



ANNUAL REPORT 2017

2017
ANNUAL
REPORT

BRAC IN MYANMAR

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

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

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

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

The changemaker

The activist

The hero

The mentor

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

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

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

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

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

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

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

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

Small is beautiful, scale is necessary.



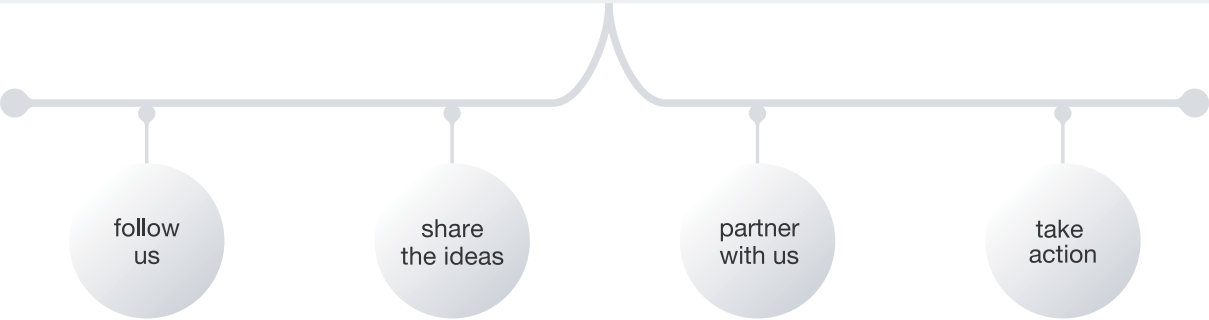
Here at BRAC, we are many things:



and we bring together many different people:



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

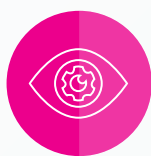


Join the world's biggest family.



