brac

2016 ANNUAL REPORT

MYANMAR

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 innovation 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

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

Mission

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.

Values

Integrity

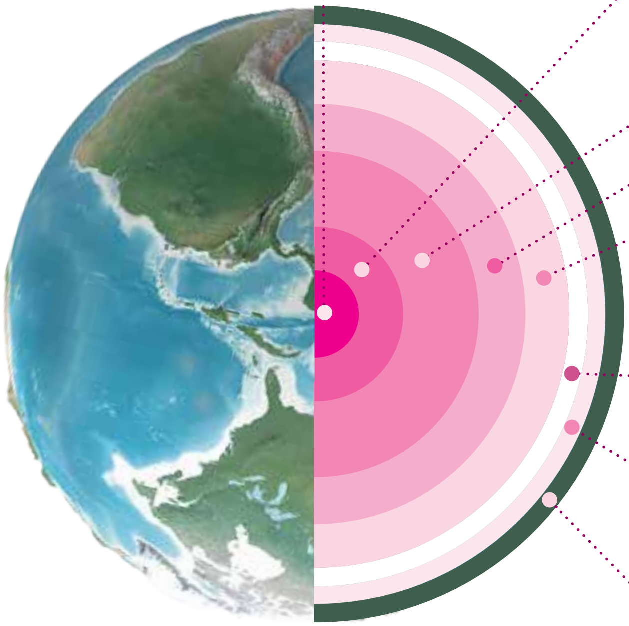
Innovation

Inclusiveness

Effectiveness

5-year goal

Empower 20 million of the most underserved and disenfranchised people to gain greater access to and have more control over resources, decisions and actions, **while continuing to maximise opportunities and expand services for the unmet needs of the 120 million people we already reach in Bangladesh by 2020.**



Social enterprises

Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers. Instead of maximising profits, our 13 social enterprises focus on maximising gains in quality of life for all.

Investments

Socially responsible companies that assist us in our mission. Our network of seven 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. BRAC University constantly incorporates the most current educational techniques and material. 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.

BRAC across the world

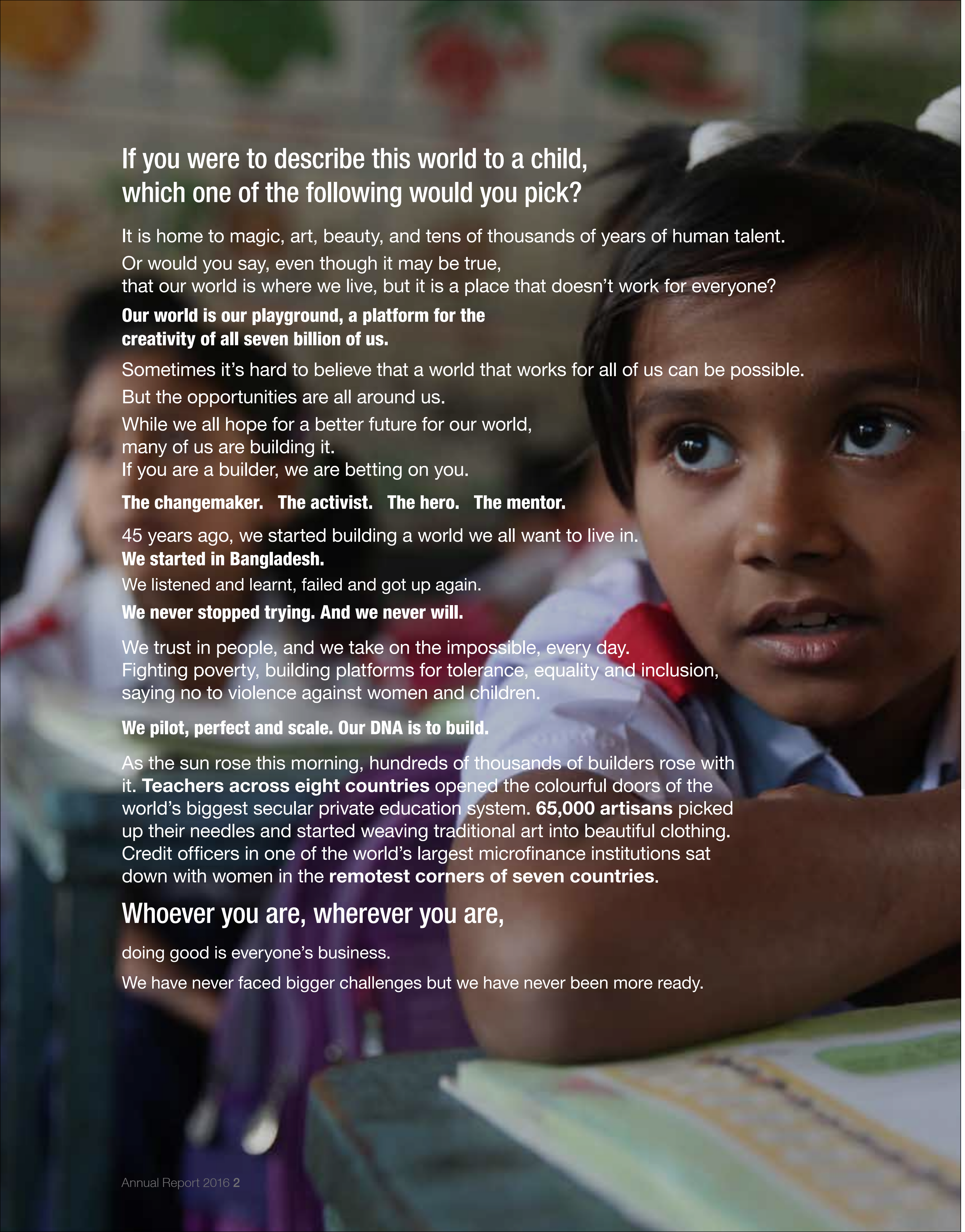
Country offices

BRAC in Bangladesh
BRAC in Afghanistan
BRAC in Pakistan
BRAC in Myanmar
BRAC in Nepal
BRAC in Philippines
BRAC in South Sudan
BRAC in Liberia
BRAC in Tanzania
BRAC in Sierra Leone
BRAC in Uganda

Affiliate offices

BRAC USA
BRAC UK

Stichting BRAC International, Netherlands



If you were to describe this world to a child, 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.
Fighting poverty, building platforms for tolerance, equality and inclusion, saying no to violence against women and children.

We 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.

Here at BRAC, we are many things:

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

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:

- share the ideas
- follow the best minds
- take action
- support us

we are a team of the world's most dedicated staff, a dynamic board and passionate partners, standing together at the frontline of the world's biggest challenges.

Join the world's biggest family.

CONTENTS

CHAIRPERSON'S FOREWORD

We entered 2016 with 17 Sustainable Development Goals, the first of which was to end all forms of poverty by 2030. This is one of the most pressing yet exciting challenges we face today. For the first time in history we have the means to achieve this goal in the not-too-distant future.

BRAC is increasingly at the forefront of this movement. A provider and global advocate of holistic solutions to reduce poverty over the last 45 years, our ultra poor graduation model in particular is being championed as a solution to help reach the millions of households around the world that still live in extreme poverty.

Established in 2002, the ultra poor graduation approach targets households left behind by economic growth or mainstream development interventions. Our model supports them towards building sustainable livelihoods through a powerful combination of asset transfer, enterprise training, financial services, healthcare, mentoring and social integration. In Bangladesh alone our programme has put 1.77 million households on to sustained pathways out of poverty. With impacts confirmed by rigorous research both in Bangladesh and internationally, the ultra poor graduation approach has now been adapted in 59 programmes across 37 countries by other NGOs, governments and multilateral institutions.

Our work on extreme poverty also extends beyond our own programming. Our ultra poor graduation initiative comprises advocacy efforts and technical assistance on how to adapt and implement the approach effectively in different environments. With staff working across the US, UK, Bangladesh and BRAC country offices around the world, we are spearheading the movement to proliferate graduation and reach as many extreme poor households globally as possible. This year, for example, we started working with the Governments of Kenya and the Philippines to integrate the model into their poverty alleviation strategies.

Our development programmes are funded from internally-generated revenue and grants received from external sources. Our internal revenue totalled BDT 4,997 crore (USD 646 million) this year, making up 82% of our total annual revenue.

We continue to invest in a range of socially-responsible companies. This year we consolidated BRAC Bank, an institution that was founded at a time when it was almost impossible for small and medium enterprise entrepreneurs to obtain financing from the banking sector in Bangladesh. We took banking solutions to entrepreneurs, and have disbursed over USD 4.37 billion since inception. More than half of our lending today is still to small and medium enterprises.

Our home-grown solutions in education, health, microfinance and other development areas now reach 10 countries outside of Bangladesh. This year we continued our expansion in Nepal, moving from the relief we provided after the 2015 earthquake into education and health. We have also launched a five-year strategy for Africa which will take us into five new countries by 2020.

We have never faced bigger challenges but I truly believe that, as a global community, we have never been more equipped, more connected or more ready to face them. I am filled with a genuine feeling of hope as we look ahead into 2017. I look forward to sharing the journey with you.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR

It is my pleasure to share our Annual Report with you. At BRAC International, we believe we are One BRAC, working with a unified goal to achieve large-scale, positive impact through our economic and social programmes around the world.

I am happy to say that we have accomplished much in 2016. We opened 31 new microfinance branches. Liberia and Sierra Leone are now operationally sustainable, and there is surplus in five out of six countries. We partnered with the government of Liberia to improve learning outcomes. Our initiatives in health, agriculture and livestock have inspired people to receive training and offer support to others in their own communities. We are implementing BRAC's ultra-poor graduation programme in Uganda and Pakistan, and hope to expand our reach to lift more people out of poverty.

