2016 ANNUAL REPORT

PAKISTAN

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

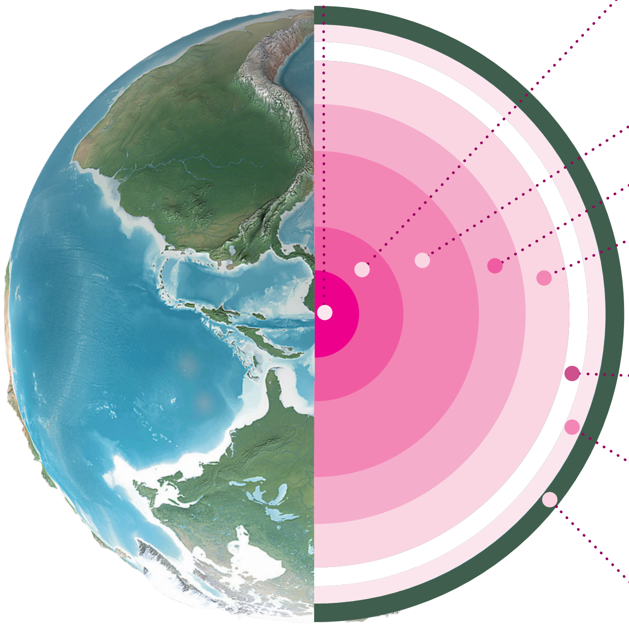
Innovation

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

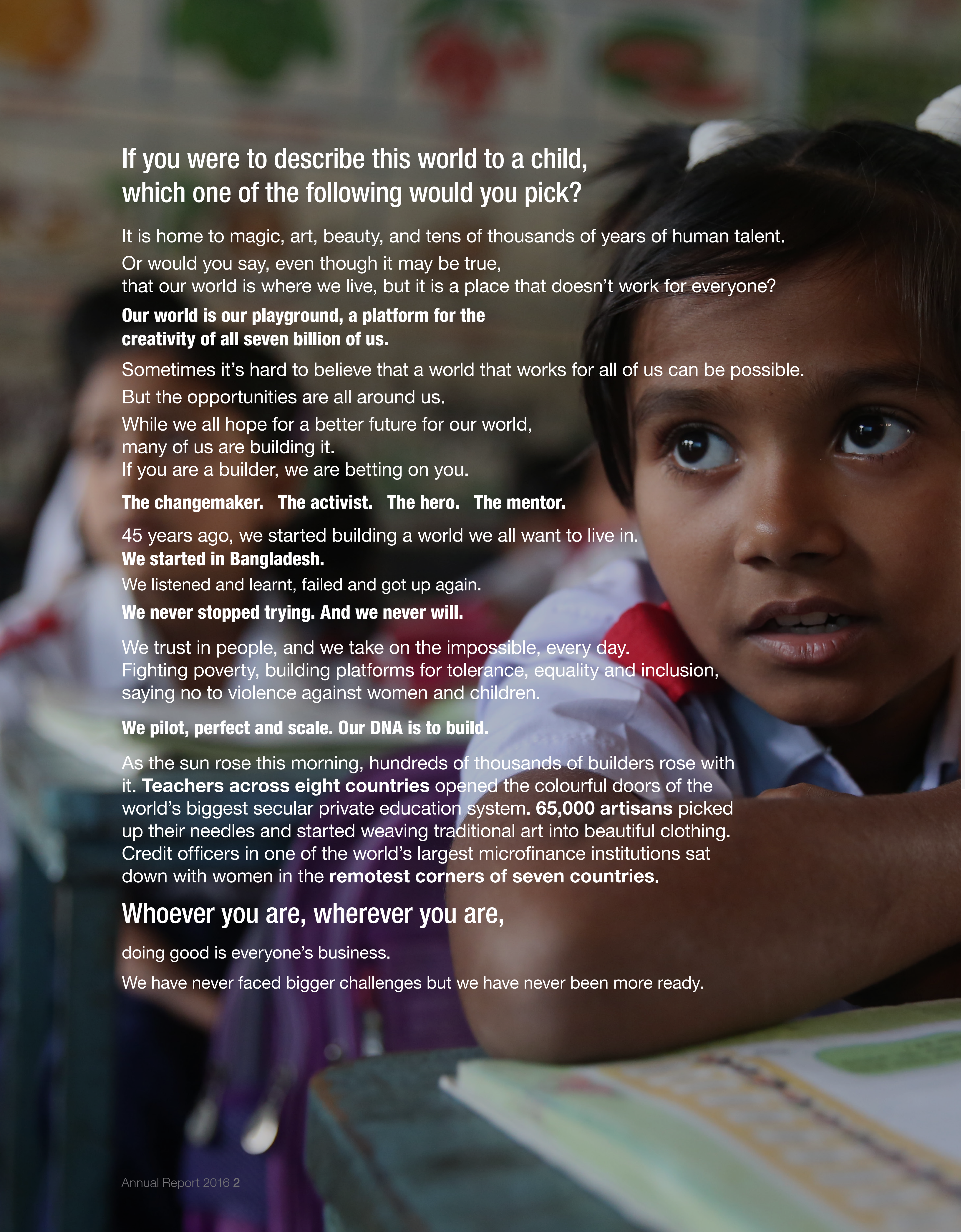
Country offices

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

It gives me immense pleasure to present to you our annual report for 2016 - a year of many challenges but also many opportunities for BRAC in Pakistan.

This year, we focused on health, education, microfinance and integrated assistance for people living in ultra poverty.

One of our biggest achievements was securing the license to carry out investment finance services as a non-banking finance company from the Securities and Exchange Commission of Pakistan. We are now one of the few NGOs with this license to continue microfinance operations under the new regulation introduced by the government of Pakistan. We are also initiating a for-profit-limited liability company registration. The new company will be called BRAC Pakistan Microfinance Limited.

We signed an agreement with the Punjab Skills Development Fund from the Government of Pakistan under the Chief Minister's initiative to build the capacity of lady health visitors.

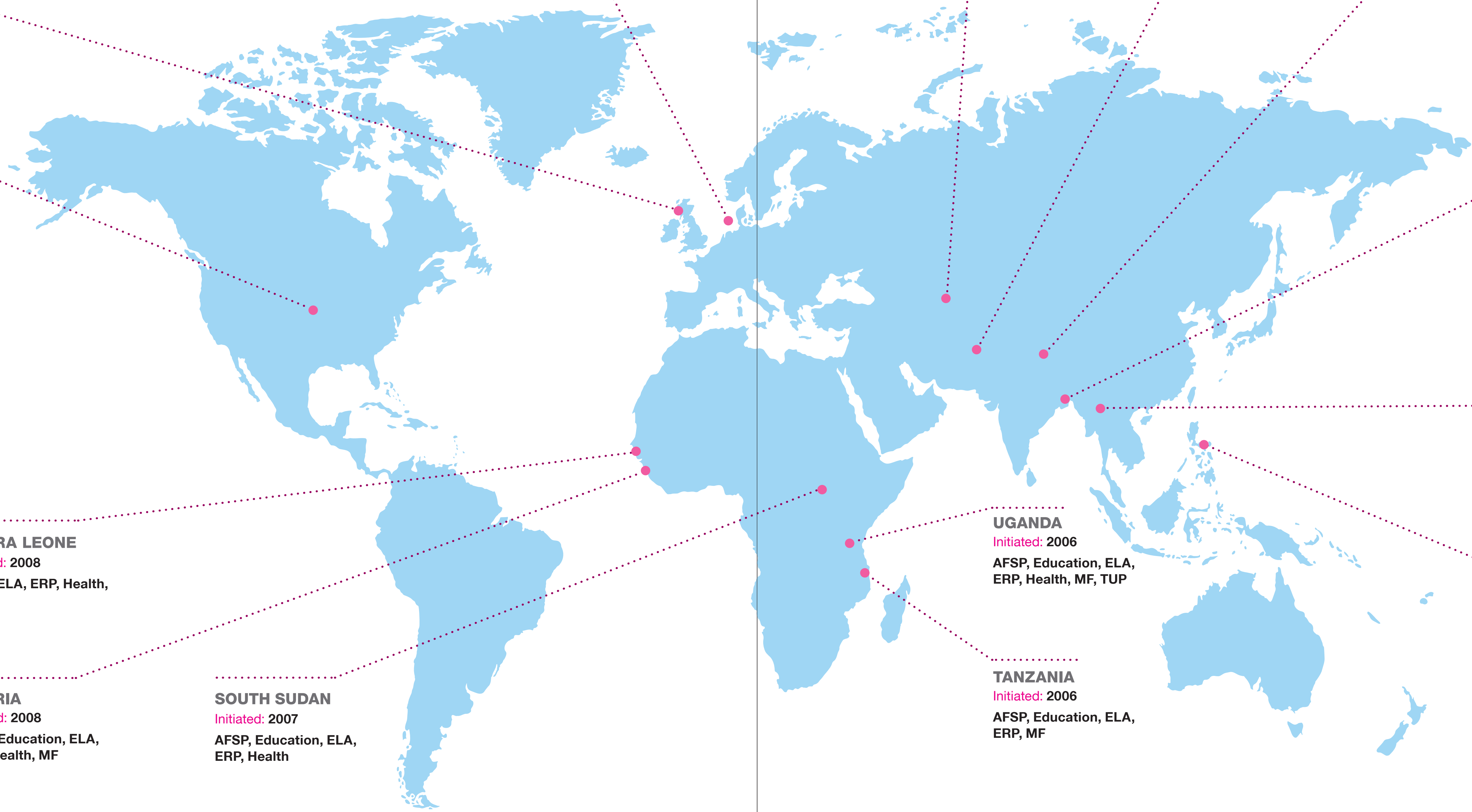
We supported the government's efforts to enrol children in poverty in spite of all the operational and administrative challenges in targeted areas. We signed an agreement with Oxford Policy Management to continue education of around 27,000 learners in 900 schools after discontinuation of funding for the first half of 2016.

We are effectively implementing the Government of Italy's Programme for Poverty Reduction in partnership with Pakistan Poverty Alleviation Fund. We are providing assets and building capacity for livelihood enhancement, social mobilisation, health and education access and physical infrastructure development in Lasbela district of Balochistan province.

We are focusing ever more closely on our clients' needs, driving new ways to innovate and leverage partnerships, and continuously driving a mindset of continuous improvement and operational excellence.

Sher Zaman
Acting Country Representative
and
CEO, Microfinance
BRAC in Pakistan

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

PHILIPPINES
Initiated: 2012
Education

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

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 focusing on financial access for people excluded from mainstream financial institutions in 2008. We provide access to credit, and create enterprise opportunities to reduce poverty and promote financial inclusion. We provide access to credit through three main components; microloans, a small enterprise programme and an agriculture programme.

WHAT WE DO

Microloans
We provide microloans exclusively to women, ensuring that they can access institutional lending to start small and medium income-generating activities. We operate through 67 branch offices across 13 districts.

Small Enterprise
We provide small enterprise loans to small and medium businesses across 44 branches. We work with businesses that have limited access to formal financial services, helping them to expand existing business activities or meet working capital requirements.

Agriculture
We support smallholder farmers through 14 branches to increase crop productivity through quality inputs and improved livestock and related enterprises. Farmers receive access to credit for agriculture, livestock or related enterprises to meet their needs for inputs or working capital.