BUILDING A WORLD THAT WORKS FOR ALL OF US

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



VISION, MISSION AND VALUES

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

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

Integrity Innovation Inclusiveness Effectiveness



SOCIAL DEVELOPMENT

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

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



HUMANITARIAN RESPONSE

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



SOCIAL ENTERPRISES

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



INVESTMENTS

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



BRAC UNIVERSITY

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

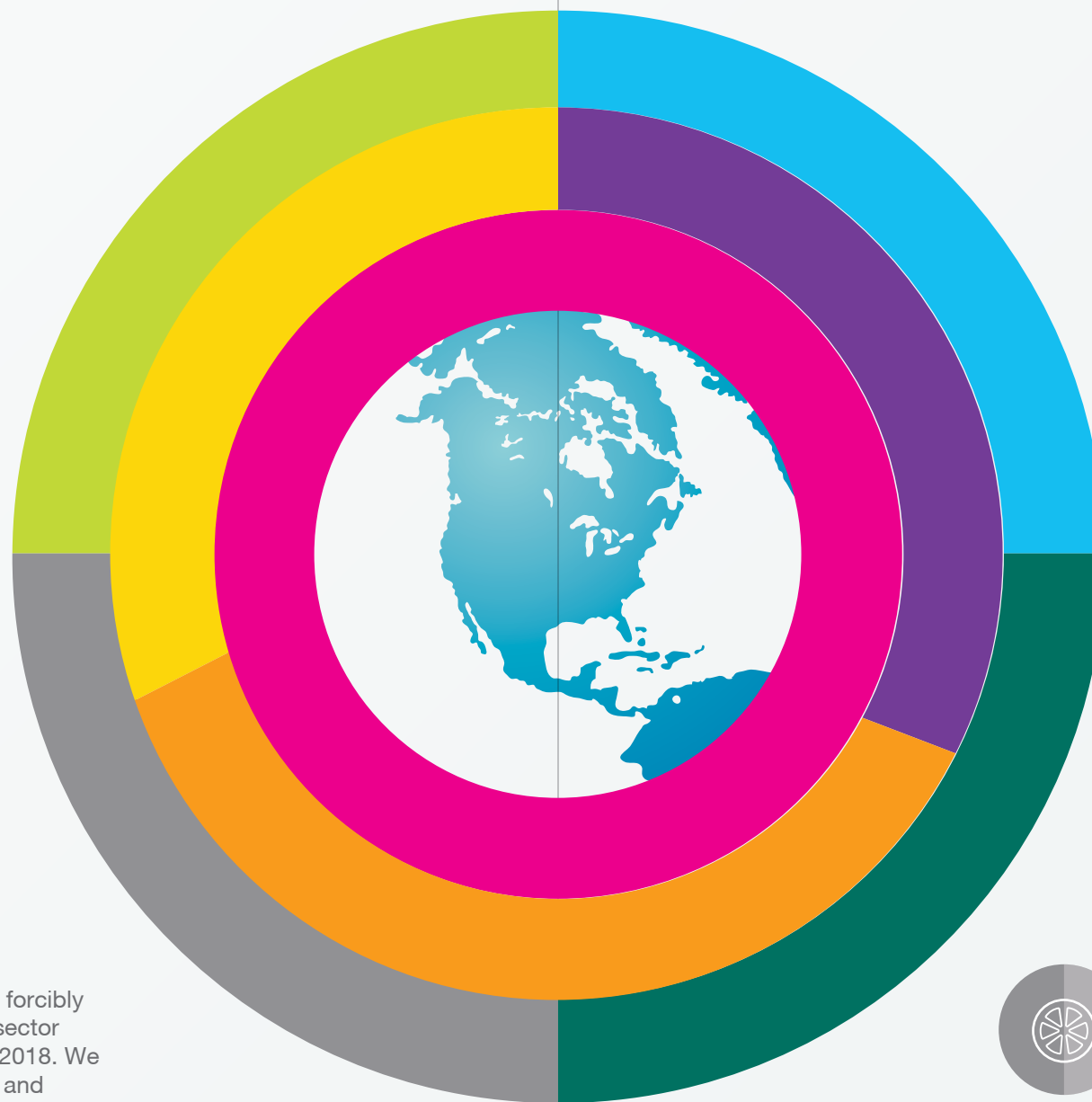


STICHTING BRAC INTERNATIONAL



AFFILIATES

BRAC USA
BRAC UK



CONTENTS

- 07 Chairperson's foreword
- 08 Letter from the Executive Director
- 09 Message from the Country Representative
- 10 BRAC across the world
- 12 Emergency preparedness and response
- 14 Microfinance
- 16 Bamboo sisters
- 17 A baker's story
- 18 Building dreams
- 19 Governance and management: BRAC International
- 21 Governance, management: BRAC in Myanmar, Development partners
- 22 Country map
- 23 Financials

CHAIRPERSON'S FOREWORD



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

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

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

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues

of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today's learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people's human qualities and values, such as empathy, cooperation and integrity.

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

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR



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

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

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

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school

and 15 million girls of primary-school age will never enter school. We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

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

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

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

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE



The year 2017 has been an exciting year for BRAC team in Myanmar!

I am enthusiastic of the great work done so far and for the new challenges ahead.

2017 was a great year for our microfinance programme. We reached almost 63,000 women in 5 regions of Myanmar and our outstanding loan portfolio grew by 154% since 2016, reaching around USD 8.9 million. We are proud of the great results achieved and we are confident that our programme will continue to expand, serving an increasing number of women in need and offering credit to those left out from the formal financial sector.

We are highly committed in promoting inclusive finance that could reach the most excluded segments of the society. For this reason, we launched two new initiatives aimed at including vulnerable groups.

First, we started a project using financial diaries to collect data from rural women with the aim of gathering insights of their financial needs and thus adapt our financial services. Second, we initiated a pilot project with customised credit to people with disabilities. We are poised to become the pioneer in targeting people with disabilities through truly inclusive microloans.

We also continued the implementation of our disaster risk reduction and resilience building programme to strengthen our organisational capacity for humanitarian response by building safer and more resilient communities in Myanmar. The project will be followed by further phases in 2018 to implement a local model of building disaster preparedness and emergency response capabilities of local actors, institutions, vulnerable communities.

We designed a new strategy to expand our programmes to include agriculture, health, nutrition and youth.

I look forward to continuing this incredible journey for realising, in Myanmar and all over the world, the dream that animates all of us, part of BRAC family: a world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential.

