brac

2017 ANNUAL REPORT

ANNUAL REPORT 2017

BRAC IN PAKISTAN

If you were to describe this world, which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent. Or would you say, even though it may be true, that our world is where we live, but it is a place that doesn't work for everyone? Our world is our playground, a platform for the creativity of all seven billion of us.

Sometimes it's hard to believe that a world that works for all of us can be possible. But the opportunities are all around us.

While we all hope for a better future for our world, many of us are building it. If you are a builder, we are betting on you.

The changemaker
The activist
The hero
The mentor

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.
We listened and learnt, failed and got up again.
We never stopped trying.
And we never will.

We trust in people, and we take on the impossible, every day. Changing systems of inequity.
Turning potential into skill.
Ready to go to the end of every last mile, where there are no other signs.

It takes us all to build a world that works for us all.

We listen, pilot, perfect and scale.
Our DNA is to build.

As the sun rose this morning, hundreds of thousands of builders rose with it.

Teachers across eight countries opened the colourful doors of the world's biggest secular private education system.
65,000 artisans picked up their needles and started weaving traditional art into beautiful clothing.

Credit officers in one of the world's largest microfinance institutions sat down with women in the remotest corners of seven countries.

Whoever you are, wherever you are, doing good is everyone's business.
We have never faced bigger challenges but we have never been more ready.
Join the world's biggest family.

Small is beautiful, scale is necessary.

Here at BRAC, we are many things:

- social enterprise
- non-government organisation
- public forum
- knowledge hub
- social investors
- policy advocates
- university
- crisis responders

and we bring together many different people:

changemakers — activists — heroes — mentors

inspired by a single vision.
Building a world that works for all of us takes all of us.
Get onboard:

- follow us
- share the ideas
- partner with us
- take action

Join the world's biggest family.

BUILDING A WORLD THAT WORKS FOR ALL OF US

We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovations to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.

VISION, MISSION AND VALUES

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

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

Integrity   Innovation   Inclusiveness   Effectiveness

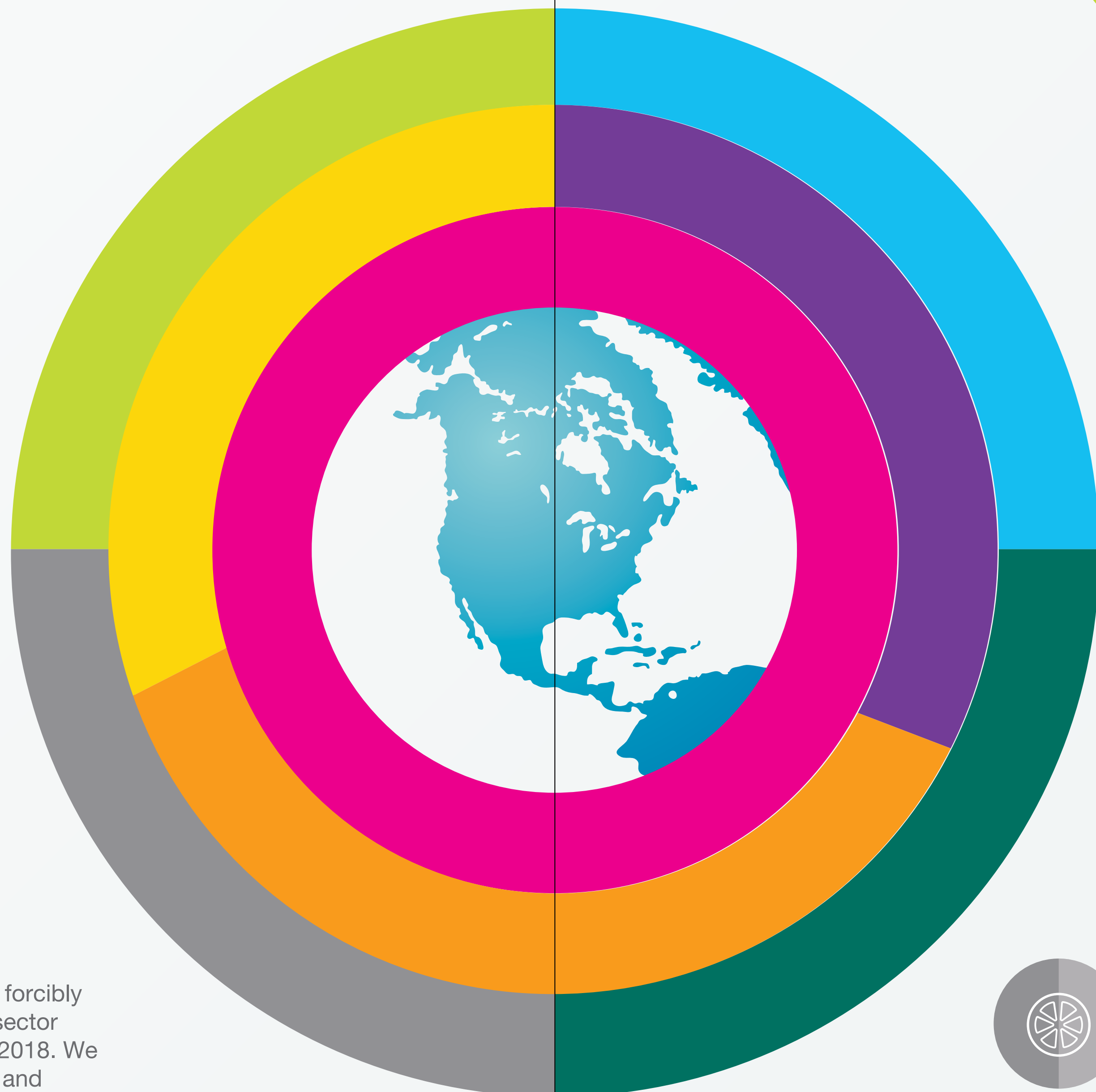
SOCIAL DEVELOPMENT

Eliminating extreme poverty, Expanding financial choices, Employable skills for decent work, Climate change and emergencies, Gender equality, Universal healthcare, Pro-poor urban development, Investing in the next generation.

Country offices: Afghanistan, Bangladesh, Liberia, Myanmar, Nepal, Pakistan, Philippines, Sierra Leone, South Sudan, Tanzania, Uganda

HUMANITARIAN RESPONSE

We have been providing life-saving services to forcibly displaced Myanmar nationals through a multi-sector response since the influx began in September 2018. We are working closely with the government, local and international NGOs and other stakeholders through the Inter Sector Coordination Group.



SOCIAL ENTERPRISES

Solution for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.

INVESTMENTS

Socially responsible companies that assist us in our mission. Our network of investments help us strive towards the goal of self-sustainability.

BRAC UNIVERSITY

An educational institution's goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow's leaders. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.

STICHTING BRAC INTERNATIONAL

AFFILIATES

BRAC USA

BRAC UK

CONTENTS

CHAIRPERSON'S FOREWORD

Over recent years, significant investments have been made to ensure the survival and optimal development of children during the first decade of life. Globally, the under-five mortality rate has decreased significantly. Around 20,000 fewer children died every day in 2016 than in 1990. However, this progress has not been universal. Inequities in child mortality between high-income and low-income countries remain large. Reducing these inequities across countries and saving more children's lives by ending preventable child deaths are important priorities.

We also need to focus on the second decade of children's lives. A safe, healthy passage from adolescence into adulthood is the right of every child. To fulfil this right, families and societies need to ensure that adolescents and youth acquire the knowledge and skills required to lead productive and fulfilling lives. Calls for investment in children and young people have increased dramatically in recent years. More and more countries agree that policies, which help young people fulfil their potential, also drive economic development.

Challenges persist in both the education and skills sectors. We need to ensure that all children complete their primary schooling and go on to secondary school. Additional efforts are required to empower girls to believe that they are capable of doing everything boys can. The lack of improvement in the quality and outcomes of education is another concern.

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today's learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people's human qualities and values, such as empathy, cooperation and integrity.

Political instability and conflict are leaving young people vulnerable to violence, disrupting their schooling and access to basic health services and, in many cases, inflicting psychological trauma. We must accelerate efforts to protect children and young people from violence, drug abuse, conflict and poverty, to enable them to lead more productive lives and contribute to society.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR

There are more young people today than at any other time in human history. Children and young people make up almost 40% of the world's population, with specific needs and aspirations for the future, which poses both immense opportunities and challenges. While we as a global community have made significant progress in ensuring a better life for all, there is always more work to be done. One in five children, adolescents and youth is out of school. That is 263 million children and youth across the world.

Today's young people will be tomorrow's leaders - in our families, in our workplaces, in our communities. Over a third of the Sustainable Development Goal (SDG) targets highlight the role of young people and the importance of their empowerment, participation, and wellbeing. The SDGs highlight that young people are a driving force for development – however they need to be provided with the skills and opportunities needed to reach their potential. Therefore we at BRAC International have shifted our strategy to focus on ensuring children and youth have better opportunities.

We have invested in Early Childhood Development programmes in Tanzania, Uganda and Liberia. A dollar invested in early childhood development yields a seven-fold return in the future. Having a strong foundation from an early age leads to more productive citizens in the future.

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school and 15 million girls of primary-school age will never enter school. We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

In Sub-Saharan Africa alone, 14.2% of the youth population is unemployed, representing massive untapped potential for growth. Everyone should be able to contribute and reap development dividends and our ELA programme ensures just that for our out-of-school adolescent girls. With specialised skills and entrepreneurial lessons, our programme enables them to unlock their potential and contribute to society. We give our girls access to microloans so they can start their own enterprises.

Our newly-launched Skills Development Programme in Nepal connects children and youth to apprenticeships and equips them with the skills needed to not only affect change in their own lives but also in the communities they are a part of.

Our extraordinary strides in the field of development mean that we are ready to provide a better, more equitable life for our children. As our future change-makers, children hold incredible potential for innovation. It is our responsibility to give them what they deserve. We cannot let their potential go unrealised.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

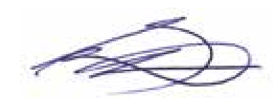
It gives me immense pleasure to present you BRAC Pakistan's Annual Report 2017 - a year of both challenges and opportunities for BRAC in Pakistan. Throughout the year, we aspired to engage in exciting opportunities in the areas of health, education and microfinance to make meaningful contributions to improve people's lives through adopting more efficient and integrated forms of programme delivery.

In 2017, we started introducing technology by adopting Alternative Delivery Channels (ADC) to reduce costs and increase efficiency for greater financial inclusion in microfinance operations. Almost 48% of recoveries are coming through banking channel via direct deposits and in the longer run, once recoveries and loan disbursement move to ADC, we will develop paperless environment to increase efficiency through the technological innovations.

We organised our first ever Annual Performance Awards for our top performing credit officers from all six regions to recognise their services at grassroots level. The awards ceremonies were held in Karachi, Lahore, Multan, Sahiwal, Rawalpindi and Hyderabad from March to July 2017. The top performers from all the regions received cash prizes based on excellent outreach, increased number of clients and quality and amount of portfolio achieved by the performers and their adherence to our core values of integrity, innovation, effectiveness and inclusiveness.

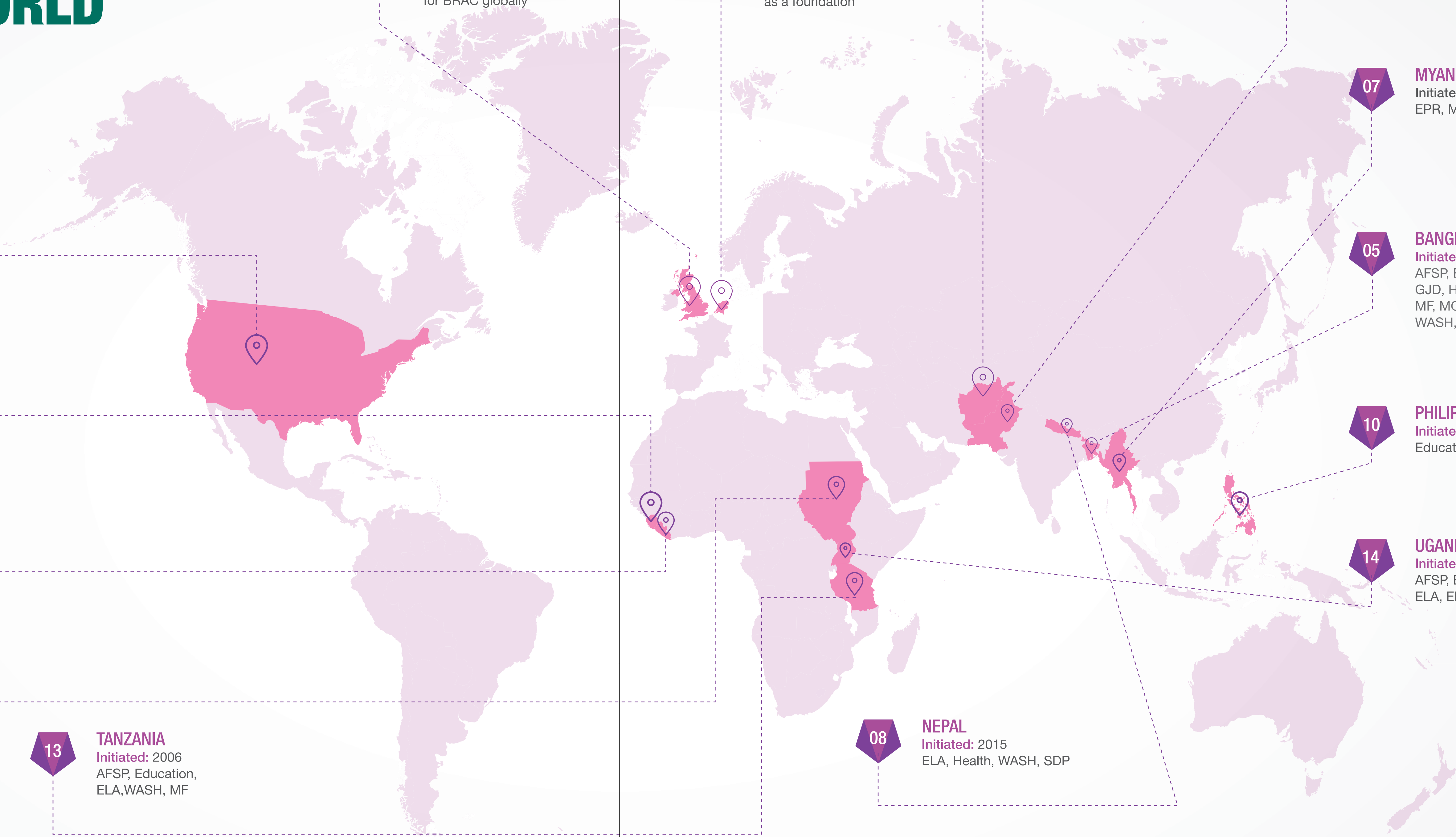
We established significant new partnerships during 2017. We signed an agreement with Pakistan Microfinance Investment Company (PMIC) to meet the lending capital needs. Another agreement has been signed with Montpelier Foundation to replicate our graduation model for the ultra poor for 52 ultra poor households in Lasbela, Baluchistan. It is complementing the interventions of ongoing the Programme for Poverty Reduction.

