likelihood and severity.

The SBI risk management framework comprises of seven risk categories – 1) Strategic, 2) Financial, 3) Operational, 4) Legal and Compliance, 5) Safeguarding, 6) Environmental and 7) Information Technology.

As of reporting date, BIHBV management considers Myanmar, which has faced significant political upheavals that affects its the ability to make payments to foreign entities from the country, to be a key risk area of concern. The management team is closely monitoring the situation. The directors have assessed the ability of the organisation (BRAC Myanmar Microfinance Ltd Co) to continue its operations on a going concern basis and have no reason to believe the business will not be on a going concern basis in the coming year.

Strategic risks

The strategic risks are mainly identified from the organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure, adverse business decisions, loss of secured funding from lending institutions and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the program teams of the countries and head office and affiliates.

Operational risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationship with local governments and adoption of local cultures. Operational risks are mitigated through communication, visits and following up from head office as well as local country offices on a regular basis. In addition to that the country monitoring team provides quarterly reports to the group monitoring head which is reviewed and discussed in the management team.

Legal and Compliance

The risks associated with the external environment are beyond the Company's control. These types of risks, such as impact of climate change, natural and man-made disasters, 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 relationships and rapport building with government agencies and lending institutions are most common mitigation activities.

The Supervisory Board has approved an updated AML/CFT for SBI in Feb 2024. The policy dictates that SBI and its employees shall a) Not knowingly launder money and shall have adequate procedures and controls to ensure that its business is not misused for money laundering and/or terrorist financing; b) Not process a transaction unless it believes that it has a legitimate purpose; c) Report suspicious transactions in accordance with applicable laws; d) Not split transactions to avoid government identification and reporting requirements or any policy of the concerned authority/party; e) Not knowingly record false names or other false information; f) Co-operate with local regulators and law enforcement bodies and f) Maintain records in accordance with the law and concerned authorities.

Each subsidiary at the country level, however, has its own AML/CFT policy in line with the group policy, that will take into consideration of the local laws and regulations as appropriate.

As a result of monitoring, AGD bank (a lender with whom BMMCL (BRAC Myanmar Microfinance Company Limited) has been in a local currency loan agreement since April 2020) was identified as added to the OFAC SDN sanctions list in March 2023. Additional checks were undertaken, and external advice was sought to ensure that appropriate steps were taken to mitigate risk and arrive at an acceptable level of risk as deemed by the management of the Company. Subsequently, the loan was fully repaid on 24 February 2024 and there is no further relationship with AGD bank thereafter.

Safeguarding

As part of its commitment to building a safeguarding culture and aligned with BRAC's vision of a world free from discrimination and exploitation, BRAC adheres to six safeguarding standards around governance, people practices, programming, partnering, risk management and reporting. To achieve these, SBI has adopted a comprehensive Safeguarding policy and a set of sub-policies concerning the safeguarding of specific groups in specific programmes.

Environmental

Environmental risk is an important phenomenon embedded in BI's vision and mission. The overall purpose of environmental risk management is to understand and manage risks that arise from environmental concerns. BI consider environmental issues while making decisions on providing microfinance loans to participants. Failure to consider these environmental risks as a part of financing decisions could lead to an increase in non-performing loans for microfinance programme. It affects the social development programmes which needs to be implemented in the most efficient way.

As part of being committed to the Client Protection Pathway, which describes the steps that a financial service provider can take to implement the client protection practices

necessary to avoid harming clients, all microfinance entities are implementing the Universal Standards for Social and Environment Performance Management (USSEPM), including the Client Protection Principles (CPPs). The implementation of USSEPM helps entity management ensure that they have the right policies in practices in place to create the enabling foundation for target client value creation and mission achievement .

Self-assessment social audits have been conducted using the CERISE SPI tool in six countries (excluding Ghana) and were verified by a qualified auditor. The CERISE SPI tool is a social performance audit tool to help financial service providers to achieve their social mission and is used to identify and track gaps in compliance with the USSEPM. Each entity has action plans, incorporated in its Annual Strategic Plan (ASP) and budget, to close these gaps. The entity management and leadership are accountable for implementing the action plans. Each quarter, the CERISE SPI audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2023, the average SPI4 compliance percentage of the six microfinance entities was 78%. Social performance champions in two countries were awarded the Internal SPI Auditor Certificate in 2023, bringing the total number of certified auditors across BIHBV entities to six.

The USSEPM developed by CERISE and the Social Performance Task Force (SPTF) was revised in 2023 to promote environmental performance as a compulsory dimension, among other refinements. The new dimension provides the framework for assessing the environmental performance of financial services providers (FSP) and defining action plans to improve it. They offer a clear roadmap that FSPs like microfinance entities can follow to achieve their social and environmental goals while meeting clients' needs. The USSEPM is thus a comprehensive manual of best practices that BIHBV will continue using in its social and environmental journey. In 2023, microfinance entities started to report on their environmental performance which provided the benchmark to identify gaps and put actions in place to improve them. BIHBV has also developed a climate position paper to articulate its role and commitment to climate action as a responsible financial service provider. Based on this position paper, the environmental performance benchmark and local regulations, each entity is set to create its environmental strategy in 2024.

In addition to the systematic implementation of the USSEPM, the Company also has a systematic approach towards the achievement of tangible long-term impact. To achieve impact effectively in line with its mission, BIHBV has developed a theory of change to guide and drive the activities for all the microfinance entities, and regularly assesses the progress along five stages of change using internally available data and by conducting Lean Data impact surveys. The Lean Data surveys, conducted by an independent third party, 60 Decibels, evaluate client poverty profiles, client satisfaction, and clients' social outcomes. Since 2019, these impact surveys have been conducted annually among the clients of all the six subsidiaries to help management define strategies to achieve long-term positive impact and track social impact institutions.

Information Technology

Information technology risks related to technological disruption, data privacy, supplier and vendor management is being mitigated via business continuity management plans for disasters, project management capacity enhancement in IT function through ongoing and continuous training, including project management training, and ongoing implementation of market-leading software with state-of-the-art security features and

well-defined third-party service contract and licence clauses. Monthly IT Steering Committee is being held with agenda that encompasses potential threats, business disruption, data privacy, strengthening IT services, and IT roadmaps are being discussed. Global Cyber Security Response team has been set up combining BRAC Bangladesh and SBI to create task force for BRAC wide cybersecurity protocol. In addition, the Supervisory Board has approved an updated IT policy in March 2024 that included detailed risks of cybersecurity and guide the mitigation of cybersecurity threats.

Financial risk

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

Credit risk

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

The Foundation records and maintains accurate information with regard to the identity of its customers during the operation of their accounts. The foundation strictly avoids the opening of any anonymous account (defined below). The KYC programme of the foundation keeps record the following information with respect to its customers:

- Identification and verification of customer and beneficial owner.
- Nature of customer business.
- Authenticity of the identity documents provided by customer.
- Legal documents relating to the business (where applicable).
- Sources of funds/income.

Currency risk

The Foundation is exposed to currency risk denominated in a currency other than the respective functional currencies of micro finance and NGO entities. The functional currencies in the subsidiaries are their respective local currency and at group level, the US dollar (USD) is the functional and presentation currency. As a general rule, the Microfinance and NGO entities give preference to obtaining local funding (both for borrowings and donor funds) to minimise any currency risk. Additionally, the subsidiaries strive to match foreign currency payables and receivables in such manner that the currency risk is minimised, if not mitigated. In case of high-inflation economies aligning receivables and payables is extremely difficult and management seeks to access local currency funding as much as possible. Subsidiaries are obliged to mitigate against currency risk for debt secured through BRAC International Finance B.V. through any effective means available to them. To date, the subsidiaries have used FX forward and cross-currency swap contracts, as well as back-to-back/parallel loan structures with local banks.

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

Country	Currency	2023	2022	Depreciation / (appreciation)
Uganda	UGX	3,782.21	3,713.63	2%
Tanzania	TZS	2,515.00	2,352.00	7%
Zanzibar	TZS	2,515.00	2,352.00	7%
Rwanda	RWF	1,263.93	1,070.71	18%
Sierra Leone	SLL	22.80	18.84	21%
Liberia	LRD	187.17	152.97	22%
Ghana	GHS	11.88	8.58	39%
South Sudan	USD	1,070.99	668.67	60%
Afghanistan	AFN	70.25	89.14	-21%
Myanmar	Kyat	2,100.00	2,100.00	0%
Nepal	NPR	133.14	132.36	1%
Philippines	Peso	55.57	56.12	-1%
Kenya	KES	156.46	124.13	26%
The Netherlands	EUR	0.91	0.94	-4%

The FX rate in Myanmar is managed by the Government of Myanmar and has been fixed. However, the country has been struggling to source USD which resulted in a restriction on international loans and service payments by Myanmar microfinance companies. There is a significant difference between the official government rate and the rate available at the informal kerb market. The FX risk in Myanmar is mitigated by a back-to-back loan structure wherever possible. The company is also in discussion with international lenders on potential settlement and restructuring of the international loans in Myanmar operation.

Interest rate risk and cash flow risk

The Foundation's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members and the voluntary savings deposits, which provides greater certainty about cash flows. In a number of cases, the foundation is able to prepay its borrowings, which mitigates against the risk of falling interest rates. The Foundation holds fixed deposits, but these are relatively short-term and can be requested upon demand. The foundation does not engage in speculative transactions or take speculative positions on interest rates.

Market risk

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

are exposed to general and specific market movements and changes in the level of volatility.

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

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

Mitigation measures include, for instance, limits on open foreign currency positions, ensuring loans are secured from lenders at prevailing market prices and monitoring the pricing of loans extended to borrowers for competitiveness relative to the wider market.

Liquidity risk

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

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

Fraud and Non-compliance risk

SBI has zero tolerance for fraud and corruption, meaning that staff members, non-staff personnel, vendors, implementing partners and responsible parties are not to engage in fraud or corruption. The Foundation's management takes appropriate actions against identified fraud through an Investigation Review Committee (IRC). Fraud risk and non-compliance are evaluated through effective review by Internal Audit Team and Monitoring and Evaluation teams to ensure staff compliance with the foundation's policies, including the code of conduct, and whistle-blower policy as outlined in Human Resources Policies and Procedures (HRPP). In adherence to the three line of defence concept, SBI has a separate investigation function in place at the group level that drives all investigation need across the group and put forward findings along with necessary recommendations as appropriate to the IRC.

In addition, the updated AML/CFT policy A detailed level training session has taken place at the group level and currently socialisation of the updated policy across the countries are being conducted.

Financial reporting risks

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

Financial ratios and loan covenants are monitored monthly and management takes measures in case of suspected non-compliance to avoid any breaches. Proactive communication will be maintained with lenders and measures to be taken will depend on the covenant that is in breach.

The Internal Audit department conducts audits on a sample basis using risk-based approach. Group Internal Audit team prepares an internal audit plan for the year and the Audit and Risk Committee approves the plan on a yearly basis. Also, the Internal Audit team reports to the Audit and Risk Committee on a half yearly basis on the progress of the annual internal audit plan. At the country level, audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

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

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

Outlook for 2024

In 2024, Stichting BRAC International will continue its focus on developing integrated programmes that holistically address problems at the community level. The flagship AIM programme will run its second cohort, learning from the lessons of the first cohort implementation. The programme is set to expand to include a further component on support to the PEPFAR-funded DREAMS programme on economic empowerment for adolescent girls and young women over the next four years. The Climate Hub has begun its operations, focusing on addressing issues related to climate change across BRAC and BI, which is becoming an increasingly urgent issue and requires support interventions across countries in the global south. Processes are ongoing to register NGO operations in Ghana, and both NGO and microfinance operations in Kenya. The decision to begin operations in Kenya was reinforced by findings of a comprehensive country selection process conducted in late 2019, and a second thorough assessment highlighted a significant opportunity for SBI to create meaningful, large-scale impact in Kenya, in line with its mission.

Following their singular bottom line of achieving Impact at Scale, SBI's Microfinance operations have set the aim to reach almost 990,000 clients across 8 countries within 2024. Considering that nearly half of SBI MF's clientele are of age between 18 to 35, BIHBV will focus on promoting entrepreneurship and sustainable livelihoods for youth

and young adults by testing and scaling appropriate packages of financial and non-financial products.

The Ultra-Poor Graduation Initiative is deepening its country presence and is taking a Big Bets approach to scaling their operations in key countries including India, Indonesia, and Rwanda by investing in long-term government partnerships. UPGI is planning to pursue additional Big Bets and raise further funding to support these efforts in 2024.

BRAC International Enterprise B.V. (BIEBV)'s priorities for 2024 include strengthening the existing enterprises and reviewing their viability and impact potential, while exploring other possible expansion opportunities through the development and microfinance programmes. As such, BIEBV will develop a plan to grow its portfolio, together with a financing strategy that will consider multiple funding and structuring options.

The organisation is working to digitise its systems and processes, strengthening capacity, and focusing on investing in human resources to build stronger systems for the upcoming years. Investments in capacity building over these years will act as the building blocks for impactful, scalable programming in the next 5 years. As a women-centred organisation, SBI always prioritises ensuring inclusivity and gender-neutrality in all contexts, and maintaining the gender ratio across all levels of staff in the organisation remains a priority for this year as well.