ATM Tariqul Islam, Ph.D.
Country Representative
BRAC in Myanmar

BRAC ACROSS THE WORLD

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

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

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

12 SOUTH SUDAN
Initiated: 2007
Education, ELA, Health

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

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

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

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

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

07 MYANMAR
Initiated: 2013
EPR, MF

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

10 PHILIPPINES
Initiated: 2012
Education

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

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

AFSP : Agriculture and Food Security Programme
BEP : BRAC Education Programme
CCAP : Citizens Charter Afghanistan Programme
CDP : Capacity Development Programme
CEP : Community Empowerment Programme

DMCC : Disaster, Management and Climate Change
ELA : Empowerment and Livelihood for Adolescents
EPR : Emergency Preparedness and Response
GJD : Gender Justice and Diversity
HNPP : Health, Nutrition and Population Programme

HRLS : Human Rights and Legal Aid Services
HCMP : Humanitarian Crisis Management Programme
IDP : Integrated Development Programme
MF : Microfinance
MG : Migration

SDP : Skills Development Programme
TUP : Targeting the Ultra Poor
UDP : Urban Development Programme
WASH : Water, Sanitation and Hygiene

EMERGENCY PREPAREDNESS AND RESPONSE



Myanmar is exposed to multiple natural hazards. The coastal regions are exposed to cyclones, storm surges, tsunami and strong wind while major parts of the country are at risk from earthquakes and fires. Heavy rainfall induced flooding is a recurring phenomenon across the country while some parts of the country are exposed to landslides and droughts. Cyclone Nargis in 2008 claimed 140,000 lives.

We established an emergency preparedness and response programme in 2016 to strengthen our organisational capacity on emergency response in order to build safer and more resilient communities

WHAT WE DO

Our main approach is to build local capacity. In partnership with the Bill & Melinda Gates Foundation, BRAC International and BRAC Myanmar are piloting a model for developing local emergency preparedness and response capacities. Through a participatory, community-based inclusive approach, our project will work with schools, communities and regional governments in Bago and Yangon to strengthen humanitarian localization.

HIGHLIGHTS

Monitored monthly country safety and security situations and developed 46 weekly safety and security reports

Updated Country Risk Assessment and Multi Hazard Risk Assessment on quarterly basis

Organized the thematic workshop on “Myanmar Action Plan on DRR (MAPDRR) and People Most at Risk” together with UNICEF and five other INGOs.

Conducted a Safety and Security Risk Management training to 40 branch managers of BRAC Myanmar Microfinance Company Limited. We have provided basic first aid training to all branch managers with support from external first aid trainers.

Conducted workshop to draft the disaster preparedness plan for BRAC Myanmar with 30 representatives from UNs, INGOs and local NGOs.

Contributed to the Myanmar version of the Core Humanitarian Standards

Became a member of the Basic Education Sub Sector Working Group on Education in Emergency (EiE).

Participated in key national workshops and provided technical inputs to:

National Earthquake Preparedness and Response Plan, National WASH strategy, 4th Regional Moonson Forum, Calculating Costs and Benefits of Community Driven Resilience Programmes in Myanmar, Urban Disaster Risk Reduction (DRR).

MICROFINANCE



Myanmar has some of the lowest levels of financial inclusion. More than 70% of adults do not have access to formal financial institutions (World Bank, 2016). We started our microfinance programme in 2014 to provide inclusive financial access to households living in poverty in both rural and urban Myanmar. We create employment and income opportunities for people living in poverty, with particular emphasis on women who have been left out of mainstream financial systems.

WHAT WE DO

We operate with an integrated development approach for sustainable poverty reduction by combining both economic and social development. Our microfinance activities are therefore a part of a broader, holistic approach to development, called the “microfinance-plus approach”.

We offer inclusive financing to people living in poverty in Myanmar through two different types of services: microfinance group loans and individual loans for small enterprises. Currently we are working to develop products related to disability inclusive microfinance and women enterprise development.

Complementing to this, we provide financial literacy training and have instituted a range of client protection measures that distinguish us for our commitment towards client-centric financial service delivery.

HIGHLIGHTS

Operating **42** branches in five regions

Expanded the microfinance programme in two regions (Sagaing Region and Nay Pyi Taw Council area)

In 2017, disbursed microloan **USD 19.57** million and number of loans disbursed **65,085**

Provided collateral free small enterprise loan **USD 270,558** and number of loans disbursed **168** among the entrepreneurs

Since 2016, increased principal loan outstanding by **58%** and principal loan outstanding balance is **USD 9** million as on December 2017.