We ran successful pilots of our revised microfinance programme operational structure in two regions. The restructuring has been rolled out across the country in 2017 for streamlining operational efficiencies. The future looks extremely bright for BRAC in Pakistan, with a world of opportunities opening up in many sectors to implement programmes that will alleviate poverty and empower people across the country. There is much promise of progress and development in Pakistan as the development sector continues to do its best for bringing about social change and empowering people.



Sher Zaman
Country Representative
BRAC in Pakistan

BRAC ACROSS THE WORLD



01 USA
Initiated: 2007
An independent charity to raise profile and funds for BRAC globally

02 UK
Initiated: 2006
An independent charity to raise profile and funds for BRAC globally

03 NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

04 AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, Health, CCAP

05 BANGLADESH
Initiated: 1972
AFSP, BEP, CEP, DMCC, GJD, HNPP, HRLS, IDP, MF, MG, SDP, TUP, UDP, WASH, HCMP

06 LIBERIA
Initiated: 2008
AFSP, Education, ELA, Health, MF

07 MYANMAR
Initiated: 2013
EPR, MF

08 NEPAL
Initiated: 2015
ELA, Health, WASH, SDP

09 PAKISTAN
Initiated: 2007
Education, MF, Health, TUP

10 PHILIPPINES
Initiated: 2012
Education

11 SIERRA LEONE
Initiated: 2008
AFSP, ELA, EPR, Health, MF

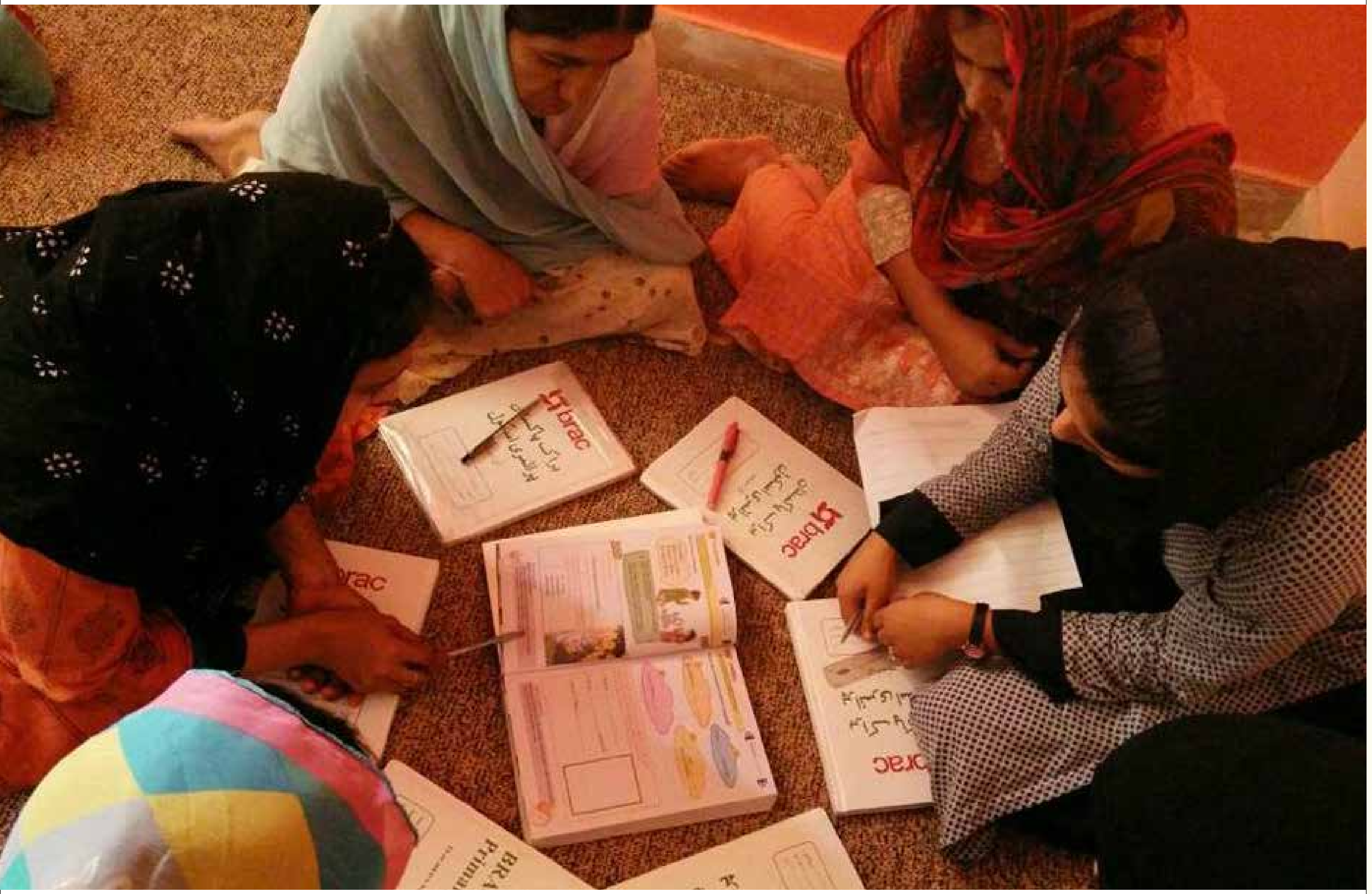
12 SOUTH SUDAN
Initiated: 2007
Education, ELA, Health

13 TANZANIA
Initiated: 2006
AFSP, Education, ELA,WASH, MF

14 UGANDA
Initiated: 2006
AFSP, Education, TUP ELA, EPR, Health, MF

AFSP : Agriculture and Food Security Programme
BEP : BRAC Education Programme
CCAP : Citizens Charter Afghanistan Programme
CDP : Capacity Development Programme
CEP : Community Empowerment Programme
DMCC : Disaster, Management and Climate Change
ELA : Empowerment and Livelihood for Adolescents
EPR : Emergency Preparedness and Response
GJD : Gender Justice and Diversity
HNPP : Health, Nutrition and Population Programme
HRLS : Human Rights and Legal Aid Services
HCMP : Humanitarian Crisis Management Programme
IDP : Integrated Development Programme
MF : Microfinance
MG : Migration
SDP : Skills Development Programme
TUP : Targeting the Ultra Poor
UDP : Urban Development Programme
WASH : Water, Sanitation and Hygiene

EDUCATION



Pakistan has the world's second highest number of out-of-school children at primary level. Every tenth child out of school is Pakistani. Out of 51.17 million children in Pakistan between the age of 5 and 16, 22.64 million are out of school. Only 51% of Pakistani women ever attended school and in rural areas this number is even lower at 40%. 10% of them never attended school because they are situated too far. 41% of students drop out before finishing primary school. We started our education programme as a pilot in 2009 to support the government of Pakistan to increase enrollment, minimize the gender disparity and improve the quality of education.

WHAT WE DO

We set up primary schools within communities providing girl-friendly environments and rigorous training for teachers.

Our integrated approach in education programme involves wide range of key stakeholders; including community members, local government officials, and provincial and central government education officials, local NGOs, research organizations, funding organisations and ensures community participation and accountability.

Creating provisions for primary schools, especially for girls, can ensure continued participation in further education which contributed to gender equality in education. Primary education is facilitating girls and boys from poor and hard to reach communities to attend education centres.
We provide co-curricular activities for student, no capital costs for parents and enable the close involvement of parents and communities in the schools' management.

BRAC Pakistan is currently operating two education projects: Sindh Education Non State Actors (SENSA) project funded by DFID-UK and Sindh Education Foundation Assisted Primary School Project (SEF) funded by the Government of Sindh Province.

HIGHLIGHTS

Opened 300 Community based schools

Enrolled 8,995 students (59% girls)

Mainstreamed 4,242 learners into government primary schools

Held 220 Training sessions for school teachers

Formed 300 school management committees with 2100 members to improve participation and raise awareness

HEALTH

Pakistan tops the list in child mortality rate among other South Asian countries. The reasons for this are complications due to premature birth, pneumonia, diarrhea, malaria and malnutrition. Maternal mortality rate in Pakistan is 170 per 100,000 live births. Our health programme supports the Government of Pakistan to improve access to essential health care facilities particularly of rural women and children to reduce infant and maternal mortality.

WHAT WE DO

We are delivering culturally sensitive health education lessons, along with basic curative services while linking patients to nearest government facilities through a network of trained community health promoters. These health promoters are trained to provide family planning services, as well as health and nutrition based education to families. They keep immunisation records of under-five children and their vitamin A intake in a family card. They also provide antenatal and postnatal care, promote breastfeeding, and refer mothers to hospitals when complications arise.

In partnership with ChildLife Foundation, we are implementing basic and preventive health care programme in shireen Jinnah colony Karachi to increase access to maternal, newborn and child health services. We also started patient referral system with the SINA Foundation.

Under “Chief Minister’s Initiative for the Skills Enhancement of Lady Health Workers programme, we conducted quality assurance (though field visits) of Step-down trainings of Lady Health Workers in Punjab province. Our team carried out quality assurance surprise visits to health facilities. During these visits, the team observed the training approach adapted by the Lady Health Visitors along with their knowledge base, skills set and attitude.

HIGHLIGHTS

- Visited 480 health facilities by the quality assurance team in 36 Districts of Punjab.
- Visited 209 Basic Health Units (24/7), 97 BHUs (non–24/7), 84 Rural Health Centers, 53 Tehsil Headquarters, 16 Districts Headquarters for quality assurance
- Provided 40 community health promoters with basic health training
- Conducted 6,000 household visits
- Facilitated 3,241 health meetings and identified 1,256 pregnant women
- Provided 686 women with four antenatal care checks
- Provided 1,068 women with postnatal care
- Delivered babies for 257 women at health facilities
- Identified and referred 321 patients
- Treated 771 children under 5 years for diarrhea, malaria and pneumonia
- Provided 656 children with oral rehydration salt
- Provided 3,534 households with access to safe drinking water
- Conducted 12 community support group meetings
- Fully immunised 5,417 children
- Trained 32 community resource persons on health and hygiene

MICROFINANCE

In Pakistan, 56% of adults use neither formal nor informal financial products. The potential market size for microfinance in Pakistan is estimated to be around 20.5 million while currently there are only 5.8 million borrowers. Our microfinance programme in Pakistan contributes to the reduction of poverty by providing increased access to credit to households in poverty, and creating self employment opportunities. We focus on harnessing women's entrepreneurial spirit to diminish their vulnerabilities and empower them socially and economically.

WHAT WE DO

We are serving people who do not have access to credit through community based village organisations with three main products; microloans, small enterprise loans and agriculture loans. We operate through 63 branch offices across 12 districts.

Microloans, our core product, are delivered through small borrower groups (Village Organisations), comprised of women. 13% of the clients are young women.

The small enterprise loan offers an opportunity for entrepreneurs to expand their businesses and strengthen capital base. These entrepreneurs do not fall within the microfinance target group nor do they have access to formal financial institutions. The small enterprise loan generates income and creates new employment through enterprise development. We provide these loans to small and medium businesses across 40 branches. 18% of the clients are young entrepreneurs.

Our agriculture loan product increases crop production while ensuring environmental sustainability, adaptability to climate change and affordability for marginal and small farmers. 25% of agriculture loan clients are youths. We profide this product in in14 branches.

BRAC Pakistan partners with KIVA, a non profit organisation that allows people to lend money via internet to low income entrepreneurs. We raise interest free loans for our borrowers using KIVA's platform.

HIGHLIGHTS

Principal outstanding portfolio of USD 15.5 million with 61,241 clients (Dec 2017)

Disbursed USD 22.17 million in microloans and number of loans disbursed 58,454; principal outstanding portfolio increased by 18% from 2016

Operating 4,734 community based village organisations

Disbursed USD 1.76 million in small enterprise loans and number of loans disbursed 874

Disbursed 1.47 million in agriculture loans and number of loans disbursed 3,836 ; principal outstanding portfolio increased by 41% from 2016

TARGETING ULTRA POOR

In Baluchistan province of Pakistan, the most vulnerable people suffer severely from seasonal income crisis, acute food insecurity, severe malnutrition, and scarcity of water and sanitation. We launched the ultra poor programme in Lasbela district in Baluchistan to graduate people out of extreme poverty, in collaboration with Pakistan Poverty Alleviation Fund (PPAF). This is an integrated project with a holistic development approach involving social mobilisation, health, education, livelihood and physical infrastructure; to develop an enabling environment for social and economic development and stability in the area.

WHAT WE DO

We are establishing a social and productive infrastructure system and effective and sustainable social safety nets. We will reduce poverty through creation of sustainable conditions of social and economic development which includes increase in income as well as production capacity.