Subsequent events

BIHBV has incorporated a new subsidiary named BRAC Kenya Company Limited on 20 February 2024. The company is in the process of applying for a Digital Credit Provider (DCP) license in Kenya

On 22 February 2024 BRAC Myanmar Microfinance Company Limited made an early settlement of a loan to AGD Bank amounting to MMK 7 billion (USD 3.3 million)

On 17 April 2024, Uganda Tax Authority (URA) raised a demand against BUBL amounting to UGX 7.9 billion (in USD 2.07 million) Uganda shillings under section sections 75(2) and 79(ga) of the Income Tax Act (ITA) against the involuntary disposal of shares during its transformation to a tier-2 bank in Uganda. The entity disagrees with the assessment taxation of the involuntary disposal of shares as it was not a party to the disposal and the transaction incurred between BRAC BV and the investors. BRAC BV has also initiated a mutual application procedure (MAP) with Dutch Tax authorities because this transaction is covered under the DTA between Uganda and the Netherlands. As the transaction is already taxed in the Netherlands, this should not be taxed again in Uganda.

On 25 June 2024, the management has decided to close BRAC Enterprises Liberia Ltd.

In June 2024 Ms. Rudo Kayombo resigned from the Management Board.

In July 2024 the Management and Supervisory Board approved the suspension of BRAC South Sudan.

The Management Board's responsibility statement

The Foundation's Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2023, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

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

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

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

Signing-off by board

The Management Board prepared the financial statements and recommended the Supervisory Board approves the 2023 financial statements.

The Hague, 20 August 2024

Signed:

Mr. Shameran Abed
Executive Director

Mr. Saif Md Imran Siddique
Director Finance

Consolidated balance sheet as at 31 December 2023

(before appropriation of result)

		2023		2022 (Restated) ¹	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	5,293,967		4,629,595	
Tangible fixed assets	2	8,524,223		6,761,834	
Financial fixed assets	3	14,046,300		16,697,780	
			27,864,490		28,089,209
Current assets					
Inventories	4	504,973		641,469	
Loans to customers	5	184,782,430		162,725,002	
Trade and other receivables	6	18,043,961		13,865,290	
Cash and cash equivalents	7	152,610,831		185,028,238	
			355,942,195		362,259,998
Total assets			383,806,685		390,349,208
Group reserves					
General reserves	8	112,426,810		112,141,848	
Legal reserves		3,117,648		3,696,834	
Minority interests		7,525,721		7,687,717	
			123,070,179		123,526,399
Non-current liabilities	9		72,554,374		74,092,050
Current liabilities					
Donor Funds	10	69,351,246		85,904,513	
Loan Security Fund	5	30,934,315		29,050,427	
Deposits from savers	5	24,189,799		19,609,642	
Current portion of the borrowings	9	42,211,622		28,992,440	
Other current liabilities	11	21,495,150		29,173,737	
			188,182,132		192,730,759
Total liabilities and reserves			383,806,685		390,349,208

¹The comparative information is restated on account of the correction of errors, reference is made to note B.6.

The notes on pages 32 to 91 are an integral part of these consolidated financial statements.

Consolidated statement of income and expenses for the year ended 31 December 2023

		2023		2022 ¹	
		USD	USD	USD	USD
Income					
Grant income	13	70,069,622		58,294,232	
Other operating income	17	5,100,933		5,634,710	
Total operating income, excl. net interest income		75,170,555		63,928,942	
Interest income	14	83,431,883		77,244,843	
Other interest and similar income	15	12,095,038		7,834,063	
Interest and similar income		95,526,921		85,078,906	
Interest and similar expense	16	(19,378,313)		(14,476,376)	
Net interest and similar income		76,148,608		70,602,530	
Total operating income, incl. net interest income		151,319,163		134,531,472	
Expected credit losses	5	(3,395,077)		(5,622,184)	
Net operating income			147,924,086		128,909,288
Cost of outsourced work and other external costs	18	(66,113,189)		(56,644,878)	
Wages and salaries	19	(52,505,620)		(42,487,779)	
Social security and pension charges	20	(4,885,205)		(3,148,616)	
Amortisation and depreciation on intangible and tangible fixed assets	1&2	(3,211,196)		(2,459,909)	
Other operating expenses	21	(6,643,589)		(6,828,579)	
Total operating expenses			(133,358,800)		(111,569,761)
Result before tax			14,565,286		17,339,527
Net (Loss)/Gain on Monetary Assets	B.3		(2,284,316)		-
Tax on result	22		(7,672,707)		(6,831,728)
Result after tax					
(carried forward)			4,608,263		10,507,799

¹ Adjusted for comparison purposes, reference is made to note B.1.

Stichting BRAC International

	2023	2022
	USD	USD
Brought forward	4,608,263	10,507,799
Minority interests	38,357	(279,513)
Net result	4,646,620	10,228,286

The notes on pages 32 to 91 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2023

	2023		2022	
	USD	USD	USD	USD
Consolidated result after tax attributable to the Foundation		4,646,620		10,228,286
Translation differences on foreign participating interests	(1,727,319)		(2,628,550)	
Total of items recognised directly in reserves of the Foundation as part of the group reserves		(1,727,319)		(2,628,550)
Comprehensive income		2,919,301		7,599,736

The notes on pages 32 to 91 are an integral part of these consolidated financial statements.

Consolidated statement of changes in reserves for the year ended 31 December 2023

	General Reserve	Legal Reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2022	128,550,037	2,833,111	(17,972,717)	113,410,431
Unappropriated result for the year	9,265,292	962,994	-	10,228,286
Foreign currency translation differences		(99,271)	(7,700,764)	(7,800,034)
As at 31 December 2022	137,815,329	3,696,834	(25,673,481)	115,838,682
Impact of Hyperinflationary Accounting IAS 29	2,370,119	-	-	2,370,119
As at 1 January 2023	140,185,448	3,696,834	(25,673,481)	118,208,801
Unappropriated result for the year	5,310,066	(663,446)		4,646,621
Foreign currency translation differences		84,259	(7,395,223)	(7,310,964)
As at 31 December 2023	145,495,514	3,117,648	(33,068,704)	115,544,457

The notes on pages 32 to 91 are an integral part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2023

		2023		2022 (Restated) ¹
		USD	USD	USD USD
Cash flow from operating activities				
Net result			4,646,621	10,228,286
Adjusted for:				
— Depreciation/amortisation/ other value adjustments	1,2	3,211,196		2,459,909
— Provision for expected credit loss	5	3,395,077		5,622,184
— Fair value movement in financial assets	15	(2,704,047)		379,360
— Interest expenses	16	15,589,004		12,396,302
— Bank Interest Income	15	(3,222,036)		(2,261,253)
— Tax on result	22	7,672,707		5,847,294
— Change in minority interest	8	(38,357)		279,513
— Other movement in borrowings		532,780		(1,036,461)
— Other movement in financial fixed assets		3,900,000		(9,000,000)
— Changes in working capital:				
✓ Change in inventories		136,496		(168,386)
✓ Change in trade and other receivables		(4,178,671)		(5,093,423)
✓ Change in other liabilities		(9,019,848)		16,203,911
✓ Changes in Donor Grant		(16,553,267)		(13,574,936)
✓ Change in Loan Security Fund		1,883,887		1,782,098
✓ Change in Deposits from savers		4,580,157		(860,812)
			5,185,078	12,975,301
Cash flow from business operations			9,831,699	23,203,586
Loans to customers distributed		(417,992,893)		(375,083,576)
Loans to customers repayment		385,288,018		345,691,011

Stichting BRAC International

Other movements in loans		(2,236,265)	(1,718,097)
Interest paid to savers and program participants		(1,883,395)	(1,728,151)
Interest paid - borrowings		(13,429,892)	(7,890,962)
Income tax paid		(5,530,994)	(5,339,515)
Bank Interest Income received		3,222,036	2,261,253
		<u>(52,563,385)</u>	<u>(43,808,037)</u>
Cash flow from operating activities		(42,731,686)	(20,604,451)
Investments in:			
— Tangible fixed assets	2	(4,642,048)	(3,480,524)
— Intangible fixed assets	1	(1,487,331)	(2,073,254)
Disposals of (in)tangible fixed assets		293,444	862,326
		<u></u>	<u></u>
Cash flow from investing activities		(5,835,935)	(4,691,452)
Increase in borrowings	9	39,850,389	74,200,568
Repayment of borrowings	9	(24,774,306)	(26,278,291)
		<u></u>	<u></u>
Cash flow from financing activities		15,076,083	47,922,277
Net cash flow		(33,491,538)	22,626,374
Exchange rate and translation differences on cash and cash equivalents		<u>1,074,131</u>	<u>(1,956,281)</u>
Changes in cash and cash equivalents		(32,417,407)	20,670,093

	2023 USD	2022 ¹ USD
<i>Cash and cash equivalents as at the beginning of the financial year</i>	185,028,238	164,358,145
Changes in cash and cash equivalents	(32,417,407)	20,670,093
Cash and cash equivalents as at the end of the financial year	152,610,831	185,028,238

¹ The comparative information is restated on account of the correction of errors, reference is made to note B.6 and adjusted for comparison purposes, please refer to note B.1.

The notes on pages 32 to 91 are an integral part of these consolidated financial statements.

Notes to the 2023 consolidated financial statements

A. The reporting entity

Stichting BRAC International ('the Foundation'), has its legal address in the Hague and its office address at Zuid Hollandlaan 7, 2596 AL, the Hague, is a Foundation under Dutch law and is registered under number 27339472 in the Trade Register.

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

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

The Foundation's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach-based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles which distinguish the Foundation and its subsidiaries from other microfinance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

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

A.1 Financial reporting period

The financial statements are for the year from 1 January 2023 to 31 December 2023. The comparatives consist of the year 2022, which ended as at 31 December 2022. Refer to the note on accounting policies, paragraph 'general' for the changes made in the comparative figures.

A.2 Basis of preparation

The consolidated financial statements of the Foundation are part of the statutory financial statements of the Foundation and have been prepared in accordance with the Guidelines for annual reporting RJ 640 for the Reporting of not-for-profit organizations' of the Dutch Accounting Standard.

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.

A.3 Going concern

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

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

B.1 General

The figures for 2022 have been reclassified for comparison purposes and increased transparency resulting in a better reflection of the operations of the foundation. Reclassifications are as follows:

- Withholding taxes has been reclassified under Tax on result from Other operating expenses for which comparative figures have been changed by USD 984,434.
- Bank interest income received amounting to USD 2,261,253 was presented as a separate line in the Consolidated Cash flow statement (previously bank interest income was included in Net result).

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

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

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

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

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

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

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

B.2 Functional and presentation currency

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

B.3 Use of estimates and judgements

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

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

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

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

Policy	Judgements	Estimates
Allowance of ECL on loans to customers	• Identification of staging of the loan portfolio. • Criteria for a significant increase in credit risk. • Identification of credit-impaired loans	• Back testing to calculate the historical default rate. • Forward looking trends estimate. • Identifying impact of macroeconomic factors • Back testing to calculate default rates of credit impaired loans
Hyperinflation	• Determining whether the economy of a country meets the criteria for hyperinflation as per IAS 29. • Selection of appropriate sources for CPIs.	• Estimation of CPI rates.

B.4 Consolidation principles

B.4.1 Consolidation scope

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

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

B.4.2 Consolidation method

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

In the consolidated financial statements, intragroup shareholdings, debts, receivables, and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Foundation has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

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

B.4.3 Group structure of Stichting BRAC International

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

Name	Legal address	2023 share of interest %	2022 share of interest %
BRAC International Holding B.V. **	The Hague, The Netherlands	100	100
BRAC International Enterprises B.V. ***	The Hague, The Netherlands	100	100
BRAC Liberia	Monrovia, Liberia	Branch	Branch
BRAC Sierra Leone	Freetown, Sierra Leone	Branch	Branch
BRAC Philippines	Manila, Philippines	Branch	Branch
BRAC Nepal	Kathmandu, Nepal	Branch	Branch
BRAC Myanmar	Yangon, Myanmar	Branch	Branch
BRAC Rwanda****	Kigali, Rwanda	Branch	Branch
BRAC Uganda*	Kampala, Uganda	–	–
BRAC Afghanistan*	Kabul, Afghanistan	–	–
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	–	–
BRAC South Sudan*	Juba, South Sudan	–	–
BRAC Kenya	Nairobi, Kenya	Branch	Branch

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

** BRAC International Holdings B.V. is an intermediate holding to govern all microfinance operations in the countries. The underlying entities operating microfinance operation in countries are summarised in the next section.

*** BRAC Uganda Social Business, BRAC Enterprise Tanzania Limited and BRAC Enterprise Liberia Limited (registered in Jan'23) are subsidiaries of this intermediate holding BRAC International Enterprise B.V.

**** BRAC Rwanda fulfilled the requirements to operate legally in Rwanda as an International Non-Governmental Organization on 1st December 2022.

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

B.4.4 Consolidated entities of BRAC International Holdings B.V.

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

Name	Legal address	2023 share of interest %	2022 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch

BRAC Uganda Bank Ltd is consolidated fully, despite having a 49% shareholding, as BIHBV exercises control over the entity. Given that BIHBV has the ability to appoint a majority of the members of the Board of Directors of BRAC Uganda Bank Ltd, the entity is considered to meet the definition of a 'subsidiary' under Dutch law.

BRAC Zanzibar Finance is 100% owned by BRAC Tanzania Finance.