In addition to our three main components, we are also piloting the BRAC USA funded women empowerment project in Hyderabad Sindh, to provide financial and livelihood training for women. Female clients receive trainings on financial literacy, enterprise management and vocational skills.

HIGHLIGHTS

Disbursed USD 20.73 million in microloans to 52,180 clients; principal outstanding portfolio increased by 15% from 2015

Disbursed USD 2.59 million in small enterprise loans to 1,300 clients; principal outstanding portfolio increased by 12% from 2015

Disbursed USD 1.25 million in agriculture loans to 2,847 clients; principal outstanding portfolio increased by 19% from 2015

100 clients received vocational training in trades like beautification, boutique, stitching and cooking

800 clients received training on financial literacy training, business creation and development

Operating 4,762 community–based village organisations

Established 10 Market Exchange Centres, each consisting of 5 shops to assist clients in developing market linkage, branding and promotional activities

HEALTH

We started our operations in the health sector in Pakistan to increase the usage of preventive and curative services at the community level in 2013. Women and children living in poverty are generally addressed through community education and mobilisation, in alignment with the government's strategic objectives concerning health, nutrition and population.

WHAT WE DO

We continued our health initiatives through awareness raising, and created an enabling environment with improved access to clinical services related to maternal, newborn and child health including nutrition and immunisation.

We launched the health component under the Programme for Poverty Reduction in Winder and Sakran union councils of Lasbela district, to improve the health status of women of reproductive age group and children below five years of age. We will improve access to healthcare through demand generation at the community level, and through raising awareness, networking and referrals and service provision at designated health facilities.

We raised awareness and access to basic health services in Sheerin Jinnah Colony in Karachi in partnership with ChildLife Foundation, in the Basic and Preventive Health Care Project. We provide primary healthcare services at grassroot level to peri-urban and rural communities, and have played a pivotal role in improving access to health facilities of both primary and secondary level of healthcare.

We build the capacities of lady health visitors and health workers under the Chief Minister's Initiative for the Skills Enhancement of Lady Health Workers. We developed a training curriculum in consultation with the Punjab Skill Development Fund.

HIGHLIGHTS

715 lady health visitors received training

98 community health promoters received training, conducted 38,607 household visits, facilitated 830 health forums, and identified 1,481 pregnant women

1,314 women received antenatal care, 207 received postnatal care, and 111 women gave birth at health facilities

28 master trainers received training and in turn trained 715 women health volunteers in 36 districts of Punjab

1,007 patients treated and 825 referred; 259 under–five children treated for diarrhoea, malaria and pneumonia

443 children received oral rehydration salts

1,174 households received access to safe drinking water

Conducted 8 awareness raising health campaigns and 16 community support group meetings

Rehabilitated 6 public sector primary healthcare facilities

Established 6 community midwife enterprises

Built 106 female–friendly latrines

EDUCATION

Our education intervention in Pakistan was implemented to support the government to increase enrolment, minimise gender disparity and improve the quality of education. We are supporting the government to achieve Sustainable Development Goals and the government's Vision 2025 goals.

WHAT WE DO

We consider education to be a powerful tool in combating poverty, illiteracy and injustice.

We ensure primary education for out-of-school children. Our low-cost, non-formal primary education model leads to improved access and quality in education. We provide education through a one-classroom model with flexible timing, low-cost teaching and learning materials, hygienic latrines and clean water facilities.

We are currently operating two education projects: Sindh Education Non State Actors project, funded by DFID-UK and Sindh Education Foundation Assisted Primary School Project, funded by the Government of Sindh Province. Through these projects, we are increasing access to education for out-of-school children and raising awareness about the importance of education, particularly for girls, in urban slums and rural areas in Pakistan.

We also focus on reducing gender disparities in education by increasing girls' enrolment. 66% of students enrolled in our schools are girls.

HIGHLIGHTS

Opened 2,097 community–based schools, enrolling 64,165 students (66% girls)

Enrolled 46,600 students in 1,500 BRAC schools

An additional 5,500 students mainstreamed into government primary schools after completing primary education from 198 BRAC schools

Held 560 training sessions for school teachers

Formed 1,500 school management committees with 10,500 members to improve participation and raise awareness

202 staff members in four districts of Sindh received training on implementation, monitoring and mentoring

ULTRA–POOR GRADUATION

We are implementing the Government of Italy's Programme for Poverty Reduction in two union councils in the Lasbela district of Balochistan province, in partnership with the Pakistan Poverty Alleviation Fund. We will alleviate extreme poverty with an integrated approach through the creation of sustainable conditions for social and economic development.

WHAT WE DO

We are providing assets and training for livelihood enhancement and social mobilisation, access to health and education services, and physical infrastructure development, the combination of which will lead to an enabling environment for holistic development of marginalised communities.

Communities living in extreme poverty and those affected by seasonal income crises receive social, economic and technical support to cope with acute food insecurity, malnutrition and scarcity of water and sanitation.

HIGHLIGHTS

- 176 members received assets
- 408 members received enterprise skills training
- 24 community resource persons received training on health, hygiene, maternal, newborn, child health and nutrition
- Established 28 community schools
- Initiated 42 community physical infrastructure schemes
- 60% female clients in all intervention

EMERGENCY RESPONSE

We began making emergency response a major focus from June 2016. We are strengthening our emergency preparedness skills and knowledge to build safer and more resilient communities, with the support of the Bill and Melinda Gates Foundation.

WHAT WE DO

We develop organisational capacity on emergency response, which includes conflict mapping and trend analysis, disaster preparedness planning, country risk assessments, multi-hazard risk assessment and equipping staff with new skills.

HIGHLIGHTS

Developed one country risk assessment, one multi–hazard risk assessment, one disaster preparedness plan and 36 weekly situation updates

Represented BRAC in two national forums and one international forum

Established a partnership with Aga Khan Agency for Habitat to gain capacity building and institutional strengthening support

THE WEDDING PLANNER

I am Samshad Fatima and I live in the Punjab province. Life became uncertain for me after my husband lost his job. We had no savings and it became extremely difficult to take care of my family of four. It was around the same time when I learned of BRAC's microloans where women like myself would receive financial support at my doorstep on a weekly basis in safe village organisation meetings.

I purchased a sewing machine with my first loan and started a small scale, home-based vocational training centre. I also purchased fabric sewing material and threads to sell at home. I kept investing in my business with every new loan and added products like blankets and crockery to my collection.

Eventually I moved into wedding business and started selling wedding gift packages in instalments. My clients thought it was a unique initiative, in a place where many parents cannot afford to buy wedding gifts for their children. I adopted BRAC's model of weekly instalments and as most of my clients were self-employed with a daily income. I aligned my business model in a way that my clients paid me on weekly basis and I would subsequently deposit weekly instalments of my loan. The meetings gave me the opportunity to interact with other women of the area to market my products. My fellow members would also give me constructive feedback. I hired women in my village as recovery agents.

I was awarded the prestigious Citi-PPAF Microentreprenuership Award for my efforts this year as the most innovative micro-entrepreneur but more importantly, my family's socio-economic status improved significantly. I now support my family on my own. I bought my own house and began treatment for my paralysed son. My daughter is also involved with my business. My younger son is in school and helps me from time to time.

SCHOOLS WITH THE COMMUNITY

Peer Muhammad Goth is a small village in the Lasbela district in Baluchistan. The village lacks many basic facilities and people have to travel far for their everyday needs. Only a few adults are literate. There were no schools nearby for many years, and parents did not want to send their children to far-off schools out of safety concerns and lack of transportation.

After we carried out assessments, the members of community organisations and village elders agreed to work collectively to establish a school. Rather than being a fully funded school, this school is run through community partnership. We provided initial support, providing books, stationery, floor mats, and other tools. We arranged for a local community teacher and equipped him with basic teaching and school management skills with support from the community. The community provided a community hall to be used as the school building.

We extend technical support whenever needed, to make sure learners have access to quality education. A local school management committee oversees long-term maintenance. Remote areas around the village now have access to free and quality education because the whole community has come together. The community school at Peer Muhammad Goth enrolls 27 children (14 boys, 13 girls), all of who have never attended school before.

"We always wanted to give education to our children but there was no school, and we lacked the resources. Now we want to ensure that each and every child of our community gets an education." said Anees, a member of the school management committee.

I am BRAC

I am Faiza Ishfaq, and I have been working in BRAC since 2009. My story with BRAC started long before I started working here, as my mother was a BRAC borrower. She used BRAC's microloans to lift my family from a crisis when my father fell ill and could no longer carry on with his business. The way BRAC inspired female community workers, including my mother, to build themselves, inspired me to join.

Once I joined BRAC, I made it my mission to talk to as many people as I could about BRAC's financial services, and help them materialise their dreams. I met many people who created big things out of nothing, with only having access to credit.

I met Samina shortly after her husband passed away, leaving her with five kids and no source of income. Samina, already grief-stricken, did not know how she would provide for her children. I was there to encourage her to take loans from BRAC to set up her own boutique as she had wonderful skills to design clothes. I told her about my childhood and what my mother went through. Samina is now a successful businesswoman.

Another time, I visited a village where the women had great skills in weaving cloths with hand looms but they did not have the means to buy power looms. I encouraged them to utilise BRAC's loans to increase their production and quality. The loans enabled them to use modern technology and raise their profits, with their daily earnings rising more than four times.
These little instances are what motivate me to go to work everyday.

My in-laws made me quit my job when I got married, even though they knew how much I loved it and how good I was at it. My marriage however, did not last long and I separated from my husband with my eight month old daughter. As a single mother, I found myself unemployed and depressed, until I decided to turn to what made me happy. I found solace remembering those instances where I was able to help others. I found the strength to get back on my feet, and asked BRAC for my job back. I was welcomed warmly. Today my daughter attends school. I am independent and proudly identify myself with BRAC and what it stands for - building a better world for all. I am glad to have found a way back to this journey once again.