The social mobilisation activities are designed to empower local population. It includes establishment, support and strengthening of grassroots community based organisations and facilitation of their grouping at higher levels such as villages and departments along with fortification of their ability to communicate with the provincial and central governments. Livelihood enhancement and protection related activities are formulated for protection of the weakest sectors of the population through the creation of social safety nets which are capable of responding to the most immediate basic needs.

Construction and improvement of small scale community infrastructures activities involve irrigation systems, aqueducts, wells, power lines, etc.

Establishment of basic health and educational services include formation of primary schools and basic health units.

HIGHLIGHTS

Provided 136 members with assets

Provided 334 members with skill training

Trained 32 community resource persons on health and hygiene for maternal and newborn children

Initiated 29 community physical infrastructures

DEFYING ODDS TO EMPOWER WOMEN

All the women of Goth Usman Khaskheli come to me in times of need. Women facing domestic violence, having no identity cards or marriage certificates, seeking financial support, or in need of counseling for their children - they come to me first.

Sometimes I wonder why people would seek help from an uneducated woman like me. I wonder how a shy and introverted person like me became a leader.
I remember it being a hot summer day when BRAC's staff members first visited my village. They discussed community development, and how to rely on ourselves to solve our problems. It was surprising to me that a woman from Hub Chowki visited so far out to our village.
I had little exposure to the world at the time. I thought that travelling and working was only a man's job. My entire outlook of the world completely changed after I attended the trainings and awareness sessions conducted by BRAC. I started looking life with a different perspective- one that brought a world of opportunities for me. That was the time I pledged to curve out a better life for myself and for my village.

This path was not easy. I faced backlash from my family, and struggled constantly. It cost me the most precious years of my life. This journey- from being a quiet, introverted girl to a community leader and women's rights activist- was filled with criticism, dedication ,perseverance and reward.

I remember a time when things heated up because of my intervention in community affairs. I received threats of physical violence. It was terrifying, but my family was supportive. They would tell me to take a step back whenever things go out of control. That was the hardest part of my journey.

Recently, a team from World Bank visited our village with BRAC's staff. They were pleasantly surprised by the women's participation in our local support organisation. Everyone pointed to me as the pioneer of women's empowerment in Lasbela. I am extremely proud of myself and my community for their unflinching resolve to accept change and move towards a better, brighter future.

WHEN FAIRYTALES COME TRUE

Every fairytale always ends on a positive note: happily ever after. But happy endings are only for stories. Life is unpredictable. There was a time when all I felt was fear; of being different, of being mute and deaf in this clamorous world. I soon realised that the fear of the unknown and being alone will always exist, unless you decide to see it in eyes and stare back.

To be deaf and mute was never a choice. It just happened, like Cinderella- she never wanted a stepmother or stepsisters. Bad things just happen in life. We need to learn how to make them in the right way.
My parents never thought I could go to school like a normal child. No one ever believed that I could read, write and make calculations. I never even dreamt of making friends. But life is unpredictable and everything is possible here.

I am now a student in Class 2 of BRAC's community school in Winder, Lasbela. I still remember my first day at school. I wore my new uniform, and filled my backpack with new books and a pencil case. My mother walked me to the school. The teacher was great. She was just like my mother. She had this special super power of understanding me without hearing a word from my mouth. It was an extraordinary experience for me. I felt accepted and acknowledged for the first time in my life.

The other children were hesitant about me at first, but everyone is now my friend - especially Saira. She was the first person who offered me her lunch in school. That watermelon was the tastiest watermelon I ever had. She always helps with my homework. In just two years, my entire outlook on life has completely changed. I am constantly discovering new things. I am happy, and for me, this is the only thing that matters.

FROM TRIALS TO HOPE

My name is Shahnaz Bibi, I am 28 years old, and from Karachi. We are a family of 6, my husband works as a plumber on a daily wage basis; and he earns 500 to 600 hundred rupees per day. The amount is not sufficient for a healthy living, we continuously have difficulty paying house rent, school fees, and daily utility bills; and matters became even worse when I did not have adequate money to afford treatment for my ill child.

A sense of deprivation and utter helplessness fell upon my nerves, when the doctor told me that my 3 year old son was suffering from Jaundice. With no means to bear his medical expenses and worried about him getting weaker day by day, I was helpless. With no money on hand, my husband tried to earn some extra cash by working overtime, but due to his exhausting labour, he also fell ill, and we were in complete misery.

I always believed that Allah tests every human being as per his/her ability to bear; one day, my neighbor informed me about BRAC's Health programme and advised me to attend their health meeting. In hope of getting assistance, I attended BRAC's meeting, and in the end of the event, I saw a lady giving referral slips to patients for free treatment. And that was the moment of change and hope. I was happy from the inside of my heart, I told myself that this is a blessing from God. I immediately met the lady in-charge and shared my

son's health details. She comforted me that my son will be fine soon.

After the meeting, Nazia, Community Health Worker of BRAC, visited me at home and enlightened us that BRAC's Community activism for the provision of free healthcare facilities are helping many in Sheerin Jinnah Colony in Karachi, Pakistan, for our well being. She further shared that BRAC and Childlife Foundation is providing door to door health care services in the Colony and they started patient referral system with the SINA foundation. She referred me to SINA Clinic for free diagnosis and treatment of my son. Seeing my son getting back to life day by day, I am happy and thankful to BRAC. My whole family is now registered with the SINA Clinic.

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International in the Netherlands.

CORPORATE GOVERNANCE

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

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

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/ or entities. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no board remuneration applicable for the Supervisory Board.

The current members of the Supervisory Board are:

Chairperson

Sir Fazle Hasan Abed, KCMG

Members

Ms. Sylvia Borren
Dr. Muhammad Musa
Ms. Parveen Mahmud
Dr. Ahmad Mastaqur Raza Chowdhury
Dr. Debapriya Bhattacharya
Ms. Shabana Azmi
Mr. Shafiqul Hassan
Ms. Irene Khan
Dr. Fawzia Rasheed

MANAGEMENT BOARD

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Management Board is appointed by Supervisory Board and their performance is reviewed annually. The Management Board consists of the following members:

Mr. Faruque Ahmed, Executive Director
Mr. Saif Md Imran Siddique, Director
Mr. Shameran Abed, Director
Ms. Lamia Rashid, Director

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

BRAC INTERNATIONAL HOLDINGS BV

BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes currently supporting the enterprises include seed production and training centres.

BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

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SUPERVISORY BOARD

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Sir Fazle Hasan Abed KCMG, Chair
Dr. Muhammad Musa, Member
Ms. Parveen Mahmud, Member
Ms. Sylvia Borren, Member

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

GROUP FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Ms. Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Saif Md Imran Siddique, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC's mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A 'whistle blower' policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.

BRAC IN PAKISTAN

GOVERNANCE

Local Board Members

Dr A M R Chowdhury (Chair)
Faruque Ahmed
S N Kairy

Country Advisory Council Members

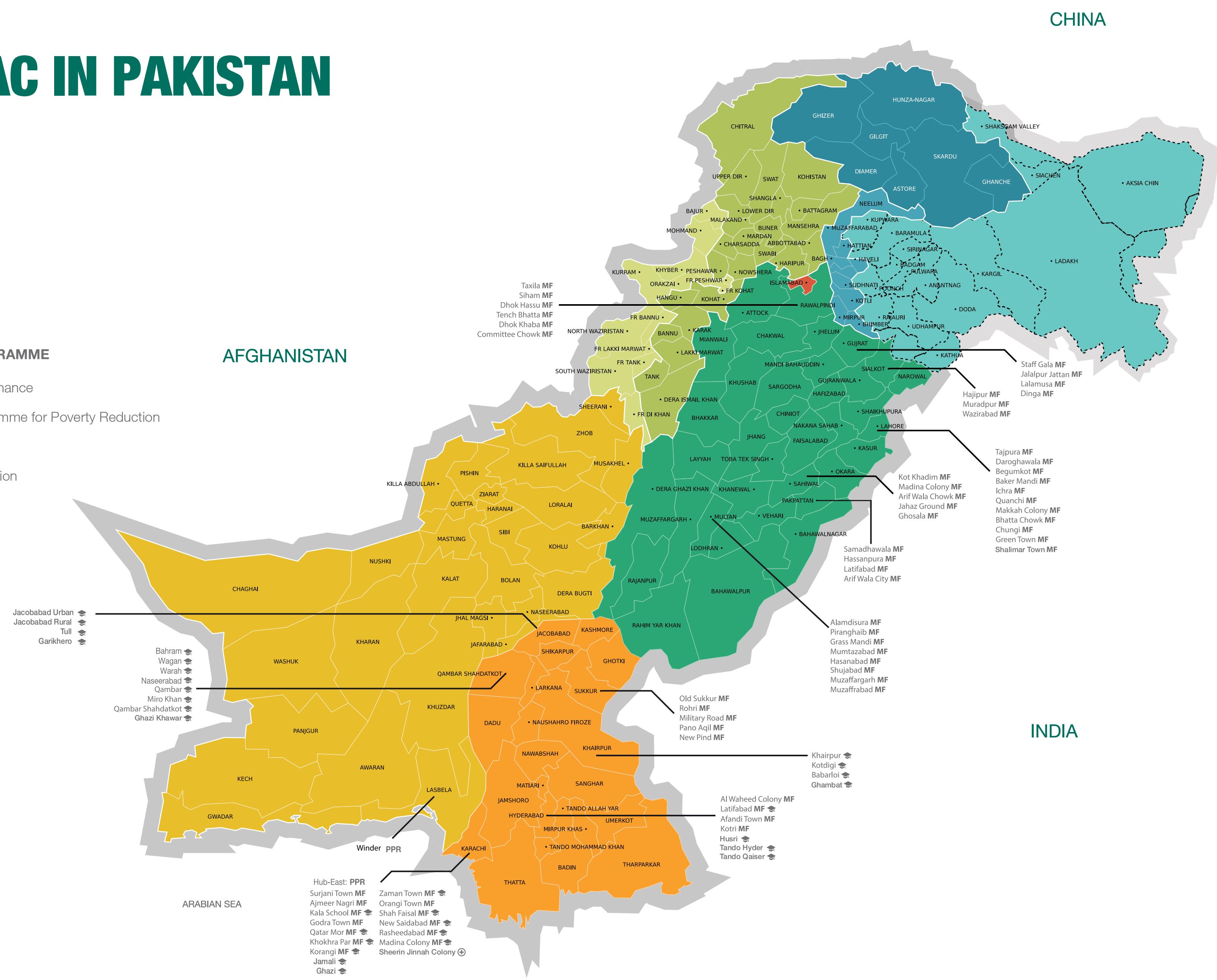
Shoaib Sultan Khan-Chair
Dr Dur e Samin Akram
Dr Fareeha Zafar

MANAGEMENT

Sher Zaman, CEO & Acting Country Representative
Shahzad Nisar, Country Head of Accounts
Kashif Ashraf, Acting Programme Manager Microfinance
Saeed Muhammad, Programme Manager, Education
Aisha Faheem, Head of Human Resource & Training
Zilay Huma, Country Communications Coordinator
Saifullah Mengal, Project Manager, Programme for Poverty Reduction
Nazeem Ud Din, Manager, Compliance & Risk
Athmar Arbab, Country Head of Monitorings
Rashid Mahmood, Manager, Administration
Muhammad Arslan, Country Head of Internal Audit

DEVELOPMENT PARTNERS

BRAC IN PAKISTAN



BRANCH PROGRAMME

MF Microfinance

PPR Programme for Poverty Reduction

Health

Education

FINANCIALS

FINANCIAL HIGHLIGHTS

Net Income

BRAC Pakistan continues to generate profit in 2017. Net profit for the year was USD 2,707,084 as against USD 421,247 in 2016. Service charge income increased by 7% in 2017 driven by growth disbursement and portfolio.

Operating expenses

Total operating expense for the year was USD 7,954,884 as against USD 9,982,112 in 2016 showing decrease of 20 %. The decrease is mainly due to education program and change in operational structure.

Provisions for Impairment losses

This year amount charged for impairment on loans was USD 149,171 as against USD 254,840 in 2017, showing decrease of 41% which is consistent with the PAR 30.Total reserve as against impairment in 2017 was USD 426,382 as against USD 552,774 in 2016, representing 2.8% of Gross portfolio. Portfolio At Risk (PAR>30) is 1.08% as against 2.03% in 2016.

Financial Position

In 2017, BRAC Pakistan's total assets increased by 15% to USD 18,035,444

Grants and Utilization

Grants received amounting to USD 3,652,777 as against USD 3,911,917 in 2016. Grant utilized in projects for the year were USD 5,368,626 (USD 5,309,492 in 2016). Out of the total expenses majority is expensed in Education sector with support from DFID.