B.5 Principles for the translation of foreign currency

B.5.1 Transactions in foreign currencies

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

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

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

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

B.5.2 Foreign operations

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

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

B.6 Correction of errors

The Group has deposits placed as collateral to avail borrowings. They do not meet the definition of cash and cash equivalents as the underlying terms and conditions prevent the Group from accessing such deposits on demand. Therefore, the Group has concluded that the deposits used as collateral should not be presented as cash and cash equivalents in the Consolidated Balance Sheet and Consolidated Cash flow Statement. The related collaterals are segregated by long-term and short-term and presented in Financial Fixed assets and Trade and Other receivables accordingly. For detailed information refer to the note-3 of the financial statements.

Additionally, a non-material error was identified in the Consolidated Cash flow Statement in 2022. Fair value movement on derivative instruments (USD 379,360) were mistakenly presented under Interest expense.

The presentation errors has been corrected by each affected financial statement line items. An overview of the impact on the financial position in the Consolidated balance sheet and the Consolidated statement of cash flows can be specified as follows:

Consolidated balance sheet

31-Dec-22

Impact of correction of error

	As previously reported	Adjustment	As restated
Financial fixed assets	7,697,780	9,000,000	16,697,780
Trade and other receivables	8,865,290	5,000,000	13,865,290
Cash and cash equivalents	199,028,238	(14,000,000)	185,028,238
Total Assets	390,349,207	-	390,349,207

Consolidated Cash flow statement

31-Dec-22

Impact of correction of error

	As previously reported	Adjustment	As restated
Interest expense	12,775,662	(379,360)	12,396,302
Other movement in financial fixed assets	-	(9,000,000)	(9,000,000)
Change in Trade and Other receivables	(251,839)	(4,841,584)	(5,093,423)
Cash flow from Operating activities	(6,383,507)	(14,220,944)	(20,604,451)
Exchange rate and translation difference	(2,177,225)	220,944	(1,956,281)
Changes in cash and cash equivalents	34,670,093	(14,000,000)	20,670,093

B.7 Financial instruments

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

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.

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:

substantially all of the risks and rewards of ownership of the financial asset are transferred; or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

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

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

B.7.1 Loans to Customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the foundation does not intend to sell immediately or in the near term. Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less provision for the expected credit losses. The effective interest and expected credit losses, if any, are directly recognised in the profit and loss account. Loans and advances are shown at the gross amount adjusted for any provision for expected credit losses.

Loans originated by the microfinance companies by providing finance directly to borrowers are categorised as loans to programme participants (group members or individuals) and are carried at amortised cost on the basis of the effective interest method.

B.7.2 Non-current and current liabilities and other financial commitments

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

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

B.7.3 Derivatives

The foundation uses derivative financial instruments, such as forward currency contracts and cross currency swaps. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of every financial reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and/or losses are recognized in the profit and loss account.

B.7.4 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.

B.7.5 Offsetting financial instruments

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

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

B.8 Intangible fixed assets

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

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

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

that 'are not yet put into use' 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. The accounting principles for the recognition of an impairment are included under the section Impairments of fixed assets. The capitalised amount is amortised on a straight-line basis over the terms of the contract.

B.8.1 Software licenses

Software licenses are stated at cost less accumulated amortisation and impairment losses. The capitalised amount is amortised on a straight-line basis 25% each year. BRAC considers the useful life of the acquired software to be four years and the software is amortised on a straight-line basis.

B.8.2 Prepayments on intangible fixed assets

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

B.9 Tangible fixed assets

B.9.1 Recognition and measurement

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

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

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

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

B.9.2 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:

Figures in percentage	2023	2022
Buildings	5	5
Equipment	20	20
Computers	33.33	33.33
Motor vehicles	20	20
Other	10	10

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

B.10 Financial fixed assets

B.10.1 Participating interests with significant influence

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

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

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

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

B.10.2 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.

B.10.3 Other financial fixed assets

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

B.10.4 Dividends

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

B.11 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).

B.12 Disposal of fixed assets

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

B.13 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.

B.14 Impairment of financial assets

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio. Management assessed the economic situation in Myanmar and factored the consideration into assessing the level of expected credit loss.

The foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

The Foundation reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

To determine the ECL the Group used a 4-step approach:

Step-1: Determination of Staging

The Group monitors the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Group's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12 months ECL) and stage 2 loans (lifetime ECL) for calculating the ECL provision. The current and loans overdue below 31 days are considered as stage 1. Any loans overdue for 31–90 days are recognised as stage 2 loans. Loans overdue more than 90 days are recognized as stage 3 loan.

Step-2: ECL based on back testing

To avoid the complexity of calculating the separate probabilities of default and loss given default, the Company uses a 'loss rate approach' for the measurement of ECLs under IFRS 9. Using this approach, the company used loss-rate statistics based on the net

amounts written off over the last five years (Gross write-off less subsequent recovery) over the total amount of loan disbursements. The historical loss rates include the impact of security deposits which is adjusted with overdue amounts before loans are written off. The average loss rate is then used on all Stage 1 and 2 loans to calculate the ECL on backtesting rates.

ECL on Forward looking

The forward-looking element of the ECL model is constructed by looking at the trend in net write-off information from the prior three years and applying a projected loss rate in order to anticipate any increase /decrease of future loss.

Step 3: ECL on Stage 3 loans

The Group considers a loan to be credit-impaired when it is overdue for more than 90 days. The ECL applied to net stage 3 loans on the three-year average write off rate from each of the brackets. The rates are below:

Overdue age	Three years average write off rate
91-180 days	31%
181-365 days	43%
365+ days	52%

The loss rates are determined based on an analysis of the last three years' actual write-off on each bracket and taking into account any bad debt recovery thereof.

Step 4: Management Overlay

The Group used a loss rate approach where management used an estimated default rate on the net outstanding portfolio. These rates were based on management's understanding of perceived risks in the market and their experience of managing clients at the ground level. The estimated ECL based on the loss rate was then compared with the total ECL derived under (Stage 1-3) and if the estimated ECL on the loss rate method is higher than the difference is booked as management overlay.

B.15 Cash and cash equivalents

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

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

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

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

B.16 Group Reserves

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

Due to the fact that Stichting BRAC International is not entitled to distribute any of the entities reserves of Tanzania, Uganda, Afghanistan and South Sudan entities, its share in the reserves from the above countries is recorded in a legal reserve. The entities with no share of interest are locally established limited companies by guarantee and having no share capital.

B.17 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.

B.18 Minority interests

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

B.19 Non-current liabilities

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

B.20 Current liabilities

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

B.21 Donor grants and grant income

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

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

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

Stichting BRAC International normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit.

B.22 Interest income on loans and advances

Interest income is recognised in the profit and loss account based on the effective interest rate method. The effective interest rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the foundation shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are integral part of the effective interest rate of a financial instrument including transaction costs, and all other premiums or discounts where applicable.

Interest income on loans and advances 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 Interest income on loans and advances ceases when the loan is transferred to non-interest-bearing loan. The below table summarises the BRAC Interest recognition policy

Loan Maturity	BRAC Credit management
Within maturity period	Current loan
12 months after maturity period	Late loans
+12 months after maturity period	Non-Interest-bearing loan

Cash flows from receipts of interest are presented as cash flows from operating activities.

B.23 Interest Expenses and Similar Charges

Interest expenses and similar charges such as premium, discount and redemption premiums are recognised based on Effective Interest Rate method.

The allocation of these interest expenses 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).

Any premiums and discount on issued debt form part of amortised cost of the financial liability and subsequently part of effective interest rate.

B.24 Other Operating income

Other income comprises income from sale of seeds and includes gains from disposal of assets. Sale of seeds are recognised when the significant risk and rewards are transferred to the customers. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the profit and loss account in the year the asset is derecognised.

Other income includes program participants admission fees, sale of passbook, fees and commission income and income on death from risk funds. The aforementioned fees are recognised on receipt as then the admission and sale constitute as satisfactory performance obligation.

The Group collects fees for the death risk. These fees cover settlement of the outstanding loan amount and other financial assistance if a borrower dies or is disabled. The collections are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds.

B.25 Costs of outsourced work and other external costs

This includes costs incurred in order to support the operational activities, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

B.26 Employee benefits

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

For benefits with accumulating rights, such as bonuses, the projected costs are taken into account during the employment. An expected payment resulting from bonus i.e. festival and other statutory bonus payments are 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. Stichting BRAC International and all of its subsidiaries do not have any profit sharing or incentive bonus scheme, except field operation staffs in microfinance entities in Uganda and Myanmar.

The provision for employee bonus incentive is based on a predetermined Foundation policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months. 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 statement of income and expenses.

B.27 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).

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.

Dutch pension plans

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

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

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

B.28 Corporate income tax

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

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

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

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

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

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

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

B.29 Share in result of participating interests

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

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

B.30 Leasing

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

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

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

B.31 Financial leases

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

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

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

B.32 Operating leases

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

B.33 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.

B.34 Related party transactions

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

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

B.35 Hyperinflation

Under accounting standards, consolidated financial statements prepared based on historical cost must be adjusted with the current purchasing power when operations are in an economy with hyperinflation. This involves applying a general price index that enables the financial information of the subsidiaries operating in a hyperinflationary economy to be presented in the measuring unit in force at the reporting date. All non-monetary assets and liabilities of the subsidiaries operating in a hyperinflationary economy must therefore be adjusted for inflation in order to reflect changes in purchasing power at the reporting date.

Similarly, the income statement is adjusted for inflation during the period. Monetary items do not need to be restated/adjusted as they already reflect purchasing power at the reporting date. Accounting standards do not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. One of the key quantitative indicators is that the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Stichting BRAC International operates in 12 countries across Asia and Africa and monitors the inflation rates in an inflation dashboard which is used as one indication of the existence of hyperinflation, together with an assessment of other economic conditions.

Ghana and Sierra Leone have exceeded the three-year cumulative rate of inflation of 100% by the end of 2023. The general price index used by BIHBV for purposes of measuring inflation movements is the Consumer Price Index ('CPI') of the specific country and is obtained from the entity's central bank website.

SBI has operations in Sierra Leone and Ghana which has been classified as a hyperinflationary economy as the cumulative inflation over the past three years exceeded 100% by 31st December 2023. SBI has used hyperinflationary adjustments for the Sierra Leone financial statements. No adjustments were made for Ghana as the entity has just started its operation in 2023 and the impact is minimal. SBI will continue to monitor the CPI rates in Ghana and will apply hyperinflation accounting if the cumulative inflation exceeds 100% in 2024.

The application of hyperinflation accounting includes the following adjustments:

- Adjustment of historical cost non-monetary assets, liabilities, and stated capital for the change in purchasing power caused by inflation from the date of initial recognition or contribution to the balance sheet date;
- Adjustment or contribution of the income statement for inflation during the year;
- The income statement is translated at the year-end foreign exchange rate instead of a monthly average rate;
- A net monetary gain or loss adjustment, recognised in the income statement, to reflect the impact of inflation on holding monetary assets and liabilities in local currency; and
- Adjustment in the cash flow statement to reflect the current purchasing power.

On the first application of hyperinflationary accounting, there are 2 ways of translation of assets and liabilities 1) non-monetary items will be translated at the start of the financial year for the effect of (hyper)inflation from the dates on which the assets were acquired and liabilities were concluded. The difference with the previous measurement will be recognised in equity; or 2) non-monetary items will be translated at the start of the financial year for the effect of the (hyper)inflation from the start of the financial year in which the criteria for hyperinflation are first met (therefore, the financial year will start with an index of 100%). BIHBV has opted to take the first approach of translation of assets and liabilities.

On first application of hyperinflationary accounting, there is an accounting policy choice of (i) restate comparatives or (ii) do not restate comparatives. SBI has opted to take the approach of not restating the comparatives.

The impact of the implementation of hyperinflation in the consolidated financial statements of the SBI is as follows:

Consolidated Balance Sheet (Amounts in USD)

Particulars	Historical	Impact of IAS 29	Adjusted
Total Assets	383,511,349	295,336	383,806,685
Total Liabilities	260,736,506		260,736,506
Total Equity	122,774,843	295,336	123,070,179

Consolidated Income Statement (Amounts in USD)

Particulars	Historical	Impact of IAS 29	Adjusted
Profit for the year	6,721,405	(2,074,784)	4,646,621

Breakdown of P&L Impact for hyperinflationary accounting:

Particulars	Amount in USD
(Loss) /Gain on Net monetary position	(2,284,316)
Impact of CPI adjustment on other P&L items	209,532
Total (loss)/ Gain due to hyperinflation adjustment on net profit	<u>(2,074,784)</u>

B.36 Contingent liabilities

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

B.37 Subsequent events

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

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

1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2023:			
— Purchase price	5,392,095	608,740	6,000,835
— Accumulated amortisation and impairment	(1,371,240)	-	(1,371,240)
— Carrying amount	4,020,855	608,740	4,629,595
— Impact of hyperinflationary accounting on 1 January 2023:			
— Purchase price	75,489	-	75,489
— Accumulated depreciation and impairment	(21,886)	-	(21,886)
Carrying amount as at 1 January 2023:	4,074,458	608,740	4,683,198
Changes in carrying amount:			
— Investments	1,049,244	438,087	1,487,331
— Amortisation	(601,633)		(601,633)
— Transfer	164,189	(164,189)	-
— Disposal purchase price	(369,648)		(369,648)
— Disposal accumulated depreciation	290,401		290,401
— Exchange rate differences purchase price	(262,420)	-	(262,420)
— Exchange rate differences accumulated depreciation	66,738	-	66,738
— Change in carrying amount	336,871	273,898	610,769
Balance as at 31 December 2023:			
— Purchase price	6,048,949	882,638	6,931,587
— Accumulated amortisation and impairment	(1,637,620)	-	(1,637,620)
— Carrying amount	4,411,329	882,638	5,293,967

The intangible fixed assets consist of expenditure on software license purchased from third parties mainly related to the implementation of a Core Banking System and Planning and Budgeting software (PBCS) in various countries throughout 2023.