Launched the digital financial diaries project to explore microfinance product diversification.

Started the people with disabilities project to address specific needs and offer customized social & financial services to people with disabilities.

Initiated big data analysis, digital credit scoring and mobile money channel to small holder farmers

Become the member of Job creation Sub Sector Working Group

THE BAMBOO SISTERS

Daw Myint Kyi, lives in Htauk Kyant, located in the outskirts of Yangon region. She runs a bamboo baskets weaving enterprise. She lives with her family and she has two sons.

The bamboo baskets enterprise is her family business which started over 50 years ago. The technique and skills of making baskets are part of the family treasure as Daw Myint Kyi's father taught her and her sisters how to make the baskets when the girls were very young. Now, the craft of bamboo basket weaving is handed down from one generation to another and the two sisters run the business together.

The sisters buy the bamboo from Bayintaung market in Yangon and handcraft beautiful baskets that are sold at a market in Yangon. They usually collect and accept the orders, and then send the baskets to the markets. Her father said "I started this business in 1964. It became a family business and my daughters didn't need to go outside for income. They can work from home and get an income that we can all survive on. The business is better now."

Daw Myint Kyi said "I am so happy about this business because I don't need to go outside and I can work with my family at home. My sons are not interested in this business. They want to work outside."

The business generates around 10 lakhs (USD 740) per month. The flow of income is highly dependent on the number of baskets they can produce. "Sometimes we cannot make too much because of health issues. However, having a business



on our own is better because we are able to plan our work and take decision independently" she said.

Daw Myint Kyi invested and strengthened the business by borrowing from BRAC. Now she has received her third loan and she wants to get a fourth loan to invest in the purchase of higher quantity raw materials at a lower price for handcrafting the baskets. "I am comfortable to take loan from BRAC Myanmar. We have good relationship and I am familiar with BRAC Myanmar. The staff is friendly and kind!" Daw Myint Kyi said.

A BAKER'S STORY

My Name is Ma Khin Nwe Aye and I am from the Bago region. I never completed school and am not very educated. However, I always enjoyed baking and I did not let my lack of education stop me from pursuing my dreams. I started a small bakery business with my husband and I am doing well enough to be able to support my children. I have three children and they are all in school. The eldest one is 12 years old, the second one is 8 years and the youngest one is 5 years old. I want to provide my children with education. Although I want them to be doctors and engineers, I will accept and support what they want to be.

We started the business right after we got married. I am happy to say that we are doing so well that we need funding to expand our business. I want to attract more customers and I want to start producing packaged bakery. I want to extend my business with machine for packaging. When the business extends, it directly affects our children education and future.

Initially, I borrowed 150,000 Kyats (USD 113) from BRAC in 2014. Now I borrowed 20 lakhs Kyats (USD 1,500). I have nine employees at my bakery business. I will extend my bakery business with the next loan by purchasing a machine for packaging which will reduce the



time needed and human resource, and production will be high which will generate more profit.

The organisation which provides loans with the low interest rate helps communities to develop their businesses. BRAC not only provides financial support but also indirectly supports other sectors like children's education, health and other essentials.

BUILDING DREAMS



In Myanmar, women are starting their own businesses and earning money for their family. I immediately joined my family business after graduating at 26. My family was in the wood selling and production business and I was always keen on joining. However, after a few years, I started my own business with my husband.

My husband and I started selling materials for building houses three years ago. My neighbourhood was experiencing a boom and there are many factories nearby as well. We did really well in the first years but now we are thinking about expanding our business into selling construction materials as well.

Unfortunately, it is extremely difficult for young entrepreneurs like my husband and I to get access loans for business expansion. My family has helped all they can but we needed additional funding to make the expansion happen. Luckily for us, that is around when BRAC started offering small enterprise loans. The terms were really good for us and the monthly instalments also worked for us.

We borrowed 30 lakhs Kyats (USD 2,300) as a first loan and used this money to expand into selling construction materials. We are not planning on stopping there and am already planning another loan to expand the business further.

I am extremely grateful organisations like BRAC who are helping our economy by letting entrepreneurs like us get access to credit. I believe thanks to loans like this, the economy in Myanmar will grow and we will spur innovation.