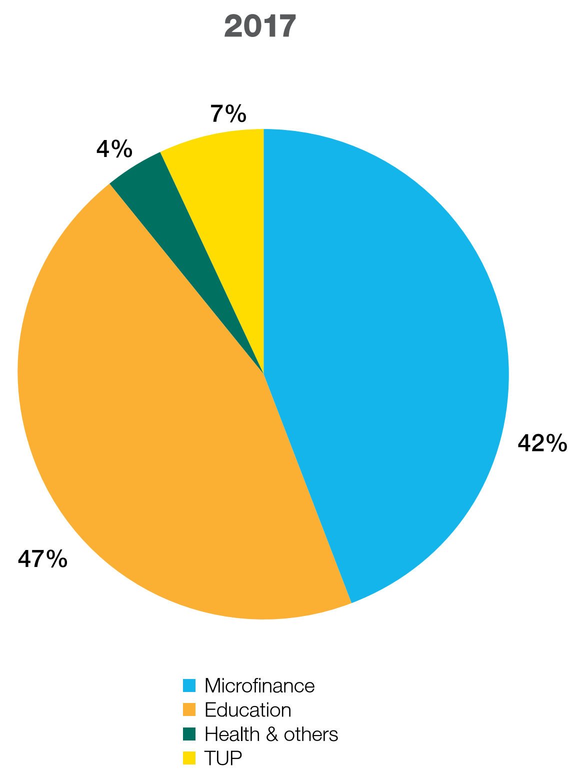
Contribution to Government exchequer

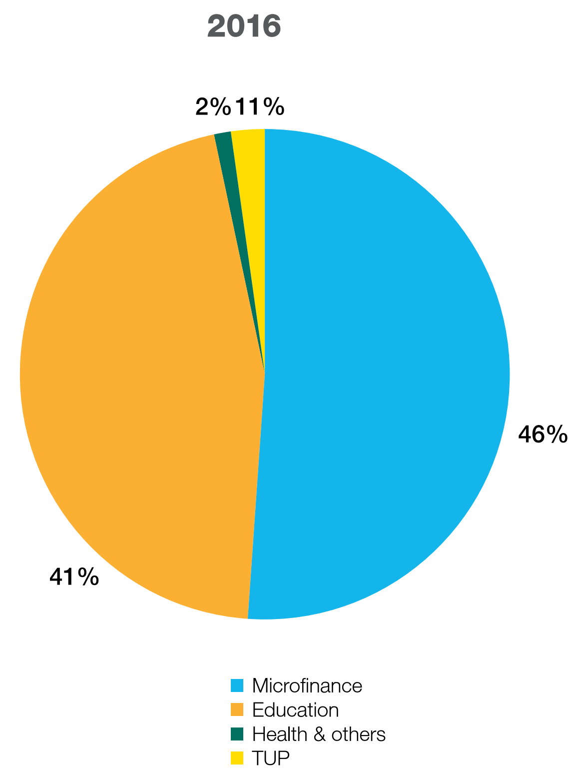
BRAC Pakistan regularly contributes government exchequer through providing tax on its income and withholdings and deposition tax from its employees and suppliers and contributing to the employees old age benefits Institution(EOBI) scheme. Total contribution to government exchequer for the last two years as follows

	2017	2016
	USD	USD
Income Tax	263,835	112,963
Withholding tax	146,226	148,158
Employees old age benefits Institution(EOBI)	181,753	106,262
Total	**591,814**	**367,383**

PROGRAMME COST OF PROGRAMMES

Programme	2017	%	2016	%
	USD		USD	
Microfinance	3,376,643	42%	4,099,830	41%
Education	3,728,030	47%	4,599,451	46%
TUP	557,234	7%	1,136,169	11%
Health & others	292,977	4%	146,662	1%
Total	**7,954,884**	**100%**	**9,982,112**	**100%**





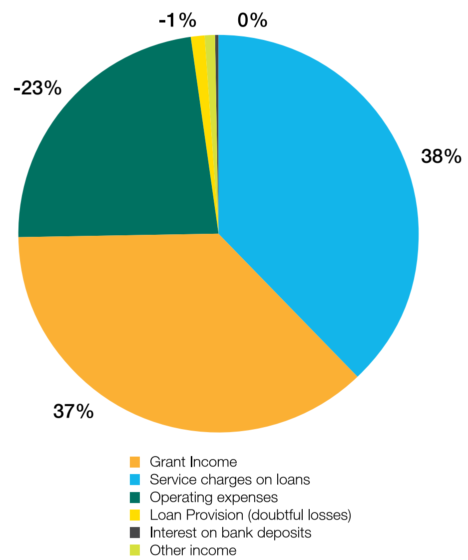
VALUE ADDED STATEMENTS

A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Pakistan contributes positively to overall economic development by empowering the poor people (specially female) through micro-credit, employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes and of course keeping in mind of organization's growth.

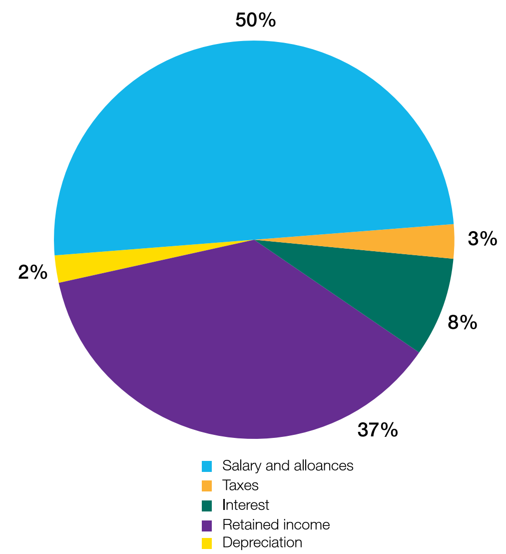
Figures in (USD)	2017		2016	
	Amount	%	Amount	%
Value added				
Services charges on loans	5,540,702	73%	5,193,039	99%
Grant income	5,339,262	70%	5,117,921	98%
Interest on bank deposits	11,315	0%	1,341	0%
Other income	90,018	1%	50,585	1%
Operating expenses	(3,258,116)	-43%	(4,884,887)	-94%
Loan provision(doubtful losses)	(149,171)	-2%	(254,840)	-5%
Total value added	**7,574,010**	**100%**	**5,223,159**	**100%**

Value Distributed	2017		2016	
	Amount	%	Amount	%
Employees				
Salary and allowances	3,800,169	50%	4,063,764	75%
Local Authorities				
Taxes	263,835	3%	112,963	2%
Creditors				
Interest	625,582	8%	648,304	12%
Growth				
Retained income	2,791,942	37%	459,382	8%
Depreciation	121,846	2%	130,317	2%
Total value distributed	**7,603,374**	**100%**	**5,414,730**	**100%**

Value Added



Value Distributed

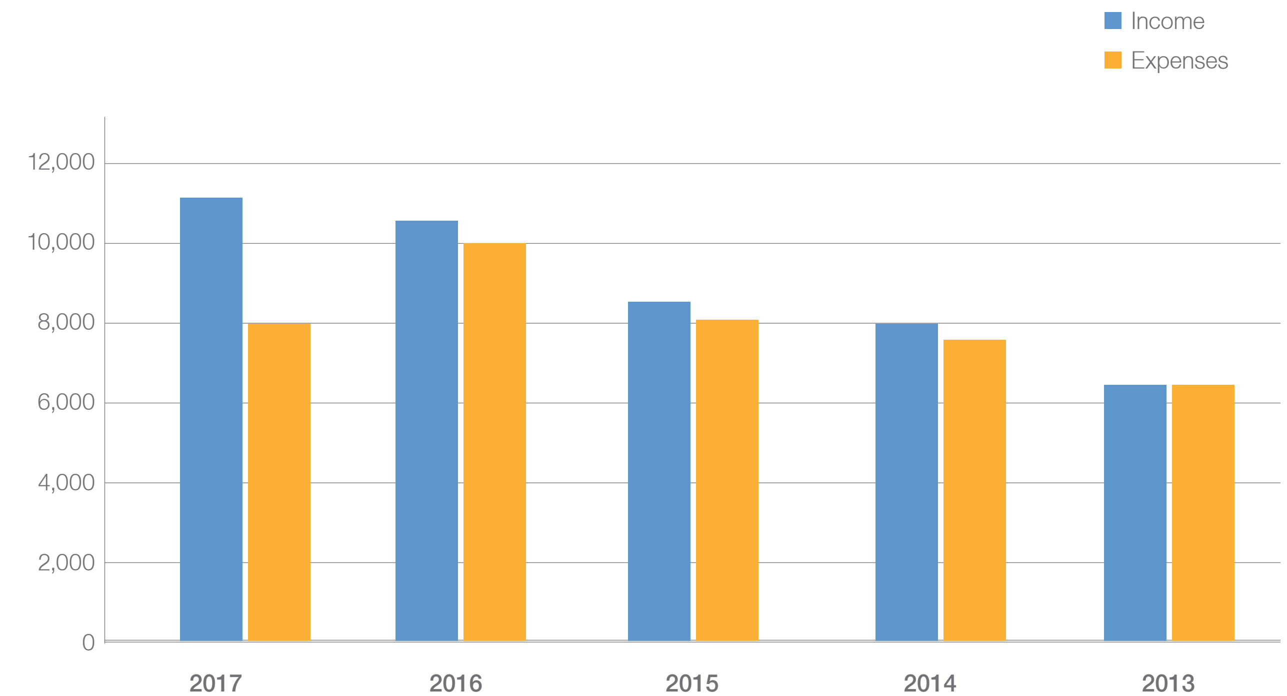


FIVE YEAR PERFORMANCE REVIEW

Currency	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	11,010,661	10,554,457	8,510,370	8,013,276	6,175,932
Net profit/(loss) before tax	3,055,777	572,345	474,251	356,853	49,845
Financial Position					
Total assets	18,035,444	15,697,256	13,342,599	12,322,682	11,430,107
Loans to customers (net)	14,340,738	12,323,821	10,209,920	9,941,283	6,546,049
Cash at Bank	1,729,125	1,303,749	1,660,429	1,528,918	3,852,342
Returns and ratio					
Return on Asset	16.94%	3.65%	3.55%	2.90%	0.44%
Cost to income	72%	95%	94%	95%	99%
Operational Statistics					
Total Borrowers	61,241	56,327	54,021	58,389	56,359
PAR>30	1.08%	2.03%	2.79%	2.19%	5.52%

LAST FIVE YEARS' INCOME VS EXPENSES

In '000 USD



BRAC IN PAKISTAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

Junaidy Shoaib Asad
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS OF BRAC PAKISTAN

We have audited the annexed balance sheet of BRAC Pakistan (the Company) as at December 31, 2017 and the related income and expenditure account, the statement of comprehensive income, the cash flow statement and statement of changes in reserves and funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include assessing the accounting policies and significant estimates made by management as well as, evaluating the overall presentation of the above said. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) In our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance. 1984;

b) in our opinion:

i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further m accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statements of comprehensive income, cash flow statement and statement of changes in reserves and funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in manner so required and respectively give a true and fair view of the state of the Company's affairs as at Oecember 31, 2016 and of the surplus, its cash flows and changes in reserves and funds for the year then ended;and

d) in our opinion no Zakat was deductible under the Zakat and Usher Ordinance 1980 (XVIII).

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 1.3 to the financial statements which indicate that the Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for renewal of license under section 42(4) of the Companies Ordinance,1984. The license has not been renewed yet.

Junaidy Shoaib Asad

Chartered Accountants
Islamabad: March 20, 2018
Name of the audit engagement partner: Rukhsar Ahmed

BRAC PAKISTAN

Balance Sheet

As at December 31, 2017

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
NON-CURRENT ASSETS					
Property and equipment	4	**23,812,250**	**215,652**	29,459,730	281,642
Intangible asset	5	**6,373,896**	**57,724**	10,051,917	96,099
TOTAL NON-CURRENT ASSETS		30,186,146	273,376	**39,511,647**	**377,741**
CURRENT ASSETS					
Loans and advances - net	6	**1,583,504,245**	**14,340,738**	1,289,071,710	12,323,821
Other assets	7	**184,448,185**	**1,670,424**	175,326,323	1,676,160
Advance Tax - net	8	**2,405,004**	**21,781**	1,651,111	15,785
Cash and bank balances	9	**190,929,929**	**1,729,125**	136,370,550	1,303,749
Total current assets		**1,961,287,363**	**17,762,068**	1,602,419,694	15,319,515
TOTAL ASSETS		**1,991,473,509**	**18,035,444**	1,641,931,341	15,697,256
RESERVES AND LIABILITIES					
FUNDS AND RESERVES					
General fund balances	11	**381,263,000**	**4,089,251**	381,263,000	4,089,251
Accumulated surplus / (deficit)		**83,302,917**	**356,230**	(191,713,319)	(2,430,326)
General reserve	10	**34,448,125**	**147,311**	-	-
Convenience translation reserve	2.5	**-**	**(73,553)**	-	153,230
Total funds and reserves		**499,014,042**	**4,519,239**	189,549,681	1,812,155
NON-CURRENT LIABILITIES					
Long term loans	12	**125,000,000**	**1,132,041**	333,578,000	3,189,082
Deferred grant	13	**2,436,456**	**22,065**	8,753,489	83,685
Deferred liabilities	14	**68,725,333**	**622,399**	78,467,605	750,168
Total non-current liabilities		**196,161,789**	**1,776,505**	420,799,094	4,022,935
CURRENT LIABILITIES					
Payable to related parties	15	**270,476,882**	**2,449,528**	217,956,935	2,083,718
Accrued and other liabilities	16	**62,262,055**	**563,866**	123,924,133	1,184,743
Short term loans	17	**441,864,785**	**4,001,673**	160,792,972	1,537,218
Restricted grant	18	**9,696,556**	**87,815**	45,780,926	437,676
Current portion of long term loans	12	**511,997,400**	**4,636,818**	483,127,600	4,618,811
Total current liabilities		**1,296,297,678**	**11,739,700**	1,031,582,566	9,862,166
TOTAL FUNDS AND RESERVES AND LIABILITIES		**1,991,473,509**	18,035,444	1,641,931,341	15,697,256

CONTENGENCIES AND COMMITMENTS 19

The annexed notes from 35 to 69 form an integral part of these financial statements.

Head of Finance

Chief Executive Officer

Director

BRAC PAKISTAN

Income and Expenditure Statement

For the year ended December 31, 2017

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
INCOME					
Service charges on advances		**584,433,218**	**5,540,702**	544,178,571	5,193,039
Grant income	18	**563,185,367**	**5,339,262**	536,306,892	5,117,921
Deferred grant recognized as income	13	**3,097,366**	**29,364**	20,074,736	191,571
Interest on bank deposits		**1,193,558**	**11,315**	140,481	1,341
Other income		**9,495,077**	**90,018**	5,300,796	50,585
		1,161,404,586	**11,010,661**	1,106,001,476	10,554,457
EXPENDITURE					
Program and administrative expenses	20	**(757,520,009)**	**(7,181,646)**	(950,928,020)	(9,074,607)
Provision against advances		**(15,734,586)**	**(149,171)**	(26,704,663)	(254,840)
Foreign exchange (loss)/Gain		**159,837**	**1,515**	(457,000)	(4,361)
Financial charges	21	**(65,986,422)**	**(625,582)**	(67,935,784)	(648,304)
		(839,081,180)	**(7,954,884)**	(1,046,025,467)	(9,982,112)
Surplus of income over expenditure for the year before taxation	8.2	**322,323,406**	**3,055,777**	59,976,009	572,345
Taxation					
- current		**(27,829,263)**	**(263,835)**	(10,195,922)	(97,299)
- prior		**-**	**-**	(1,641,460)	(15,664)
		(27,829,263)	**(263,835)**	(11,837,382)	(112,963)
Surplus of income over expenditure for the year after taxation		**294,494,143**	**2,791,942**	48,138,627	459,382

The annexed notes from 35 to 69 form an integral part of these financial statements.