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2023:					
— Purchase price	793,782	8,361,586	2,117,272	4,799,212	16,071,852
— Accumulated depreciation and impairment	(197,269)	(5,051,492)	(1,262,802)	(2,798,455)	(9,310,018)
— Carrying amount	596,513	3,310,094	854,470	2,000,756	6,761,834
— Impact of hyperinflationary accounting on 1 January 2023:					
— Purchase price	-	264,685	137,731	172,697	575,113
— Accumulated depreciation and impairment	-	(169,872)	(105,013)	(114,615)	(389,500)
Carrying amount as at 1 January 2023:	596,513	3,404,907	887,188	2,058,838	6,947,446
Changes in carrying amount:					
— Investments	96,803	2,582,215	1,163,007	800,022	4,642,048
— Disposals	(9,998)	(408,706)	(106,184)	(113,390)	(638,278)
— Depreciation	(43,718)	(1,681,875)	(368,005)	(519,940)	(2,613,539)
— Reversal of depreciation on disposal	1,428	225,321	113,716	83,616	424,081
— Exchange rate differences purchase price	(71,991)	(230,138)	(112,675)	(114,232)	(529,035)
— Exchange rate differences accumulated depreciation	19,362	80,251	(125,204)	317,092	291,501
— Change in carrying amount	(8,114)	567,069	564,655	453,168	1,576,779

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Balance as at					
31 December 2023:					
— Purchase price	808,597	10,569,643	3,199,151	5,544,309	20,121,700
— Accumulated depreciation and impairment	(220,198)	(6,597,666)	(1,747,308)	(3,032,302)	(11,597,475)
— Carrying amount	588,399	3,971,976	1,451,843	2,512,007	8,524,225

3 Financial fixed assets

	2023 USD	2022 ¹ USD
Investment in other institution	3,884,141	3,550,973
Deferred tax assets	3,066,586	4,132,507
Deposit with Bank	5,100,000	9,000,000
Derivative Assets	1,988,853	-
Finance lease on leasehold land	6,719	14,300
	14,046,300	16,697,780

Investment in TMF (former SFRE) Fund

The Foundation made a USD 4,000,000 million investment during 2015- 2018 in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund. In September 2022, SFRE merged with the Triodos Microfinance Fund and as a result, 56,151 Type A shares were converted to 134,469,210 SI-share class. The lock-in period for those shares was one year. In September 2023, after the lock-in period, the SI-shares were further converted to 118,472 I-dis share class.

As of 31 December 2023, the Net Asset Value (NAV) per share is EUR 29.67 (2022: EUR 24.78)

	2023 USD	2022 USD
Investment in TMF (SFRE) Fund at cost	4,000,000	4,000,000
Less: Accumulated impairment losses	(115,859)	(449,027)
	3,884,141	3,550,973

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 2023, the remaining lease period is 86 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.

¹ Restated due to correction of error. Refer to note B.6

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 carry forward losses in Uganda and temporary tax assets in Liberia, Sierra Leone, and Tanzania due to timing differences in property and equipment, exchange losses, and provision of impairment losses on receivables. The management estimates to recover the past losses within the next five years.

The deferred tax assets related to the recognised unused tax loss carry-forwards in the subsidiaries (mostly coming from Uganda) and deductible temporary differences. It is expected that the subsidiaries will be able to offset the prior years accumulated losses amounting to USD 6.6 million (2022: USD 8.7 million) within the next five years. Tax losses in Rwanda and Ghana amounting to USD 6.7 million were not recognised to calculate deferred tax assets as the recoverability of those is uncertain because it is not probable that future taxable profit will be available against which the Group can use the benefits there from in the near future, The maturity date of the tax loss carry-forward not included in the valuation amounts as at 31 December 2023 can be specified as follows:

	2023 USD
2024	578,285
2025	596,502
2026	1,757,687
2027 and beyond	3,812,871
	<u>6,745,345</u>

Deposits with Bank

The deposits are kept as cash collateral to access local currency loans in Tanzania, Liberia, Sierra Leone, and Myanmar. The cash collateral can only be accessed once the loan is repaid. The collateral amount maturing within 1 year is presented under trade and other receivables (refer to note 6) and the amount maturing after 1 year is presented under financial fixed assets.

The unrestricted bank deposit balances are presented under the cash and cash equivalents (refer to note 7).

The summary of all bank deposit balances is presented below:

	2023 USD	2022 USD
Deposits unrestricted (note 7)	25,498,552	28,253,658
Deposits kept as collateral maturing within 1 year (note 6)	7,200,000	5,000,000
Deposits kept as collateral maturing after 1 year (note 3)	5,100,000	9,000,000
Total Deposits with Bank	<u>37,798,552</u>	<u>42,253,658</u>

Derivatives

As of 31 December 2023, the Group had cross-currency interest rate swap contracts in Tanzania, Sierra Leone, and Rwanda. The currency swap contracts were done with MFX to mitigate currency risk exposure on the intercompany loans taken from BIFBV. The summary of the cross-currency swaps is as follows:

Entity	2023		2022	
	Notional Amount	Fair Value Assets/(liabilities) At 31 December	Notional Amount	Fair Value Assets/(liabilities) At 31 December
	USD	USD	USD	USD
Tanzania	10,880,830	932,358	5,000,000	(253,293)
Rwanda	5,200,000	704,189	3,600,000	372
Sierra Leone	2,000,000	352,307	1,200,000	(132,200)
Myanmar	-	-	340,000	5,761
Total	18,080,830	1,988,853	10,140,000	(379,360)

The positive value denotes that the entities will receive money from MFX. The Hedge for Myanmar was settled in June 2023.

The applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows using future exchange rates and discounting them with the appropriate interest rate curves. These derivative contracts are classified as Level 2 financial instruments.

4 Inventories

	2023 USD	2022 USD
Finished products, goods for resale and office printed materials	504,973	641,469

The inventories are related to passbook, loan forms and other collateral forms. No provision for obsolete inventories is deemed necessary (2023: USD 0).

5 Loans to customers

Principal loans outstanding

	2023 USD	2022 USD
Gross loans to customers:		
Microfinance loans	134,704,688	116,704,741
Small enterprises programme (SEP) loans	32,317,939	30,111,537
Agriculture loans	13,801,078	14,958,710
Women Enterprise program	3,711,808	3,684,567
Other loans	1,477,361	3,527,322
	186,012,874	168,986,877

Microfinance loans to group members are traditional small-ticket loans (approximate average loan size is USD 310 per customer). The tenure of the loans is within 20-40 weeks and instalments are paid on either a weekly or bi-weekly basis.

SEP loans have slightly larger ticket sizes (average size is around USD 1300) and are normally given to individual small businesses for a period of 6-12 months. The duration of the agriculture loans is approximately 40 weeks. These loans bear flat-rate interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values since the time period of money is not material as the loans have an average duration of no longer than 12 months. All loans are secured up to the balance of the Loan Security Fund.

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 Myanmar it is 5%. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk.

Deposits from Savers (Voluntary Savings) includes the voluntary savings made by the clients and is payable on demand.

The loan security fund USD 30,934,315 and deposit from savers USD 24,189,799 are presented as current liabilities in the consolidated balance sheet.

Loans to customers

	2023 USD	2022 USD
Opening balance as at 1 January	168,986,877	160,501,298
Disbursements during the year	417,992,893	375,083,576
Repayment during the year	(385,288,018)	(345,691,011)
Write-offs during the year (principal)	(4,871,562)	(6,542,959)
Translation differences	(10,807,316)	(14,364,027)
Gross advance to customers	186,012,874	168,986,877
Interest receivable as at 31 December	7,775,283	5,829,328
Write-offs during the year (interest)	(1,307,990)	(1,598,300)
Allowances for expected credit loss	(7,697,737)	(10,492,903)
Closing balance as at 31 December	184,782,430	162,725,002

The movement of the Allowances for expected credit loss is as below:

	2023 USD	2022 USD
Opening balance as at 1 January	10,492,903	13,813,119
Charged for the year	3,395,077	5,649,398
Write-off (principal)	(4,871,562)	(6,542,959)
Write off (interest)	(1,307,990)	(1,598,300)
FX adjustment	(10,691)	(828,355)
Closing balance as at 31 December	7,697,737	10,492,903

The Foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

6 Trade and other receivables

	2023 USD	2022 ¹ USD
Grants receivable	3,207,281	1,699,708
Advances and prepayments to third parties	4,870,956	4,499,190
Deposit with Banks (note 3)	7,200,000	5,000,000
Interest receivable from bank deposits	1,395,450	1,423,066
Other receivables	1,220,059	1,024,417
Prepaid taxes	150,215	218,908
	18,043,961	13,865,289

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects.

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

Advance and prepayments to third parties also includes a deposit receivable of USD 1,250,000 (2022: USD 1,250,000) from BRAC USA which will be received upon the repayment of DFC loan by BRAC Myanmar Microfinance Company Ltd. (Note 24). All the other receivables are due within 1 year.

7 Cash and cash equivalents

	2023 USD	2022 ² USD
Cash at bank	126,272,194	156,067,310
Deposits with banks (note 3)	25,498,552	28,253,658
Cash in hand	840,085	707,270
	152,610,831	185,028,238

The Cash at banks includes an 'Issuer Reserve' of USD 520,928 (2022: USD 376,400) in the BIFBV which is only available to the subsidiary in order to make a payment to prevent a default in the payment of interest in respect of the Notes held by investors under debt program managed by BIFBV. Cash at Bank also includes an amount of USD 22.7 million (2022: USD 21.2 million) which is partially restricted against loan security funds in Rwanda, Uganda, and Tanzania (please refer to note 5). The amount needs to be kept at all times as per the regulatory guidance of these entities. Deposits with Banks in the amount of USD 25.5 million (2022: USD 28.3 million) are available on demand. In case of early withdrawal of the short-term deposit the interest income will be less than the agreed-upon interest rate.

¹ Restated due to correction of error. Refer to note B.6

² Restated due to correction of error. Refer to note B.6

8 Group reserves

For a detailed explanation of the share of the Foundation in group equity, reference is made to note 33 Reserve in the separate financial statements.

	2023 USD	2022 USD
Reserves	112,426,810	112,141,848
Legal Reserve	3,117,648	3,696,834
Minority interest	7,525,720	7,687,717
	123,070,179	123,526,399

Minority interests

	2023 USD	2022 USD
Minority interests:		
— BRAC Uganda Bank Ltd.	7,525,720	7,687,717

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

	2023 USD	2022 USD
Borrowings	115,269,677	103,741,591
Unamortised Cost of Borrowings	(503,681)	(1,036,461)
	114,765,996	102,705,130
Derivative Liability	-	379,360
Less: Current portion of borrowings	(42,211,622)	(28,992,440)
Non-current liabilities as at 31 December	72,554,374	74,092,051

Stichting BRAC International

Borrowings

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

	2023 USD	2022 USD
Opening balance as at 1 January	102,705,130	60,426,536
Received during the year	39,850,389	74,200,568
Repayment during the year	(24,774,306)	(26,278,291)
Deferred set cost on borrowings	532,780	(1,036,461)
Foreign currency (gain)/loss	(3,547,997)	(4,607,222)
	<u>114,765,996</u>	<u>102,705,130</u>
	<u>=====</u>	<u>=====</u>
		USD
Principal amount 1 January 2023		103,741,591
Non-amortised transaction costs		<u>(1,036,461)</u>
Outstanding principal amount as at 1 January 2023:		102,705,130
Received in 2023		39,850,389
Repayments in 2023		(24,774,306)
Foreign currency loss / (gain)		(3,547,997)
Amortisation of transaction costs in 2023		<u>532,780</u>
Outstanding principal amount as at 31 December 2023:		<u>114,765,996</u>
Remaining non-amortised transaction costs		503,681
Current as at 31 December 2023		(42,211,622)
Non-current as at 31 December 2023		72,554,374

The repayment term of the borrowings is as follows

	2023 USD	2022 USD
<1 year	42,211,622	28,992,429
1-5 year	72,554,374	63,020,665
>5 year	-	11,728,036
Total	<u>114,765,996</u>	<u>103,741,130</u>

Out of Borrowings, loans amounting to USD 43.50 million (2022: USD 38.40 million) are in USD and bear an average interest rate of 4.95-7.60% (2022:4.75%-7.35%). The balance of USD 71.77 million (2022: USD 64.07 million) is in local currencies of respective subsidiaries and bears an average interest rate of 7%-23% (2022:11%-17.3%)

Covenant Breaches

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in agreements. As of 31 December 2023, out of the total outstanding debt of USD 114.8 million (2022: 102.7 million), the balance for credit lines with breached covenants was USD 14.2 million (2022: USD 16.5 million) out of which waivers for loans amounting to USD 6.1 million (2022: USD 10.9 million) were subsequently received. The balance is USD 8.1 million (2022: USD 5.6 million) and is presented as payable on demand.