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 PAKISTAN

GOVERNANCE

Local Board Members

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

Country Advisory Council Members

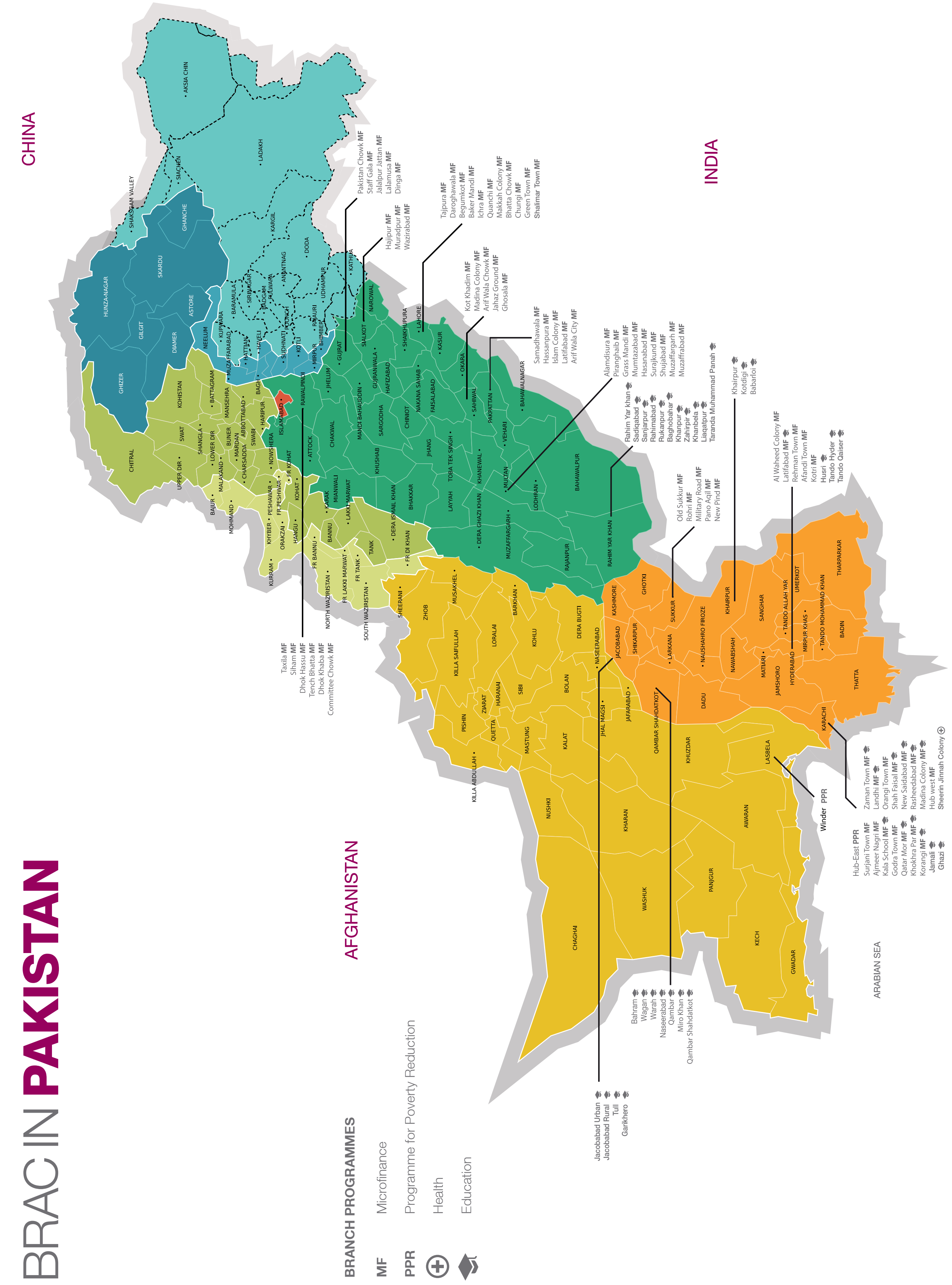
- Shoaib Sultan Khan-Chair
- Dr Dur e Samin Akram
- Dr Fareeha Zafar

MANAGEMENT

Sher Zaman, Acting Country Representative & CEO Microfinance
Shahzad Nisar, Country Head of Accounts
Kashif Ashraf, Acting Programme Manager Microfinance
Saeed Muhammad, Programme Manager, Education
Saifullah Mengal, Project Manager, Programme for Poverty Reduction
Athmar Arbab, Country Head of Monitoring
Muhammad Arslan, Country Head of Internal Audit
Aisha Faheem, Manager, Human Resource
Rashid Mahmood, Manager, Administration
Mehmood Ali, Emergency Response Coordinator
Zilay Huma, Country Communication Coordinator

DEVELOPMENT PARTNERS

CHILDLIFE FOUNDATION
UKaid from the British people
KIVA
SINDH EDUCATION FOUNDATION GOVERNMENT OF SINDH
HBL HABIB BANK
Punjab Education Foundation
PUNJAB Skills Development Fund



FINANCIALS

1 Net capital

BRAC in Pakistan continued to generate profit in 2016. Net profit for the year was USD 421,247 compared to USD 263,219 in 2015. Service charge income increased by 11% in 2016 driven by growth disbursement and portfolio.

2 Operating expenses

Total operating expenses for the year were USD 9,982,112 compared to USD 8,049,842 in 2015 showing an increase of 24%. The increase is mainly due to the expansion of the education program and change in the salary structure.

3 Provisions for impairment losses

This year the amount charged for impairment on loans was USD 254,840 compared to USD 314,013 in 2016, showing a decrease of 19% which is consistent with the PAR 30. Total reserve against impairment in 2016 was USD 552,774 compared to USD 538,330 in 2015, representing 3.8% of gross portfolio. Portfolio At Risk (PAR>30) was 2.03% compared 2.79% in 2015.

4 Financial position

In 2016, BRAC in Pakistan's total assets increased by 18% to USD 15,697,256.

5 Grants and utilization

Grants received amount to USD 3,911,917 compared to USD 3,448,914 in 2015. Grant utilized in projects for the year were USD 5,309,492 (USD 3,785,229 in 2015). Out of the total expense, majority is expensed in the education sector with support from DFID.

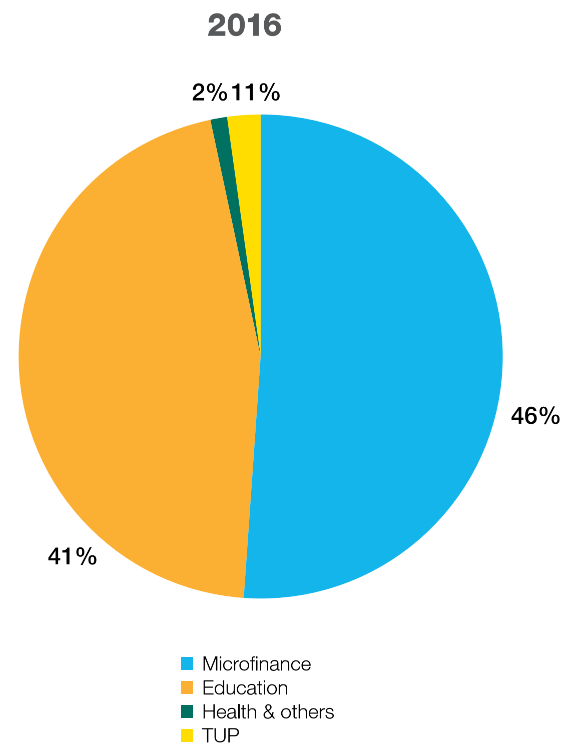
6. Contribution to government exchequer

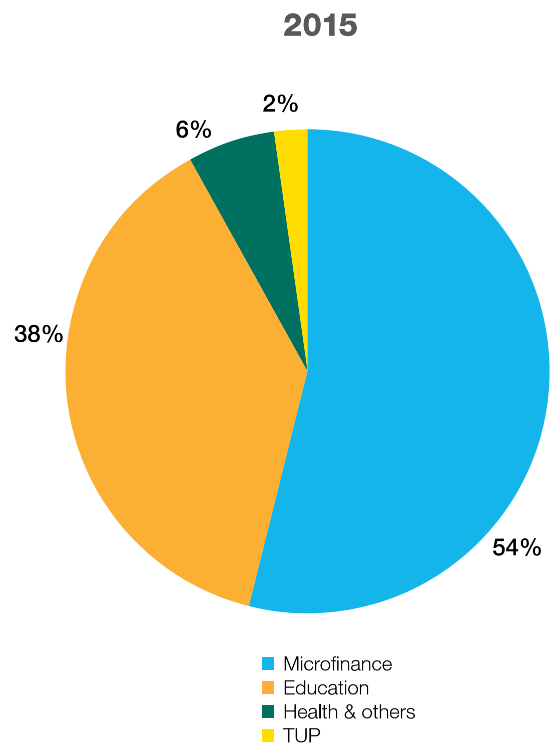
BRAC in Pakistan regularly contributes government exchequer through providing tax on its income and withholdings and deposition tax from its employees and suppliers and contributing to the Employees Old age Benefits Institution (EOBI) scheme. Total contribution to government exchequer for the last two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

	IN USD	
	2016	2015
Income tax	112,963	60,280
Withholding tax	148,158	130,279
Employees Old age Benefits Institution	102,909	44,712
Total	364,030	235,271

PROGRAMME COST

Expenses	2016		2015	
	USD	%	USD	%
Microfinance	4,099,830	41%	4,363,057	54%
Education	4,599,451	46%	3,072,438	38%
TUP	1,136,169	11%	441,987	5%
Health & others	146,662	1%	172,360	2%
Total	9,982,112	100%	8,049,842	100%



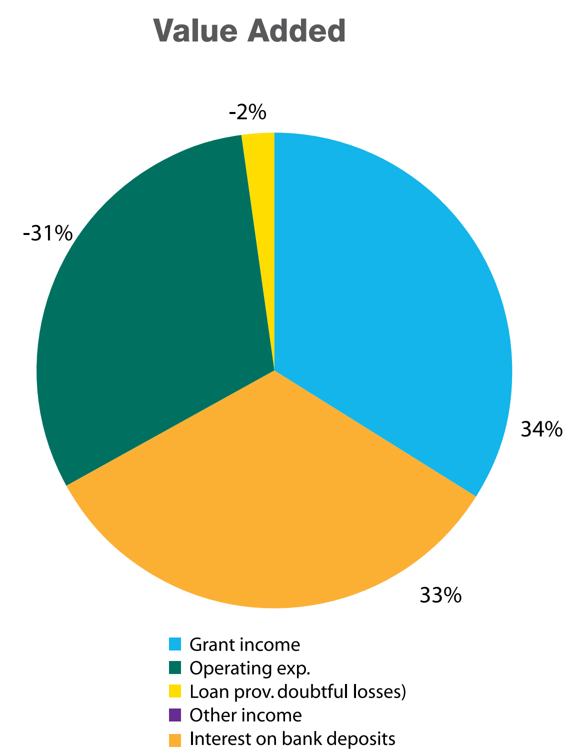


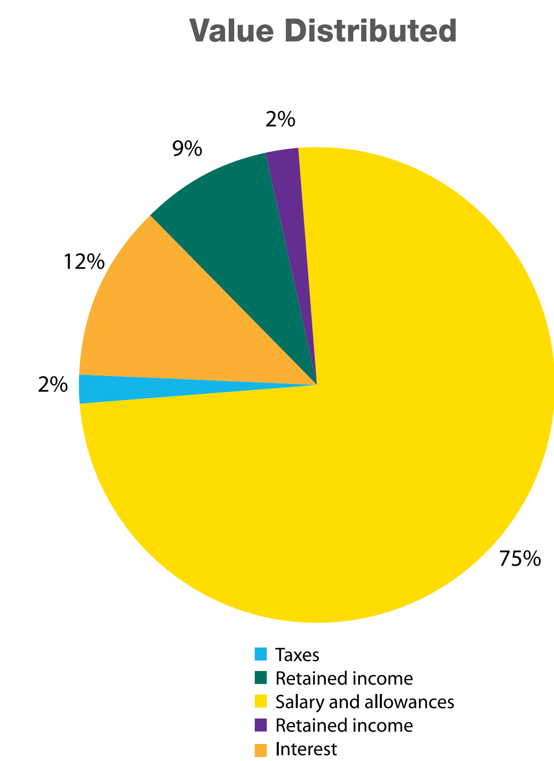
VALUE ADDED STATEMENT

A value added statement provides a detailed account of total value addition and the distribution of value created by the organisation. BRAC in Pakistan contributes positively to overall economic development by empowering people in poverty (especially female) through micro-credit. We empower employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes.