Despite our accomplishments, we faced several challenges in 2016. We witnessed significant paradigm changes with traditional donor countries reassessing their foreign aid. We faced unexpected crises like the civil war in South Sudan that compelled us to scale down our projects and restrict our work to Juba. The challenges only bring us closer in our efforts to building a better world for all.

At BRAC, we believe that young people today will be our strength tomorrow, and technology is the language of the future. We are capacitating the youth by providing them with training and access to finance. We are exploring web-based monitoring and management system and the use of mobile money. Our priority is to adapt with changing times, build on our accomplishments and work even harder and smarter in 2017.

BRAC was ranked #1 by Geneva-based NGO Advisor in a list of world's best 500 NGOs because of our impact, innovation, and sustainability. We must maintain our effectiveness and ensure the quality of our work. At BRAC, we know it is the people that make us #1. I urge you all to stay with us as you have over the years. I thank our board members and country advisory councils for their guidance, as well as all members of the BRAC family around the world for their support and hard work.

I look forward to continuing our work together with renewed energy and hope, with the same dream that unites us all - a world free of exploitation and discrimination, and a better future for all.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

We continued making rapid progress in our operations in 2016. We opened new branch offices in the Mandalay region. Our rapid growth helped us build a solid platform of close to 40,000 women who meet every few weeks in their neighbourhoods to repay their instalments. The number is expected to rise to 150,000 by 2019. We believe that in the process we have succeeded in creating an ideal launchpad for awareness and capacity building on emergency preparedness, health, and improved agriculture.

Decades of isolation have critically weakened Myanmar's human resources. We currently have more than 250 local staff, who are undergoing close mentoring by expatriate staff, a full-fledged training division, a new young professional programme to expedite their growth, and a revamped, flatter organisational chart. The majority of the country management team are local, female staff, in line with our aim of localisation and women empowerment. We also continued to support building better future for students by facilitating more than 25 scholarships in BRAC University and Oklahoma University.

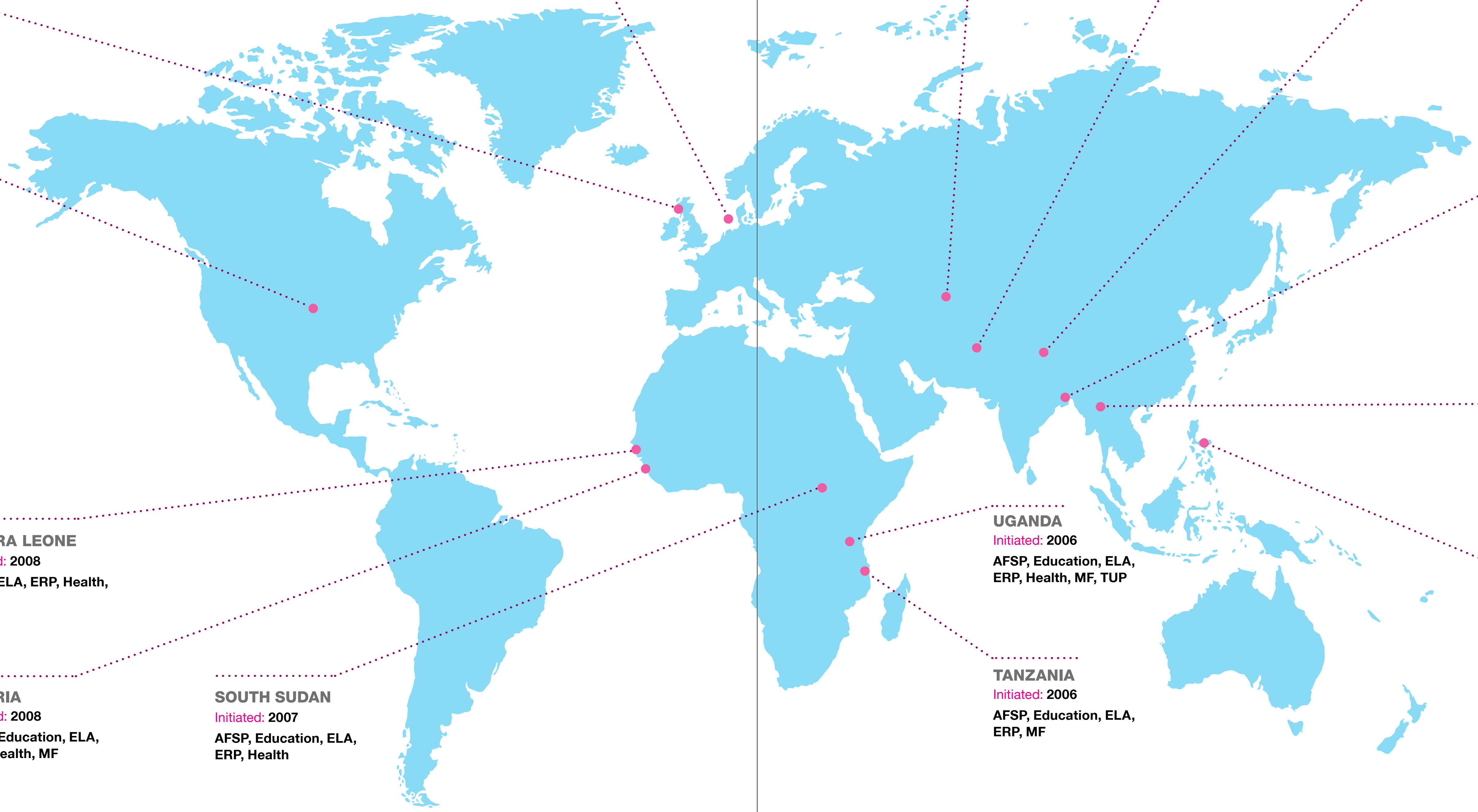
We are focusing heavily on layering non-financial activities on top of our existing efforts to diversify financial products in 2017. There is great potential in agriculture financing and micro-insurance, for example. We gratefully acknowledge our partnerships with Whole Planet Foundation, Bill and Melinda Gates' Foundation and Crédit Agricole, and are looking forward to forging many long-term partnerships for innovation and impact in Myanmar especially in the areas of water, sanitation and hygiene, nutrition, and agriculture.

We are committed to finding sustainable solutions to reducing poverty, as we gear up for further expansion in Myanmar in the coming years.

Kazi Faisal Bi Seraj

Kazi Faisal bin Seraj
Country Representative
BRAC in Myanmar

BRAC ACROSS THE WORLD



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

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

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

SIERRA LEONE
Initiated: **2008**
AFSP, ELA, ERP, Health, MF

LIBERIA
Initiated: **2008**
AFSP, Education, ELA, ERP, Health, MF

SOUTH SUDAN
Initiated: **2007**
AFSP, Education, ELA, ERP, Health

AFGHANISTAN
Initiated: **2002**
AFSP, Education, CDP, ERP, Health, NSP

PAKISTAN
Initiated: **2007**
Education, ERP, MF, Health, TUP

NEPAL
Initiated: **2015**
ERP, ELA, Health, WASH

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

MYANMAR
Initiated: **2013**
ERP, MF

UGANDA
Initiated: **2006**
AFSP, Education, ELA, ERP, Health, MF, TUP

PHILIPPINES
Initiated: **2012**
Education

TANZANIA
Initiated: **2006**
AFSP, Education, ELA, ERP, MF

AFSP: Agriculture and Food Security Programme
BEP: BRAC Education Programme
CDP: Capacity Development Programme
CEP: Community Empowerment Programme
DMCC: Disaster, Management and Climate Change
ELA: Empowerment and Livelihood for Adolescents
ERP: Emergency Response Programme
GJD: Gender Justice and Diversity
HNPP: Health, Nutrition and Population Programme
HRLS: Human Rights and Legal Aid Services
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

SCORECARD

76,122
CHILDREN RECEIVED EDUCATION FROM BRAC COMMUNITY–BASED SCHOOLS
AFGHANISTAN

86,975
HOUSEHOLDS GRADUATED FROM EXTREME POVERTY
BANGLADESH

40,517
PEOPLE REACHED THROUGH NUTRITION–AWARENESS CAMPAIGNS
LIBERIA

38,270
CLIENTS RECIEVED A TOTAL OF $11.7 MILLION IN MICROLOANS
MYANMAR

750
EARTHQUAKE–AFFECTED VICTIMS RECEIVED MEDICAL CARE
NEPAL

56,327
CLIENTS RECEIVED A TOTAL OF $24.5 MILLION IN LOANS
PAKISTAN

21,639
RECEIVED EDUCATION FROM 730 BRAC LEARNING CENTERS
PHILIPPINES

100
URBAN HEALTH PROMOTERS PROVIDED SEXUAL & REPRODUCTIVE HEALTH SERVICES TO ADOLESCENTS IN 10 SLUMS OF FREETOWN
SIERRA LEONE

167,452
PATIENTS RECEIVED ANTI–MALARIAL MEDICATION
SOUTH SUDAN

106,460
FARMERS AND POULTRY REARERS ORGANIZED IN 8,021 GROUPS
TANZANIA

49,093
ELA GIRLS LEARNED FROM 1,096 MENTORS
UGANDA

COUNTLESS STORIES TO TELL...

MICROFINANCE

We started our microfinance operations in Myanmar in 2014, to extend financial services for families living in poverty, and to strengthen national institutional structures for efficient and effective management of microcredit. We focus on women to promote the economic growth of households in both urban and rural areas.