10 Donor Funds

	2023 USD	2022 USD
Donor funds received in advance	63,126,993	81,788,059
Donor funds invested in microfinance loans	1,237,226	1,770,006
Donor funds utilised in fixed assets	4,987,026	2,346,448
	69,351,246	85,904,513

All the donor funds received in advance are approved by the donors. Donor fund decreased in 2023 significantly mainly due to recognition of grant income for Mastercard Foundation funded AIM Programme and the activities carried out for Ultra Poor Graduation Initiative (UPGI) programme.

All amounts included are due within one year.

Donor funds received in advance

	2023 USD	2022 USD
Opening balance	81,788,059	97,733,701
Received during the year	51,898,820	44,600,067
Transfer to donor funds in fixed assets	(3,432,379)	(1,653,148)
Transfer to donor funds - loan to group members	-	(1,395,503)
Released to statement of income and expenses	(67,398,768)	(55,760,838)
Released to others (Refunded to donor & Liquidity reserve)	(514,335)	(879,109)
Receivable from donor	549,561	(1,890,955)
Translation difference	236,036	1,033,844
Closing balance	63,126,994	81,788,059

Donor funds invested in microfinance loans

	2023 USD	2022 USD
Opening balance as at 1 January	1,770,006	1,041,325
Transferred from donor funds received in advance	-	1,395,503
Transferred to income and expenses	(532,780)	(689,053)
Translation difference	-	22,231
Closing balance as at 31 December	1,237,226	1,770,006

Donor funds utilised in fixed assets

	2023 USD	2022 USD
Opening balance	2,346,447	704,423
Transfer from grant received in advance	3,432,379	1,653,148
Released to statement of income and expenses	(584,989)	(403,710)
Assets handed over to others	(138,117)	704,082
Translation difference	(68,694)	(311,495)
Closing balance	4,987,026	2,346,448

11 Other current liabilities

	2023 USD	2022 USD
Payable to BRAC Bangladesh	2,026,666	1,271,191
Payable to biTs (BRAC IT Services Ltd)	397,903	430,733
Accrued expenses	9,131,498	15,348,752
Corporate income tax payable	502,419	1,533,853
Withholding and other taxes	1,520,809	1,329,001
Interest payable on borrowings	2,473,030	2,234,433
Social security fund	1,264,565	1,004,938
Other liabilities	4,178,261	6,020,836
	21,495,150	29,173,737

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

Accrued expenses includes payable to various vendors and individual project participants.

Other liability mainly includes various staff benefit provisions, liquidity reserve and payable to suppliers are part of the other liabilities and accrued expenses. All the other liabilities are payable within one year.

12 Financial instruments

General

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

Risk management framework

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

The Foundation financial risk management policy seeks to identify, appraise, and monitor the risks facing the Foundation whilst taking specific measures to manage its interest rate, foreign exchange, liquidity, and credit risks. The Foundation does not, however, engage in speculative transactions or take speculative positions, and were affected by adverse movements, the Foundation has sought the assistance of donors. The foundation uses derivatives to manage market risk. All such transactions are carried out within the guidelines set out in the risk management policy.

Policy objectives:

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

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

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

Credit risk

Credit risk arises principally from the Foundation's loans and receivables, financial fixed assets, trade and other receivables, and cash. The credit risk is spread over many counterparties, mainly individual customers (banks, customers, and other third parties). In most circumstances there is a long-standing relationship with program participants who have, in most circumstances, timely satisfied their obligation to pay.

There are no significant concentrations of credit risk through exposures to individual customers and, specific industries/sectors. However, Tanzania holds 41% of the Group's credit exposure in 2023 (2022: 40%). Bank of Africa Tanzania holds 23% of the Group's bank balances (2022: 20%)

The foundation's exposure to credit risk on Loans and advances is influenced mainly by the individual characteristics of the loan portfolio (i.e. the programme participants). However, management also considers the characteristics of the Group's customer base, including the default risk of the country, as these factors may have an influence on credit risk. These risks are reflected in the Expected credit loss recognized in accordance with IFRS 9.

Management has an internal process to review and monitor these counterparties, including program participants before loan disbursements are made to mitigate the credit risk. Furthermore, the Group's review also includes an assessment of external ratings of banks selected for deposit-taking.

Disbursed loans are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

During the reporting period, the Foundation has recorded an amount of USD 3,395,077 (USD 5,649,398 in 2022) in profit or loss as an expected credit loss. These losses are the result of overdue amounts on loans provided by microfinance entities to borrowers.

The Foundation has not pledged any collateral for liabilities during the year 2023 and 2022, except for deposits at banks, please refer to note 3.

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

The carrying amounts of financial assets and contract assets represents the maximum credit exposure.

Impairment losses on financial assets and contract assets recognized in profit or loss were as follows:

	2023 USD	2022 USD
ECL expenses on Loans and advances	3,395,077	5,649,398
Impairment loss (reversed)/ charged on investment in shares	(330,073)	153,571
	<u>3,065,004</u>	<u>5,802,969</u>
	=====	=====

Total exposure to credit risk

The below represents the maximum credit risk exposure to the Foundation as at 31 December 2023 and 2022. For on-balance of financial position assets, the exposures set out above are based on carrying amounts as reported on the statement of financial position.

	2023	2022
	USD	USD
Cash at bank excluding cash in hand and deposit with banks (Note 7)	126,272,194	156,067,310
Loans and advances to customers (Note 5)	184,782,430	162,725,002
Loan Security Fund (Note 5)	(30,934,315)	(29,050,427)
Deposit with banks (Note 3)	37,798,552	42,253,658
Trade and other receivables (excluding deposits with banks) (Note 6)	<u>10,843,961</u>	<u>8,865,289</u>
	<u>328,762,822</u>	<u>340,860,833</u>

Loan and advances to customers.

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

A credit policy has been established under which each customer is analysed individually to obtain a loan. The Foundation limits its exposure to credit risk from customers by establishing a maximum payment period per type of loan (i.e. group lending, small enterprises, agriculture, etc.). Besides fixed payment terms, customers are obliged to deposit 10% of the granted loan as a deposit, in Myanmar, it is 5%.

At 31 December 2023, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2023 USD	2022 USD
Sierra Leone	9,842,372	7,671,031
Liberia	15,096,968	13,962,570
Uganda	48,297,272	40,320,752
Rwanda	3,604,188	3,072,605
Tanzania, including Zanzibar	80,133,573	71,001,169
Myanmar	27,669,010	26,696,874
Ghana	139,047	-
	184,782,430	162,725,0027
	=====	=====

Expected Credit Loss Assessment for Individual Customers

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2023.

	Weighted average loss rate	Gross carrying amount (incl. Interest) USD	Loss Allowance USD
Current (not past due)	0.86%	179,845,760	1,540,330
1–30 days past due	4.14%	3,348,637	138,476
31–90 days past due	16.26%	1,262,137	205,180
91–180 days past due	40.33%	804,317	324,390
181– 365 days past due	66.11%	2,825,363	1,867,843
More than one year past due	82.42%	4,393,943	3,621,518
Total		192,480,157	7,697,737
		=====	=====

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2022.

	Weighted average loss rate	Gross carrying amount (incl. Interest) USD	Loss Allowance USD
Current (not past due)	1.6%	157,705,737	2,453,100
1–30 days past due	9.9%	2,749,934	271,905
31–90 days past due	31.8%	1,462,956	465,701
91–180 days past due	58.2%	1,530,761	890,425
181– 365 days past due	64.9%	3,940,659	2,556,969
More than one year past due	66.1%	5,827,858	3,854,804
Total		173,217,905	10,492,903
		=====	=====

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

Management has established a credit policy under which each customer is analysed individually for creditworthiness before new and subsequent facilities are advanced. Credit limits are established for each type of loan product and customer and reviewed regularly.

Cash and cash equivalents.

The Foundation held cash and cash equivalents of USD 164.9 million on 31 December 2023 (2022: USD 199.0 million). 89.2% of the cash and cash equivalents are held with banks with external credit rating B and above. The Company considers that its cash and cash equivalents have low credit risk based on the risk rating of the counterparties.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, to mitigate the currency risk. Credit assessment is carried out on the counterparties before establishing contractual relationships.

Guarantees

The Foundation sometimes provides financial guarantees to subsidiaries to enable them to access local funds. As at 31 December 2023, BIHBV has a guarantee provided to BIFBV against the debt programme. The total amount of Guarantee is USD 8.3 million (2022: USD 6.6 million)

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), and the presentation currency is USD. The currency in which transactions are primarily denominated is USD. The subsidiaries' functional currency is the country's local currency.

To mitigate the foreign exchange risk on foreign currency loans, subsidiaries use either hedge agreements with international hedge providers or a back-to-back loan facility with local banks.

The Company's funding preference is to secure local currency loans for the MFIs (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

Interest Rate Risk

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. 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 and to voluntary savers. BRAC does not engage in speculative transactions or take speculative positions on its interest rates.

The credit methodology of the MFIs determines that loans to microfinance clients have short-term maturities of less than one year and at fixed interest rates. Third-party loans to MFIs, sourced from both local and international financial institutions, mostly have relatively short terms between one and four years, and at a fixed interest rate.

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.

Management of Market Risk

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

Liquidity Risk

The Group monitors its cash position by using successive liquidity budgets. Management ensures that the cash position is sufficient to meet the Company's financial obligations towards creditors and to stay within the limits of its loan covenants.

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met in a manner that is timely and cost-effective. 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 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.

Stichting BRAC International manages its debt maturity profile, operation cash flows, and the availability of funding to meet all refinancing, repayment, and funding needs. As part of its overall liquidity management, the 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 in fixed deposits to meet its working capital requirements.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted include estimated interest payments and exclude the impact of netting agreements.

31 December 2023	Less than 3 Months USD	3 - 12 months USD	1 - 5 years USD
Donor funds	-	69,351,246	-
Loan security fund	7,195,997	23,661,643	76,675
Deposit from savers	12,194,118	11,995,681	-
Current portion of borrowings	11,659,315	30,552,307	-
Other current liabilities	5,376,924	14,294,227	1,823,999
Long term borrowings	-	-	72,554,374
Total	36,426,354	149,855,104	74,455,048
Loan to customers	53,324,058	130,386,366	1,072,006
Trade and other receivables	2,212,172	15,831,789	-
Deposits with Banks	25,498,552	7,200,000	5,100,000
Cash and cash equivalents	127,112,279	25,498,552	-
Total	208,147,061	178,916,707	6,172,006
Net amount	171,720,708	29,061,602	(68,283,042)

31 December 2022	Less than 3 Months USD	3 - 12 months USD	1 - 5 years USD
Donor funds	-	85,904,513	-
Loan security fund	7,557,327	21,288,413	204,687
Deposit from savers	10,429,024	9,180,618	-
Current portion of borrowings	-	28,992,439	-
Other current liabilities	5,344,357	22,426,869	1,402,512
Long term borrowings	-	-	74,092,051
Total	23,330,708	167,792,851	75,699,250
Loan to customers	43,835,697	117,969,044	920,261
Trade and other receivables	1,940,297	11,924,993	-
Deposit with Banks	28,253,658	5,000,000	9,000,000
Cash and cash equivalents	156,774,580	28,253,658	-
Total	230,804,231	163,147,695	9,920,261
Net Amount	207,473,524	(4,645,157)	(65,778,989)

The Company has loan agreements that contain various covenants. A future breach of covenant may require the Company to repay the loan earlier than indicated in the above table. Under the agreements, the covenants are monitored on a regular basis by the and regularly reported to management to ensure compliance with the agreements.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

13 Grant income

The breakdown of grant income by country is as follows:

	2023 USD	2022 USD
Uganda	14,315,530	11,305,472
Afghanistan	16,163,377	23,433,373
The Netherlands	14,659,739	10,196,808
Liberia	5,854,978	2,477,058
Tanzania	7,727,337	2,727,434
Philippines	1,180,082	1,128,593
Sierra Leone	5,251,751	1,231,492
Myanmar	675,211	488,598
Nepal	762	1,267
Kenya	1,316,938	961,666
Rwanda	1,195,782	748,525
South Sudan	1,221,210	3,593,946
Ghana	506,925	-
	70,069,622	58,294,232

The grant income reported under the Netherlands include donor grants received by Stichting BRAC international on behalf of projects, mainly for UPGI programme, where all the costs are incurred in different countries outside of The Netherlands.