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

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

CORPORATE GOVERNANCE

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

SUPERVISORY BOARD

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

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

The current members of the Supervisory Board are:

Chairperson

Sir Fazle Hasan Abed, KCMG

Members

Ms. Sylvia Borren
Dr. Muhammad Musa
Ms. Parveen Mahmud
Dr. Ahmad Mastaqur Raza Chowdhury
Dr. Debapriya Bhattacharya

Ms. Shabana Azmi
Mr. Shafiqul Hassan
Ms. Irene Khan
Dr. Fawzia Rasheed

MANAGEMENT BOARD

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

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

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

BRAC INTERNATIONAL HOLDINGS BV

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

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

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

SUPERVISORY BOARD

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Supervisory Board exists out of the following members:

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

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

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

GROUP FINANCE AND AUDIT COMMITTEE

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

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

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

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

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities

in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

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

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

ACCOUNTABILITY AND TRANSPARENCY

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

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

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

FINANCIALS

FINANCIAL HIGHLIGHTS

Net Income

BRAC Myanmar Microfinance Company Limited completed its fourth years of operation in 2017. Net profit before tax was USD 35,094 as against net loss before tax USD 206,702 in 2016.

Interest income earned during the year is USD 2,151,248 as against USD 1,358,897 in 2016.

Operating expenses

Total operating expenses for the year was USD 2,071,585 as against USD 1,636,738 in 2016 showing an increase 27%. In 2017 an additional 7 branches were opened resulting the total number of branches to 41.

Provisions for Impairment losses

This year amount charged for impairment of loans is USD 66,450 as against 83,906 in 2016 showing an decrease of 21%. Total reserve as against impairment in 2017 was USD 161,508 and USD 109,831 in 2016 representing 1.78% of gross portfolio. Portfolio at Risk (PAR>30) is 0.79%.

Financial Position

In 2017 the company's total assets increased by 45% to USD 10,003,967. Loans and advances to customers increased by 59% and is now 89% of total assets.

PERFORMANCE REVIEW

Income Statement	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Operating Income	2,173,129	1,513,942	536,058	29,824	-
Net profit/(loss) before tax	35,094	(206,702)	(432,010)	(363,346)	(134,775)

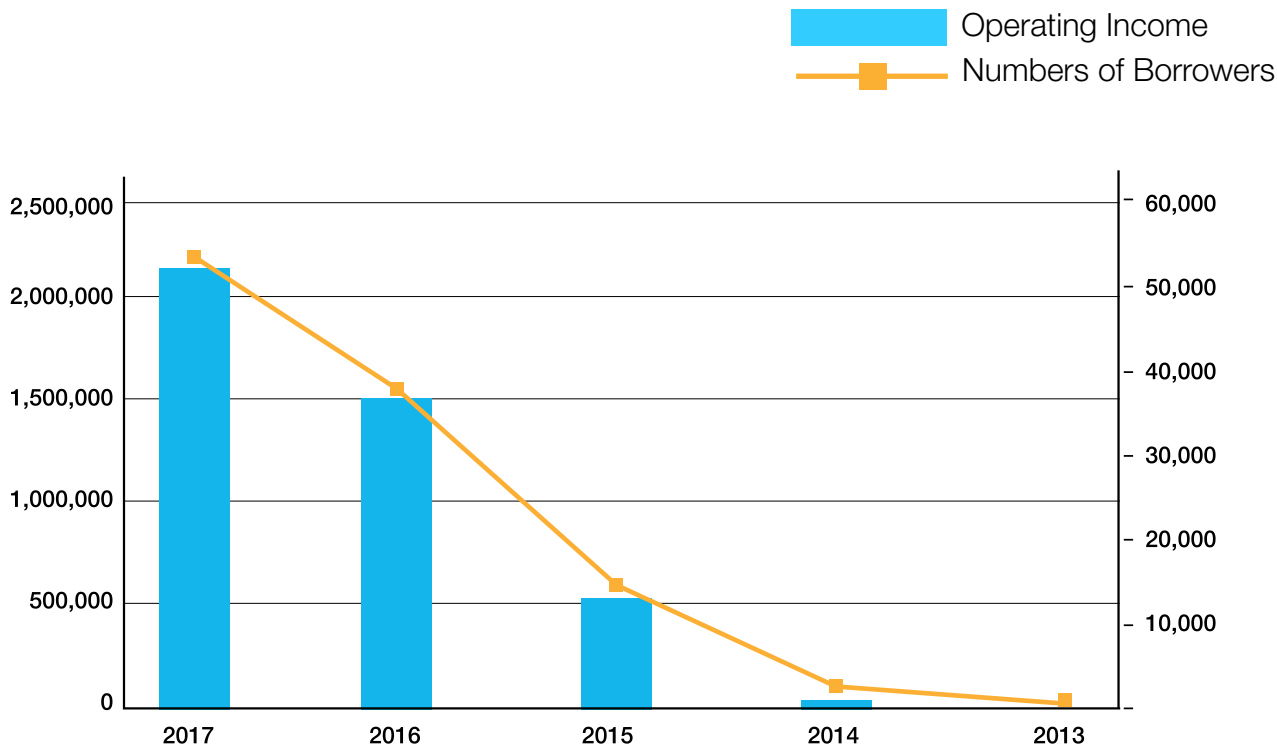
Financial Position	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Total Asset	10,003,967	6,908,676	3,497,796	742,478	90,907
Net Equity	5,568,553	5,196,844	2,645,109	356,612	(30,175)
Loan to Customer (net)	8,951,932	5,644,011	2,178,298	306,042	-
Cash at Bank	756,356	1,048,668	1,132,377	370,110	8,317