WHAT WE DO

We work with a microfinance plus approach, recognising the heterogeneity among people living in poverty, and carefully targeting and developing financial products and services that best meet their needs. We now offer credit services through a network of 33 branches with an expansion of 12 new branches this year. All our clients are women who not only get access to credit but also enjoy savings facilities.

We launched a client protection guideline this year which is communicated to every client during weekly meetings. We also undertook social awareness initiatives at these meetings.

HIGHLIGHTS

Disbursed USD 11.7 million in loans

Served 38,270 clients

Outstanding loan grew by 169% from 2015 and reached USD 5.7 million

EMERGENCY RESPONSE

We established emergency response in Myanmar, through developing BRAC International's emergency response capacity project to strengthen our emergency preparedness skills and knowledge to build safer and more resilient communities, with support from the Bill and Melinda Gates Foundation.

WHAT WE DO

Myanmar experienced floods, earthquakes and social unrest this year which threatened our operations. Our goal is to develop organisational capacity on emergency response which includes conflict mapping and trend analysis, disaster preparedness plan, country risk assessments, multi-hazard risk assessment and staff training.

HIGHLIGHTS

Represented BRAC in two national working groups, one international forum, and two UN clusters

Developed one country risk assessment, one multi–hazard risk assessment, one disaster preparedness plan, and 37 weekly situation updates for BRAC International and BRAC in Myanmar

Facilitated and organised one orientation course for 25 staff on Hazard Profile of Myanmar and Lifeline Communication

Organised one training course for 35 field staff on Introduction on Disaster Management

Organised two training courses for 40 staff on Disaster Response and Fire Safety

Participated and contributed to develop six major national–level documentations

Contributed in five national–level workshops

LEARNING BY FAILING

My name is Ma Ohmar and I am from a small village called Thanatpin in the Bago region. Neither my husband nor I ever finished school, which prevented us from finding decent jobs. We ran a small business trading in metal parts. I was unhappy as we could not support our children.

It was not until our business completely failed and we were left with a large debt that I finally figured out what I had to do. I wanted to grow livestock and bought two goats. Unfortunately, the two goats were not enough to sustain a living for my family. I needed to double or even triple the number of my livestock.

Months passed by and in 2014 I learned about BRAC's microfinance programme. It was the first time my community could access small loans and I realised this was my opportunity to invest in capital to buy more goats. I borrowed 150,000 Kyats (USD 110) and bought enough goats for my business to break even. With the added funds, I came up with a new business plan.

I am also opening a home-based store as an additional source of income.

Success often comes from trying, failing, and getting up again. I learned how important access to finance is. My life turned around because I had strong capital backing to take my business forward.

THE SMALL INNOVATIONS

Myanmar is a big consumer of flowers. People regularly buy them to place them before visiting pagodas and temples. Luckily, for Tin Tin Aye, the work she enjoys doing most is cultivating the grounds around her home. She walks along the rose bushes talking about her flowers with much pride and enthusiasm.

Tin Tin Aye cultivates roses but has recently taken to other varieties of flowers. Her yield has increased significantly after she started investing in quality seeds, fertilizers and pesticides. Once she plants one rose bush, it blooms for three years in a row. Tin Tin Aye harvests around 10 bundles a day when the plants are blooming.

What has made a lasting difference for Tin Tin Aye is the installation of an electric pump. Fetching water used to be a constant burden for her and her family. A modest innovation of electricity and the ability to connect a hose to the groundwater pump has drastically lessened the burden.

Tin Tin Aye also realised that going to the market every other day was cumbersome. Now a trader picks up bundles at her farm, and she sells them for MMK 300 (USD 0.22), whereas at the market she would sell them for 400 (USD 0.30), which does not cover her transportation costs. Taking these small details into consideration can be groundbreaking for a micro-entrepreneur.

Now Tin Tin Aye can focus more on what she is really good at – cultivating flowers – and less on the selling of them. Tin Tin Aye is one of the borrowers in Taungoo branch, which is one out of two BRAC branches in Myanmar supported by the Whole Planet Foundation.

I am BRAC

A small BRAC team arrived in Myanmar in 2012, amidst the political and economic reforms in the country. I met them through a mutual contact to assess the feasibility of the programmes they wanted to implement. Our initial findings led to prioritising microfinance and health programmes in Myanmar.

I am a retired senior official from the Agriculture Ministry. I played a key role in communicating with government sectors in the formation of BRAC as both a company and an INGO in Myanmar. We received our microfinance license in 2014 and decided to initiate the microfinance programme with our own equity.

I was active in recruitment, training, area study, conducting household surveys, setting up branches and offices in two regions. The team was able to start operations and disburse the first microloans within a month after getting the microfinance license. Now diverse communities in 35 branches in three regions are enjoying our financial services.

We faced numerous challenges during our journey, including delays due to government red tape, instability of microfinance policies and directives by regulators and overlaps with other microfinance providers.

We succeeded in building a good reputation while working with government organisations and microfinance regulators, in spite of it all. We are also actively collaborating with the development community in Myanmar. More branches will be opening in remote corners, in the near future. **I am BRAC**, just an ordinary person, dedicated to my country and the organisation that I am working in.

U Than Htay
BRAC in Myanmar

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

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

GOVERNING BODY

Stichting BRAC International has a constitution under the laws of the Netherlands and was governed by a 10-member board of directors. In line with the rising fiscal requirements and public expectations in the Netherlands, the board decided to adopt a two-tier governance structure, with a management board and a supervisory board.

On 8 December 2016, on its 31st meeting, the Stichting BRAC International governing board adopted the following amendments to the Constitution of Stichting BRAC International which came into effect from 28 December 2016:
The present governing board becomes the supervisory board of Stichting BRAC International.

The supervisory board appointed the management board of Stichting BRAC International comprising 1) Executive Director, BRAC International, 2) Director Finance, BRAC International and 3) a maximum of three BRAC International programme directors.

The composition of the supervisory board of Stichting BRAC International is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Ahmed Mushtaque Raza Chowdhury
Dr Muhammad Musa
Sylvia Borren
Dr Debapriyo Bhattacharya
Shabana Azmi
Shafiqul Hassan (Quais)
Parveen Mahmud
Irene Zubaida Khan
Fawzia Rashid

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.

On 8 December 2016, on the 31st general meeting of the shareholder of BRAC International Holdings BV, the Stichting BRAC International Governing Board adopted the amendments to the Articles of Association of BRAC International Holdings BV.

The following came into effect from 28 December 2016:

The present board of directors, with the exception of Hans Eskes becomes the supervisory board of BRAC International Holdings BV.

A two-member management board is formed with one Bangladeshi and one Dutch national.

The composition of the present supervisory board of BRAC International Holdings BV is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Sylvia Borren
Dr Muhammad Musa
Parveen Mahmud

The composition of the management board of BRAC International Holdings BV is as follows:

Managing Director:
Faruque Ahmed

Director:
Hans Eskes

Details about the roles of the supervisory board and management board are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

FINANCE AND AUDIT COMMITTEE

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

Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Sylvia Borren, Member
Faruque Ahmed, Member
Hans Eskes, Member
SN Kairy, 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 MYANMAR

GOVERNANCE

Microfinance Company LTD

Shameran Abed – Managing Director
S N Kairy – Director
Kazi Faisal Bin Seraj – General Manager
Faruque Ahmed – Director

MANAGEMENT

Kazi Faisal Bin Seraj – Country Representative
Sharmin Sultana – Head of Finance
Md Sazaduzzaman – General Manager, BRAC Myanmar Microfinance Company LTD
U Than Htay – Head of Public Relations
Md Rafiqul Islam – Head of Accounts
Lian Huai – Head of Human Resources and Training
Nay Myo Paing – Head of Administration
Mohsin Chowdhury – Head of Quality Control
Md Shariful Islam – Head of Internal Audit
Mahbuba Yeasmin – Programme Manager, Microfinance
Md Mahbub Hasan – Lead, IT
Aung KoKo – Emergency Response Coordinator
Annaklara Eriksson – Lead Knowledge Management & Proposal Development