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

	2023 USD	2022 USD
Government	861,453	3,244,417
International Organization	17,426,817	16,069,915
Private sector / Foundation	37,014,340	17,354,222
United Nations	13,863,245	20,875,314
EU Commission	887,490	729,513
Donation from individuals	16,277	20,851
	70,069,622	58,294,232

14 Interest income on loans and advances

The breakdown of interest income by country is as follows:

	2023 USD	2022 USD
Uganda	22,785,796	20,181,975
Tanzania	37,786,512	34,353,691
Sierra Leone	5,193,443	5,322,165
Myanmar	8,294,134	9,116,603
Liberia	7,897,309	7,116,326
Rwanda	1,467,618	1,154,083
Ghana	7,070	-
	83,431,883	77,244,843

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

15 Other interest income and similar income

	2023 USD	2022 USD
Fees and commission income	4,389,763	4,066,240
Bank Interest	3,222,036	2,261,253
Fair Value gain on Derivatives	2,373,974	-
Fair value gain on investment in equity	330,073	-
Foreign exchange gain	1,779,193	1,506,571
	12,095,038	7,834,063

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

16 Interest expenses and similar charges

	2023 USD	2022 USD
Interest expense on term loan	13,643,041	10,479,219
Interest expense on savings deposit	1,945,963	1,917,083
Bank charges	1,166,878	559,288
Fair value loss on derivatives	-	379,360
Fair value loss on investment in equity	-	158,416
Foreign exchange loss	2,622,431	983,010
	19,378,313	14,476,376

17 Other operating income

	2023 USD	2022 USD
Overhead income	311,135	631,232
Training income	239,222	235,843
Income from sale of seeds	1,086,646	850,390
Other income	3,463,930	3,917,245
	5,100,933	5,634,710

Other income includes gains made due to early repayment of loans, recovery from written off loans and other project income.

18 Cost of outsourced work and other external costs

	2023 USD	2022 USD
Programme supplies	27,912,705	26,512,653
General and administrative expenses	5,067,965	4,431,751
Travel and transportation	14,460,498	11,404,835
Staff Training and development	879,841	475,627
Rent and utilities	4,396,870	3,717,594
Printing and office stationeries	1,767,419	1,365,565
Audit fees	1,100,736	763,681
Professional and legal fees	5,257,060	4,681,891
Software maintenance costs	3,645,739	2,492,994
Internet costs	1,624,356	798,161
	66,113,189	56,644,878

19 Wages and salaries

	2023 USD	2022 USD
Salaries and benefits	52,505,620	42,487,779

During the 2023 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 8,593 people (2022: 7,898). All staffs are employed outside the Netherlands, except 7 (2022: 4).

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

	2023	2022
Management	100	98
Microfinance services	4,707	4865
NGO Programme employees	1,792	1321
Finance and IT	850	756
Monitoring, Risk, and Internal Audit	166	165
Human Resources	74	75
Other Support functions	904	618
	8,593	7,898

20 Social security and pension charges

	2023 USD	2022 USD
Social security charges	4,885,205	3,148,616

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

The Foundation only has an employee pension scheme (defined contribution) in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2023 is USD 33,955 (2022: USD 24,891).

21 Other operating expenses

	2023 USD	2022 ¹ USD
Other operating expenses	6,343,589	6,828,579

Other expenses include communication a publications cost, meeting and workshop costs, self-insurance provision, group member's death benefits provided to their families, etc.

The breakdown of other operating expenses is as follows:

	2023 USD	2022 USD
Communication and publication	406,301	1,024,147
Generator operating expense	142,115	78,334
Group members death benefits	30,364	24,155
Meeting and workshops	665,178	355,251
Other expenses	3,916,792	3,273,298
Related Party Expenses	-	766,804
Write off and disposals	453,179	245,672
Cost of goods sold	712,944	485,559
HO logistics and management support	316,716	575,359
	6,643,589	6,828,579

22 Tax on result

The major components of the tax charge are as follows:

	2023 USD	2022 ¹ USD
Current tax	6,435,138	5,669,097
Movement in temporary differences	151,694	178,197
Withholding Tax Expenses	1,085,875	984,434
Tax on result	7,672,707	6,831,728

¹ Adjusted for comparison purposes. Refer to note B.1

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

	2023		2022	
	USD	%	USD	%
Result before taxation	14,565,286		17,339,527	
Tax using the domestic tax rate	3,757,844	25.8	4,473,598	25.8
Prior period Tax for BUBL	701,595		-	
Unrecognised tax losses	812,490		462,456	
Withholding tax Expenses	1,085,875		984,434	
Application of different tax rates abroad	1,314,903		911,240	
Other				
Income tax according to consolidated statement of income and expenses	7,672,707	52.7	6,831,728	39.4

Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate in 2023 is due to the fact that the Foundation had lower movement in temporary differences and unused tax losses.

23 Transactions with related parties

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

24 Off-balance sheet assets and liabilities

The Foundation provided a guarantee to Proparco and Global Partnerships for the financing secured in April 2022 by BRAC International Finance B.V. for subsidiaries. As of 31 December 2023, the total amount drawn under this facility is USD 38.4 million (2022: USD 26.8 million). As of 31 December 2023, the amount guaranteed by the Company is USD 3.8 million (2022: USD 4 million) which represents 15% of the outstanding principal amount of the highest borrower, excluding the funds drawn in respect of BRAC Rwanda Microfinance Company PLC. For the period that it remains unprofitable, 100% of the funds drawn in respect of BRAC Rwanda Microfinance Company PLC amounting to USD 4.5 million) are also guaranteed by the Company.

The Company provided a guarantee to DFC in respect of a USD 5 million term loan to BRAC Myanmar Microfinance Company Limited. The guarantee consists of a deposit held in escrow to which the Foundation contributed USD 1 million (2022: USD 1 million) and BIHBV has contributed USD 0.25 million (2022: USD 0.25 million) by way of BRAC

USA. As of 31 December 2023, the outstanding balance of the DFC loan is USD 3.7 million (2022: USD 3.7 million).

As part of the preparation for transformation into a Tier II Financial Institution, the Company had to sell 51% of the shares of BRAC Uganda Microfinance Ltd to meet the requirements under Section 18 of the Financial Institutions Act in 2019. On 20 May 2022, the Uganda Revenue Authorities informed BRAC Uganda Bank Limited that they are of the opinion that the proceeds of the disposal of these shares are to be taxed in Uganda. Management believes that the benefit, if any, of the disposal of these shares is exempt from tax in Uganda under Article 13 (4) of the DTA between Uganda and the Netherlands and has appealed this position through Mutual Agreement Procedure (MAP) as provided in the Double Taxation Treaty (DTA) between Uganda and Netherlands. Subsequently, on 23 April 2024, the Uganda Revenue Authority raised a tax assessment of USD 2.07 million relating to gain on disposal of the shares. Management is in the process of appealing this decision and will take the necessary steps to object to the conclusion made by the Uganda Revenue Authority.

25 Auditor's fees

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

	KPMG Accountants N.V. USD 1,000	Other KPMG Network USD 1,000	Total KPMG USD 1,000
2023			
Audit of the financial statements	394	93	487
Other audit engagements	-	9	9
Tax-related advisory services	147	59	207
Other non-audit services	19	-	19
	560	161	722
2022			
Audit of the financial statements	223	114	337
Other audit engagements			
Tax-related advisory services	128	6	134
Other non-audit services			
	351	120	471

The fees mentioned in the table for the audit of the financial statements 2023 relate to the total fees for the audit of the financial statements 2023, irrespective of whether the activities have been performed during the financial year 2023.

26 Subsequent events

BIHBV has incorporated a new subsidiary named BRAC Kenya Company Limited on 20 February 2024. The company is in the process of applying for a Digital Credit Provider (DCP) license in Kenya.

On 22 February 2024 BRAC Myanmar Microfinance Company Limited made an early settlement of a loan to AGD Bank amounting to MMK 7 billion (USD 3.3 million)

On 17 April 2024, Uganda Tax Authority (URA) raised a demand against BUBL amounting to UGX 7.9 billion (in USD 2.07 million) Uganda shillings under section sections 75(2) and 79(ga) of the Income Tax Act (ITA) against the involuntary disposal of shares during its transformation to a tier-2 bank in Uganda. The entity disagrees with the assessment taxation of the involuntary disposal of shares as it was not a party to the disposal and the transaction incurred between BRAC BV and the investors. BRAC BV has also initiated a mutual application procedure (MAP) with Dutch Tax authorities on the grounds that this is a transaction that is covered under the DTA between Uganda and the Netherlands and cannot be taxed in Uganda.

On 25 June 2024, the management has decided to close BRAC Enterprises Liberia Ltd.

In June 2024 Ms. Rudo Kayombo resigned from the Management Board.

In July 2024 the Management and Supervisory Board approved the suspension of BRAC South Sudan.

The above events are treated as non-adjusting events and hence no entries are made in the financial statement related to such.

27 Segmental information

Operational segments

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

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

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

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

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

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

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

Segmental balance sheet as at 31 December 2023

	NGO	Micro- finance	Social Enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Fixed assets						
Intangible fixed assets	-	5,119,850	-	174,117		5,293,967
Tangible fixed assets	3,249,721	4,781,511	240,079	252,912		8,524,223
Financial fixed assets	-	10,749,093	9,486	174,248,405	(170,960,684)	14,046,300
	3,249,721	20,650,454	249,565	174,675,434	(170,960,684)	27,864,490
Current assets						
Inventories	146,495	310,075	48,403			504,973
Loans to customers		184,782,430				184,782,430
Trade and other receivables	5,845,212	11,252,884	(1,074,166)	48,144,965	(46,124,934)	18,043,961
Cash and cash equivalents	9,427,995	51,872,933	457,599	90,852,304	-	152,610,831
	15,419,702	248,218,322	(568,164)	138,997,269	(46,124,934)	355,942,195
	18,669,423	268,868,776	(318,599)	313,672,703	(217,085,618)	383,806,685

Stichting BRAC International

	NGO USD	Micro- Finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Group reserves						
Reserves	29,573	70,866,370	(465,720)	212,957,271	(170,960,684)	112,426,810
Legal Reserves	3,117,648	-	-	-	-	3,117,648
Minority interests	-	7,525,721	-	-	-	7,525,721
	3,147,221	78,392,091	(465,720)	212,957,271	(170,960,684)	123,070,179
Non-current liabilities	-	72,554,374	-	-	-	72,554,374
Current liabilities						
Donor Funds	4,270,990	3,736,294	15,121	61,328,841	-	69,351,246
Loan Security Fund	-	30,934,315	-	-	-	30,934,315
Deposits from savers	-	24,189,799	-	-	-	24,189,799
Current portion of the borrowings	-	8,330,474	-	33,881,148	-	42,211,622
Other current liabilities	11,251,210	50,731,430	132,000	5,505,443	(46,124,933)	21,495,150
	15,522,200	117,922,312	147,121	100,715,432	(46,124,933)	188,182,132
	18,669,421	268,868,776	(318,599)	313,672,703	(217,085,616)	383,806,685

Segmental statement of income and expenses for the year ended 2023

	NGO USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Grant income	49,464,215	4,412,487	216,245	15,976,675	-	70,069,622
Interest income	-	83,431,883	-	-	-	83,431,883
Bank Interest and similar income	616,803	9,242,344	22,427	4,696,400	(2,482,936)	12,095,038
Interest and similar income	50,081,018	97,086,714	238,672	20,673,075	(2,482,936)	165,596,543
Interest expenses and similar charges	(1,192,665)	(18,110,775)	(5,272)	(2,552,537)	2,482,936	(19,378,313)
Net interest income	48,888,353	78,975,939	233,400	18,120,538	-	146,218,230
Other operating income	3,041,302	2,537,201	1,182,048	18,214,058	(19,873,676)	5,100,933
	51,929,655	81,513,140	1,415,448	36,334,596	(19,873,676)	151,319,163
Impairment losses on loans to customers	-	(3,395,077)	-	-	-	(3,395,077)
Net operating income	51,929,655	78,118,063	1,415,448	36,334,596	(19,873,676)	147,924,086
Cost of outsourced work and other external costs	(34,508,639)	(22,508,016)	(519,206)	(8,577,328)	-	(66,113,189)
Wages and salaries	(14,071,191)	(30,324,315)	(345,228)	(7,642,842)	-	(52,383,576)
Social security and pension charges	(1,176,004)	(3,803,355)	(26,420)	(1,471)	-	(5,007,250)
Amortisation and depreciation on intangible and tangible fixed assets	(676,872)	(2,451,538)	(24,983)	(57,803)	-	(3,211,196)
Other operating expenses	(1,590,205)	(3,936,437)	(944,471)	(7,933,970)	7,761,494	(6,643,589)
Total operating expenses	(52,022,910)	(63,023,661)	(1,860,309)	(24,213,414)	7,761,494	(133,358,800)
Operating result (carried forward)	(93,255)	15,094,401	(444,860)	12,121,182	(12,112,182)	14,565,286

Stichting BRAC International

	Non-Micro- Finance USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Brought forward	(93,255)	15,094,401	(444,860)	12,121,182	(12,112,182)	14,565,286
Net (Loss)/Gain on Monetary Assets	95,862	(2,380,177)				(2,284,316)
Tax on result from ordinary activities	(94,576)	(6,349,685)	(4,443)	(1,224,003)	-	(7,672,707)
Result after tax	(91,969)	6,364,540	(449,303)	10,897,179	(12,112,182)	4,608,263
Minority interests	-	38,357	-	-	-	38,357
Net result	(91,969)	6,402,896	(449,303)	10,897,179	(12,112,182)	4,646,620