Contribution to Government Exchequer	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Taxes	-	-	-	-	-
Withholding tax	66,974	23,757	9,930	2,185	-
Social Security and pension	24,881	16,949	-	-	-

Returns and ratio	2017	2016	2015	2014	2013
Return on Asset	0.42%	-4%	-20%	-48%	-
Cost to income	112%	120%	186%	1318%	-

Operational Statistics	2017	2016	2015	2014	2013
Total Borrowers	50,977	38,270	16,837	2,433	-
PAR>30	0.79%	0.02%	-	-	-

OPERATING INCOME VS NUMBER OF BORROWERS



BRAC MYANMAR MICROFINANCE COMPANY LIMITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

GENERAL INFORMATION

DIRECTORS

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

ADMINISTRATORS

Mr. ATM Tariqul Islam	- Country Representative (Appointed on 2 October 2017)
Mr. Kazi Faisal Bin Seraj	- Country Representative (Resigned on 27 May 2017)

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Khin Su Htay & Associates Limited
Certified Public Accountants
Building No. C 1, Room No. 005 (Ground Floor), Hninnsi Street
Yuzana Highway Complex, Kamayut Township
Yangon, Myanmar

BANKERS

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS’ REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2017, which disclose the state of affairs of BRAC Myanmar Microfinance Company Limited.

a) Registration

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

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

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

b) Vision

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

c) Mission

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

d) Our values

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

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

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

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

e) Principal activities

The Company provides Microfinance services to improve the livelihood of poor people in over 37 townships in Myanmar including extending loan facilities. The company started a new product called Small Enterprise Programme (SEP) giving individual loans to clients.

f) Financial performance

The Company's performance during the year ended 31 December 2017 is as follows:

- Interest income on loans increased by around 74% from MMK 1,686 million in 2016 to MMK 2,927 million in 2017.
- Loans and advances to customers increased by 58% from MMK 7,704 million in 2016 to MMK 12,192 million in 2017. Loan disbursement increased by 70% from MMK 15,938 million in 2016 to MMK 27,021 million in 2017. Loan realisation increased by 103% from MMK 11,026 million in 2016 to MMK 22,478 million in 2017.
- Operating expenses increased by 39% from MMK 2,031 million in 2016 to MMK 2,819 million in 2017.
- Total asset increased by 44% from MMK 9,430 million in 2016 to MMK 13,625 million in 2017.
- During the year, the company had a net profit of MMK 49.5 million (2016-loss of MMK 287.5 million).