	2016		2015	
	USD	%	USD	%
Value added				
Services charges on loans	5,193,039	96%	4,645,646	107%
Grant income	5,309,492	98%	3,785,229	87%
Interest on bank deposits	1,341	0%	13,729	0%
Other income	50,585	1%	65,766	2%
Operating expenses	(4,884,887)	-90%	(3,864,007)	-89%
Loan provisions (doubtful losses)	(254,840)	-5%	(314,013)	-7%
Total value added	**5,414,730**	**100%**	**4,332,350**	**100%**

	2016		2015	
	USD	%	USD	%
Value distributed				
Employees				
Salary and allowances	4,063,764	75%	2,978,765	69%
Local Authorities				
Taxes	112,963	2%	60,280	1%
Creditors				
Interest	648,304	12%	734,785	17%
Growth				
Retained income	459,382	8%	413,971	10%
Depreciation	130,317	2%	144,549	3%
Total value distributed	**5,414,730**	**100%**	**4,332,350**	**100%**



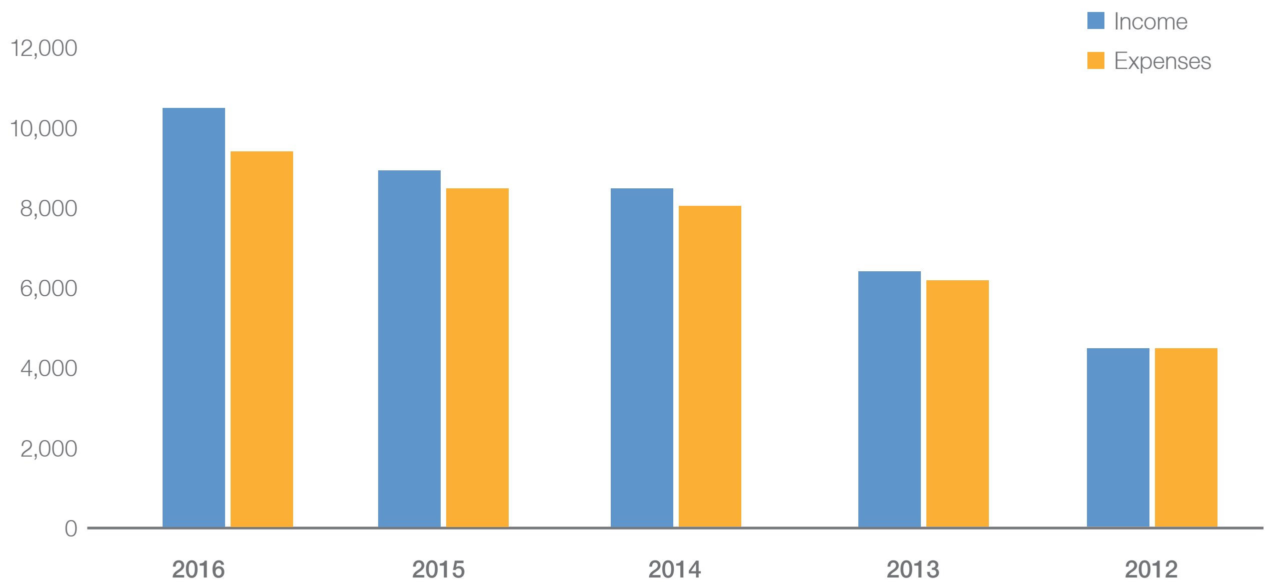


FIVE YEAR PERFORMANCE REVIEW

Figures in USD	2016	2015	2014	2013	2012
Income statement					
Operating income	10,554,457	8,510,370	8,013,276	6,175,932	4,829,563
Net (profit/loss) before tax	572,345	474,251	356,853	49,845	(854,336)
Financial position					
Total asset	15,697,256	13,342,599	12,322,682	11,430,107	10,698,883
Loans to customers (net)	12,323,821	10,209,920	9,941,283	6,546,049	6,322,014
Cash at bank	1,303,749	1,660,429	1,528,918	3,852,342	3,817,206
Returns and ratio					
Return on asset	3.65%	3.55%	2.90%	0.44%	-7.80%
Cost to income	95%	94%	95%	99%	117%
Operational statistics					
Total borrowers	56,327	54,021	58,389	56,359	68,192
PAR>30	2.03%	2.79%	2.19%	5.52%	8.31%

LAST FIVE YEARS' INCOME VS EXPENSES

In '000 USD



BRAC IN PAKISTAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Junaidy Shoaib Asad
Chartered Accountants

Morison KSi

AUDITORS' REPORT TO THE MEMBERS OF BRAC PAKISTAN

We have audited the annexed balance sheet of BRAC Pakistan (the Company) as at December 31, 2016 and the related income and expenditure account, the statement of comprehensive income, the cash flow statement and statement of changes in reserves and funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

b) in our opinion:

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

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

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

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

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

Emphasis of Matter

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

Other Matter

The financial statements of the Company for the year ended December 31, 2015. were audited by another auditor who expressed a modified opinion on those financial statements on March 31, 2016.

SSA

Junaidy Shoaib Asad

Chartered Accountants
Islamabad: March 24, 2017
Name of the audit engagement partner: Rukhsar Ahmed

BRAC Pakistan
Balance Sheet
As at 31 December 2016

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
NON-CURRENT ASSETS					
Property and equipment	4	29,459,730	281,642	32,465,509	309,963
Intangible asset	5	10,051,917	96,099	14,293,195	136,464
Total non-current assets		**39,511,647**	**377,741**	**46,758,704**	**446,427**
CURRENT ASSETS					
Loans and Advances - Net	6	1,289,071,710	12,323,821	1,069,386,956	10,209,920
Other assets	7	175,326,323	1,676,160	106,481,945	1,016,630
Advance tax - net	8	1,651,111	15,785	962,833	9,193
Cash and bank balances	9	136,370,550	1,303,749	173,913,297	1,660,429
Total current assets		**1,602,419,694**	**15,319,515**	**1,350,745,031**	**12,896,172**
TOTAL ASSETS		**1,641,931,341**	**15,697,256**	**1,397,503,735**	**13,342,599**
RESERVES AND LIABILITIES					
FUNDS AND RESERVES					
Accumulated deficit		(191,713,319)	(2,430,326)	(235,579,264)	(2,848,934)
General fund balances	10	381,263,000	4,089,251	381,263,000	4,089,251
Convenience translation reserve	2.5	-	153,230	-	150,591
Total funds and reserves		**189,549,681**	**1,812,155**	**145,683,736**	**1,390,908**
NON-CURRENT LIABILITIES					
Long term loans	11	333,578,000	3,189,082	421,195,600	4,021,344
Deferred grant	12	8,753,489	83,685	23,199,578	221,497
Deferred liabilities	13	78,467,605	750,168	55,477,324	529,667
Total non-current liabilities		**420,799,094**	**4,022,935**	**499,872,502**	**4,772,508**
CURRENT LIABILITIES					
Payable to related parties	14	217,956,935	2,083,718	181,449,883	1,732,384
Accrued and other liabilities	15	123,924,133	1,184,743	16,830,274	160,687
Short term loans	16	160,792,972	1,537,218	130,229,443	1,243,359
Restricted grant	17	45,780,926	437,676	41,541,497	396,616
Current portion of long term loans	11	483,127,600	4,618,811	381,896,400	3,646,137
Total current liabilities		**1,031,582,566**	**9,862,166**	**751,947,497**	**7,179,183**
TOTAL FUNDS AND RESERVES AND LIABILITIES		**1,641,931,341**	**15,697,256**	**1,397,503,735**	**13,342,599**
CONTENGENCIES AND COMMITMENTS	18				

The annexed notes an integral part of these financial statements.

SSA

Chief Executive Officer | Director | Director

BRAC Pakistan

Income and Expenditure Statement

For the year ended 31 December 2016

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
INCOME					
Service charges on advances		544,178,571	5,193,039	470,867,053	4,659,369
Grant income	17	536,306,892	5,117,921	379,704,300	3,699,019
Deferred grant recognized as income	12	20,074,736	191,571	8,849,461	86,210
Interest on bank deposits		140,481	1,341	1,409,320	13,729
Other income		5,300,796	50,585	6,750,861	65,766
		1,106,001,476	**10,554,457**	**867,580,995**	**8,524,093**
EXPENDITURE					
Administrative and program expenses	19	(950,928,020)	(9,074,607)	(716,097,569)	(6,976,109)
Provision against advances		(26,704,663)	(254,840)	(32,233,480)	(314,013)
Foreign exchange loss		(457,000)	(4,361)	(1,772,045)	(17,263)
Financial charges	20	(67,935,784)	(648,304)	(76,213,214)	(742,457)
		(1,046,025,467)	**(9,982,112)**	**(826,316,308)**	**(8,049,842)**
Surplus of income over expenditure for the year before taxation		**59,976,009**	**572,345**	**41,264,687**	**474,251**
Taxation					
- current		(10,195,922)	(97,299)	(5,138,252)	(50,056)
- prior		(1,641,460)	(15,664)	(1,049,537)	(10,224)
		(11,837,382)	**(112,963)**	**(6,187,789)**	**(60,280)**
Surplus of income over expenditure for the year after taxation		**48,138,627**	**459,382**	**35,076,898**	**413,971**

The annexed notes an integral part of these financial statements.

SSA

Chief Executive Officer

Director

Director

BRAC Pakistan

Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 PKR	2016 USD	2015 PKR	2015 USD
Surplus of income over expenditure for the year	**48,138,627**	**459,382**	35,076,896	413,971
tems that will not be reclassified to income and expenditure statement				
Experience adjustments on staff retirement benefits	**(4,272,682)**	**(40,774)**	(2,703,394)	(26,336)
Effect of convenience translation	**-**	**2,639**	-	(124,416)
Other comprehensive income for the year	**(4,272,682)**	**(38,135)**	(2,703,394)	(150,752)
Total comprehensive income for the year	**43,865,945**	**421,247**	32,373,504	263,219

The annexed notes an integral part of these financial statements.