Geographic information

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

Geographical balance sheet as at 31 December 2023

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	4,993,014	126,836	174,117	-	5,293,967
Tangible fixed assets	8,059,288	414,358	50,577	-	8,524,223
Financial fixed assets	8,658,579	2,100,000	174,248,405	(170,960,684)	14,046,300
	21,710,881	2,641,194	174,473,099	(170,960,684)	27,864,490
Current assets					
Inventories	504,973	-	-	-	504,973
Loans to customers	157,113,420	27,669,010	-	-	184,782,430
Trade and other receivables	12,108,126	4,369,681	47,691,088	(46,124,934)	18,043,961
Cash and cash equivalents	56,266,883	6,610,102	89,733,846	-	152,610,831
	225,993,402	38,648,793	137,424,934	(46,124,934)	355,942,195
	247,704,283	41,289,987	311,898,033	(217,085,618)	383,806,685
Group reserves					
Reserves	64,060,390	6,369,833	212,957,271	(170,960,684)	112,426,810
Legal Reserves	1,692,237	1,425,411			3,117,648
Minority interests	7,525,721	-	-	-	7,525,721
	73,278,348	7,795,244	212,957,271	(170,960,684)	123,070,179
Non-current liabilities	46,417,998	6,000,000	20,136,376	-	72,554,374
Current liabilities					
Donor Funds	7,508,754	1,408,281	60,434,211	-	69,351,246
Loan Security Fund	28,599,118	2,335,197	-	-	30,934,315

Stichting BRAC International

Deposits from savers	21,104,751	3,085,048	-	-	24,189,799
Current portion of the borrowings	19,739,231	8,727,619	13,744,772	-	42,211,622
Other current liabilities	51,056,084	11,938,597	4,625,403	(46,124,934)	21,495,150
	<u>128,007,938</u>	<u>27,494,742</u>	<u>78,804,386</u>	<u>(46,124,934)</u>	<u>188,182,132</u>
	<u>247,704,284</u>	<u>41,289,986</u>	<u>311,898,033</u>	<u>(217,085,618)</u>	<u>383,806,685</u>

Geographical statement of income and expenses for the year ended 2023

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	37,390,453	18,019,433	14,659,736	-	70,069,622
Interest income	75,137,749	8,294,134	-	-	83,431,883
Bank interest and similar income	9,348,139	602,559	4,627,276	(2,482,936)	12,095,038
Interest and similar income	121,876,341	26,916,126	19,287,012	(2,482,936)	165,596,543
Interest expenses and similar charges	(16,018,103)	(3,303,782)	(2,539,364)	2,482,936	(19,378,313)
Net interest income	105,858,238	23,612,344	16,747,648	-	146,218,230
Other operating income	7,821,407	1,434,560	15,718,642	(19,873,676)	5,100,933
Impairment losses on loans to customers	113,679,645	25,046,904	32,466,290	(19,873,676)	151,319,163
	(604,100)	(2,790,977)	-	-	(3,395,077)
Net operating income	113,075,545	22,255,927	32,466,290	(19,873,676)	147,924,086
Cost of outsourced work and other external costs	(44,867,678)	(13,805,966)	(7,439,545)	-	(66,113,189)
Wages and salaries	(40,440,318)	(6,967,073)	(4,976,185)	-	(52,383,576)
Social security and pension charges	(4,953,223)	(54,027)	-	-	(5,007,250)
Amortisation and depreciation on intangible and tangible fixed assets	(3,056,161)	(143,456)	(11,579)	-	(3,211,196)
Other operating expenses	(5,673,334)	(813,948)	(7,917,801)	7,761,494	(6,643,589)
Total operating expenses	(98,990,714)	(21,784,470)	(20,345,110)	7,761,494	(133,358,800)
Operating result (carried forward)	14,084,831	471,457	12,121,180	(12,112,182)	14,565,286

Stichting BRAC International

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	14,084,831	471,457	12,121,180	(12,112,182)	14,565,286
Net (Loss)/Gain on Monetary Assets	(2,284,316)	-	-	-	(2,284,316)
Tax on result from ordinary activities	(5,885,664)	(563,040)	(1,224,003)	-	(7,672,707)
Result after tax	5,914,851	(91,583)	10,897,177	(12,112,182)	4,608,263
Minority interests	38,357	-	-	-	38,357
Net result	5,953,208	(91,583)	10,897,177	(12,112,182)	4,646,620

Stand-alone balance sheet as at 31 December 2023

(before appropriation of result)

		2023		2022 (Restated) ¹	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets	28	1,643,161		782,630	
Intangible Assets	29	174,117		-	
Financial fixed assets	30	99,596,973		97,259,480	
			101,414,251		98,042,110
Current assets					
Inventories		25,586		31,307	
Trade and other receivables	31	5,485,289		4,661,723	
Cash and cash equivalents	32	73,435,673		104,374,920	
			78,946,548		109,067,950
			180,360,799		207,110,060
Reserves					
Reserves	33		112,605,293		112,244,850
Current liabilities					
Donor funds	34	62,888,408		77,189,981	
Other current liabilities		4,867,098		17,675,229	
			67,755,506		94,865,210
			180,360,799		207,110,060

The notes on pages 94 to 109 are an integral part of these stand-alone financial statements.

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

Stand-alone statement of income and expenses for the year ended 31 December 2023

		2023		2022 (Restated) ¹	
		USD	USD	USD	USD
Income					
Grant income	36	26,016,390		15,018,479	
Other operating income	37	810,669		2,343,509	
Total operating income			26,827,059		17,361,987
Cost of outsourced work and other external costs	38	(14,401,755)		(6,085,768)	
Wages and salaries	39	(9,879,643)		(6,614,726)	
Social security and pension charges	39	(83,866)		(102,995)	
Amortisation and depreciation on tangible fixed assets		(240,671)		(113,393)	
Other operating expenses	40	(4,406,829)		(2,644,574)	
Total operating expenses			(29,012,763)		(15,561,456)
Operating result			(2,185,704)		1,800,531
Interest income and similar income	41		1,874,958		1,111,967
Interest expense and similar charges	42		(195,129)		(780,876)
Result before tax			(505,874)		2,131,623
Net (Loss)/Gain on Monetary Assets			95,862		-
Tax on result			(19,645)		(64,344)
Share in result of participating interests	43		5,733,467		7,198,014
Net result			5,303,809		9,265,293

The notes on pages 94 to 109 are an integral part of these stand-alone financial statements.

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3 and adjusted for comparison purposes, reference is made to note C.

Notes to the 2023 stand-alone financial statements

C. General

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

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

The withholding taxes amounting USD 64,344 has been reclassified under Tax on result from Other operating expenses in the stand-alone statement of income and expenses for comparison purposes and to increase transparency resulting in a better reflection of the operations of the company (Ref D.3).

D. Accounting policies

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

D.1 Participating interests in group companies

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

D.2 Share in result of participating interests

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

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

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

D.3 Correction of errors

Stichting BRAC international and its subsidiaries and branches has interparty transactions among the entities. The receivable and payable balance in the amount of USD 2,516,267 was presented on a net basis in 2022 stand-alone balance sheet. The management identified that receivable and payable balances should be presented on a gross basis per subsidiaries.

Additionally, support from Stichting BRAC International to its branches in the amount of USD 1,247,716 was not eliminated in 2022 stand-alone statement of income and expenses which is presented after elimination.

Furthermore, withholding taxes amounting to USD 64,344 has been reclassified under tax on result from other operating expenses for comparison purposes in 2022 stand-alone statement of income and expenses to increase transparency resulting in a better reflection of the operations of the company.

For detailed information refer to the note - 31, 34 and 40 of the financial statements.

The presentation error has been corrected by each affected financial statement line items. An overview of the impact on the financial position in the stand-alone balance sheet and the stand-alone statement of income and expenses is specified as follows:

Stand-alone balance sheet 31-Dec-22	Impact of correction of error		
	As previously reported	Adjustment	As restated
Trade and other receivables	2,145,456	2,516,267	4,661,723
Total Assets	204,593,793	2,516,267	207,110,060
Current liabilities	92,348,943	2,516,267	94,865,210
Total Liabilities and Equity	204,593,793	2,516,267	207,110,060

Stand-alone statement of income and expenses 31-Dec-22	Impact of correction of error		
	As previously reported	Adjustment	As restated
Other operating income	3,591,225	(1,247,716)	2,343,509
Total operating income	18,609,704	(1,247,716)	17,361,988
Other operating expenses	(3,956,634)	1,312,060	(2,644,574)
Operating result	1,736,188	64,344	1,800,532
Tax on result	-	(64,344)	(64,344)
Net result	9,265,293	-	9,265,293

28 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor Vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2023:					
— Purchase price	279,709	663,605	412,834	136,366	1,492,513
— Accumulated depreciation and impairment	(66,204)	(285,540)	(223,104)	(135,034)	(709,883)
— Carrying amount	213,504	378,065	189,729	1,332	782,630
— Impact of hyperinflationary accounting on 31 December 2023 balance:					
— Purchase price	-	144,930	87,452	45,993	278,375
— Accumulated depreciation and impairment	-	(71,466)	(54,735)	(21,603)	(147,804)
Balance as at 1 January 2023:	213,504	451,529	222,446	25,722	913,201
Changes in carrying amount:					
— Investments	68,231	490,213	384,928	205,752	1,149,124
— Disposals	-	(10,073)	(18,950)	(3,009)	(32,032)
— Depreciation	(15,648)	(129,294)	(84,631)	(10,381)	(239,955)
— Adjustment on depreciation for disposal	-	9,907	18,273	2,206	30,386
— Exchange rate differences purchase price	(57,542)	(131,090)	(75,789)	(36,172)	(300,593)
— Exchange rate differences accumulated depreciation	9,993	38,420	(17,582)	92,197	123,028
— Balance	5,034	268,083	206,249	250,592	729,958
Balance as at 31 December 2023:					
— Purchase price	290,398	1,157,585	790,475	348,930	2,587,388
— Accumulated depreciation and impairment	(71,859)	(437,973)	(361,779)	(72,616)	(944,227)
— Carrying amount	218,539	719,612	428,696	276,314	1,643,161

29 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2023:			
— Purchase price	-	-	-
— Accumulated amortisation and impairment	-	-	-
— Carrying amount	-	-	-
Changes in carrying amount:			
— Investments	96,333	78,500	174,833
—			
— Amortisation	(716)	-	(716)
— Transfer	-	-	-
— Exchange rate differences purchase price	-	-	-
— Exchange rate differences accumulated depreciation	-	-	-
— Change in carrying amount	95,617	78,500	174,117
Balance as at 31 December 2023:			
— Purchase price	96,333	78,500	174,833
— Accumulated amortisation and impairment	(716)	-	(716)
— Carrying amount	95,617	78,500	174,117

The intangible fixed assets consist of expenditure of Monitoring tools and Planning and Budgeting software (PBCS) in 2023.

30 Financial fixed assets

	2023 USD	2022 USD
Shareholding in BRAC International Holdings B.V.	99,596,973	97,259,480
Shareholding in BRAC International Enterprises B.V.	-	-
	99,596,973	97,259,480

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

	2023 USD	2022 USD
Balance as at 1 January	97,259,480	94,645,921
Hyperinflation adjustment in BRAC Microfinance (SL) Limited	2,401,538	-
Adjusted Balance as at 1 January	99,661,018	94,645,921
Conversion of liability in BIHBV	-	2,545,942
Investment in BIHBV	500,000	-
Share in result of subsidiary	6,521,962	7,717,562
Foreign currency translation difference	(7,086,007)	(7,649,945)
Balance as at 31 December	99,596,973	97,259,480

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

	2023 USD	2022 USD
Opening balance	-	-
Group restructuring - BETL and BSBEU	-	7,580
Investment in BIEBV	750,000	500,000
Negative participation in BIEBV	72,498	(6,104)
Share in result of subsidiary	(788,495)	(519,548)
Foreign currency translation difference	(34,003)	18,073
Balance as at 31 December	-	-

Stichting BRAC International

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

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

Name	Legal address	2023 share of interest %	2022 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100

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

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

Name	Legal address	2023 share of interest %
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	100
BRAC Enterprise Liberia Limited	Monrovia, Liberia	100

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

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

The entities (listed in note B.4.3) with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of Stichting BRAC International. Within these consolidated group companies, at least one of the executives of the Stichting BRAC International is involved as member of the Board of Directors.

BRAC Lanka Investments (Private) Ltd. is a dormant entity since 2015.

31 Trade and other receivables

	2023 USD	2022 (Restated) ¹ USD
Grant receivables	423,951	302,643
Advances to third parties	1,973,463	1,989,733
Receivables related parties	2,278,713	1,958,113
Other assets	809,161	411,234
	5,485,289	4,661,723

The receivables from related parties include USD 2,278,713 (2022: USD 1,958,113) provided to BRAC International Holdings B.V. and other subsidiaries against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

32 Cash and cash equivalents

	2023 USD	2022 USD
Cash in hand	69,626	24,122
Cash at Bank	55,366,048	89,350,798
Short term deposits	18,000,000	15,000,000
	73,435,673	104,374,920

All cash and cash equivalent balances are available on demand. The short-term deposits have been committed for 3 months but it is available on demand. In case of early withdrawal of the short-term deposit the interest income will be less than the agreed upon interest rate.