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS’ REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

g) Results from operation

The results for the Company's operation for the year ended 31 December 2017 are set out on Page 36.

h) Composition of Directors

The directors who served during the year and up to the date of this report are set out on Page 28 .

i) Directors' benefits

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

j) Corporate governance

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

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

In 2017 the company had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

k) Risk management

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

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

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

l) Management structure

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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

m) **Related party transactions**

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

n) **Future development plans**

Microfinance Program

- New 20 Microfinance branches shall be opened in 2018 and increasing the number of borrowers by approximately 28,000.
- Exploring new innovations such as mobile money to enhance service delivery.
- During 2018, a new disability friendly product will be designed meeting the need of people with disability.
- Finally, as in 2017 BRAC earned profit, very soon it will be eligible for taking voluntary savings as deposit taking institutions which would potentially help BRAC retain and attract more customers.

o) **Key achievement in 2017**

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

- The Microfinance borrower size increased by 12,707 in 2017 (Total borrower as of 2017 is 50,977).
- Launched the new product named SEP, its portfolio as at 31 December 2017 is MMK 313 million.
- Staffs from different departments received total 38 trainings in various financial, operational and management competency issues.

p) **Solvency**

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

q) **Gender parity**

In 2017, the company had a total staff of 389. The female staff are 327 and male 62.

r) **Employees' welfare**

Management/employee relationship

There were continued good relation between employees and management for the year 2017. There were no unresolved complaints received by management from the employees during the year. New performance incentive schemes which were introduced in 2016 continued in 2017.

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

Training

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

Medical assistance

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

Social security contribution

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

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

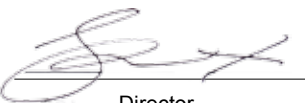
s) **Auditors**

The auditors, Khin Su Htay & Associates were appointed during the year.

t) **Approval of the financial statements**

The financial statements were approved by the directors at a meeting held on 09 March 2018.

By order of the Board



Director
BRAC Myanmar Microfinance
Company Limited



Director
BRAC Myanmar Microfinance
Company Limited

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Myanmar and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

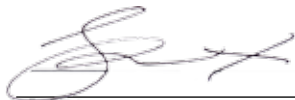
The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Myanmar. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2017. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 09 March 2018 and were signed on its behalf by:



Director

BRAC Myanmar Microfinance
Company Limited



Director

BRAC Myanmar Microfinance
Company Limited

KHIN SU HTAY & ASSOCIATES LIMITED
Certified Public Accountants
(Incorporated in the Republic of the Union of Myanmar)
C1/005, Ground Floor, Hninnsi Street, Yuzana Highway Complex,
Narnat Taw Road, Kamayut Township, Yangon, Myanmar
Email : thantint@myanmar.com.mm
Tel: (95-1) 700659, (95-09) 799657902

INDEPENDENT AUDITOR'S REPORT

To the members of BRAC Myanmar Microfinance Company Limited

Opinion

We have audited the financial statements of BRAC Myanmar Microfinance Company Limited ("BRAC" or also referred as "the Company"), which comprise the statement of financial position of the Company as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2017 and the results, changes in equity and cash flows of the Company for the year then ended. The accounting records required by the Company have been properly kept.

Basis for opinion

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

Responsibilities of Management of the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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



Than Tint
CPA (P.A 103)
Managing Director
Khin Su Htay & Associates Limited
09 March 2018

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 Kyats	2016 Kyats	2017 USD	2016 USD
Assets					
Property and equipment	4	176,531,160	177,658,860	129,612	130,153
Intangible assets	5	86,706,537	29,866,095	63,661	21,880
Other assets	6	139,477,714	87,309,998	102,407	63,963
Loans to customer	7	12,192,530,997	7,704,075,269	8,951,932	5,644,011
Cash and cash equivalents	8	1,030,156,863	1,431,432,280	756,356	1,048,668
Total assets		13,625,403,271	9,430,342,502	10,003,967	6,908,676
Equity					
Share capital	9	7,332,540,000	6,696,660,000	5,383,656	4,905,978
Share money deposit	10	684,885,345	1,320,765,345	502,853	967,594
Donor grant	11	868,747,756	427,612,436	637,847	313,269
Retained earnings	12	(1,301,803,971)	(1,351,345,357)	(955,803)	(989,997)
Total equity		7,584,369,130	7,093,692,424	5,568,553	5,196,844
Liabilities					
Term loan	13	3,261,228,785	-	2,394,441	-
Related party payables	14	1,144,603,245	811,094,907	840,384	594,209
Member savings payable	15	1,536,774,107	1,335,164,213	1,128,322	978,142
Other liabilities	16	98,428,003	190,390,958	72,267	139,481
Total liabilities		6,041,034,140	2,336,650,078	4,435,414	1,711,832
Total equity and liabilities		13,625,403,271	9,430,342,502	10,003,967	6,908,676