SSA

Chief Executive Officer

Director

Director

BRAC Pakistan
Cash Flow Statement
For the year ended 31 December 2016

	2016 PKR	2016 USD	2015 PKR	2015 USD
Surplus of income over expenditure for the year before taxation	59,976,009	572,345	41,264,684	474,251
Adjustments for:				
Depreciation and amortisation charge for the year	13,655,922	130,317	14,837,920	144,549
Provision against advances	26,704,663	254,840	32,233,480	314,013
Provision adjusted against advances - write off	(25,251,670)	(240,974)	(19,310,020)	(188,115)
Provision for staff retirement gratuity scheme	27,185,428	259,428	16,705,730	162,745
Provision for staff self insurance scheme	2,671,844	25,497	4,133,994	40,273
Service charges from microcredit receivables	(544,178,571)	(5,193,039)	(476,875,609)	(4,645,646)
Interest on bank deposits	(140,481)	(1,341)	(1,409,320)	(13,729)
Exchange loss / (gain) on loans	457,000	4,361	(166,919)	(1,626)
Items of property and equipment written off	248,444	2,371	512,955	4,997
Interest expense on loans	67,015,372	639,521	75,425,725	734,785
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	**(371,656,040)**	**(3,546,674)**	**(312,647,377)**	**(2,973,503)**
Working capital changes:				
(Increase) / decrease in current assets				
Loans and advances - net	(219,684,754)	(2,113,901)	(83,410,240)	(374,431)
Other assets	(65,756,692)	(629,691)	(43,013,348)	(395,362)
	(285,441,446)	**(2,743,592)**	**(126,423,588)**	**(769,793)**
Decrease / (increase) in current liabilities				
Accrued and other liabilities	105,193,854	1,005,784	(2,184,745)	(25,151)
Payable to related parties	36,507,052	351,334	70,586,579	629,047
	141,700,906	**1,357,118**	**68,401,834**	**603,896**
	(515,396,580)	**(4,933,148)**	**(370,669,131)**	**(3,139,400)**
Interest paid	(65,115,367)	(621,249)	(87,411,057)	(734,785)
Payment in respect of staff gratuity scheme	(11,135,200)	(106,262)	(6,722,674)	(65,491)
Interest and service charges received	541,090,885	5,163,200	464,092,818	4,528,280
Taxes paid	(12,525,660)	(119,555)	(7,298,886)	(71,105)
Net cash used in operating activities	**(63,081,922)**	**(617,014)**	**(8,008,930)**	**(517,499)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash used in investing activities:				
Purchase of property and equipment				
Purchase the property and equipment	(21,328,353)	(203,534)	(9,768,519)	(92,487)
Purchase of intangible assets	(1,407,530)	(13,432)	(17,117,599)	(162,068)
	(22,735,883)	(216,966)	(26,886,118)	(254,555)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase / (decrease) in restricted grant	4,239,429	41,060	20,169,089	(183,913)
Long term loans received during the year	307,347,353	2,932,984	602,652,000	5,870,940
Long term loan repaid during the year	(293,929,432)	(2,804,937)	(384,460,000)	(3,745,348)
Short term loans received during the year	250,899,441	2,398,656	618,211,748	6,022,521
Short term loans repaid during the year	(220,140,233)	(2,104,591)	(803,910,995)	(7,831,573)
Net cash generated from financing activities	**48,416,558**	**462,034**	**52,661,842**	**132,627**
Increase / (decrease) in cash and cash equivalents	(37,401,247)	(371,946)	(17,766,794)	395,571
Cash and cash equivalent at beginning of the year	173,913,297	1,660,429	153,625,649	1,528,918
Exchange gain / (loss) on foreign currency bank accounts	(141,500)	(268,089)	2,520,854	24,558
Effect of convenience translation	-	283,355	-	(288,618)
Cash and cash equivalent at end of the year	**136,370,550**	**1,303,749**	**173,913,297**	**1,660,429**

The annexed notes an integral part of these financial statements.

Chief Executive Officer

Director

Director

BRAC Pakistan
Statement of Changes in Reserves and Funds
For the year ended 31 December 2016

	Note	Accumulated deficit PKR	Accumulated deficit USD	Fund balance PKR	Fund balance USD	Convenience translation reserve USD	Total PKR	Total USD
Opening balance		(267,952,768)	(3,236,569)	381,263,000	4,089,251	275,007	113,310,232	1,127,689
Surplus of income over expenditure for the year		35,076,898	413,971	-	-	-	35,076,898	413,971
Experience adjustments on staff retirement benefits		(2,703,394)	(26,336)	-	-	-	(2,703,394)	(26,336)
Effect of convenience translation	2.5	-	-	-	-	(124,416)	-	(124,416)
Total comprehensive income for the year		32,373,504	387,635	-	-	(124,416)	32,373,504	263,219
As at 31 December 2015		(235,579,264)	(2,848,934)	381,263,000	4,089,251	150,591	145,683,736	1,390,90
As at 01 January 2016		**(235,579,264)**	**(2,848,934)**	**381,263,000**	**4,089,251**	**150,591**	**145,683,736**	**1,390,908**
Surplus of income over expenditure for the year		48,138,627	459,382	-	-	-	48,138,627	459,382
Experience adjustments on staff retirement benefits		(4,272,682)	(40,774)	-	-	-	(4,272,682)	(40,774)
Effect of convenience translation		-	-	-	-	2,639	-	2,639
Total comprehensive income for the year		43,865,945	418,608	-	-	2,639	43,865,945	421,247
As at 31 December 2016		**(191,713,319)**	**2,430,326**	**381,263,000**	**4,089,251**	**153,230**	**189,549,681**	**1,812,155**

The annexed notes an integral part of these financial statements.

Chief Executive Officer

Director

Director

1 STATUS AND OPERATIONS

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

1.2 Pursuant to amendments m Non-Bankmg Finance Companies (Establishment and Regulation) Rules. 2003 and Non-Bank1ng Finance Companies and Notified Entities Regulations, 2008, the Company has obtained license for micro fincmce operations on 4 October 2016 from SECP.

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

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

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

2.2 *Basis of measurement*

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

2.3 *Functional and presentation currency*

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

2.4 Significant estimates

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

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

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

2.4.1 Property and equipment

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

SSA

2.4.2 Provisions

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

2.4.3 Impairments

The carrying amounts of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

2.4.4 Staff gratuity scheme

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

2.4.5 Staff insurance scheme

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

2.5 Convenience translation reserve

For the purpose of convenience translation:

The exchange rate of USD 1 = PKR 104.60 (2015: PKR 104.74) is used for balance sheet items. This represents the selling rate of USD at the end of the year as quoted by the State Bank of Pakistan.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The detail of significant politics presented below:

3.1 Deferred grant

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

3.2 Property and equipment

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

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

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Normal repairs and maintenance are charged to the income and expenditure account as and when incurred whereas major improvements and modifications are capitalized.
Gains and losses on disposals of property, plant and equipment are taken to the income and expenditure account.

3.3 *Lonas and advacnes*

Loans and advances are initially measured and recognized at fair value plus incremental direct transaction costs, on the date that they are originated and subsequently measured at their amortised cost using the effective interest method at repayment date. All loans and advances are recognized when cash is disbursed to borrowers.
Management regularly assess the adequacy of allowance for Impairment. The Company calculates the required provision for doubtful microcredit receivables based on classifci ation and provisioning methodology and as per requirements NBFC and NE Regulations 2008.

3.4 *Cash and cash equivalents*

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

3.5 *Revenue recognition*

Revenue is recognized on accrual basis.

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

Other income

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

Grants

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

3.6 *Foreign currency transactions*

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

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

3.7 *Taxation*

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

3.8 *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instrument.

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

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

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

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

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

Financial assets

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

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

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

3.10 *Stock of passbooks*

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

3.11 *Provisions*

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

3.12 Offsetting of financial instruments

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

3.13 Restricted grant

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

3.14 Mark-up bearing borrowings

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

3.15 Staff gratuity scheme

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service at the rate of one last drawn gross salary of the employee. The Company's obligation under gratuity scheme is recognized on the basis of actuarial valuation by using the Projected Unit Credit Method. Latest valuation was conducted as at 31 December 2016.

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

3.16 Staff self insurance scheme

The Company operates a staff self insurance scheme for all its local employees. The scheme requires the Company to make payment to employees / dependents in case of permanent disability / death of an employee during the course of service with the Company. The Company's obligation under self insurance scheme is recognized on the basis of actuarial recommendations. Charge determined by actuary for relevant year is included in respective year's income and expenditure account. Latest valuation was conducted as at 31 December 2015.

3.17 Provision for leave encashment

The company allows encashment of unavailed leaves balances at the time of retirement / resignation Provision for leave encashment is recognized on the basis of last drawn salary and number of leaves outstanding as at 31 December 2016.

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

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

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

the Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company

in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. the Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

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

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

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

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

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to deprec1ate
property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

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

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

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

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

(ii) Applicability of the amendments to /FRS 7 to condensed interim financial statements

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

IAS 19 Employee Benefits

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

Amendments to /AS 1 Disclosure Initiative

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

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

IAS 7 Disclosure Initiative- Amendments to IAS 7

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

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses- Amendments to /AS 12

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

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4 PROPERTY AND EQUIPMENT

Note	Motor vehicles	Furniture and fixtures	Computer and equipment	Total
			PKR	
Cost				
As at 01 January 2015	37,794,004	13,028,248	22,169,549	72,991,801
Additions during the year	2,108,340	1,808,118	4,694,738	8,611,196
Written off during the year	(95,499)	(289,558)	(1,313,739)	(1,698,796)
As at 31 December 2015	39,806,845	14,546,808	25,550,548	79,904,201
As at 01 January 2016	**39,806,845**	**14,546,808**	**25,550,548**	**79,904,201**
Additions during the year	84,291	6,624,822	1,315,726	8,024,839
Written off during the year	-	(196,151)	(705,120)	(901,271)
As at 31 December 2016	**39,891,136**	**20,975,479**	**26,161,154**	**87,027,769**
Depreciation				
As at 01 January 2015	21,830,850	4,307,851	10,472,316	36,611,017
Charge for the year	6,848,860	1,375,633	3,789,023	12,013,516
Written off during the year	(81,028)	(159,905)	(944,908)	(1,185,841)
As at 31 December 2015	28,598,682	5,523,579	13,316,431	47,438,692
As at 01 January 2016	28,598,682	5,523,579	13,316,431	47,438,692
Charge for the year	4,970,661	1,634,255	4,177,256	10,782,172
Written off during the year	-	(125,565)	(527,262)	(652,827)
As at 31 December 2016	**33,569,343**	**7,032,268**	**16,966,425**	**57,568,037**
Written down value				
31 December 2016 - PKR	**6,321,793**	**13,943,211**	**9,194,729**	**29,459,730**
31 December 2016 - USD	**60,438**	**133,300**	**87,904**	**281,642**
31 December 2015 - PKR	11,208,163	9,023,229	12,234,117	32,465,509
31 December 2015 - USD	107,009	86,149	116,805	309,963
Rates of depreciation per annum	**20%**	**10%**	**15%**	

5 INTANGIBLE ASSET

	2016	2015
Cost	**PKR**	**PKR**
As at 01 January	17,117,599	-
Additions during the year	1,407,530	17,117,599
As at 31 Dec	**18,525,129**	**17,117,599**
Depreciation		
As at 01 January	(2,824,404)	-
Amortisation charge for the period / year	(5,648,808)	(2,824,404)
As at 31 Dec	(8,473,212)	(2,824,404)
Written Down Value - PKR	**10,051,917**	**14,293,195**
Written Down Value - USD	**96,099**	**136,464**
Amortisation rate per annum	**33%**	**33%**

The addition cost of Enterprise Resource Planning Software acquired by the Company during the year from BRAC IT Services (BITS), through BRAC Bangladesh, related parties (2015: PKR 17,117,599).