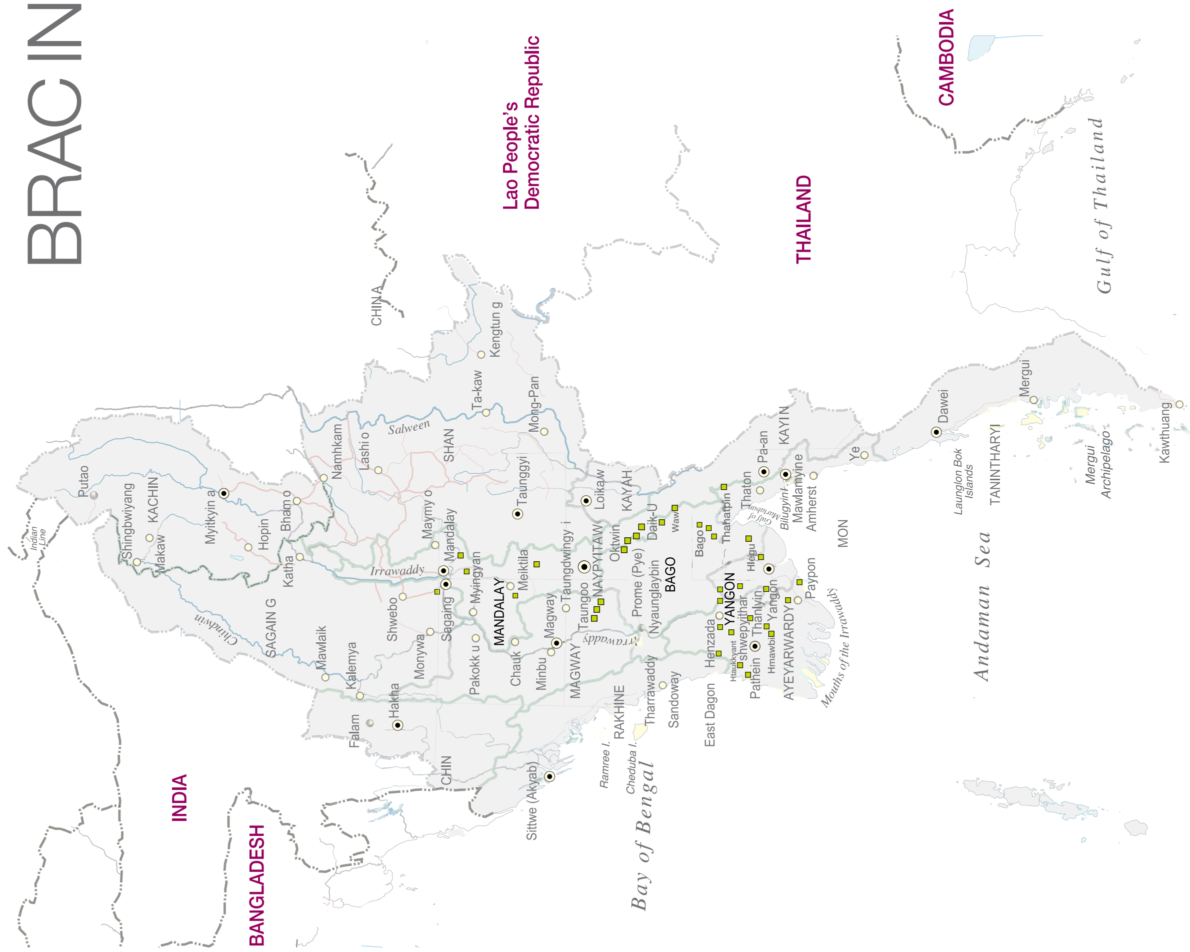
DEVELOPMENT PARTNERS

BILL & MELINDA GATES foundation

WHOLE PLANET FOUNDATION

GRAMEEN CRÉDIT AGRICOLE Microfinance Foundation

BRAC IN MYANMAR



Branch programmes
Microfinance

FINANCIALS

Net income

BRAC Myanmar Microfinance Company Limited completed its third year of operation in 2016. Net loss before tax reduced to USD 206,702 compared to USD 432,010 in 2015.

Interest income earned during the year is USD 1,358,897 as against USD 329,205 in 2015 due to increase of loan disbursement during the year USD 12,841,839 compared to USD 3,788,477 in 2015.

Operating expenses

Total operating expenses for the year was USD 1,636,738 compared to USD 923,338 in 2015 showing an increase of 77%. In 2016 an additional 10 branches were opened resulting in a total number of 34 branches.

Provisions for Impairment losses

This year amount charged for impairment of loans is USD 83,906 compared to USD 44,730 in 2015 showing an increase of 88%. Total reserve as against impairment in 2016 was USD 109,831 and USD 44,396 in 2015 representing 1.47% of gross portfolio. Portfolio at Risk (PAR>30) is 0.02%.

Financial Position

In 2016 the company's total assets increased by 98% to USD 6,908,676. Loans and advances to customers increased by 159% and is now 82% of total assets.

PERFORMANCE REVIEW

Income Statement	Year 2016	Year 2015	Year 2014	Year 2013
	USD	USD	USD	USD
Operating income	1,513,942	536,058	29,824	-
Net profit/(loss) before tax	(206,702)	(432,010)	(363,346)	(134,775)

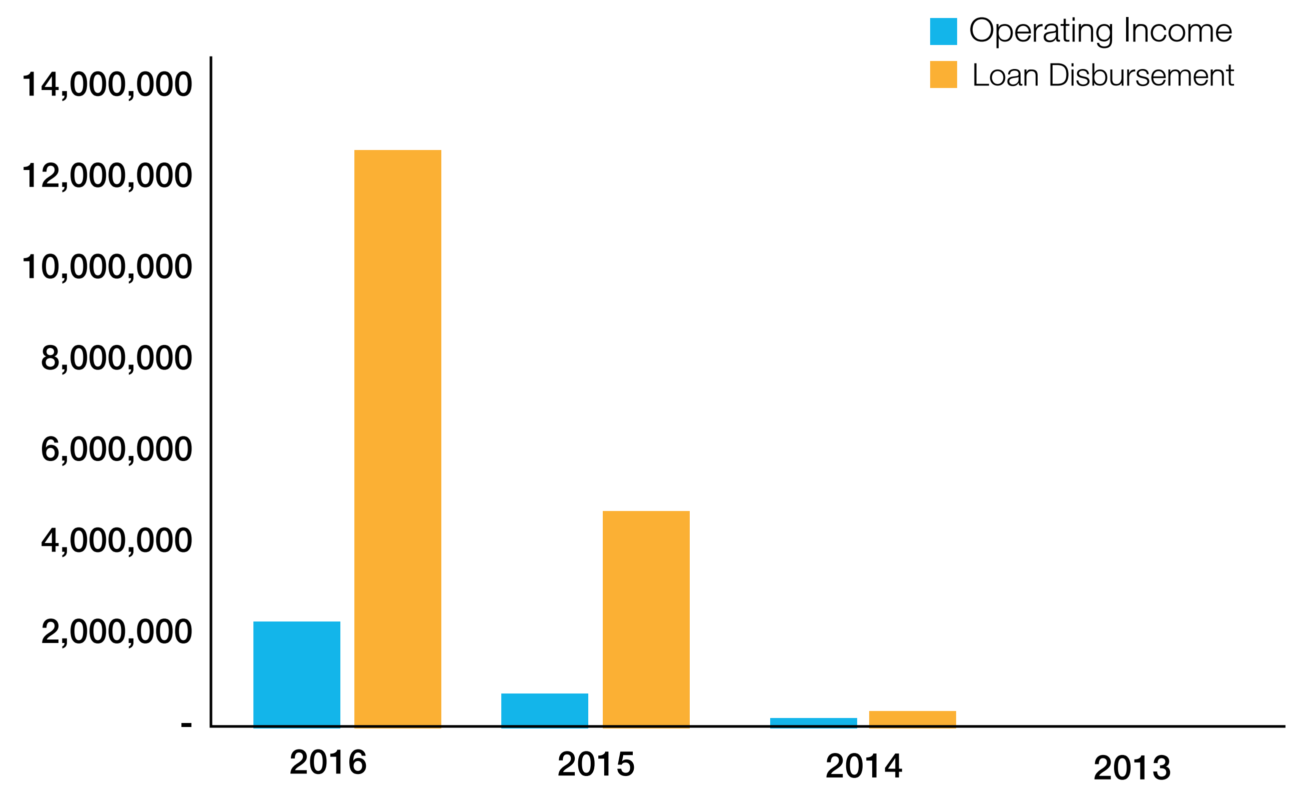
Financial Position	Year 2016	Year 2015	Year 2014	Year 2013
	USD	USD	USD	USD
Total assets	6,908,676	3,497,796	742,478	90,907
Net equity	5,197,623	2,645,109	356,612	(30,175)
Loans to customers (net)	5,644,011	2,178,298	306,042	-
Cash at Bank	1,048,668	1,132,377	370,110	8,317

Contribution to Govt. Exchequer	Year 2016	Year 2015	Year 2014	Year 2013
Withholding tax	23,757	9,930	2,185	-
Social security and pension	16,949	-	-	-

Returns and Ratio	Year 2016	Year 2015	Year 2014	Year 2013
	USD	USD	USD	USD
Return on asset	-4%	-20%	-48%	-
Cost to income	120%	186%	1318%	-

Operational Statistics	Year 2016	Year 2015	Year 2014	Year 2013
Total borrowers	38,270	16,837	2,433	-
PAR>30	0.02%	-	-	-

OPERATING INCOME VS LOAN DISBURSMENT



BRAC IN MYANMAR

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

GENERAL INFORMATION

DIRECTORS

Mr. Shameran Abed	-	Managing Director
Mr. Faruque Ahmed	-	Director
Mr. Shib Narayan Kairy	-	Director

ADMINISTRATORS

Mr. Kazi Faisal Bin Seraj	-	Country Representative

PRINCIPAL PLACE OF BUSINESS

168. Kyun Shwe Myaing Lane 2
Bogyoke Ywa, Thuwunna
Thingangyun Township
Yangon
Myanmar

AUDITORS

SEIN WIN & ASSOCIATES
Building (6), Room (223)
Kyaikkasan Housing, Marlarnwe Street
Tamwe Township
Yangon, Myanmar

BANKERS

KBZ BANK
No.33 to 49, Corner of Bank St &
Mahabandoola Garden St
Kyauktada Township
Yangon
Myanmar

MYANMAR ECONOMIC BANK
Branch (1)
43-45 Pansodan St.
Kyauktada Township
Yangon
Myanmar

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2016, which disclose the state of affairs of BRAC Myanmar Microfinance Company Limited, in accordance with section 131(A)(1) of the Myanmar Companies Act.

a) Registration

BRAC Myanmar Microfinance Company Limited is a wholly owned subsidiary company of BRAC International Holdings B.V., a limited liability company registered under the laws of the Netherlands, with its registered office in The Hague.