Head of Finance

Chief Executive Officer

Director

BRAC PAKISTAN
Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Surplus of income over expenditure for the year		**294,494,143**	**2,791,942**	48,138,627	459,382
Items that will not be reclassified to income and expenditure statement					
Experience adjustments on staff retirement benefits	14.1	**14,970,218**	**141,925**	(4,272,682)	(40,774)
Effect of convenience translation		**-**	**(226,783)**	-	2,639
Other comprehensive income for the year		**14,970,218**	**(84,858)**	(4,272,682)	(38,135)
Total comprehensive income /(deficit) for the year		**309,464,361**	**2,707,084**	42,224,485	421,247

The annexed notes from 35 to 69 form an integral part of these financial statements.

Head of Finance

Chief Executive Officer

Director

BRAC PAKISTAN
Statements of Changes in Reserves and Funds
For the year ended 31 December 2017

	Note	Fund balance PKR	Fund balance USD	Genera reservel PKR	Genera reservel USD	Accumulated surplus/(deficit) PKR	Accumulated surplus/(deficit) USD	Convenience translation reserve USD	Total PKR	Total USD
As at January 1, 2016		381,263,000	4,089,251	-	-	(235,579,264)	(2,848,934)	150,591	145,683,736	1,390,908
Surplus of income over expenditure for the year		-	-	-	-	48,138,627	459,382	-	48,138,627	459,382
Experience adjustments on staff retirement benefits		-	-	-	-	(4,272,682)	(40,774)	-	(4,272,682)	(40,774)
Effect of convenience translation		-	-	-	-	-	-	2,639	-	2,639
Total comprehensive income for the year		-	-	-	-	43,865,945	418,608	2,639	43,865,945	421,247
As at December 31, 2016		381,263,000	4,089,251	-	-	(191,713,319)	(2,430,326)	153,230	189,549,681	1,812,155
As at January 1, 2017		**381,263,000**	**4,089,251**	**-**	**-**	**(191,713,319)**	**(2,430,326)**	**153,230**	**189,549,681**	**1,812,155**
Surplus of income over expenditure for the year		**-**	**-**	**-**	**-**	**294,494,143**	**2,791,942**	**-**	**294,494,143**	**2,791,942**
Experience adjustments on staff retirement benefits		**-**	**-**	**-**	**-**	**14,970,218**	**141,925**	**-**	**14,970,218**	**141,925**
Transfer to general reserve	**10**	**-**	**-**	**34,448,125**	**147,311**	**(34,448,125)**	**(147,311)**	**-**	**-**	**-**
Effect of convenience translation	**2.5**	**-**	**-**	**-**	**-**	**-**	**-**	**(226,783)**	**-**	**(226,783)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(226,783)**	**-**	**(226,783)**
		-	-	**34,448,125**	**147,311**	275,016,236	2,786,556	(226,783)	309,464,361	2,707,084
As at December 31, 2017		381,263,000	4,089,251	**34,448,125**	**147,311**	83,302,917	356,230	(73,553)	499,014,042	4,519,239

The annexed notes from 35 to 69 form an integral part of these financial statements.

Head of Finance

Chief Executive Officer

Director

Statement of Cash Flows

For the year ended December 31, 2017

	2017 PKR	2017 USD	2016 PKR	2016 USD
Surplus of income over expenditure for the year before taxation	**322,323,406**	**3,055,777**	59,976,009	572,345
Adjustments for:				
Depreciation and amortisation	**12,852,296**	**121,846**	17,662,324	130,317
Provision against advances	**15,734,586**	**149,171**	26,704,663	254,840
Provision adjusted against advances - written off	**(26,473,603)**	**(250,982)**	(25,251,670)	(240,974)
Provision for staff retirement gratuity scheme	**24,625,186**	**233,458**	27,185,428	259,428
Provision for staff self insurance scheme	**-**	**-**	2,671,844	25,497
Service charges from microcredit receivables	**(584,433,218)**	**(5,540,702)**	(544,178,571)	(5,193,039)
Property and equipment written off	**427,150**	**4,050**	248,444	2,371
Interest expense	**64,886,580**	**615,155**	67,015,372	639,521
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	**(170,057,617)**	**(1,612,227)**	(367,966,157)	(3,549,694)
Working capital changes:				
(Decrease)/increase in current liabilities				
Loans and advances - net	**(283,693,518)**	**(2,569,222)**	(219,684,754)	(2,113,901)
Other assets	**(4,664,825)**	**(42,246)**	(65,756,692)	(629,691
	(288,358,343)	**(2,611,468)**	(285,441,446)	(2,743,592)
(Decrease)/increase in current liabilities				
Accrued and other liabilities	**(58,728,673)**	**(531,866)**	105,193,854	1,005,784
Payable to related parties	**52,519,947**	**475,638**	36,507,052	351,334
Deferred grant	**(6,317,033)**	**(57,209)**	-	-
	(12,525,759)	**(113,437)**	141,700,906	1,357,118
	(470,941,719)	**(4,337,132)**	(511,390,178)	(4,933,148)
Interest paid	**(73,411,679)**	**(695,977)**	(65,115,367)	(621,249)
Payment in respect of staff gratuity scheme	**(13,579,599)**	**(128,741)**	(11,135,200)	(106,262)
Payment in respect of self insurance	**(225,948)**	**(2,142)**	-	-
Interest and service charges received	**579,976,181**	**5,498,447**	541,090,885	5,163,200
Taxes paid	**(28,583,156)**	**(270,982)**	(12,525,660)	(119,555)
Net cash used in operating activities	**(6,765,920)**	**63,473**	(59,075,520)	(617,014)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash used in investing activities:				
Purchase of property and equipment	**(3,822,326)**	**(36,237)**	(25,334,755)	(241,767)
Purchase of intangible assets	**(131,617)**	**(1,248)**	(1,407,530)	(13,432)
	(3,953,943)	**(37,485)**	(26,742,285)	(255,199)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/(decrease) in restricted grant	**(36,084,370)**	**(326,792)**	4,239,429	41,060
Long term loans received during the year	**500,000,000**	**4,740,235**	307,347,353	2,932,984
Long term loan repaid during the year	**(492,208,200)**	**(4,666,365)**	(293,929,432)	(2,804,938)
Short term loans received during the year	**97,688,164**	**926,130**	250,899,441	2,398,656
Short term loans repaid during the year	**(10,286,504)**	**(97,521)**	(220,140,233)	(2,104,591)
Net cash generated from financing activities	**59,109,090**	**575,687**	48,416,558	463,171
Increase/(decrease) in cash and cash equivalents	**48,389,227**	**601,675**	(37,401,247)	(409,042)
Cash and cash equivalent at beginning of the year	**136,370,550**	**1,303,749**	173,913,297	1,660,429
Exchange gain/(loss) on foreign currency bank accounts	**6,170,152**	**55,879**	(141,500)	(1,353)
Effect of convenience translation	**-**	**(232,178)**	-	53,715
Cash and cash equivalent at end of the year	**190,929,929**	**1,729,125**	136,370,550	1,303,749

The annexed notes from 35 to 69 form an integral part of these financial statements.

Head of Finance | Chief Executive Officer | Director

Notes to the Financial Statements

For the year ended December 31, 2017

1 STATUS AND OPERATIONS

1.1 BRAC Pakistan (the Company) was registered in Pakistan on 4 February 2008 as a public company with liability limited by guarantee, under section 42 of the Companies Ordinance, 1984. The registered office of the Company is located at plot No. 5, street 9, G-8/2, Islamabad, Pakistan. Prior to its registration, the Company was operating as a branch of BRAC Bangladesh in Pakistan. After registration, the net liabilities of the Pakistan Branch of BRAC International (Bangladesh) were transferred to the Company on 4 February 2008.The principal activity of the Company is to undertake programs associated with socio-economic development in Pakistan, particularly in the field of micro-financing, health, education and poverty alleviation.

1.2 Pursuant to amendments in Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Company has obtained license for micro finance operations on 4 October 2016 from SECP.

1.3 The Company's application for renewal of license is in process with Securities and Exchange Commission of Pakistan (SECP) under section 42(4) of Companies Ordinance, 1984.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and requirements of the Companies Ordinance 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for staff retirement benefits and staff self insurance which are carried at present value of defined benefit obligations.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presentation currency. Amounts presented have been rounded off to the nearest Pak Rupees (PKR). The figures in US Dollars (USD) are presented for information purpose only (refer note 2.5).

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information's about significant estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in the ensuing paragraphs :

2.4.1 Property and equipment

The Company reviews the useful lives and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, and equipment with a corresponding effect on the depreciation charge and impairment.

2.4.2 Provisions

The Company reviews the contingencies and other potential liabilities on a regular basis and appropriate amount of provision is recognized as and when necessary.

2.4.3 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

Impairment loss
is recorded on judgmental basis, for which provision may differ in the future years based on the actual results.

2.4.4 Staff gratuity scheme

Staff gratuity is provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.5 Staff insurance scheme

Staff self insurance scheme is provided for all eligible local employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.5 Convenience translation reserve

For the purpose of convenience translation:

The exchange rate of US$ 1 = PKR 110.42 (2016: PKR 104.60) is used for balance sheet items except for General Fund Balances which is translated using historical cost. This represents the selling rate of US Dollar at the end of the year as quoted by the State Bank of Pakistan.

The average conversion rate is used for the items of income and expenditure statement, cash flow statement and statement of comprehensive income. The average conversion rate is the monthly average of the selling rate as quoted by the State Bank of Pakistan. The difference between average and year end exchange rates is recognized in reserves as convenience translation foreign currency reserve.

Amounts presented in foreign currencies are for the purpose of convenience only and do not necessarily represent amounts at which assets and liabilities could be realised.

3. SIGNIFICANT ACCOUNTING POLICIES

"Except for the change below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change as updated below:

IFRS 13 ""Fair Value Measurement"" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a price that would be received to sell an asset or paid to transfer a liability in

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an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Company except for certain additional disclosures.

IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Company except for certain additional disclosures.

3.1 Deferred grant

Grant received for capital expenditure is accounted for as deferred grant in the balance sheet. An amount equal to the annual charge for depreciation on assets so acquired is recognized as income over useful life of the assets.

3.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is charged to income applying the straight line method. Full month's depreciation is charged in the month of acquisition and no depreciation is charged for the month in which asset is disposed of, using the rates as mentioned in note 4.

Normal repairs and maintenance are charged to the income and expenditure account as and when incurred whereas major improvements and modifications are capitalized.

Gains and losses on disposals of property, plant and equipment are taken to the income and expenditure statement.

3.3 Loans and advances

Loans and advances are initially measured and recognized at fair value plus incremental direct transaction costs, on the date that they are originated and subsequently measured at their amortised cost using the effective interest method at repayment date. All loans and advances are recognized when cash is disbursed to borrowers.

Management regularly assess the adequacy of allowance for impairment. The Company calculates the required provision for doubtful microcredit receivables based on classification and provisioning methodology and as per requirements NBFC and NE Regulations 2008.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks and short term deposits with maturity of three months or less which are subject to insignificant risk of change in value.

3.5 Revenue recognition

Revenue is recognized on accruals basis.

Membership fees and other charges

Membership fees and other charges are recognized as and when received.

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Other income

Other income comprises interest from short term deposits and includes gains from disposal of assets and foreign exchange differences. Interest income on bank deposit is earned on accruals basis at the agreed interest rate with the respective financial institution.

Grants

Grants related to income are included in income when the related conditions are satisfied. Utilized portion of grant related to a specific purpose is transferred from restricted funds at the year end to match with the extent of expenditure incurred during a particular accounting year. Grants in kind are recognized on the basis of non-commercial invoices submitted by the donors. Grants for capital assets are taken to deferred grant account. (Refer note 3.2 for details).

3.6 Foreign currency transactions

These financial statements are presented in PKR and USD. The functional currency of the Company is PKR. The figures in USD are reported for information purposes only (refer note 2.5).

Foreign currency transactions are recorded in functional currency at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the initial transaction.

3.7 Taxation

Income tax expense is recognised in income and expenditure account except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any.

3.8 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value and amortised cost respectively, whichever is applicable. The Company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

Financial assets mainly comprise of microcredit receivables, accrued interest and service charges, deposits, other receivables and bank balances. Significant financial liabilities are long term loans, short term loans, mark up on loan, payable to related parties and accrued and other liabilities.

3.9 Impairment

Non-financial assets
The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in income and expenditure account.

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Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in statement of comprehensive income and reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

3.10 Stock of passbooks

These are valued at the lower of cost and net realisable value. Cost represents weighted average purchase cost. Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews the carrying amount of stock of pass books on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

3.11 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

3.12 Off setting of financial instruments

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 Restricted grant

Funds received as grants for specific purposes are classified as restricted grant. Restricted grant is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

3.14 Mark up bearing borrowings

Mark up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark up bearing borrowings are stated at their amortised cost less subsequent repayments.

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3.15 Staff gratuity scheme

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service at the rate of one last drawn gross salary of the employee. The Company's obligation under gratuity scheme is recognized on the basis of actuarial valuation by using the Projected Unit Credit Method . Latest valuation was conducted as at December 31, 2017.

Actuarial gains / losses are recognised directly to equity through statement of Other Comprehensive Income (OCI) and are not reclassified to income and expenditure account in subsequent period. The amount recognised in the balance sheet represents the present value of defined benefit obligations adjusted for actuarial gains and losses, past service cost and interest cost.