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6 MICROCREDIT RECEIVABLES, secured - net

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
Loans and advances - gross	6.1	1,505,789,066	14,395,689	1,312,220,358	12,528,360
Provisions held	6.2	(57,820,161)	(552,774)	(56,384,664)	(538,330)
Amounts withheld from disbursements	6.3	(158,897,195)	(1,519,094)	(186,448,738)	(1,780,110)
		1,289,071,710	12,323,821	1,069,386,956	10,209,920
6.1 Movement in advances					
Opening balance		1,312,220,358	12,528,359	1,224,784,128	12,189,332
Disbursements during the year	6.3	2,570,519,000	24,530,194	2,175,656,000	21,194,895
Recoveries made during the year		(2,351,698,622)	(22,442,014)	(2,068,909,750)	(20,154,990)
Principal written off during the year		(25,251,670)	(240,974)	(19,310,020)	(188,115)
Effect of convenience translation			20,124		(512,763)
		1,505,789,066	14,395,689	1,312,220,358	12,528,359
6.2 Particulars of provision are as follows:					
Opening balance		56,384,664	538,330	43,461,204	432,536
Provision made during the year		26,704,663	254,840	32,233,480	314,013
Provision utilized for write off		(25,251,670)	(240,974)	(19,310,020)	(188,115)
Adjustment		(17,496)	(167)	-	-
Effect of convenience translation		-	745	-	(20,104)
		57,820,161	552,774	56,384,664	538,330

6.3 These carried service charges at effective interest rate ranging from 38% to 42% per annum (2015: 38% to 42% per annum). The Company does not hold any collateral against the loans, however, the Company has personal guarantees of local community members of the borrowers. The Company also takes cash security at 5% of micro credit loan disbursed which is adjusted against last installment. All microcredit receiveabels are repayable in 12 equal installments.

6.4 Age analysis of advances and provisions held

	Gross PKR	%	Provision rates PKR	Provision held USD
Performing advances:				
Current and over due by 29 days	1,475,238,390	2%	29,504,768	282,072
Non performing advances:				
OAEM (Overdue 30-59 days)	920,528	5%	46,792	447
Substandard (Overdue by 60-89 days)	754,077	25%	188,519	1,802
Doubtful (Overdue by 90-179 days)	1,591,978	50%	795,989	7,610
Loss (Overdue by 180 days or more)	27,284,093	100%	27,284,093	260,842
	1,505,789,066		57,820,161	552,773

6.4.1 The Company uses a more conservative approach towards provisioning than minimum required rates by NBFC rules. The minimum rates as per NBFC rules are:

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

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BRAC Pakistan
Notes to the Financial Statements
For the year ended 31 December 2016

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
7 Other Assets					
Stock of passbooks		274,117	2,621	499,711	4,771
Employee advances		1,374,694	13,142	-	-
Deposits					
Security deposits		9,995,321	95,558	9,961,331	95,105
Prepayments					
Prepaid rent		515,125	4,925	707,795	6,757
Prepaid interest		14,403,103	137,513		
Receivables					
Accounts Receivables		534,891	5,114	229,874	2,195
Receivable from donors	17	134,473,494	1,285,597	55,609,136	530,925
Accrued interest		28,158,681	269,203	25,070,995	239,364
		175,326,323	1,676,160	106,481,945	1,016,630

	2016 PKR	2016 USD	2015 PKR	2015 USD
8 TAXATION				
Opening balance	962,833	9,193	(148,264)	(1,476)
Charge for the year	(11,837,382)	(112,963)	(6,187,789)	(60,280)
Advance tax paid during the year	12,525,660	119,531	7,298,886	71,105
Effect of translation	-	24	18,542	(156)
Closing balance (receivable) / payable	1,651,111	15,785	962,833	9,193

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

	2016 PKR	2016 USD	2015 PKR	2015 USD
8.2 Relationship between tax expense and accounting profit				
Surplus before taxation	59,976,009	572,345	41,264,687	474,251
Tax charge @ 17% of accounting profit (2015: 32% of taxable profit)	10,195,922	97,299	13,204,700	151,760
Effect of tax credit u/s 100C	-	-	(8,384,030)	(81,676)
Effect of tax at other rates - minimum tax	-	-	-	-
Effect of prior year tax expense	1,641,460	15,664	1,049,537	10,224
Other permanent differences	-	-	317,582	(20,028
Tax charge for the year	11,837,382	112,963	6,187,789	60,280

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	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
9. CASH AND BANK BALANCES					
Cash in hand					
- Local currency		613,582	5,866	1,072,367	10,238
Cash at banks					
- Local currency - current accounts		31,124,414	297,557	25,709,194	245,458
- Foreign currency - current accounts		34,054	326	14,312,079	136,644
- Foreign currency - saving accounts	9.1	104,598,500	1,000,000	132,819,657	1,268,089
		135,756,968	1,297,883	172,840,930	1,650,191
		136,370,550	1,303,749	173,913,297	1,660,429

9.1 This includes Rs. 104,598,500 (USD 1,000,000) (2015: Rs 101,180,000 & USD 1,000,000) placed with Habib Bank Limited as lien against running finance facility (Note 16.1) and carries rate of 0.15% per annum.

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
10 GENERAL FUND BALANCES					
BRAC USA	10.1	125,850,000	1,500,000	125,850,000	1,500,000
BRAC Bangladesh	10.1	255,413,000	2,589,251	255,413,000	2,589,251
		381,263,000	4,089,251	381,263,000	4,089,251

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

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
11 LONG TERM LOANS, secured					
From Pakistan Poverty Alleviation Fund (PPAF)					
PPAF	16.1	379,205,600	3,625,293	102,652,000	980,065
PPAF III Phase VI	16.1	-	-	200,440,000	1,913,691
From banking companies					
Habib Bank Limited - Demand Finance		437,500,000	4,182,600	500,000,000	4,773,725
		816,705,600	7,807,893	803,092,000	7,667,481
Less: Transferred to current portion		(483,127,600)	(4,618,811)	(381,896,400)	(3,646,137)
		333,578,000	3,189,082	421,195,600	4,021,344

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
12 DEFERRED GRANT					
Opening balance		23,199,578	221,497	24,356,901	242,405
Property and equipment purchased during the year	17	3,857,122	36,808	6,095,479	59,381
Recognition of deferred grant as income		(20,074,736)	(191,571)	(8,849,461)	(86,210)
Transferred from restricted grant / adjustment		1,771,525	16,905	1,596,659	15,554
Effect of translation		(46)	- (9,633)		
		8,753,489	83,685	23,199,578	221,497

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
13 DEFERRED LIABILITIES					
Staff gratuity scheme	13.1	68,662,071	656,425	48,339,161	461,516
Staff self insurance scheme	13.2	9,805,534	93,743	7,138,163	68,151
		78,467,605	750,168	55,477,324	529,667

	Note	2016 PKR	2016 USD	2015 PKR	2015 USD
13.1 Staff gratuity scheme					
a) Movement in present value of defined benefit obligation recognized in balance sheet					
Opening balance		48,339,161	461,516	35,652,711	354,824
Expense recognized for the year	19	27,185,428	259,428	16,705,730	162,745
Actuarial loss / (gain) recognized during the year		4,272,682	40,774	2,703,394	26,336
Benefits paid during the year		(11,135,200)	(106,262)	(6,722,674)	(65,491)
Effect of convenience translation		-	969	-	(16,898)
Present value of defined benefit obligation at end of the year		68,662,071	656,425	48,339,161	461,516
b) Movement of actuarial gains					
Actuarial loss / (gain) on obligations during the year		4,272,682	40,774	2,703,394	26,336
Actuarial loss / (gain) recognised during the year to other comprehensive income		(4,272,682)	(40,774)	(2,703,394)	(26,336)
Unrecognized actuarial gain at end of the year		-	-	-	-
c) Particulars of expense for the year					
Current service cost		23,335,987	222,693	13,315,136	129,714
Interest cost		3,849,441	36,735	3,390,594	33,031
Total charge for the year	19	27,185,428	259,428	16,705,730	162,745
d) Principal actuarial assumptions used in the actuarial valuations are as follows:					
Discount rate		9.50%		9.00%	
Expected rate of salary growth		6.00%		9.00%	
Mortality rate		Adjusted SLIC 2001-2005		Adjusted SLIC 2001-2005	
e) Expected annual charge for the next year		23,491,614	224,585	23,150,830	225,532

f) Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. For a change of 100 basis points in these assumptions, present value of defined benefit obligation as at 31 December 2016 would have been as follows;

	Defined Benefit Obligation	
Financial assumptions	**In case of 1% increase - PKR**	**In case of 1% decrease - PKR**
Discount rate	63,852,937	74,529,761
Future salary growth	74,340,406	63,921,256
Demographic assumptions		
Future withdrawal	68,662,071	68,662,071
	In case of 1 year mortality age set back	**In case of 1 year backmortality age set forward**
Mortality rate	68,662,071	68,662,071

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at 31 December 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

g) **Maturity Profile**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6-10	Year 11 and above
PKR	7,243,085	6,625,233	5,795,057	5,031,800	4,437,753	16,409,283	189,397,979

h) **Risks Associated with Defined Benefit Plans**

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

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

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

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

13.2 Staff self insurance scheme
The Company has unfunded staff insurance scheme for its employees. Under this scheme, employees will be paid compensation in accordance with pre-determined criteria in case of injuries and death. Charge and liability is determined on the basis of actuarial valuations using Projected Unit Credit Method (PUC). Latest actuarial valuation was carried out as at 31 December 2015. Charge in respect of staff self insurance scheme for the year amounts to PKR 2,671,844 (2015: PKR 4,133,994) reflected in Note 19.

14 PAYABLE TO RELATED PARTIES

	Note	**2016**		2015	
		PKR	**USD**	PKR	USD
BRAC Bangladesh	14.1	128,450,755	1,228,019	117,992,534	1,126,528
Stichting BRAC International	14.2	66,494,913	635,707	63,457,349	605,856
BRAC International BV	14.2	23,011,267	219,993	-	-
		217,956,935	**2,083,718**	**181,449,883**	**1,732,384**

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

14.2 This represents amount payable to Stichting BRAC International and BRAC International BV on account of head office logistic expense / management fee. This amount is unsecured, interest free and payable on demand.