BRAC Myanmar Microfinance Company Limited was incorporated as a limited liability company under the company Act on 15 October 2013 with its registration number 559 FC/13-14 and registered office in Yangon, Myanmar.

The objective of the company is to operate microfinance programme in Myanmar with a mandate to contribute towards alleviating poverty and attaining Sustainable Development Goals (SDGs) through promoting employment and income generating activities for the poor women.

b) Vision

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

c) Mission

The Company's mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. The interventions aim to achieve large scale, positive changes through economic and social programmes that enable men and women to realize their potential.

d) Our values

Innovation- the Company has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

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

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

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

e) Principal activities

The Company provides Microfinance services to improve the livelihood of poor people in over 30 townships in Myanmar including extending loan facilities.

f) Financial performance

The Company's performance during the year ended 31 December 2016 is as follows:
- Interest income on loans increased by 337% from MMK 385 million in 2015 to MMK 1,686 million in 2016.
- Loans and advances to customers increased by 170% from MMK 2,851 million in 2015 to MMK 7,704 million in 2016. Loan disbursement increased by 260% from MMK 4,432 million in 2015 to MMK 15,938 million in 2016. Loan realisation increased by 497% from MMK 1,846 million in 2015 to MMK 11,026 million in 2016.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

- Operating expenses increased by 88% from MMK 1,080 million in 2015 to MMK 2,031 million in 2016.
- Total Assets increased by 106% from MMK 4,578 million in 2015 to MMK 9,430 million in 2016.
- During the year, the Company had a net loss of MMK 287 million (2015 – loss of MMK 557 million).

g) Results from operation

The results for the Company's operation for the year ended 31 December 2016 are set out on Page 38.

h) Composition of Directors

The directors who served during the year and up to the date of this report are set out on Page 29.

i) Directors' benefits

No director has received or entitled to receive any benefits during the financial year.

j) Corporate governance

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2016 the company had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

k) Risk management

The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

l) Management structure

The Company is under the supervision of the Board of Directors and the day to day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

- Micro Finance Program (MF)
- Finance & Accounts;
- Administration
- Internal audit;
- Monitoring Unit;
- IT and MIS;
- Human resources;
- Communications.
- Public Relations

m) Related party transactions

Related party transactions are disclosed in Note 13 and 26 to the financial statements.

n) Future development plans

Microfinance Program

- New 36 Microfinance branches shall be opened in 2017 and increasing the number of borrowers by 35,000.
- Exploring new innovations such as mobile money to enhance service delivery.
- The new SEP loan, intended to help with customer retention, was under review by the operation team this quarter to ensure a smooth introduction. Finally, very soon BRAC will be eligible for taking voluntary savings as deposit taking institutions which would potentially help BRAC retain and attract more customers.

o) Key achievement in 2016

The following are the Company's key achievements for the year:

• The Microfinance borrower size increased by 21,433 in 2016.
• 290 staffs of different departments received various trainings in financial, operational management and management competency.

p) Solvency

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

q) Gender parity

In 2016, the company had a total staff of 293. The female staff are 227 and male 66.

r) Employees' welfare

Management/employee relationship

There were continued good relation between employees and management for the year 2016. There were no unresolved complaints received by management from the employees during the year. New performance incentive schemes were introduced in 2016.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes,religion and disability which does not impair ability to discharge duties.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Training

Training and development of staff capacity is one of the key priorities of the Company. This year all the Branch Accountants received hands-on training on their day to day responsibilities. All the program staffs from received training as prescheduled. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment.

Social security contribution

All eligible employees are required to contribute National Social Security Scheme managed by Social Security Board at the rate 5% of salary maximum of MMK 15,000. As a employer BRAC pays 3% of this social security contribution on behalf of the employees.

As a result of contribution to this security fund, employees get sickness benefits, maternity benefits and grant, paternity benefits and grant, medical benefits, funeral grant, and many more.

s) Auditors

The auditors, Sein Win and Associates who were appointed during the year, have indicated their willingness to continue in office in accordance with Section 144 of the Myanmar Companies Act.

t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 26 February 2017.

By order of the Board

Director

Director

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Myanmar and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the company.

Under the Companies Act of Myanmar, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company.

The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Myanmar. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2016. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards and Companies Act of Myanmar.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 26 February 2017 and were signed on its behalf by:

Director	Director

SEIN WIN
& ASSOCIATES Accounting, Auditing & Consultancy Services
Building (6), Room (323), Kyaikkasan Housing, Marlarnwe Street, Tamwe (B) Ward, Tamwe Township, Yangon.
Tel : 01-400164, 01-8603760, 09-50 37962 Fax: 01-8603760 E-mail : usw.topaudit@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the members of BRAC Myanmar Microfinance Company Limited

Opinion

We have audited the financial statements of BRAC Myanmar Microfinance Company Limited ("BRAC" or also referred as "the Company"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BRAC Myanmar Microfinance Company Limited as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the provision of Myanmar Companies Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Myanmar, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRSs) and the provisions of Myanmar Companies Act and for such control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

SEIN WIN
& ASSOCIATES Accounting, Auditing & Consultancy Services
Building (6), Room (323), Kyaikkasan Housing, Marlarnwe Street, Tamwe (B) Ward, Tamwe Township, Yangon.
Tel : 01-400164, 01-8603760, 09-50 37962 Fax: 01-8603760 E-mail : usw.topaudit@gmail.com

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

In accordance with the provisions of Myanmar Companies act, we also report that:

a. We have obtained all the information and explanations we have required, and

b. Books of accounts have been maintained by BRAC Myanmar Microfinance Company Limited as required by section 130 of Myanmar Companies Act.

U Sein Win
Sein Win and Associates
Certified Public Accountant

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 Kyats	2015 Kyats	2016 USD	2015 USD
Assets					
Property and equipment	4	177,658,860	167,811,622	130,153	128,198
Intangible assets	5	29,866,095	-	21,880	-
Other assets	6	87,309,998	77,130,000	63,963	58,923
Loans to customer	7	7,704,075,269	2,851,391,981	5,644,011	2,178,298
Cash and cash equivalents	8	1,431,432,280	1,482,281,535	1,048,668	1,132,377
Total assets		**9,430,342,502**	**4,578,615,138**	**6,908,676**	**3,497,796**
Equity					
Share capital	9	6,696,660,000	4,287,880,000	4,905,978	3,275,691
Share money deposit	10	1,320,765,345	-	967,594	-
Donor grant	11	427,612,436	238,313,436	313,269	182,058
Retained earnings	12	(1,351,345,357)	(1,063,746,284)	(989,997)	(812,640)
Total equity		**7,093,692,424**	**3,462,447,152**	**5,196,844**	**2,645,109**
Liabilities					
Related party payables	13	811,094,907	561,577,036	594,209	429,012
Member savings payable	14	1,335,164,213	467,366,578	978,142	357,041
Other liabilities	15	190,390,958	87,224,372	139,481	66,634
Total liabilities		**2,336,650,078**	**1,116,167,986**	**1,711,832**	**852,688**
Total equity and liabilities		**9,430,342,502**	**4,578,615,138**	**6,908,676**	**3,497,796**

The accompanying notes form an integral part of these financial statements.

Director Finance
BRAC Internatinal

Director

Director

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Kyats	2015 Kyats	2016 USD	2015 USD
Service charge on loan	16	1,686,499,870	385,143,738	1,358,897	329,205
Interest expense	17	113,875,325	32,439,760	91,755	27,728
Net income from service charge		1,572,624,545	352,703,978	1,267,142	301,477
Membership and other fees	18	223,101,400	75,263,600	179,764	64,332
Other income	19	83,197,115	199,177,603	67,036	170,249
		306,298,515	274,441,203	246,800	234,581
Total operating income		1,878,923,060	627,145,181	1,513,942	536,058
Impairment loss on loan	20	104,134,679	52,330,431	83,906	44,730
Operating income after impairment charge		1,774,788,381	574,814,750	1,430,035	491,328
Staff costs	21	1,233,659,818	628,861,620	994,021	537,525
Other operating expenses	22	751,329,361	431,384,013	605,384	368,729
Depreciation and amortization	23	46,333,254	19,985,780	37,333	17,083
Total operating cost		2,031,322,433	1,080,231,413	1,636,738	923,338
Profit/ (Loss) before tax		(256,534,052)	(505,416,663)	(206,702)	(432,010)
Other Comprehensive Income					
Unrealized exchange gain/ (loss)		(31,065,021)	(52,513,273)	(25,031)	(44,886)
Net Loss		(287,599,073)	(557,929,936)	(231,733)	(476,896)

The accompanying notes form an integral part of these financial statements.