3.16 Staff self insurance scheme

The Company operates a staff self insurance scheme for all its local employees. The scheme requires the Company to make payment to employees / dependents in case of permanent disability / death of an employee during the course of service with the Company. The Company's obligation under self insurance scheme is recognized on the basis of actuarial recommendations. Charge determined by actuary for relevant year is included in respective year's income and expenditure account. Latest valuation was conducted as at December 31, 2017.

3.17 Provision for leave encashment

The company allows encashment of unavailed leaves balances at the time of retirement / resignation. Provision for leave encashment is recognized on the basis of last drawn salary and number of leaves outstanding as at December 31, 2017 to a maximum of 30 days.

3.18 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2017:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. the Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through the statement of profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Company expects not only to hold the assets to c ollect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. the Company expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Company were not to apply that option, the shares would be held at fair value through the statement of profit or loss, which would increase the volatility of recorded profit or loss.

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Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. the Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. the Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9. the Company will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the

amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

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(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in may 2014, and amended in April 2016, and establises a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 15 esatblises the principles that an entity applies when reporting infromation about the nature, amount, timing and uncertainly of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services.

IFRS 12 Recognition of Deferred tax Assets for Unreaised Losses- Amendments TO IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

4 PROPERTY AND EQUIPMENT

	Motor vehicles	Furniture and fixtures	Computer and equipment	Total
		PKR		
Cost				
As at January 1, 2016	39,806,845	14,546,808	25,550,548	79,904,201
Additions during the year	84,291	6,624,822	1,315,726	8,024,839
Written off during the year	-	(196,151)	(705,120)	(901,271)
As at December 31, 2016	39,891,136	20,975,479	26,161,154	87,027,769
As at January 1, 2017	**39,891,136**	**20,975,479**	**26,161,154**	**87,027,769**
Additions during the year	135,000	925,588	2,761,738	3,822,326
Written off during the year	(5,600)	(1,060,217)	(2,221,851)	(3,287,668)
Adjustment	-	(5,309,096)	5,309,096	-
As at December 31, 2017	**40,020,536**	**15,531,754**	**32,010,137**	**87,562,427**
Acculmulated Depreciation				
As at January 1, 2016	28,598,682	5,523,579	13,316,431	47,438,692
Charge for the year	4,970,661	1,634,255	4,177,256	10,782,172
Written off during the year	-	(125,565)	(527,262)	(652,827)
As at December 31, 2016	33,569,343	7,032,269	16,966,425	57,568,037
As at January 01, 2017	**33,569,343**	**7,032,269**	**16,966,425**	**57,568,037**
Adjustment	**(219,999)**	**(170,829)**	**390,828**	**-**
Charge for the year	3,653,712	1,373,964	4,014,982	9,042,658
Written off during the year	(5,600)	(723,597)	(2,131,321)	(2,860,518)
As at December 31, 2017	**36,997,456**	**7,511,807**	**19,240,914**	**63,750,177**
Written down value				
December 31, 2017 - PKR	**3,023,080**	**8,019,947**	**12,769,223**	**23,812,250**
December 31, 2017 - USD	27,378	72,632	115,642	215,652
December 31, 2016 - PKR	6,321,793	13,943,210	9,194,729	29,459,732
December 31, 2016 - USD	60,438	133,300	87,904	281,642
Depreciation rate	**20%**	**10%**	**15%**	

5 INTANGIBLE ASSET

		2017	2016
Cost		**PKR**	**PKR**
As at January 1		**18,525,129**	17,117,599
Additions during the year	**5.1**	**131,617**	1,407,530
As at December 31		**18,656,746**	18,525,129
Accumlated Amortisation			
As at January 1		**(8,473,212)**	(2,824,404)
Charge for the year		**(3,809,638)**	(5,648,808)
As at December 31		**(12,282,850)**	(8,473,212)
Written Down Value - PKR		**6,373,896**	10,051,917
Written Down Value - USD		**57,724**	96,099
Amortisation rate		**25%**	33%

5.1 Intangible assets represent costs of Enterprise Resource Planning Software acquired by the Company from BRAC IT Services (BITS) (2016: PKR 1,407,530). The amrotisation rate was reduced from 33% to 25% w.e.f 1 January 2017 as the management estimation of useful life of software changed from three years to four years. This change in estimate redcued current year amortisation by PKR 2,365,405.

6 LOANS ADVANCES- NET

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Loans and advances - gross	6.1	**1,706,808,629**	**15,457,423**	1,505,789,066	14,395,689
Advance installments	6.3	**(76,223,240)**	**(690,303)**	(158,897,195)	(1,519,094)
Loans and advances - net of installments		**1,630,585,389**	**14,767,120**	1,346,891,871	12,876,595
Provisions held	6.4 & 6.2	**(47,081,144)**	**(426,382)**	(57,820,161)	(552,774)
		1,583,504,245	**14,340,738**	1,289,071,710	12,323,821

6.1 Movement in advances:

	2017 PKR	2017 USD	2016 PKR	2016 USD
Opening balance	**1,505,789,066**	**14,395,689**	1,312,220,358	12,528,359
Disbursements during the year	**2,805,373,000**	**26,596,255**	2,570,519,000	24,530,194
Repayments during the year	**(2,577,879,834)**	**(24,439,513)**	(2,351,698,622)	(22,442,014)
Principal written off during the year	**(26,473,603)**	**(250,982)**	(25,251,670)	(240,974)
Effect of convenience translation	**-**	**(844,026)**	-	20,124
	1,706,808,629	**15,457,423**	1,505,789,066	14,395,689

6.2 Particulars of provision are as follows:

	2017 PKR	2017 USD	2016 PKR	2016 USD
Opening balance	**57,820,161**	**552,774**	56,384,664	538,330
Provision recognized during the year	**15,734,586**	**149,171**	26,704,663	254,840
Written off during the year	**(26,473,603)**	**(250,982)**	(25,251,670)	(240,974)
Adjustment	**-**	**-**	(17,496)	(167)
Effect of convenience translation	**-**	**(24,581)**	-	745
	47,081,144	**426,382**	57,820,161	552,774

6.3 These carried service charges at effective interest rate ranging from 35.1% to 38.4% per annum (2016: 38% to 42% per annum). The Company does not hold any collateral against the loans upto an amount of PKR 150,000. However, the Company has personal guarantees of local community members of the borrowers. All microcredit receivables are repayable in twelve equal monthly instalments. For loans above PKR 150,000, the Company requires collateral.

6.4 Age analysis of advances and provisions held as at December 31, 2017

	Net exposure PKR	Provision rates %	Provision held PKR	Provision held USD
Performing advances:				
Current and over due by 29 days	1,609,041,344	2%	32,180,827	291,440
Non performing advances:				
OAEM (Overdue 30-59 days)	4,436,882	5%	221,844	2,009
Substandard (Overdue by 60-89 days)	1,796,537	25%	449,134	4,068
Doubtful (Overdue by 90-179 days)	2,162,575	50%	1,081,288	9,793
Loss (Overdue by 180 days or more)	13,148,051	100%	13,148,051	119,073
	1,630,585,389		**47,081,144**	**426,383**

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6.4.1 The Company uses a more conservative approach towards provisioning. The minimum required rates by NBFC and NE Regulations 2008 are:

	%
Performing advances:	
Current and over due by 29 days	**0%**
Non performing advances:	
General Provision	**0.50%**
OAEM (Overdue 30-59 days)	**0%**
Substandard (Overdue by 60-89 days)	**25%**
Doubtful (Overdue by 90-179 days)	**50%**
Loss (Overdue by 180 days or more)	**100%**

7 OTHER ASSETS

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Stock of passbooks		**100,439**	**910**	274,117	2,621
Employee advances		**493,141**	**4,466**	1,374,694	13,142
Security deposits		**5,560,896**	**50,361**	9,995,321	95,558
Prepaid rent		**6,769,421**	**61,306**	515,125	4,925
Accounts receivables		**295,925**	**2,680**	534,891	5,114
Receivable from donors	17	**138,612,645**	**1,255,322**	134,473,494	1,285,597
Accrued interest on loans and advances		**32,615,718**	**295,379**	28,158,681	269,203
		184,448,185	**1,670,424**	175,326,323	1,676,160

8 ADVANCE TAX-NET

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Opening balance		**1,651,111**	**15,785**	962,833	9,193
Charge for the year	8.2	**(27,829,263)**	**(263,835)**	(11,837,382)	(112,963)
Advance tax paid during the year		**28,583,156**	**270,982**	12,525,660	119,531
Effect of translation		**-**	**(1,151)**	-	24
		2,405,004	**21,781**	1,651,111	15,785

8.1 The Company is entitled to 100% tax credit against its tax liability as provided in section 100C of the Income Tax Ordinance, 2001. Provision for taxation has been recorded only on the income from microcredit operations in which so far tax credit is not admissible.

8.2 Relationship between tax expense and accounting profit

	2017 PKR	2017 USD	2016 PKR	2016 USD
Surplus before taxation	**322,323,406**	**3,055,777**	59,976,009	572,345
Tax charge @ 30% of taxable income (2016: 17% of accounting profit)	**96,697,022**	**916,733**	10,195,922	97,299
Effect of tax credit u/s 100C	**(54,743,416)**	**(518,993)**	-	-
Effect of tax at other rates - minimum tax	**-**	**-**	-	-
Effect of prior year tax expense	**-**	**-**	1,641,460	15,664
Other permanent differences	**(14,124,343)**	**(133,905)**	-	-
Tax charge for the year	**27,829,263**	**263,835**	11,837,382	112,963

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9. CASH AND BANK BALANCES

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Cash in hand					
- Local currency		**194,554**	**1,762**	613,582	5,866
Cash at banks					
- Local currency - current accounts		**74,250,297**	**672,435**	31,124,414	297,557
- Foreign currency - current accounts		**17,667**	**160**	34,054	326
- Foreign currency - saving accounts	9.1	**116,467,411**	**1,054,768**	104,598,500	1,000,000
		190,735,375	**1,727,363**	135,756,968	1,297,883
		190,929,929	**1,729,125**	136,370,550	1,303,749

9.1 This includes PKR 110,420,000 (USD 1,000,000) (2016: PKR 104,598,000 USD: 1,000,000) placed with Habib Bank Limited as lien against running finance facility (Note 16.1) and carries interest rate of 0.15% per annum (2016: 0.15% per annum).

10 GENERAL RESERVE

As per the loan agreement signed between the company and Pakistan Microfinance Investment Company (PMIC) on 8th August 2017, the Company has maintained a credit reserve amounting to differential of 5% of loans and advances (note 6) and provisions held (note 6) against such loans and advances.

11 GENERAL FUND BALANCES

These represent contributions from BRAC for the purpose of microfinance activity and self sustainability of the Company.

12 LONG TERM LOANS - SECURED

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
From Pakistan Poverty Alleviation					
Fund (PPAF) PPAF III Phase VI	17.1	**136,997,400**	**1,240,694**	379,205,600	3,625,293
Pakistan Microfinance Company	17.1	**500,000,000**	**4,528,165**	-	-
From banking companies					
Habib Bank Limited - Demand Finance	17.1	**-**	**-**	437,500,000	4,182,600
		636,997,400	**5,768,859**	816,705,600	7,807,893
Less: Transferred to current portion		**(511,997,400)**	**(4,636,818)**	(483,127,600)	(4,618,811)
		125,000,000	**1,132,041**	333,578,000	3,189,082

13 DEFERRED GRANT

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Opening balance		**8,753,489**	**83,685**	23,199,578	221,497
Property and equipment purchased during the year	18	-	-	3,857,122	36,808
Recognition of deferred grant as income		**(3,097,366)**	**(29,364)**	(20,074,736)	(191,571)
Adjustment		**(26,274)**	**(249)**	1,771,525	16,905
Transferred to restricted (reversal)	18	**(3,193,393)**	**(30,275)**	-	-
Effect of Convenience translation		**-**	**(1,732)**	-	46
		2,436,456	**22,065**	8,753,489	83,685

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14 DEFERRED LIABILITIES

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Staff gratuity scheme	14.1	**59,145,747**	**535,643**	68,662,071	656,425
Staff self insurance scheme	14.2	**9,579,586**	**86,756**	9,805,534	93,743
		68,725,333	**622,399**	78,467,605	750,168

14.1 Staff gratuity scheme

a) Movement in present value of defined benefit obligation recognized in balance sheet

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Opening balance		**68,662,071**	**656,425**	48,339,161	461,516
Expense recognized for the year	20	**24,625,186**	**233,458**	27,185,428	259,428
Actuarial (gain)/loss recognized during the year		**(14,970,218)**	**(135,575)**	4,272,682	40,774
Benefits paid / payable during the year		**(19,171,293)**	**(181,753)**	(11,135,200)	(106,262)
Effect of convenience translation		**-**	**(36,912)**	-	969
Present value of defined benefit obligation at end of the year		**59,145,747**	**535,643**	68,662,071	656,425

b) Movement of actuarial gains

	2017 PKR	2017 USD	2016 PKR	2016 USD
Actuarial (gain)/loss on obligations during the year	**(14,970,218)**	**(141,925)**	4,272,682	40,744
Actuarial (gain)/loss recognised during the year to other comprehensive income	**14,970,218**	**141,925**	(4,272,682)	(40,744)
Unrecognized actuarial gain at end of the year	-	-	-	-

c) Particulars of expense for the year

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
Current service cost		**18,747,320**	**177,733**	23,335,987	222,693
Interest cost		**5,877,866**	**55,725**	3,849,441	36,735
Total charge for the year	20	**24,625,186**	**233,458**	27,185,428	259,428

d) Principal actuarial assumptions used in the actuarial valuations are as follows:

	2017 PKR	2017 USD	2016 PKR	2016 USD
Valuation discount rate	**7.25%**		9.50%	
Valuation discount rate - P&L	**9.50%**		9.00%	
Expected increase rate - short term next one year	**7.25%**		6.00%	
Expected increase rate - long term	**7.25%**		9.50%	
Withdrawal rate	**Moderate**		Moderate	
Duration	**6.92 Years**		9.68 Years	
Mortality rate	**Adjusted SLIC 2001-2005**		Adjusted SLIC 2001-2005	
e)Expected annual charge for the next year	**21,977,923**	**199,039**	**23,491,614**	**224,585**

f) Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. For a change of 100 basis points in these assumptions, present value of defined benefit obligation as at 31 December 2017 would have been as follows:

	Defined Benefit Obligation	
Financial assumptions	In case of 1% increase - PKR	In case of 1% decrease - PKR
Discount rate	55,582,758	63,212,102
Future salary growth	63,212,102	55,582,758

	Defined Benefit Obligation	
	In case of 10% increase	In case of 10% decrease
	PKR	
Future withdrawal	59,145,747	59,145,747

	Defined Benefit Obligation	
	In case of 1 year mortality age set back	In case of 1 year mortality age set forward
	PKR	
Mortality rate	59,145,747	59,145,747

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at 31 December 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

g) Maturity Profile

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
PKR	7,706,090	7,722,046	7,549,771	7,402,846	7,211,567	22,600,380	48,307,325

h) Risks Associated with Defined Benefit Plans

i) Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

ii) Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

iii) Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

iv) Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

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14.2 Staff self insurance scheme

The Company has unfunded staff insurance scheme for its employees. Under this scheme, employees will be paid compensation in accordance with pre-determined criteria in case of injuries and death. Charge and liability is determined on the basis of actuarial valuations using Projected Unit Credit Method (PUC). Latest actuarial valuation was carried out as at 31 December 2017. Charge in respect of staff self insurance scheme for the year amounts to PKR Nil (2016: PKR 2,671,844) reflected in Note 19. During the year, benefits amounting PKR 225,948 were paid relating to self insurance scheme.