15 ACCRUED AND OTHER LIABILITIES

	Note	**2016**		2015	
		PKR	**USD**	PKR	USD
Salaries payable		**751,455**	**7,184**	626,730	5,984
Withholding tax deducted at source		**350,795**	**3,354**	366,427	3,498
Accrued liabilities		**56,385,234**	**539,056**	1,507,664	14,394
Provision for grade change material		**46,199,494**	**441,678**	-	-
Provision for leave encashment		**4,660,497**	**44,555**	4,677,633	44,660
Accrued interest on loans		**10,307,613**	**98,543**	8,407,608	80,271
Others		**5,269,045**	**50,373**	1,244,212	11,880
		123,924,133	**1,184,743**	**16,830,274**	**160,687**

16 SHORT TERM LOANS

These represent following loans obtained by the Company:

	Note	**2016**		2015	
		PKR	**USD**	PKR	USD
From banking companies, secured					
Habib Bank Limited (HBL)	16.1	**94,396,016**	**902,448**	58,503,883	558,563
From others, unsecured					
KIVA Microfinancing	16.1	**66,396,956**	**634,770**	71,725,560	684,796
		160,792,972	**1,537,218**	**130,229,443**	**1,243,359**
Movement during the year is as follows:					
Opening balance		**130,229,443**	**1,243,359**	313,574,755	3,120,769
Received during the year					
KIVA Microfinancing	16.1	20,242,485	193,523	25,686,079	250,230
Standard Chartered Bank (Pakistan) Limited (SCB)		-	-	79,082,139	770,406
Habib Bank Limited	16.1	230,656,956	2,205,133	513,443,530	5,001,885
		250,899,441	2,398,656	618,211,748	6,022,521
Repayments during the year		(220,140,233)	(2,104,591)	(803,910,995)	(7,831,573)
Foreign exchange loss / (gain)		(195,679)	(1,871)	2,353,935	22,932
Effect of convenience translation		-	1,665	-	(91,290)
		160,792,972	1,537,218	130,229,443	1,243,359

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16.1 Terms and conditions of these borrowings are given below:

Loan	Availability period	Total facility amount	Amount received to date under the agreement	Mark-up rate per annum as per agreement	Number of installments outstanding	Availability period*/ Date of final repayment	Security against loans
		PKR	PKR	(%)			
Banking companies							
Long term loans							
i) Habib Bank Limited	March 2015 to April 2018	500,000,000	500,000,000	6 Months KIBOR + 1.5%	7 Quarterly installements	01 April 2018	i) SBP's partial guarantee under MCGF* for 60% of the o/s principal amount ii) SBLC** of US $ 2.1 million from HBL Netherlands. iii) 1st Hypothecation charge over all present and future current assets including micro credit receivables for PKR 667 million.
Short term loans (Running facilities)							
ii) Habib Bank Limited	March 2014 to March 2017	95,000,000	94,396,956	3 Months KIBOR + .75%	Bullet payment	31 March 2017	line on Company's Foreign Currency deposit of USD 1 Million.
Pakistan Poverty Alleviation Fund (PPAF) and others							
Long term loans from PPAF							
v) PPAF III (410)	April 2015 to September 2016	410,000,000	410,000,000	Six months KIBOR with a floor of 8%	5 quarterly installemetns after a grace period of one year	31 March 2018	This loan is secured against assignment of rights over a portfolio of the Company's loan upto an amount received by the Company under the agreement, a demand promissory note and a first charge on all assets / capital items created out of the agreement.
Short term loans							
vi) KIVA Microfinancing	August 2015 to July 2017	Limit of USD 255,000 per month for up loading new loans, based on actual approvals, net of repayments due is either received or repayed	138,854,648	interest free	Monthly installments	N/A	Unsecured

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17 RESTRICTED GRANT

		Microfinance	*Non-Microfinance*									*Total*	*Total*
		WEP		Health				Education			PPR	2016	2015
		BRAC USA	BRAC USA	Child Life Foundation	Punjab Skills Development Fund	Sindh Education Foundation	BRAC USA	SENSA	Punjab Education Foundation	Stichting BRAC	PPAF		
		PKR											
Movement in restricted grant during the year is as follows:													
Opening balance		10,251,410	4,110,074	1,008,972	-	-	1,004,670	192,821	-	286,000	24,687,550	41,541,497	21,372,408
Received during the year		-	-	2,820,981	3,761,234	95,996,160	-	78,645,437	107,642,627	-	121,063,510	409,929,949	354,030,868
Repaid to donor		-	-	-	-	-	-	-	-	-	-	-	(3,185,595)
Company's Contribution		-	-	-	-	-	-	-	-	-	-	-	1,109,683
Interest earned on savings accounts		-	-	-	-	-	-	-	-	-	-	-	1,435
Transfered to													
- Property and equipment	12	-	-	(22,350)	-	(3,725,450)	-		(109,322)	-	-	(3,857,122)	(6,095,479)
- Statement of comprehensive income		(1,362,258)	(4,110,074)	(3,807,603)	(9,955,787)	(116,269,750)	(1,004,670)	(183,008,837)	(107,642,627)	(286,000)	(108,859,286)	(536,306,892)	(379,704,300)
Transferred to other assets	17.1.1	-			6,194,553	23,999,040		104,279,901				134,473,494	55,609,136
Transferred to deferred grant		-	-										(1,596,659)
		8,889,152	-	-	-	-	-	-	-	-	36,891,774	45,780,926	41,541,497
		USD											
Opening balance		97,875	39,241	9,633	-	-	9,592	1,841	-	2,731	235,703	396,616	212,702
Received during the year		-	-	26,920	35,893	916,081	-	750,505	1,027,222	-	1,155,,296	3,911,917	3,448,914
Company's contribution		-	-	-	-		-		-		-	-	10,810
Interest earned on saving bank accounts		-	-	-	-	-	-	-	-	-	-	-	14
Utilised during the year against:													
Transferred to:													
- Property and equipment	12	-	-	(213)	-	(35,552)	-	(1,043)	-	-	-	(36,808)	(59,381)
- Statement of comprehensive income		(13,000)	(39,222)	(36,336)	(95,007)	(1,109,550)	(9,587)	(1,746,434)	(1,027,222)	(2,729)	(1,038,833)	(5,117,920)	(3,699,018)
Transferred to other assets	17.1	-	-	-	59,114	229,220	-	995,132	-	-	-	1,283,266	541,735
Repaid to donor		-	-	-	-	-	-	-	-	-	-	-	(31,034)
Transferred to deferred grant		-	-	-	-	-	-	-	-	-	-	-	(15,554)
Effect of convenience translation		107	(19)	(4)	-	1	(5)	(1)	-	(2)	528	605	(12,572)
		84,982	-	-	-	-	-	-	-	-	352,694	437,676	396,616

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17.1 expenduture charged during the year is as follows

	Microfinance	*Non-Microfinance*									*Total*	*Total*
	WEP	Health					Education			PPR	2016	2015
	BRAC USA	BRAC USA	Child Life Foundation	Punjab Skills Development Fund	Sindh Education Foundation	BRAC USA	SENSA	Punjab Education Foundation	Stichting BRAC	PPAF		
					PKR							
Expendeture chraged during the year is as follows: 17.1.1												
Salaries and benefits	-	409,981	2,846,918	4,640,990	42,306,682	-	120,822,272	30,175,562	-	8,765,898	209,968,303	88,753,201
Rent		-	293,950	80,000	15,612,311	-	13,964,585	3,113,762	-	733,450	33,798,058	49,617,494
Utilities	-	14,000	85,330	-	660,137	-	1,645,013	413,010	-	127,894	2,945,384	2,248,213
Printing and stationeries			91,376	214,653	81,829	-	263,529	-	-	357,232	1,008,619	2,333,494
Travelling and transportation	-	174,778	115,933	1,019,969	1,900,973	-	24,724,056	2,641,486	-	6,396,992	36,974,187	17,552,022
Training and development			96,480	8,574,606	3,992,625	-	508,124	7,853,378	-	-	21,025,213	89,463,660
Program supplies and related expenses	1,362,258	89422	28,160	3,124,453	36,073,527	-	82,198,161	67,235,640	-	91,653,718	281,765,339	117,707,768
Head office logistics and management fees	-	284	143,599	-	-	-	1,463,059	556,538		874,084	3,037,564	3,394,249
Maintenance and general expenses	-	-	69,419	873,652	7,705,465	-	1,125,9810	2,364,949	(80,093)	655,680	22,848,882	8,094,191
Self insurance	-	2,157	2,825	330	28,555	-	137,079	74,688	-	34,955	280,589	220,008
Professional Charges	-	-	-	-	250,000	-	680,000	-	-	1,200,000	2,130,000	320,000
	1,362,258	690,622	3,773,990	9,954,047	113,194,085	-	261,150,189	107,083,759	(80,093)	108,653,281	615,782,138	379,704,300
					USD							
Salaries and benefits	-	3,912	27,168	44,288	403,728	-	1,152,994	287,962	-	83,652	2,003,704	864,618
Rent	-	-	2,805	763	148,987	-	133,263	29,714	-	6,999	322,531	483,366
Utilities	-	134	814	-	6,300	-	15,689	3,941	-	1,220	28,107	21,902
Printing and stationeries	-	-	872	2,048	781	-	2,515	-	-	3,409	9,625	22,733
Travelling and transportation	-	1,668	1,106	9,733	18,141	-	235,939	25,207	-	51,046	352,840	170.989
Training and development	-	-	921	0	81,827	-	38,101	4,849	-	74,944	200,642	871,540
Program supplies and related expenses	13,000	853	269	29,816	344,246	-	784,408	641,623	-	874,542	2,688,857	1,146,690
Head office logistics and management fees	-	3	1,370	-	-	-	13,962	5,311		3,341	28,987	33,067
Maintenance and general expenses	-	-	662	8,337	73,532	-	107,451	22,568	(764)	6,257	218,043	76,851
Self insurance	-	21	27	3	272	-	1,308	713	-	334	2,678	2,143
Professional Charges	-	-	-	-	2,386	-	6,489	-	-	11,451	20,326	3,117
	13,000	6,591	36,014	94,988	1,080,200	-	2,492,128	1,021,888	(764)	1,132,295	5,876,340	3,699,017

17.1.1 The Company recognised PKR 536 million,notes 17 and PKR 20 million in note 12 (Deferred grant recognised as income) resulting in total grant income of PKR 556 million. The Company incurred expenses of PKR 622 million including depreciation of PKR 6 million. As a result, the Company incurred deficit of PKR 66 million in donor funded activities

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18 CONTINGENCIES AND COMMITMENTS

There are certain cases outstanding as on 31 December 2016. The management assess and claim favorable outcome in these cases and the lawyers have also asserted management claims in respect of favorable outcome.

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

19 ADMINISTRATIVE AND PROGRAM EXPENSES

		2016		2015	
		PKR	USD	PKR	USD
Salaries and benefits	13.1	425,841,788	4,063,764	305,770,278	2,978,765
Rent		55,183,916	526,614	67,187,712	654,532
Utilities		12,387,394	118,212	9,188,309	89,511
Printing and stationeries		5,577,154	53,222	6,672,505	65,002
Travelling and transportation		56,645,608	540,563	36,284,840	353,481
Depreciation and amortisation	4&5	13,655,922	130,317	14,837,920	144,549
Training and development		21,662,473	206,723	92,176,641	897,970
Maintenance and general expenses		43,386,064	414,029	24,101,379	234,792
Head office logistics		30,675,184	298,833	30,675,184	298,833
and management fees		26,048,831	248,581	26,048,831	248,581
Program supplies		117,707,768	1,146,690	117,707,768	1,146,690
and related expenses		274,586,626	2,620,351	274,586,626	2,620,351
Professional charges		8,401,139	80,171	2,776,487	27,048
Staff self insurance scheme		2,671,844	25,497	4,133,994	40,273
Items of property and equipment written off		248,444	2,371	512,955	4,997
Cash written off due to theft		1,226,845	11,708	1,007,087	9,811
Security deposit written off		13,500	129	103,000	1,003
Auditors' remuneration		1,250,000	11,929	1,210,000	11,788
Other expenses		2,140,472	20,426	1,751,510	17,063
		950,928,020	**9,074,607**	**716,097,569**	**6,976,108**

19.1 This includes depreciation amounting to PKR 2.775 million relating to non- moicrofiance (EFS project) component of the comperetive.