Director Finance
BRAC Internatinal

Director

Director

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Share capital Kyats	Share money deposit Kyats	Retained earning Kyats	Donor Grant Kyats	Total Equity Kyats	Total Equity USD
At 1 January 2015	871,700,000	-	(505,816,348)	-	365,883,652	356,612
Share capital	3,416,180,000	-	-	-	3,416,180,000	2,609,763
Profit/(Loss) for the year	-	-	(557,929,936)	-	(557,929,936)	(426,226)
Donor fund	-	-	-	238,313,436	238,313,436	184,596
Foreign currency translation differences	-	-	-	-	-	(79,637)
At 31 December 2015	4,287,880,000	-	(1,063,746,284)	238,313,436	3,462,447,152	2,645,109
At 1 January 2016	4,287,880,000	-	(1,063,746,284)	238,313,436	3,462,447,152	2,645,109
Share Capital	2,408,780,000	1,320,765,345	-	-	3,729,545,345	2,732,268
Profit/(Loss) for the year	-	-	(287,599,073)	-	(287,599,073)	(231,733)
Donor Grants	-	-	-	189,299,000	189,299,000	138,681
Foreign currency translation differences	-	-	-	-	-	(87,480)
At 31 December 2016	6,696,660,000	1,320,765,345	(1,351,345,357)	427,612,436	7,093,692,424	5,196,844

The accompanying notes form an integral part of these financial statements.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CASHFLOWS
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Kyats	2015 Kyats	2016 USD	2015 USD
Net cash flow from operations	24	160,605,628	(214,143,014)	128,666	(207,695)
Loan disbursements		(15,937,750,000)	(4,432,215,000)	(12,841,839)	(3,788,477)
Loan collection		11,025,699,724	1,845,823,651	8,883,956	1,577,735
Net cash used in operating activities		**(4,751,444,648)**	**(2,800,534,363)**	**(3,829,217)**	**(2,418,437)**
Cash flows from investing activities					
Acquisition of property & equipment		(51,913,907)	(157,221,196)	(41,830)	(134,386)
Acquisition of intangible asset		(34,132,680)	-	(27,502)	-
Net cash used in investing activities		**(86,046,587)**	**(157,221,196)**	**(69,332)**	**(134,386)**
Cash flows from financing activities					
Members savings		867,797,635	405,810,852	635,749	310,016
Proceeds from issue of share capital		2,408,780,000	3,416,180,000	1,764,674	2,609,763
Grant received in advance		189,299,000	238,313,436	138,681	182,058
Share money deposit		1,320,765,345	-	967,594	-
Net cash from financing activities		**4,786,641,980**	**4,060,304,288**	**3,506,697**	**3,101,837**
Net increase/(decrease) in cash and cash equivalent		**(50,849,255)**	**1,102,548,729**	**(391,852)**	**549,013**
Cash and cash equivalents at 1 January		1,482,281,535	379,732,806	1,132,377	370,110
Effect of exchange rate fluctuation on cash held		-	-	308,143	213,254
Cash and cash equivalents at 31 December	8	**1,431,432,280**	**1,482,281,535**	**1,048,668**	**1,132,377**

The accompanying notes form an integral part of these financial statements.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of the financial statements.

1. Reporting entity

BRAC Myanmar Microfinance Company Limited is a wholly owned subsidiary company of BRAC International Holdings B. V., a limited liability company registered under the laws of Netherlands, with its registered office in The Hague.

BRAC Myanmar Microfinance Company Limited was incorporated as a limited liability company under the company Act on 15 October 2013 with its registration number 559 FC/13-14 and registered office in Yangon, Myanmar.

The objectives of the company is to operate microfinance business in Myanmar with a mandate to contribute towards alleviating poverty and attaining Millennium Development Goals through promoting employment and income generating activities for the poor women.

2. Basis of preparation

a. Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in manner as required by Myanmar Companies Act.

The financial statements were issued by the Board of Directors on 26 February 2017.

b. Basis of measurement

The financial statements are prepared under the historical cost convention except for the financial instruments at fair value through profit and loss which are measured at fair value when required.

c. Functional and presentation currency

The financial statements are presented in Myanmar Kyats, which is the Company's functional currency.

Memorandum figures

The memorandum column representing the results in United States Dollars (USD) are for presentation purposes only, and do not form part of the audited financial statements.

The exchange rates used to translate the MMK figures to USD memorandum were as follows:
- Assets and liabilities were translated at the closing rate at 31 December 2016 which of MMK 1,365 (2015:MMK 1,309);
- Income and expenses were translated using an average exchange rate for the period of MMK 1,241.08 (2015: MMK 1,169.92);

d. Use of estimation and judgments

The preparation of Company's financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. Actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.

b. Interest income and other income

Interest income and expenses are recognized on a accrual basis taking into account the effective interest rate of the interest earning asset or the interest bearing liability.

(i) Interest income on loans and advances
Interest income on Loans and advances (service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognized on an accrual basis as income.

(ii) Membership fees and other charges
Membership fees and other charges are recognized on an accrual basis when the service has been provided.

(iii) Other Income
Other income comprises of house rent received from local staff for using the office residence.

c. Income Tax

Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. During the year 2016 the Company did not have any profits and therefore was not liable for any tax.

d. Financial assets and liabilities

(i) Recognition
The Company initially recognises loans and advances, deposits, and other liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company did not have any financial assets and liabilities designated at fair value through profit or loss.

A financial asset or financial liability is initially measured at fair value (for an item not subsequently measured at fair value through profit or loss). The transaction costs that are directly attributable to its acquisition or issue is directly charged to comprehensive income.

(ii) Classification
The company classifies non-derivative financial assets into loans and receivables which includes cash and cash equivalents, loans and advances and any other receivables and the Company classifies its non derivative financial liabilities as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank with maturity of less than 3 months, which are highly liquid assets and are subject to insignificant risk of changes in fair value, and are used by the Company in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Loans and advances

Loans originated by the company by providing finance directly to borrowers is categorized as loans to group members and is carried at amortized cost. All loans and advances are recognized when cash is advanced to borrowers.

Other receivables

Other assets comprise prepayments other recoverable which arise during the normal course of business; they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of other receivables is established when there is objective evidence that the fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

Other financial liabilities

Other financial liabilities comprises members savings, related party payables and other liabilities. These liabilities are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company writes off certain loans when they are determined to be uncollectible.

(iv) Off-setting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the organisation has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as currency exchange gain and losses.

(v) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models (if required).

(vi) Impairment of financial assets

At each statement of financial position date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. 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 profit or loss.

e. Property and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs comprises its purchase price and any cost directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and impairment losses. The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Major improvements that increase the life of the asset are capitalized.

ii. Subsequent cost

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The costs of the day-to-day servicing and maintenance of property and equipment are recognised in the statement of comprehensive income as incurred.

iii. Depreciation

All property and equipment are depreciated on a straight line basis to write off the costs of the assets over the expected useful lives. Depreciation is recognised as an expense in profit or loss of each component of an item of property and equipment unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Furniture & Fixtures	10%
Computer/Laptop	20%
Equipment's	33.33%
Vehicles	20%

Management reviews the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the statement of comprehensive income.

f. Intangible asset

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortization and any impairment losses.

The Company has accounting software SbiCloud acquired during the year and it is amortised on a straight line basis over its finite useful life of 4 years.

g. Operating lease

BRAC is involved in operating leases as the lessee for rental property serving as office space. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease, which is typically twelve (12) months

h. Provisions

A provision is recognised if, as a result of a past event, BRAC Myanmar Microfinance Company Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The loan loss provision is calculated based on the ageing of default loans in the portfolio on the following basis:

Name	Period of default	Provision % on default loans*
Current	Performing loans	1%
Sub-standard	30 days past due	10%
Watch	31- 60 days past due	50%
Doubtful	61-90 days past due	75%
Loan loss	over 90 days past due	100%

i. Related party transactions

Related parties comprise directors, subsidiaries of BRAC International and key management personnel of the company and companies with common ownership and/or directors.

j. Classes of financial instruments

The Company classifies the financial instruments into classes that reflects nature of information and take into account the characteristics of those financial instruments:

Items on the statement of financial position	Class
Loans to customer	Loans and receivables
Other assets	Loans and receivables
Related party payables	Other liabilities
Member savings payable	Other liabilities
Other liabilities	Other liabilities

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4. Property and equipment

	Furniture & Fixtures Kyats	Computer Kyats	Equipment Kyats	Motor vehicles Kyats	Total Kyats	Total USD
Costs:						
At 1 January 2015	14,709,350	12,071,360	4,966,400	3,353,000	35,100,110	34,211
Additions	33,795,600	23,712,496	14,332,100	85,381,000	157,221,196	134,386
Disposals	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(21,675)
At 31 December 2015	48,504,950	35,783,856	19,298,500	88,734,000	192,321,306	146,922
At 1 January 2016	48,504,950	35,783,856	19,298,500	88,734,000	192,321,306	146,922
Additions	22,793,000	16,417,747	8,715,160	3,988,000	51,913,907	41,830
Disposals	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(9,825)
At 31 December 2016	**71,297,950**	**52,201,603**	**28,013,660**	**92,722,000**	**244,235,213**	**178,927**
Accumulated depreciation						
At 1 January 2015	840,720	2,070,632	1,321,368	291,184	4,523,904	4,409
Additions	3,281,723	4,298,937	3,886,480	8,518,640	19,985,780	17,083
Disposals	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(2,768)
At 31 December 2015	**4,122,443**	**6,369,569**	**5,207,848**	**8,809,824**	**24,509,684**	**18,724**
At 1 January 2016	4,122,443	6,369,569	5,207,848	8,809,824	24,509,684	18,724
Additions	6,136,693	9,471,372	8,092,358	18,366,246	42,066,669	33,895
Disposals	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(3,845)
At 31 December 2016	**10,259,136**	**15,840,941**	**13,300,206**	**27,176,070**	**66,576,353**	**48,774**
Carrying amounts						
At 1 January 2015	13,868,630	10,000,728	3,645,032	3,061,816	30,576,206	29,801
At 31 December 2015	44,382,507	29,414,287	14,090,652	79,924,176	167,811,622	128,198
At 31 December 2016	61,038,814	36,360,662	14,713,454	65,545,930	177,658,860	130,153

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	2016 Kyats	2015 Kyats	2016 USD	2015 USD
5. Intangible assets				
Cost				
At 1 January	-	-	-	-
Additions	34,132,680	-	27,502	-
Disposal Adjustment	-	-	-	-
Currency translation adjustment	-	-	(2,497)	-
At 31 December	**34,132,680**	**-**	**25,006**	**-**
Amortization				
At 1 January	-	-	-	-
Charge for the year	4,266,585	-	3,438	-
Disposal Adjustment	-	-	-	-
Currency translation adjustment	-	-	(312)	-
At 31 December	**4,266,585**	**-**	**3,126**	**-**
Carrying amount				
At 31 December	**29,866,095**	**-**	**21,880**	**-**

* There was no intangible asset in financial year 2015.