15 PAYABLE TO RELATED PARTIES

		2017		2016	
		PKR	**USD**	PKR	USD
BRAC Bangladesh	15.1	**106,486,307**	**964,375**	100,031,202	956,322
Stichting BRAC International	15.2	**85,843,037**	**777,423**	66,494,913	635,706
BRAC International Holdings B.V.	15.2	**42,371,082**	**383,727**	23,011,267	219,993
BRAC IT Services Limited	15.3	**35,776,456**	**324,003**	28,419,553	271,697
		270,476,882	**2,449,528**	217,956,935	2,083,718

15.1 This represents amount payable to BRAC Bangladesh on account of expenditure incurred on behalf of the Company.

15.2 This represents amount payable to Stichting BRAC International and BRAC International Holdings B.V. on account of head office logistic expense / management fee payable by the Company against support received from these entities. This amount is unsecured, interest free and payable on demand.

15.3 This represents amount payable to BRAC IT Services on account of purchase and maintenance fee of software. This amount is unsecured, interest free and payable on demand.

	2017		2016	
	PKR	**USD**	PKR	USD
16 ACCRUED AND OTHER LIABILITIES				
Employee benefits payable	**12,428,708**	**112,558**	333,250	3,186
Bonus provision	**10,443,852**	**94,583**	-	-
Travelling reimbursement payable	**1,043,000**	**9,446**	-	-
EOBI payable	**1,708,918**	**15,477**	418,205	3,998
Payable to suppliers	**15,073,922**	**136,514**	-	-
Withholding tax deducted at source	**-**	**-**	350,795	3,354
Accrued liabilities (16.1)	**9,638,673**	**87,291**	56,385,234	539,056
Provision for grade change material	**-**	**-**	46,199,494	441,678
Provision for leave encashment	**7,220,396**	**65,390**	4,660,497	44,555
Accrued interest on loans	**1,782,514**	**16,143**	10,307,613	98,543
Others	**2,922,072**	**26,462**	5,269,045	50,373
	62,262,055	**563,866**	123,924,133	1,184,743

16.1 This includes accurals for rent to branch and school owners, teacher trainings and professional fees.

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17 SHORT TERM LOANS

These represent following loans obtained by the Company:

	Note	2017 PKR	2017 USD	2016 PKR	2016 USD
From banking companies - secured					
Habib Bank Limited (HBL)	17.1	**323,000,000**	**2,925,193**	94,396,016	902,448
From others - unsecured					
KIVA Microfinancing (KIVA)	17.1	**118,864,785**	**1,076,480**	66,396,956	634,770
		441,864,785	**4,001,673**	160,792,972	1,537,218

	2017 PKR	2017 USD	2016 PKR	2016 USD
Movement during the year is as follows:				
Opening balance	**160,792,972**	**1,537,218**	130,229,443	1,243,359
Received during the year				
KIVA	**56,584,180**	**539,203**	20,242,485	193,523
HBL	**41,103,984**	**389,685**	230,656,956	2,205,133
HBL - conversion of term finance	**187,500,000**	**1,777,588**	-	-
	285,188,164	**2,706,476**	250,899,441	2,398,656
Repaid during the year				
KIVA Microfinancing	**(10,286,504)**	**(97,493)**	(25,375,408)	(242,595)
Habib Bank Limited	**-**	**-**	(194,764,825)	(1,861,996)
	(10,286,504)	**(97,493)**	(220,140,233)	(2,104,591)
KIVA - Foreign exchange gain / (loss)	**6,170,153**	**55,879**	(195,679)	(1,871)
Effect of convenience translation	**-**	**(200,407)**	-	1,665
	441,864,785	**4,001,673**	160,792,972	1,537,218

16.1 Terms and conditions of these borrowings are given below:

Loan	Availability period	Total facility amount PKR	Amount received to date under the agreement PKR	Mark-up rate per annum as per agreement (%)	Number of installments outstanding	Availability period/ Date of final repayment	Security against loans
Long term loans							
i) Pakistan Microfinance Investement Company Limited	8-Aug-18	500,000,000	500,000,000	9.4%	4	28-Feb-19	The loan is secured against assignment of rights over a portfolio of the Company's advances upto PKR 625 Million and a demand promissory
Short term loans							
ii) Habib Bank Limited	December 2014 to March 2017	323,000,000	323,000,000	3 Months KIBOR + 1.178%	Bullet payment	31-Aug-18	i) Lien on the Company's foreign currency deposit of USD 1 million ii) SBLC of US$ 2.1 Million from HBL Netherlands iii) 1st pari passu hypothecation charge over all pres and future current assets including microcredit receivables of PKR 292 Million
Long term loans from PPAF							
iii) PPAF III (410 M)	April 2015 to September 2016	410,000,000	410,000,000	Six months KIBOR with a floor of 8% of one year	5 quarterly installements after a grace period	7-Oct-18	The loan is secured against assignment of rights over a portfolio of the Company's advances upto an outstanding under the agreement, a demand promissory note and a first pari passu charge on all assets created out of the agreement.
Short term loans from others							
iv) KIVA Microfinancing	August 2017 to July 2019	Limit of USD 255,000 per month for up loading new loans, based on actualapprovals, net of repayments due is either received or repaid.	195,438,828	Interest free	Monthly installments	N/A	Unsecured

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17 RESTRICTED GRANT

	Note	Microfinance WEP BRAC USA	Health Child Life Foundation	Health Punjab Skills Development Fund	Education Sindh Education Foundation	Education SENSA	PPR Montepiir	PPR PPAF	Total 2017	Total 2016
						PKR				
Movement in restricted grant during the year is as follows:										
Opening balance		8,889,152	-	-	-	-	-	36,891,774	45,780,926	41,541,497
Received during the year		-	5,047,932	12,359,512	107,217,600	232,618,809	4,345,338	23,705,768	385,294,959	409,929,949
Transferred from deferred grant		-	-	-	3,193,393	-	-	-	3,193,393	-
Transferred to:										
- Property and equipment	13	-	-	-	-	-	-	-	-	(3,857,122)
- Statement of comprehensive income	18.1	(4,689,152)	(5,047,932)	(21,235,533)	(150,409,393)	(322,357,033)	(444,950)	(59,001,374)	(563,185,367)	(536,306,892)
Transferred to other assets		-	-	8,876,021	39,998,400	89,738,224	-	-	138,612,645	134,473,494
		4,200,000	-	-	-	-	3,900,388	1,596,168	9,696,556	45,780,926
						USD				
Opening balance		84,982	-	-	-	-	-	352,694	437,676	396,616
Received during the year		-	47,857	117,174	1,016,473	2,205,336	41,196	224,742	3,652,777	3,911,917
Transferred from deferred grant		-	-	-	30,275	-	-	-	30,275	-
Transferred to:										
- Property and equipment	13	-	-	-	-	-	-	-	-	(36,808)
- Statement of comprehensive income		(44,455)	(47,857)	(201,323)	(1,425,952)	(3,056,096)	(4,218)	(559,361)	(5,339,262)	(5,117,920)
Transferred to other assets		-	-	84,149	379,204	850,761	-	-	1,314,113	1,283,266
Effect of convenience translation		(2,490)	-	-	-	(1)	(1,655)	(3,620)	(7,764)	605
		38,037	-	-	-	-	35,323	14,455	87,815	437,676

BRAC PAKISTAN
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18.1 EXPENDITURE CHARGED DURING THE YEAR

	Note	Microfinance WEP BRAC USA	NGO Health Child Life Foundation	NGO Health Punjab Skills Development Fund	NGO Education Sindh Education Foundation	NGO Education SENSA	NGO PPR Montepiir	NGO PPR PPAF	Total 2017	Total 2016
						PKR				
Salaries and benefits		1,022,735	3,593,596	13,086,454	63,830,038	134,538,104	-	5,314,498	221,389,513	209,968,303
Rent		-	297,470	179,868	18,929,080	15,589,620	-	698,250	35,694,288	33,798,058
Utilities		206,950	115,452	124,868	1,318,480	2,551,218	-	219,978	4,536,946	2,945,384
Printing and stationeries		-	86,844	102,316	216,878	2,140,094	-	112,514	2,658,646	1,008,619
Travelling and transportation		-	299,884	1,569,306	1,314,523	21,949,494	-	3,299,605	28,432,812	36,974,187
Training and development		568,460	192,400	74,432	4,806,020	4,849,775	444,950	6,038,029	16,974,066	21,025,213
Program supplies		2,891,007	54,700	5,600,635	13,097,742	75,447,079	-	42,050,641	139,141,804	281,765,339
Head office logistics and management fees		-	273,657	-	5,161,731	14,213,655	-	305,773	19,954,816	3,037,564
Maintenance and general expenses		-	168,856	504,621	1,611,270	13,114,212	-	729,707	16,128,666	22,848,882
Self insurance		-	-	-	-	-	-	-	-	280,589
Professional charges		-	-	-	1,911,557	3,003,298	-	180,000	5,094,855	2,130,000
		4,689,152	5,087,859	21,241,588	112,197,319	287,396,549	444,950	58,948,995	490,006,412	615,782,138
						USD				
Salaries and benefits		9,696	34,116	124,057	605,139	1,275,484	-	50,384	2,098,876	2,003,704
Rent		-	2,820	1,705	179,457	147,797	-	6,620	338,399	322,531
Utilities		1,962	1,095	1,184	12,500	24,187	-	2,085	43,013	28,107
Printing and stationeries		-	823	970	2,056	20,289	-	1,067	25,205	9,625
Travelling and transportation		-	2,843	14,878	12,462	208,092	-	31,282	269,557	352,840
Training and development		5,389	1,824	706	45,563	45,978	4,218	57,243	160,921	200,642
Program supplies and related expenses		27,408	519	53,097	124,173	715,274	-	398,660	1,319,131	2,688,857
Head office logistics and management fees		-	2,594	-	48,936	134,752	-	2,899	189,181	28,987
Maintenance and general expenses		-	1,601	4,784	15,276	124,329	-	6,918	152,908	218,043
Self insurance		-	-	-	-	-	-	-	-	2,678
Professional charges		-	-	-	18,122	28,473	-	1,706	48,301	20,326
		44,455	48,235	201,381	1,063,684	2,724,655	4,218	558,864	4,645,492	5,876,340

19 CONTINGENCIES AND COMMITMENTS

Contingencies

There are certain cases outstanding as on 31 December 2017. The management expects favorable outcome in these cases and the lawyers have also asserted management claims in respect of favorable outcome.

The Inland Revenue Authorities made tax assessment for tax year 2015 and raised tax demand of PKR 29.424 million related to withholding tax. The Company has paid the 25% of such demand and the case is pending before commissioner appeal for further hearing.

The inland revenue authorities have concluded income tax assessment for tax year 2015 and raised a demand of PKR 9.5 million. The Company has paid the entire tax amount in full consequent to rejection of appeal by Commissioner Inland Revenue (Appeals). However, the Company intends to appeal against the order before Inland Revenue Appellate Tribunal and expect favourable outcome.

Commitments

The Company has capital commitments up to the amount of restricted grant.