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

33 Reserve

	General Reserve	Foreign currency translation reserve	Total
	USD	USD	USD
As at 1 January 2022	116,278,252	(5,588,144)	110,690,108
Unappropriated result for the year	9,265,293	-	9,265,293
Foreign currency translation differences		(7,710,551)	(7,710,551)
As at 31 December 2022	125,543,545	(13,298,695)	112,244,850
Impact of Hyperinflationary Accounting	2,370,119	-	2,370,119
As at 1 January 2023	127,913,664	(13,298,695)	114,614,969
Unappropriated result for the year	5,303,809	-	5,303,809
Foreign currency translation differences	-	(7,313,485)	(7,313,485)
As at 31 December 2023	133,217,473	(20,612,179)	112,605,294

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

	2023 USD	2022 USD
Reserves according to the consolidated balance sheet	115,544,458	115,838,682
Less:		
— Reserve of affiliated Foundations and companies without participating interest (note 30):		
BRAC Uganda	2,608,659	3,267,539
BRAC Afghanistan	1,425,411	1,657,483
BRAC Maendeleo Tanzania	(256)	(19,047)
BRAC South Sudan	(916,165)	(1,209,140)
		-
	3,117,648	3,696,834
— Reversal of impairment	(178,485)	(103,002)
Reserves according to the stand-alone balance sheet	112,605,294	112,244,850
	2023 USD	2022 USD
Net result according to the consolidated statement of income and expenses	4,646,621	10,228,286
Less:		
— Surplus of affiliated Foundations, without participating interest:		
BRAC Uganda	(607,001)	(203,704)
BRAC Afghanistan	(369,263)	1,052,763
BRAC Maendeleo Tanzania	19,843	40,452
BRAC South Sudan	292,975	73,483
	(663,446)	962,994
— Reversal of impairment	6,257	-
Net result according to the stand-alone statement of income and expenses	5,303,809	9,265,293

34 Current liabilities

	2023 USD	2022 (Restated) ¹ USD
Donor funds	62,888,408	77,189,981
Other current liabilities	4,867,098	15,158,962
	67,755,506	92,348,943

Donor funds

	2023 USD	2022 USD
Donor funds received in advance	61,612,906	76,708,670
Donor funds utilised in fixed assets	1,275,502	481,311
	62,888,408	77,189,981

Donor funds decreased mainly due to the project expenditure of Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme.

Donor funds received in advance

	2023 USD	2022 USD
Opening balance	76,708,670	95,475,059
Received during the year	29,621,649	(3,920,079)
Transfer to donor funds in fixed assets	(903,246)	(301,166)
Released to statement of income and expenses	(24,564,755)	(12,834,672)
Released to others (Released to subsidiaries & refunded to donors)	(19,381,433)	(68,637)
Receivable from donor	(115,579)	(203,308)
Other receivables	-	(49,628)
Translation difference	247,600	(1,388,899)
	61,612,906	76,708,670

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

Donor funds utilised in fixed assets

	2023	2022
	USD	USD
Opening balance	481,310	276,341
Transfer from grant received in advance	903,246	301,166
Released to statement of income and expenses	(60,190)	(50,836)
Translation difference	(48,864)	(45,361)
Closing balance	1,275,502	481,310

Other current liabilities

	2023	2022
	USD	(Restated)¹
		USD
Related-party payables	2,209,729	16,286,894
Accrued expenses	104,939	35,643
Corporate income tax payable	460,373	3,549
Withholding and other taxes	202,197	90,124
Provision for negative participation	175,500	(6,104)
Social security fund	164,742	73,862
Other liabilities	1,549,617	1,191,261
	4,867,098	17,675,229

Other liability mainly includes various staff benefit provisions, liquidity reserve, provision for negative participation and payable to suppliers are part of the other liabilities and accrued expenses. All the other liabilities are payable within one year.

35 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

36 Grant income

	2023 USD	2022 USD
Grant income from donors	26,016,390	15,018,479

In 2023, grant income includes USD 1.5 million (2022: USD 2 million) in kind support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2023. Grant income also includes expenses incurred by Stichting BRAC International and its subsidiaries on behalf of different donor projects, mainly for UPGI and AIM programme.

37 Other operating income

	2023 USD	2022 (Restated) ¹ USD
Overhead income	1,022,182	1,808,536
Other income	(211,513)	534,973
	810,669	2,343,509

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

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

38 Cost of outsourced work and other external costs

	2023 USD	2022 USD
Programme supplies	6,572,808	2,216,516
Maintenance and general expenses	610,036	224,547
Travel and transportation	2,656,995	1,354,518
Staff training and development	129,405	55,937
Rent and utilities	878,457	374,167
Printing and office stationeries	185,358	48,755
Audit fees	421,358	226,524
Professional and legal fees	2,460,935	1,381,215
Software maintenance costs	264,795	143,998
Internet costs	221,607	59,591
	14,401,755	6,085,768

39 Wages and salaries and social security and pension charges

	2023 USD	2022 USD
Staff costs	9,879,643	6,614,726
Social security and pension charges	83,866	102,995

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total pension contribution in the Netherlands for the year 2023 is USD 15,904 (2022: USD 24,891).

40 Other operating expenses

	2023 USD	2022 (Restated) ¹ USD
Other operating expenses	4,406,829	2,644,574

Other operating expenses include various programme expenses, communication and publication expenses, meeting and workshops, security charges and supplies to the programmes.

¹ The comparative information is restated on account of the correction of errors, reference is made to note D.3.

The breakdown of other operating expenses is as follows:

	2023	2024
	USD	USD
Communication and publication	142,769	26,585
Generator operating expense	23,244	25,590
Meeting and workshops	461,814	190,837
Other expenses	2,173,755	1,632,145
Related Party Expenses	1,597,405	769,031
Write off and disposals	5,405	386
HO logistics and management support	2,437	-
Total	4,406,829	2,644,574

41 Other Interest income and similar income

	2023	2022
	USD	USD
Bank Interest	1,429,863	386,659
Exchange differences	445,095	725,308
	1,874,958	1,111,967

42 Interest expenses and similar charges

	2023	2022
	USD	USD
Bank charges	92,356	67,512
Foreign exchange loss realised	102,773	713,364
	195,129	780,876

43 Share in result of participating interests

	2023	2022
	USD	USD
BRAC International Holdings B.V.	6,521,962	7,717,562
BRAC International Enterprises B.V.	(788,495)	(519,548)
	5,733,467	7,198,014

44 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation amounted to USD 516,975 (2022: USD 559,792) for current and former Management Board Members.

45 Subsequent events

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

Stichting BRAC International

The Hague, 20 August 2024

Management Board Stichting BRAC International

Mr. Shameran Abed

Mr. Saif Md Imran Siddique

Supervisory Board Stichting BRAC International

Ms. Irene Zubaida Khan

Mr. Allert Pieter van den Ham

Ms. Sylvia Borren

Dr. Debapriya Bhattacharya

Ms. Amira Mosad Elmissiry

Mr. Stephen Frederick Rasmussen

Ms. Enid Muthoni Ndiga

Ms. Farzana Ahmed

Other information

Provisions in the Deed of Incorporation governing the appropriation of result

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

Branch Offices

The Foundation's has branch offices in Liberia (BRAC Liberia), Sierra Leone (BRAC Sierra Leone), Philippines (Stichting BRAC International, Inc. - Philippines), Nepal (BRAC Nepal), Myanmar (BRAC Myanmar), Rwanda (Stichting BRAC International, Rwanda) and Kenya (Stichting BRAC International, Kenya).

Independent auditor's report

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

Independent auditor's report

To: the Supervisory Board of Stichting BRAC International

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2023 of Stichting BRAC International, based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting BRAC International as at 31 December 2023, and of its result for the year ended on 31 December 2023 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- 1 the consolidated and stand-alone balance sheet as at 31 December 2023;
- 2 the consolidated and stand-alone statement of income and expenses for the year ended on 31 December 2023; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Information in support of our opinion

Audit response to the risk of fraud and non-compliance with laws and regulations

In the sections 'Fraud and Non-compliance risk' and 'Legal and Compliance' of the Management Board report, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

As part of our audit, we have gained insights into the Foundation and its business environment and the Foundation's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Foundation's code of conduct, BRAC whistleblowing policy and procedures, policy on Anti-Money Laundering and Combating Financing of Terrorism, standard operating procedure on sanctions screening, inspection of the summary of incidents presented by management to the Supervisory Board and its procedures to investigate indications of possible fraud and non-compliance.

Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit and Head of Legal & Compliance. We have also incorporated elements of unpredictability in our audit, such as: use of the Bank Transaction Analysis (BTA) tool, inquiries of the director of Programmes and the director of Humanitarian Programmes, interview with the Head of Safeguarding department and online meetings with the local auditor in Liberia.

As a result from our risk assessment, we identified compliance with anti-bribery and anti-corruption laws and regulations as an area most likely to have a material effect on the financial statements in case of non-compliance, as the Foundation is operational in higher risk jurisdictions and interact with governments and other regulatory authorities to obtain licenses and permits. The operations in Myanmar and Afghanistan, and the presence of the military and the Taliban in these countries, resulted in the identification of a risk of material misstatement with respect to money laundering and terrorist financing.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding controls that otherwise appear to be operating effectively such as estimates related to the expected credit loss on the Loans to customers.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as controls related to journal entries, estimates and post-closing adjustments.
- We performed data analysis procedures on high-risk journal entries, on Foundation- and component level, related to significant risk areas on revenue recognition, and evaluated key estimates and judgments for bias by the Foundation's management with respect to the expected credit loss on the Loans to customers. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We examined all minutes and resolutions of the Foundation to search for indications of fraud and for significant transactions that are outside the Foundation's normal course of business, or are otherwise unusual.

Revenue recognition of grant income (a presumed risk)

Risk:

The Foundation is under pressure from donors to meet their expectations with respect to achieving goals, as defined in the grant contract. Furthermore, the Foundation is dependent on the donors to secure operations in the countries in future years. We therefore identified the existence of grant income as a fraud risk in our audit.

Responses:

- We assessed the design and implementation of the process level controls within the grant income recognition process and the segregation of duties within the tender processes for obtaining new donor agreements.
- We made inquiries with management regarding new donor agreements, and the specific arrangements within the contracts for revenue recognition. For a selection of contracts, we have tested whether appropriate revenue recognition criteria have been applied.
- Other substantive procedures comprised of testing the outstanding donor program loan balances based on the donor program movement schedule, and vouching of grant expenses to underlying documentation such as contracts and third party invoices, and vouching grants obtained with bank statements and the donor agreement.
- We assessed the adequacy of the Foundation's disclosures in the financial statements.

Revenue recognition of interest income (a presumed risk)

Risk:

Management incentives exist which are tied to profitability and pressure from stakeholders to meet the budget and to achieve the growth levels as set out in the future growth plan of the Foundation. We therefore identified the existence of interest income as a fraud risk in our audit.

Responses:

- We assessed the design and implementation of the process level controls within the interest income revenue recognition process to ensure that revenue is recognised in the correct accounting period and that loans are disbursed to existing customers.
- We tested the completeness and existence of the interest income from the disbursed loans throughout the period for a selected number of contracts and have performed specific cut-off procedures on the revenue recognised in December 2023.
- Other substantive procedures comprised of substantive analytical procedures on interest income recognised by making an expectation based on the fixed interest percentages and the loans disbursed throughout the period.
- We assessed the adequacy of the Company's disclosures in the financial statements.

Anti-bribery and anti-corruption laws and regulations

Risk:

Due to the operations in higher risk jurisdictions (with Corruption Perceptions Index score below 60) and the interaction with government and/or other authorities to obtain licenses and permits, we identified a significant risk of bribery and corruption.

Responses:

- We evaluated the design and implementation of internal controls and adherence to the anti-bribery and anti-corruption policy, the code of conduct, and the design and implementation of controls to identify and authorize transactions with governments.
- We vouched transactions with governments, based on the specific item criteria to invoices, agreements and bank statements.

- We tested the design and implementation of the segregation of duties within the tender processes for obtaining new donor agreements.
- We performed relevant inquiries with management and those charged with governance and other relevant functions such as Internal Audit and Head of Legal & Compliance.
- We inquired the management and its (Foundation) lawyer with respect to compliance with laws and regulations, including bribery and corruption.
- We obtained written management representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Anti-money laundering laws and regulations

Risk:

The Foundation operates in high-risk jurisdictions which are specifically mentioned on the EC/FATF list of countries that are at a higher risk of money laundering and terrorist financing. The charitable operations include interaction with the government in Afghanistan, which is considered to be the Taliban group (listed as a terrorist group). Other regions such as Myanmar are being monitored for potential similar changes. Interaction with the government is conform the nature of business in both countries. We identified a risk of material misstatement with respect to compliance with the anti-money laundering laws and regulations.

Responses:

- We evaluated the process level controls, designed and implemented by management, to ensure that the Foundation is in compliance with the applicable laws and regulations.
- We performed substantive procedures to verify that expenses, including program supplies, are to appropriately authorized suppliers and verified that the payments are done to the bank account number on the invoice.
- We evaluated process level controls, designed and implemented by management, and that prior to issuance of loans to program participants, appropriate Know Your Client procedures are performed.

We communicated our risk assessment, audit responses and results to management, the Finance Audit and Risk Committee and the Supervisory Board.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Management Board has performed its going concern assessment and has not identified any going concern risks. To assess the Management Board's assessment, we have performed, inter alia, the following procedures:

- We considered whether the Management Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- We considered whether the developments in the market, including macro-economic developments, indicate a going concern risk.
- We inquired with the Management Board on the key assumptions and principles underlying the Management Board's assessment of the going concern risks.

- We inspected the financing agreement in terms of conditions that could lead to going concern risks, including the term of the agreement and any covenants.
- We analysed the Foundation's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Report on the other information included in the annual report

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

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

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

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

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

Description of the responsibilities for the financial statements

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

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board and the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud. In that respect, the Management Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.



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

Amstelveen, 20 August 2024

KPMG Accountants N.V.

G.L. Brewster RA