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
6. Other assets				
Advance to third parties	86,959,998	77,130,000	63,707	58,923
Advance to staff	350,000	-	256	-
	87,309,998	**77,130,000**	**63,963**	**58,923**
7. Loan to customers				
Opening balance	2,905,723,116	319,946,669	2,219,804	311,839
Loan Disbursements	15,937,750,000	4,432,215,000	12,841,839	3,788,477
Loan Realisation	(11,025,699,724)	(1,845,823,651)	(8,883,956)	(1,577,735)
Loans written off	(12,329,895)	(614,902)	(9,935)	(526)
Currency translation adjustment	-	-	(449,479)	(302,252)
Total principal outstanding	**7,805,443,497**	**2,905,723,116**	**5,718,274**	**2,219,804**
Interest receivable	48,551,018	3,783,327	35,569	2,890
Impairment loss (note-7.1)	(149,919,246)	(58,114,462)	(109,831)	(44,396)
Net loan to customer	**7,704,075,269**	**2,851,391,981**	**5,644,011**	**2,178,298**

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
7.1 Movement of impairment on loans				
At 1 January	58,114,462	6,398,933	44,396	6,237
Charge for the year	104,134,679	52,330,431	83,906	44,730
Loan write off	(12,296,118)	(614,902)	(9,908)	(526)
Interest receivable write off	(33,777)	-	(27)	-
Currency translation adjustment	-	-	(8,537)	(6,045)
	149,919,246	**58,114,462**	**109,831**	**44,396**

7.2 Impairment loss on loans

	Principal outstanding (Kyats)	Provision rate	Provision required (Kyats)
For general provision			
No past due	7,017,207,412	1%	70,172,074
For specific provision			
1-30 days	786,636,036	10%	78,663,604
31-60 days	665,394	50%	332,697
61-90 days	735,135	75%	551,351
91-over	199,520	100%	199,520
	7,805,443,497		**149,919,246**

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
8. Cash and cash equivalents				
Cash in hand	13,617,767	17,882,189	9,976	13,661
Cash at bank	1,417,814,513	1,464,399,346	1,038,692	1,118,716
	1,431,432,280	**1,482,281,535**	**1,048,668**	**1,132,377**
9. Share capital				
Share capital	**6,696,660,000**	**4,287,880,000**	**4,905,978**	**3,275,691**

The Company's share capital includes 669,666 ordinary shares of Kyats 10,000 each, issued and fully paid as detailed below:

At 31 December 2016	No. of Shares	Kyats	USD
BRAC International Holdings B.V.	669,665	6,696,650,000	4,905,971
Mr. Faruque Ahmed	1	10,000	7
	669,666	**6,696,660,000**	**4,905,978**

The holders of the ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions.

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	2016 Kyats	2015 Kyats	2016 USD	2015 USD
10. Share money deposit				
Applied for Share capital	**1,320,765,345**	**-**	**967,594**	**-**
11. Donor grant				
Grant received in advance (note- 11.1)	189,299,000	220,718,436	138,681	168,616
Grant investment in loan (note-11.2)	238,313,436	17,595,000	174,589	13,442
	427,612,436	**238,313,436**	**313,269**	**182,058**
11.1 Grant received in advance				
At 1 January	223,013,436	-	171,518	-
Donation received during the year	189,299,000	238,313,436	137,672	184,596
Donor fund investment in loan	(223,013,436)	(15,300,000)	(179,693)	(13,078)
Currency translation adjustment	-	-	9,183	-
	189,299,000	**223,013,436**	**138,681**	**171,518**
11.2 Grant investment in Loan				
At 1 January	15,300,000	-	13,078	-
Donor fund investment in loan	223,013,436	15,300,000	179,693	13,078
Currency translation adjustment	-	-	(18,182)	-
	238,313,436	**15,300,000**	**174,589**	**13,078**
12. Retained earnings				
At 1 January	(1,063,746,284)	(505,816,348)	(812,640)	(492,998)
Loss for the year	(287,599,073)	(557,929,936)	(231,733)	(476,896)
Currency translation adjustment	-	-	54,377	157,254
	(1,351,345,357)	**(1,063,746,284)**	**(989,997)**	**(812,640)**
13. Related party payables				
BRAC (Bangladesh)	530,721,255	398,641,407	388,807	304,539
BRAC International Holdings B. V	158,329,591	50,143,171	115,992	38,306
BiTs	49,178,220	-	36,028	-
Stichting BRAC International	72,865,841	112,792,458	53,382	86,167
	811,094,907	**561,577,036**	**594,209**	**429,012**

The amount is payable to BRAC International Holdings B.V., Stichting BRAC International, BiTs and BRAC (Bangladesh) represents expenses beared in favour of BRAC Myanmar Microfinance Co., Limited.

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
14. Member savings				
Member savings	1,335,142,391	434,926,818	978,126	332,259
Interest on members savings	21,822	32,439,760	16	24,782
	1,335,164,213	**467,366,578**	**978,142**	**357,041**
15. Other liabilities				
Provision for salary	106,782,661	69,756,100	78,229	53,290
Provision for leave salaries	46,097,276	-	33,771	-
Liabilities for expenses	10,747	-	8	-
Withholding tax payable	14,794,483	13,275,343	10,838	10,142
Insurance provision	4,498,031	1,730,529	3,295	1,322
Medical expense provision	15,467,760	-	11,332	-
Audit fee provision	2,740,000	2,462,400	2,007	1,881
	190,390,958	**87,224,372**	**139,481**	**66,634**
16. Service charge on loan				
Service charge on loans	1,686,499,870	385,143,738	1,358,897	329,205
	1,686,499,870	**385,143,738**	**1,358,897**	**329,205**
17. Interest expense				
Interest on member savings	113,875,325	32,439,760	91,755	27,728
	113,875,325	**32,439,760**	**91,755**	**27,728**
18. Membership and other fees				
Membership fee	22,096,000	10,638,000	17,804	9,093
Loan appraisal fee	159,377,500	44,322,000	128,418	37,885
Sales of passbook	13,839,000	9,051,000	11,151	7,736
Death benefit	4,418,900	2,127,600	3,561	1,819
Insurance	23,370,000	9,125,000	18,830	7,800
	223,101,400	**75,263,600**	**179,764**	**64,332**
19. Other income				
Non-operational (rent income)	41,079,146	9,039,311	33,100	7,726
Realized exchange gain	42,117,969	190,138,292	33,937	162,522
	83,197,115	**199,177,603**	**67,036**	**170,249**
20. Impairment loss on loan				
Charge for the year	104,134,679	52,330,431	83,906	44,730
	104,134,679	**52,330,431**	**83,906**	**44,730**

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
21. Staff Costs				
Salaries	1,144,728,031	623,160,721	922,364	532,652
Leave salaries	46,097,276	-	37,143	-
Per diem	154,200	143,650	124	123
Staff insurance expenses	14,439,969	1,378,119	11,635	1,178
Staff Bonus	28,240,342	4,179,130	22,755	3,572
	1,233,659,818	**628,861,620**	**994,021**	**537,525**
22. Other operating expenses				
Occupancy expenses (Note-22.1)	205,026,761	120,576,113	165,200	103,064
Travel and transportation (Note-22.2)	123,570,288	88,601,327	99,567	75,733
General maintenance expenses (Note-22.3)	267,809,685	137,866,757	215,788	117,843
Stationary expenses	27,388,277	23,044,942	22,068	19,698
Staff training cost	12,457,378	3,322,800	10,038	2,840
HO logistics expenses	107,957,232	52,578,924	86,987	44,942
Audit and professional fee (Note-22.4)	7,119,740	5,393,150	5,737	4,610
	751,329,361	**431,384,013**	**605,384**	**368,729**
22.1 Occupancy expenses				
Rent	194,226,052	114,183,800	156,498	97,600
Utilities	10,800,709	6,392,313	8,703	5,464
	205,026,761	**120,576,113**	**165,200**	**103,064**
22.2 Travel & transportation expenses				
Travel and transportation	81,073,336	45,438,608	65,325	38,839
Air Tickets & VISA cost	42,496,952	43,162,719	34,242	36,894
	123,570,288	**88,601,327**	**99,567**	**75,733**
22.3 Maintenance and general expenses				
Wi-Fi and Mobile SIM & Bill	39,132,753	21,998,158	31,531	18,803
Maintenance and general expenses	51,461,600	43,062,262	41,465	36,808
Meals	50,216,701	29,293,300	40,462	25,039
Accommodation (hotel fare)	9,745,590	6,302,137	7,853	5,387
Entertainment cost	10,208,878	7,036,299	8,226	6,014
Bank Charge	1,872,336	1,675,007	1,509	1,432
Medical expenses	15,579,190	-	12,553	-
Uniform Cost	1,930,000	3,047,700	1,555	2,605
Business license & registration	11,717,700	-	9,442	-
Visibility & communication expense	10,441,900	20,649,485	8,414	17,650
Vehicle maintenance & Fuel	5,266,401	2,952,409	4,243	2,524
Cash and bank write off	358,416	50,000	289	43
Automation expenses	49,178,220	-	39,625	-
Member death benefit	10,700,000	1,800,000	8,622	1,539
	267,809,685	**137,866,757**	**215,788**	**117,843**