20 FINANCIAL CHARGES

	2016		2015	
	PKR	USD	PKR	USD
Interest on loans	67,015,372	639,521	75,425,725	734,785
Bank charges	920,412	8,783	787,489	7,672
	67,935,784	**648,304**	**76,213,214**	**742,457**

21 TRANSACTIONS WITH RELATED PARTIES

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

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	2016		2015	
	PKR	**USD**	PKR	USD
Associated company by virtue of common directorship				
BRAC USA				
- Donations received	-	-	*10,251,410*	*99,868*
BRAC Bangladesh				
- Expense incurred on behalf of the Company - net			18,706,519	182,236
- Expense incurred by Company on behalf of the BRAC Bangladesh - net	-		-	
- Purchase of intangible by the Company from BITS through BRAC Bangladesh	**1,407,530**	**13,432**	17,117,599	163,429
Stichting BRAC International				
- Head office logistic / management fees for the year	**26,048,831**	**248,581**	30,675,184	298,833

USD 2.1 Milllion Guarantee by Stitchting BRAC International to Habib Bank Limited, Rotterdam, The Netherlands as security against loan of Rs. 500 million obtained by the Company from Habib Bank Limited, Pakistan.

Others
Remuneration to key management personnel (Note 22)

22 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive officer	Directors	Chief Executive officer	Directors
	2016-PKR		**2015-PKR**	
Managerial remuneration	5,436,127	-	7,741,440	-
Bonus	104,166	-	645,120	-
	2016-USD		**2015-USD**	
Managerial remuneration	51,876	-	75,416	-
Bonus	994	-	6,285	-
No. of persons	2		1	

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

23 FINANCIAL INSTRUMENTS

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

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

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

environment in which all employees understand their roles and obligations.
The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

23.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to microcredit receivables, security deposits, interest and service charges accrued, other receivables and balances at banks.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings.

23.1.1 Counterparties

In relation to the Company's exposure to credit risk, microcredit borrowers and financial institutions are major counter parties and the Company's policies to manage risk in relation to these counter parties are as follows:

Microcredit receivables including service charges

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

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

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

23.1.2 Exposure to credit risk

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

	2016		2015	
	PKR	**USD**	PKR	USD
Microcredit receivables	1,289,071,710	12,323,821	1,069,386,956	10,209,920
Security deposits	9,995,321	95,558	9,961,331	-
	95,105			
Accrued interest and service charges	28,158,681	25,070,995	-	239,364
Bank balances	136,370,550	1,303,749	172,840,930	1,650,191
Receivable from donor	134,473,494	1,285,597	55,609,136	530,925
Account receivable	534,891	5,114	229,874	2,195
	1,598,069,756	**15,008,725**	**1,333,099,222**	**12,727,700**

The maximum exposure to credit risk by geographic region is limited to Pakistan.
As at the year end the Company's most significant current asset was money deposited to Habib bank Limited from whom PKR 135,722,914 (USD: 1,297,557) (2015: 151,618,490) (USD: 1,447,570) was receivable.
Based on past experience, the management believes that no further impairment allowance is necessary in respect of Company's financial assets. The age analysis of Microcredit receivables and provision there against has been disclosed in notes 6.4 and 6.2 to these financial statements.

23.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash outflows	Within one year	Over one year
		2016 - PKR		
Long term loans including markup	827,013,213	827,013,213	434,808,210	392,205,003
Short term loans including markup	160,792,972	160,792,972	160,792,972	-
Payable to related parties	217,956,935	217,956,935	217,956,935	-
Accrued and other liabilities	113,265,725	113,265,725	113,265,725	-
	1,319,028,845	**1,319,028,845**	**926,823,842**	**392,205,003**

	Carrying amount	Contractual cash	Within one year	Over one year
		2016 - USD		
Long term loans including markup	7,895,868	7,895,868	4,151,310	3,744,558
Short term loans including markup	1,535,163	1,535,163	1,535,163	-
Payable to related parties	2,083,718	2,080,933	2,080,933	-
Accrued and other liabilities	1,082,846	1,081,399	1,081,399	-
	12,597,595	**12,593,363**	**8,848,805**	**3,744,558**
		2015 - PKR		
Long term loans	809,868,651	866,986,854	424,500,597	442,486,257
Short term loans	131,860,400	131,860,400	131,860,400	-
Payable to related parties	181,449,883	181,449,883	181,449,883	-
Accrued and other liabilities	8,056,239	8,056,239	8,056,239	-
	1,131,235,173	**1,188,353,376**	**745,867,119**	**442,486,257**
		2015 - USD		
Long term loans	7,732,181	8,277,514	4,052,899	4,224,615
Short term loans	1,258,931	1,258,931	1,258,931	-
Payable to related parties	1,732,384	1,732,384	1,732,384	-
Accrued and other liabilities	76,918	76,917	76,917	-
	10,800,414	**11,345,746**	**7,121,131**	**4,224,615**

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

23.3 Market risk

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

23.3.1 Currency risk

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

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

	2016		2015	
	PKR	**USD**	PKR	USD
Bank balances	104,632,554	1,000,326	147,131,736	1,404,733
Payable to related parties	(151,462,022)	(1,448,012)	(117,992,534)	(1,126,528)
KIVA Microfinancing	(66,396,956)	(634,770)	(71,725,560)	(684,796)
Net exposure	(113,226,424)	(1,082,456)	(42,586,358)	(406,591)

Following are the significant exchange rates applied during the year:

	Average rates		**Balance sheet date rate**	
	2016	**2015**	**2016**	2015
	PKR	**PKR**	**PKR**	PKR
US Dollars	104.79	102.65	104.60	104.74

Sensitivity analysis

A ten percent strengthening / (weakening) of the Pakistani Rupees against US Dollars at 31 December would have (decreased) / increased net surplus for the year by PKR 11.32 million (USD: 108,245), (2015: PKR 4.26 million (USD: 40,659).

23.3.2 Interest rate risk

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

	2016		2015	
	Rupees	**USD**	Rupees	USD
Fixed rate instruments				
Financial assets				
Bank balances	104,598,500	1,000,000	104,753,577	1,000,130
Microcredit receivables - net	1,289,071,710	12,323,821	1,069,386,956	10,209,920
	1,393,670,210	13,323,821	1,174,140,533	11,210,050
Financial liabilities				
Loan from KIVA Microfinancing	160,792,972	(1,537,218)	(130,229,443)	(1,243,359)
Net exposure	1,554,463,182	11,786,603	1,043,911,090	9,966,691
Variable rate instruments				
Long term loans	816,705,600	7,797,457	803,092,000	7,667,481

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased surplus by Rs. 6.90 million (USD : 64,348) (2015: PKR 8.030 million; USD: 76,675) This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

24 DETERMINATION OF FAIR VALUES

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

24.1 Fund management

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

24.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

24.3 Determination of fair values

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

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

	Carrying amount				Fair value	
31 December 2016	**Held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 2**	**Total**
Financial assets not measured at fair value						
Micro credit receivables	-	1,289,071,710	-	1,289,071,710	1,289,071,710	1,289,071,710
Other receivables*	-	134,473,494				
Cash and cash equivalents*	-	136,370,550	-	136,370,550	-	-
Accrued interest*	-	28,158,681	-	28,158,681	-	-
Financial liabilities not measured at fair value						
Long term borrowings including markup	-	-	-	827,013,213	827,013,213	827,013,213
Accrued and other liabilities*	-	-	123,573,338	123,573,338	-	-
Payable to related parties*	-	-	217,956,935	217,956,935	-	-
Short term borrowing including mark-up	-	-	160,792,972	160,792,972	160,792,972	160,792,972
31 December 2015						
Financial assets not measured at fair value						
Micro credit receivables	-	1,069,386,956	-	1,069,386,956	1,069,386,956	1,069,386,956
Other receivables*	-	55,609,136	-	55,609,136	-	-
Cash and cash equivalents*	-	173,913,297	-	173,913,297	-	-
Accrued interest*	-	25,070,995	-	25,070,995	-	-
Financial liabilities not measured at fair value						
Long term borrowings including markup	-	-	809,868,651	809,868,651	809,868,651	809,868,651
Accrued and other liabilities*	-	-	8,056,239	8,056,239	-	-
Payable to related parties*	-	-	181,449,883	181,449,883	-	-
Short term borrowing including mark-up	-	-	131,860,400	131,860,400	131,860,400	131,860,400

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

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Notes to the Financial Statements
For the year ended 31 December 2016

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

	Carrying amount				Fair value	
31 December 2016	**Held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 2**	**Total**
Financial assets not measured at fair value						
Micro credit receivables	-	12,323,821	-	12,323,821	12,323,821	12,323,821
Other receivables*	-	1,285,597	-	-	-	-
Cash and cash equivalents*	-	1,303,734	-	1,303,734	-	-
Accrued interest*	-	269,203	-	269,203	-	-
Financial liabilities not measured at fair value						
Long term borrowings including markup	-	-	7,906,436	7,906,436	7,906,436	7,906,436
Accrued and other liabilities*	-	-	1,181,389	1,181,389	-	-
Payable to related parties*	-	-	2,083,718	2,083,718	-	-
Short term borrowing including mark-up	-	-	1,537,218	1,537,218	1,537,2 8	1,537,218
31 December 2015						
Financial assets not measured at fair value						
Micro credit receivables	-	10,209,919	-	10,209,919	10,209,919	10,209,919
Other receivables*	-	530,925	-	530,925	-	-
Cash and cash equivalents*	-	1,660,429	-	173,913,297	-	-
Accrued interest*	-	239,364	-	25,070,995	-	-
Financial liabilities not measured at fair value						
Long term borrowings including markup	-	-	7,732,181	7,732,181	7,732,181	7,732,181
Accrued and other liabilities*	-	-	76,917	76,917	-	-
Payable to related parties*	-	-	1,732,384	131,860,400	131,860,400	131,860,400
Short term borrowing including mark-up	-	-	1,258,931	1,258,931	1,258,931	1,258,931

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

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Notes to the Financial Statements
For the year ended 31 December 2016

25 SEGMENTAL INFROMATION

	2016 PKR		2016 USD	
	Microfinance	Non Microfinance	Microfinance	Non Microfinance
Total Assets	1,528,818,437	172,751,451	14,615,856	1651,543
Total Liabilities	1,261,906,549	195,579,249	12,064,117	1,869,783
Capital Fund	266,911,893	(22,827,798)	2,551,739	(218,240)
Income	467,565,588	550,827,202	4,461,930	5257,011
Expenditure	342,067,446	616,404,336	3,2n4,314	5882,282

	2016 PKR		2016 USD	
	Microfinance	Non Microfinance	Microfinance	Non Microfinance
Total Assets	1,322,303,162	85,275,692	12,624,625	814,166
Total Liabilities	1,159,279, 921	37,874,122	11,068,167	361,599
Net Equity	163,023,241	47,401,570	1,556,458	452,562
Income	381,425,027	379,024.718	3,715,782	3,692,399
Expenditure	340,160,340	379,024,718	3,313,783	3.692,399

26 OTHER INFOR MATION

26.1 NUMBER OF EMPLOYEES

	2016	2015
Number of employees as at 31 December (Number)	806	854
Average employees during the year (Number)	864	804

26.2 Insurance Coverage

The Company is in the process of obtaining insurance coverage as per requirements of NRFC (Establishment and Regulations) Rules 2003.

27 RECLASSIFIC ATION AND ROUNDING OFF

The figures for prior year has been reclassified for appropriate classification. Further the figures have been rounded off to nearest PKR and USD.

28 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of BRAC Pakistan in their meeting held on 24 March, 2017

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Chief Executive Officer	Director	Director

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