20 PROGRAM AND ADMINISTRATIVE EXPENSES

		2017		2016	
		PKR	**USD**	PKR	USD
Program expenses	20.1	**662,885,613**	**6,284,467**	842,675,850	8,041,568
Administrative expenses		**94,634,396**	**897,179**	108,252,170	1,033,039
		757,520,009	**7,181,647**	950,928,020	9,074,607

The breakdown of these expenses is as follows:

		2017 PKR	2017 USD	2016 PKR	2016 USD
Salaries and benefits	14.1	**400,841,872**	**3,800,169**	425,841,788	4,063,764
Staff self insurance scheme		**-**	**-**	2,671,844	25,497
Training and development		**16,572,478**	**157,115**	21,662,473	206,723
Rent		**52,440,945**	**497,165**	55,183,916	526,614
Utilities		**10,316,467**	**97,805**	12,387,394	118,212
Printing and stationery		**6,366,733**	**60,360**	5,577,154	53,222
Travelling and transportation		**40,324,446**	**382,295**	56,645,608	540,563
Depreciation and amortisation	4&5	**12,852,296**	**121,846**	13,655,922	130,317
Maintenance and general expenses		**25,811,668**	**244,706**	43,386,064	414,029
Head office logistics and management fees		**39,814,631**	**377,461**	26,048,831	248,581
Professional charges		**7,592,004**	**69,132**	8,351,139	79,694
Auditors' remuneration		**1,410,000**	**16,212**	1,300,000	12,406
Program supplies and related expenses		**139,141,804**	**1,319,130**	274,586,626	2,620,351
Other expenses		**16,034**	**152**	2,140,472	20,426
Taxes paid against demands		**2,801,891**	**26,563**	-	-
Written off items:					
Property plant and equipment		**427,150**	**4,050**	248,444	2,371
Cash in hand		**554,736**	**5,259**	1,226,845	11,708
Security deposit		**234,854**	**2,227**	13,500	129
		757,520,009	**7,181,647**	950,928,020	9,074,607

21 FINANCIAL CHARGES

	2017		2016	
	PKR	**USD**	PKR	USD
Interest on loans	**64,886,580**	**615,155**	67,015,372	639,521
Bank charges	**1,099,842**	**10,427**	920,412	8,783
	65,986,422	**625,582**	67,935,784	648,304

22 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, key management personnel and entities over which the directors are able to exercise influence. Balances with related parties including balance relating to restricted funds are disclosed in notes 5.1, 11, 15, 17.1, 18 and 22 to the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 25 to the financial statements. Transactions with related parties are as follows:

	2017		2016	
	PKR	**USD**	PKR	USD
Associated Company by virtue of common directorship				
BRAC Bangladesh				
- Expense incurred on behalf of the Company - net	**7,191,044**	**68,174**	563,797	5,380
- Expense incurred by Company on behalf of the BRAC Bangladesh - net	**(867,556)**	**(8,225)**	-	-
Stitching BRAC International				
- Head office logistic / management fee for the year	**19,954,816**	**189,181**	26,048,831	248,581
- Expense incurred by Company on behalf of the Stichting BRAC International - net	**(606,692)**	**(5,752)**	-	-
BRAC International Holdings BV				
- Head office logistic / management fee for the year	**19,859,815**	**188,280**	23,011,267	219,594
- Expense incurred by Company on behalf of the BRAC International Holdings BV - net	**(500,000)**	**(4,740)**	-	-
BRAC IT Services				
- Maintenance fee	**7,225,286**	**68,499**	9,894,424	94,421
- Capitalised expenses for improvement 5	**131,617**	**1,248**	1,407,530	13,432

Guarantee issued by BRAC International Holdings B.V.

USD 2.1 Million Guarantee by BRAC International Holdings B.V. to Habib Bank Limited, Rotterdam, the Netherlands as security against running finance facility of PKR 323 million obtained by the Company from Habib Bank Limited, Pakistan.

Others

Remuneration to key management personnel (Note 23)

23 REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in these financial statements for the year in respect of remuneration including benefits applicable to the Chief Executive Officer and the Directors of the Company are given below:

	Chief Executive Officer	Directors	Chief Executive Officer	Directors
	2017 - PKR		2016 - PKR	
Managerial remuneration	6,600,000	-	5,436,127	-
Bonus	512,500	-	104,166	-
	2017 - USD		2016 - USD	
Managerial remuneration	62,571	-	51,876	-
Bonus	4,641	-	994	-
Number of persons	1		2	

Gratuity is payable to the Chief Executive Officer in accordance with the terms of employment while charge for the year in respect of gratuity is recognised in the financial statements based on actuarial valuation. In 2016, PKR 1,652,086 was paid to outgoing CEO.

24 FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

24.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to microcredit receivables, security deposits, interest and service charges accrued, other receivables and balances at banks. The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings.

24.1.1 Counterparties

In relation to the Company's exposure to credit risk, microcredit borrowers and financial institutions are major counter parties and the

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Company's policies to manage risk in relation to these counter parties are as follows:

Microcredit receivables including service charges

Receivable from borrowers with respect to microcredit receivables is diversified due to number of clients comprising the Company's customer base. The Company has credit policy that governs the management of credit risk, including the specific transaction approvals and establishment of counter party credit repayment timeline. The Company limits credit risk by limiting the loan up to a maximum amount and continuing to evaluate creditworthiness of borrowers after transactions have been initiated. The Company controls its credit risk of micro credit advance by the following methods:

(i) Ascertainment of credit worthiness of borrowers;
(ii) Monitoring of advance on a continuing basis;
(iii) Social and moral pressure of community and personal guarantors; and
(iv) Active follow up.

Banks

The Company maintains its bank balances with banks having high credit rating and marketable securities in reputable companies. These balances are exposed to minimal credit risk as these are with reputable financial institutions and can be redeemed upon demand.

24.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2017 PKR	2017 USD	2016 PKR	2016 USD
Microcredit receivables	1,583,504,245	14,340,738	1,289,071,710	12,323,821
Security deposits	5,560,896	50,361	9,995,321	95,558
Accrued interest and service charges	32,615,718	295,379	28,158,681	269,203
Bank balances	190,929,929	1,729,125	136,370,550	1,303,749
Receivable from donor	138,612,645	1,255,322	134,473,494	1,285,597
Account receivable	295,925	2,680	534,891	5,114
	1,951,519,358	17,673,605	1,598,604,647	15,283,042

The maximum exposure to credit risk by geographic region is limited to Pakistan.

As at the year end the Company's most significant receivable was from Habib Bank Limited Pakistan from whom PKR 186,573,389 (USD: 1,689,670) (2016: PKR 133,621,915) (USD: 1,277,456) was receivable. Based on past experience, the management believes that no further impairment allowance is necessary in respect of Company's financial assets. The age analysis of Microcredit receivables and provision there against has been disclosed in notes 6.4 and 6.2 to these financial statements.

24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash outflows	Within one year	Over one year
		2017 - PKR		
Long term loans including mark up	636,997,400	636,997,400	511,997,400	125,000,000
Short term loans including mark up	443,647,299	443,647,299	443,647,299	-
Payable to related parties	270,476,882	270,476,882	270,476,882	-
Accrued and other liabilities	60,479,541	60,479,541	60,479,541	-
	1,411,601,122	1,411,601,122	1,286,601,122	125,000,000

	Carrying	Contractual cash outflows	Within one year	Over one year
		2017 - USD		
Long term loans including mark up	5,768,859	5,768,859	4,636,818	1,132,041
Short term loans including mark up	4,017,817	4,017,817	4,017,817	-
Payable to related parties	2,449,528	2,449,528	2,449,528	-
Accrued and other liabilities	547,723	547,723	547,723	-
	12,783,927	12,783,927	11,651,886	1,132,041
		2016- PKR		
Long term loans including mark up	827,013,213	827,013,213	493,435,213	333,578,000
Short term loans including mark up	160,792,972	160,792,972	160,792,972	-
Payable to related parties	217,956,935	217,956,935	217,956,935	-
Accrued and other liabilities	113,265,725	113,265,725	113,265,725	-
	1,319,028,845	1,319,028,845	985,450,845	333,578,000
		2016 - USD		
Long term loans	7,906,436	7,906,436	4,717,354	3,189,082
Short term loans	1,537,218	1,537,218	1,537,218	-
Payable to related parties	2,083,718	2,083,718	2,083,718	-
Accrued and other liabilities	1,082,846	1,082,846	1,082,846	-
	12,610,218	12,610,218	9,421,136	3,189,082

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is not significantly exposed to market risk.

24.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on its bank balances and foreign currency loans denominated in foreign currencies, primarily US Dollars.

	2017 PKR	2017 USD	2016 PKR	2016 USD
Bank balances	116,485,078	1,054,928	104,632,554	1,000,311
Payable to related parties	-	-	(100,031,202)	(956,321)
KIVA Microfinancing	(118,864,785)	(1,076,480)	(66,396,956)	(634,770)
Net exposure	(2,379,707)	(21,552)	(61,795,604)	(590,780)

Following are the significant exchange rates applied during the year:

	Average rates 2017 PKR	Average rates 2016 PKR	Balance sheet date rate 2017 PKR	Balance sheet date rate 2016 PKR
1 US Dollar	105.48	104.79	110.42	104.60

Sensitivity analysis

A ten percent strengthening / (weakening) of the Pakistani Rupees against US Dollar at 31 December would have (decreased) / increased net surplus for the year by PKR 237,970 million (USD: 2,256), (2016: PKR 9 million (USD: 86,091).

24.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. Majority of the interest rate exposure arises from microcredit receivables, loans and bank balances.

	2017 PKR	2017 USD	2016 PKR	2016 USD
Fixed rate instruments				
Financial assets				
Bank balances	116,467,411	1,054,768	104,598,500	1,000,000
Loan and advances - net	1,583,504,245	14,340,738	1,289,071,710	12,323,821
	1,699,971,656	15,395,506	1,393,670,210	13,323,821
Variables rate instruments				
Short term loans	323,000,000	2,925,193	94,396,016	902,448
Long term loans	636,997,400	5,768,859	816,705,600	7,807,893
Total	959,997,400	8,694,052	911,101,616	8,710,341

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased surplus by Rs. 9.60 million (USD : 91,012) (2016: PKR 9.11 million; USD: 86,945) This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

25 DETERMINATION OF FAIR VALUES

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

25.1 Fund management

The Board of Directors of the Company monitors the performance along with the fund required for the sustainable operations of the Company. There were no changes to the Company's approach to the fund management during the year. The Company is not subject to externally imposed fund requirements.

25.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

25.3 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

25.4 'The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value	
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 2	Total
			PKR			
31 December 2017						
Financial assets not measured at fair value						
Micro credit receivables	-	1,583,504,245	-	1,583,504,245	1,583,504,245	1,583,504,245
Other receivables*	-	138,612,645	-	138,612,645	-	-
Accrued interest*	-	32,615,718	-	32,615,718	-	-
Cash and cash equivalents*		190,929,929	-	190,929,929	-	-
Financial liabilities not measured at fair value						
Long term borrowings including mark up	-	-	636,997,400	636,997,400	636,997,400	636,997,400
Accrued and other liabilities*	-	-	60,479,541	60,479,541	-	-
Payable to related parties*	-	-	270,476,882	270,476,882	-	-
Short term borrowing including mark up	-		- 443,647,299	443,647,299	443,647,299	443,647,299
December 31, 2016						
Financial assets not measured at fair value						
Micro credit receivables	-	1,289,071,710	-	1,289,071,710	1,289,071,710	1,289,071,710
Other receivables*	-	134,473,494	-	134,473,494		
Cash and cash equivalents*	-	136,370,550	-	136,370,550		
Accrued interest*	-	28,158,681	-	28,158,681		
Financial liabilities not measured at fair value						
Long term borrowings including mark up	-	-	827,013,213	827,013,213	827,013,213	827,013,213
Accrued and other liabilities*	-	-	113,265,725	113,265,725		
Payable to related parties*	-	-	217,956,935	217,956,935		
Short term borrowing including mark up	-	-	160,792,972	160,792,972	160,792,972	160,792,972

*The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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Notes to the Financial Statements

For the year ended 31 December 2017

24.4 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value	
	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 2	Total
31 December 2017				USD		
Financial assets not measured at fair value						
Micro credit receivables	-	14,340,738	-	14,340,738	14,340,738	14,340,738
Other receivables*	-	1,255,322	-	1,255,322	-	-
Cash and cash equivalents*	-	1,729,125	-	1,729,125	-	-
Accrued interest*	-	295,379	-	295,379		
Financial liabilities not measured at fair value						
Long term borrowings including mark up	-	-	5,768,859	5,768,859	5,768,859	5,768,859
Accrued and other liabilities*	-	-	547,723	547,723	-	-
Payable to related parties*	-	-	2,449,528	2,449,528	-	-
Short term borrowing including mark up	-	-	4,017,817	4,017,817	4,017,817	4,017,817
December 31, 2016						
Financial assets not measured at fair value						
Micro credit receivables	-	12,323,821	-	12,323,821	12,323,821	12,323,821
Other receivables*	-	1,285,597	-	1,285,597	-	-
Cash and cash equivalents*	-	1,303,734	-	1,303,734	-	-
Accrued interest*	-	269,203	-	269,203	-	-
Financial liabilities not measured at fair value						
Long term borrowings including mark up	-	-	7,906,436	7,906,436	7,906,436	7,906,436
Accrued and other liabilities*	-	-	1,082,846	1,082,846	-	-
Payable to related parties*	-	-	2,083,718	2,083,718	-	-
Short term borrowing including mark up	-	-	1,537,218	1,537,218	1,537,218	1,537,218

*The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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26 Segmental Information

	2017 PKR		2017 USD	
	Microfinance	Social Development	Microfinance	Social Development
Total Assets	**1,881,920,551**	**176,931,841**	**17,043,294**	**1,602,353**
Total Liabilities	**1,393,159,626**	**154,545,712**	**12,616,914**	**1,399,617**
Capital Fund	**488,760,925**	**22,386,129**	**4,426,380**	**202,736**
Income	**602,761,932**	**558,642,654**	**5,714,467**	**5,059,252**
Expenditure	**353,763,920**	**485,317,260**	**3,353,848**	**4,395,193**

	2016 PKR		2016 USD	
	Microfinance	Social Development	Microfinance	Social Development
Total Assets	1,528,818,437	172,751,451	14,615,856	1,651,542
Total Liabilities	1,261,906,544	195,579,249	12,064,117	1,869,783
Capital Fund	266,911,893	(22,827,797)	2,551,739	(218,241)
Income	467,565,588	550,882,202	4,461,930	5,257,011
Expenditure	342,067,446	616,404,335	3,264,314	5,882,282

27.1 OTHER INFORMATION

	2017	2016
Number of employees		
Number of employees as at 31 December (Number)	**710**	806
Average employees during the year (Number)	**740**	864

27.2 INSURANCE COVERRAGE

During the year, the company has obtained insurance coverage from an insurance company as per requirement chapter 1, Rule 9 of Non-Banking Finance Companies (establishment and regulation) Rules, 2003.

28 Reclassification and rounding off

The figures for prioer year has been reclassified for approriate classification. Further, the figures have been rounded off to nearest PKR and USD.

29 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of BRAC Pakistan in their meeting held on **20th March 2018.**

Head of Finance	Chief Executive Officer	Director

COVER PHOTO:

BRAC

BRAC International/Communications/AR17/June 18

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