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
22.4 Audit and Professional fee				
Professional & consultancy fee	3,086,140	2,315,150	2,487	1,979
Audit fee	4,033,600	3,078,000	3,250	2,631
	7,119,740	5,393,150	5,737	4,610
23. Depreciation & amortization				
Depreciation	42,066,669	19,985,780	33,895	17,083
Amortization	4,266,585	-	3,438	-
	46,333,254	19,985,780	37,333	17,083
24. Cash generated from operations				
Net loss for the year	(287,599,073)	(557,929,936)	(210,695)	(476,896)
Depreciation & amortization	46,333,254	19,985,780	37,333	17,083
Loan loss provision	104,134,679	52,330,431	83,906	44,730
Cash flow before changes in working capital	(137,131,140)	(485,613,725)	(89,456)	(415,083)
Changes in working capital				
Decrease/(increase) of receivables and other current assets	(10,179,998)	(39,656,200)	(7,458)	(30,295)
Decrease/(increase) in interest receivable	(44,767,691)	(3,331,510)	(32,797)	(2,545)
Increase/(decrease) of related party Payables	249,517,871	264,728,837	182,797	202,237
Increase/(decrease) of current Liabilities	103,166,586	49,729,584	75,580	37,991
Net cash generated from operations	160,605,628	(214,143,014)	128,666	(207,695)

25. Financial risk management policies and objectives

The Company has exposure to the following risks arising from financial instruments:
• credit risk
• liquidity risk
• market risk

This note represents information about the Company's exposure to each of the above risk, its objectives, policies and processes for measuring and managing risk and the Company's management of capital.

Risk management framework

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

Risk management policies are established to identify and analyse the risks faced by BRAC, 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 BRAC's activities.

BRAC, 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.

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Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BRAC International Group Audit Committee.

a) Credit Risk

Credit risk is the risk of financial loss to Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers.

Management of credit risk

For risk management reporting purposes, the Company measures, monitors and manage proactively all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Company does not have any significant exposure to any individual customer or counterparty.

The model that the Company uses to mitigate this risk is vetting from respective members of the group.

The Board of Directors has delegated responsibility for the management of credit risk to senior management. Program operations and monitoring team are responsible for oversight of the Company's credit risk.

• Formulating credit policies in consultation with business units covering credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

• Establishing the authorization structure for the approval and renewal of credit facilities.

• Reviewing and assessing credit risk. BRAC's Program department assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

• Limiting concentrations of exposure to geographies and market segments for loans and advances.

• Developing and maintaining BRAC's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

• Reviewing compliance of business units with agreed exposure limits including those for selected industries' country risk and product types. Regular reports are provided to BRAC's Program department on the credit quality of local portfolios and appropriate corrective actions to be taken.

• Providing advice, guidance and specialist skills to business units to promote best practice throughout BRAC in the management of credit risk.

Each branch is required to implement BRAC's credit policies and procedures with credit approval authorities delegated from management. Each branch has a Branch Manager who reports on all credit related matters to senior management. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios including those subject to central approval.

BRAC does not hold collateral against loans. The lending portfolio consists of non-securitized microfinance loans mutually guaranteed by group members. Customers are clustered into solidarity groups which collectively secure the loans. Regular audits of branches and credit processes are undertaken by Internal Audit.

Impaired loans

Impaired loans are loans for which BRAC determines that it is probable that it will be unable to collect the principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans where contractual interest or principal payments are past due but BRAC believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to BRAC.

Allowance for impairment

BRAC establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

The table below provides details of exposure to credit risk

	2016 Kyats	2015 Kyats
Current	7,017,207,412	2,905,723,116
Sub-standard	786,636,036	-
Watch	665,394	-
Doubtful	735,135	-
Loan loss	199,520	-
Total loan to customer	7,805,443,497	2,905,723,116
Allowance for impairment	(149,919,246)	(58,114,462)
Net loans to customer	**7,655,524,251**	**2,847,608,654**
Balance as at January 1	**58,114,462**	**6,398,933**
Impairment charge for the year	104,134,679	52,330,431
Loan write off	(12,296,118)	(614,902)
Interest receivable write off	(33,777)	-
Balance as at December 31	**149,919,246**	**58,114,462**

BRAC reports loans at their outstanding balance net of allowance made from loan loss provisions. Adjustments in respect of surplus or deficit in the loan loss reserve are made in the income statement.

Write-off policy

BRAC writes off a loan balance (and any related allowances for impairment losses) when BRAC's Program department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or the amount is not collectible due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers.

(b) Liquidity risk

Liquidity Risk is the risk that BRAC will encounter difficulty in raising funds to meet commitments associated with financial instruments. The objective of liquidity management is to ensure that BRAC has the ability to generate sufficient funds to meet all cash flow obligations as they become due.

Management of liquidity risk

BRAC monitors its risk to a shortage of funds by reviewing the cash payment plan. BRAC'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 BRAC's reputation.

Country office receives information from regional units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business.

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The table below summarises the maturity profile of the Company's financial asset and liabilities based on contractual undiscounted receipts and payments.

	2016 Kyats	2015 Kyats	2016 USD	2015 USD
Financial assets				
Loans to customer	7,704,075,269	2,851,391,981	5,644,011	2,178,298
Cash and cash equivalents	1,431,432,280	1,482,281,535	1,048,668	1,132,377
Total undiscounted financial assets	**9,135,507,549**	**4,333,673,516**	**6,692,680**	**3,310,675**
Financial liabilities				
Related party payables	811,094,907	561,577,036	594,209	429,012
Member savings payable	1,335,164,213	467,366,578	978,142	357,041
Other liabilities	190,390,958	87,224,372	139,481	66,634
Total undiscounted financial liabilities	**2,336,650,078**	**1,116,167,986**	**1,711,832**	**852,688**
Net undiscounted financial assets	**6,798,857,471**	**3,217,505,530**	**4,980,848**	**2,457,987**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The Company is exposed to currency risk on payments that are denominated in a currency other than the functional currency which is MMK. The Company's Strategy of managing the currency risk is using functional currency in transaction as much as possible.

As of 31 December 2016, BRAC held 514,541.62 in US Dollars. BRAC recorded Foreign Exchange loss due to the 4% decrease in the value of the US Dollar compared to the Myanmar kyat during the fiscal year ending December 31, 2016.

Capital Management

BRAC's policy is to maintain a strong capital base so as to maintain client, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary share capital, share money deposit, and donor grant. The primary objective of capital management is to maintain a sufficient liquidity.

26. Related parties

Parent and ultimate controlling party

The Company's majority shares were acquired by BRAC International Holdings B.V. which is a subsidiary of Stichting BRAC International.

Transactions with key management personnel

Key management personnel compensation and transactions

The directors do not get any financial or nonfinancial benefits from the Company. Only one director of the Company controls 1 of the voting shares of the Company.

Other related party transactions

	Transaction value		Outstanding balance	
	2016 Kyats	2015 Kyats	2016 Kyats	2015 Kyats
BRAC International Holdings B.V.	108,186,420	229,491	158,329,591	50,143,171
Other related companies	185,524,150	265,549,514	652,765,316	511,433,865

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances are secured.

27. Use of estimates and judgements

Management discussed the development, selection and disclosure of the Organisation's critical accounting policies and estimates, and the application of these policies and estimates.

Key sources of estimation uncertainty
Fair values of financial instruments

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

27. Use of estimates and judgements (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1 Kyats	Level 2 Kyats	Level 3 Kyats	Carrying value Kyats	Fair value Kyats
31 December 2016					
ASSETS					
Cash and cash equivalents	-	1,431,432,280	-	1,431,432,280	1,431,432,280
Loans to customer	-	-	7,704,075,269	7,704,075,269	7,704,075,269
Other assets	-	-	87,309,998	87,309,998	87,309,998
Total assets	**-**	**1,431,432,280**	**7,791,385,267**	**9,222,817,547**	**9,222,817,547**
LIABILITIES					
Related party payables	-	-	811,094,907	811,094,907	811,094,907
Member savings payable	-	-	1,335,164,213	1,335,164,213	1,335,164,213
Other liabilities	-	-	190,390,958	190,390,958	190,390,958
Total liabilities	**-**	**-**	**2,336,650,078**	**2,336,650,078**	**2,336,650,078**
31 December 2015					
ASSETS					
Cash and cash equivalents	-	1,482,281,535	-	1,482,281,535	1,482,281,535
Loans to customer	-	-	2,851,391,981	2,851,391,981	2,851,391,981
Other assets	-	-	77,130,000	77,130,000	77,130,000
Total assets	**-**	**1,482,281,535**	**2,928,521,981**	**4,410,803,516**	**4,410,803,516**
LIABILITIES					
Related party payables	-	-	561,577,036	561,577,036	561,577,036
Member savings payable	-	-	467,366,578	467,366,578	467,366,578
Other liabilities	-	-	87,224,372	87,224,372	87,224,372
Total liabilities	**-**	**-**	**1,116,167,986**	**1,116,167,986**	**1,116,167,986**

28. Contingent Liabilities

Contingent Liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognised in the financial statements as this may results in the recognition of income which may never be realised.

29. Subsequent Events

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2016.

30. Authorisation of Financial Statement

The financial statements of the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of directors and authorise for issue on 26 February 2017.

BRAC Communications/BRAC International/AR16/July 17

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