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

Head of Finance
BRAC Myanmar Microfinance
Company Limited

Country Representative
BRAC Myanmar Microfinance
Company Limited

Director
BRAC Myanmar Microfinance
Company Limited

Director
BRAC Myanmar Microfinance
Company Limited

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Kyats	2016 Kyats	2017 USD	2016 USD
Service charge on loan	17	2,927,848,944	1,686,499,870	2,151,248	1,358,897
Interest expense	18	407,092,619	113,875,325	299,113	91,755
Net income from service charge		2,520,756,325	1,572,624,545	1,852,135	1,267,142
Membership and other fees	19	353,914,000	223,101,400	260,040	179,764
Other income	20	57,789,213	83,197,115	42,461	67,036
Grant income	21	25,169,021	-	18,493	-
		436,872,234	306,298,515	320,994	246,800
Total operating income		2,957,628,559	1,878,923,060	2,173,129	1,513,942
Impairment loss on loan	7	90,438,716	104,134,679	66,450	83,906
Operating income after impairment charge		2,867,189,843	1,774,788,381	2,106,679	1,430,035
Staff costs	22	1,715,574,171	1,233,659,818	1,260,525	994,021
Other operating expenses	23	1,045,919,742	751,329,361	768,494	605,384
Depreciation and amortization	24	57,933,079	46,333,254	42,567	37,333
Total operating cost		2,819,426,992	2,031,322,433	2,071,585	1,636,738
Profit/ (Loss) before tax		47,762,851	(256,534,052)	35,094	(206,702)
Income tax expenses		-	-	-	-
Net Profit/ (Loss) after tax		47,762,851	(256,534,052)	35,094	(206,702)
Other Comprehensive Income					
Unrealized exchange gain/ (loss)		1,778,536	(31,065,021)	1,307	(25,031)
Net Profit/(Loss)		49,541,387	(287,599,073)	36,401	(231,733)

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


Head of Finance
BRAC Myanmar Microfinance
Company Limited


Country Representative
BRAC Myanmar Microfinance
Company Limited


Director
BRAC Myanmar Microfinance
Company Limited


Director
BRAC Myanmar Microfinance
Company Limited

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017

	Share capital	Share money deposit	Retained earnings	Donor grant	Total equity	Total equity
	Kyats	Kyats	Kyats	Kyats	Kyats	USD
At 1 January 2016	4,287,880,000	-	(1,063,746,294)	238,313,436	3,462,447,152	2,645,109
Share capital	2,408,780,000	1,320,765,345	-	-	3,729,545,345	2,732,268
Profit/(Loss) for the year	-	-	(287,599,073)	-	(287,599,073)	(231,733)
Donor grants	-	-	-	189,299,000	189,299,000	138,681
Foreign currency translation differences	-	-	-	-	-	(87,480)
At 31 December 2016	6,696,660,000	1,320,765,345	(1,351,345,357)	427,612,436	7,093,692,424	5,196,844
At 1 January 2017	6,696,660,000	1,320,765,345	(1,351,345,357)	427,612,436	7,093,692,424	5,196,844
Share capital	635,880,000	(635,880,000)	-	-	-	-
Profit/(Loss) for the year	-	-	49,541,387	-	49,541,387	36,401
Donor grants	-	-	-	441,135,320	441,135,320	323,888
Foreign currency translation differences	-	-	-	-	-	11,420
At 31 December 2017	7,332,540,000	684,885,345	(1,301,803,971)	868,747,756	7,584,369,130	5,568,553

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Kyats	2016 Kyats	2017 USD	2016 USD
Cash flows from operating activities					
Net cash flow from operations	25	348,988,635	160,605,628	256,421	129,408
Loan disbursements		(27,020,950,000)	(15,937,750,000)	(19,853,747)	(12,841,839)
Loan collection		22,478,830,830	11,025,699,724	16,516,408	8,883,956
Net cash used in operating activities		(4,193,130,535)	(4,751,444,648)	(3,080,919)	(3,828,476)
Cash flows from investing activities					
Acquisition of property & equipment		(46,655,587)	(51,913,907)	(34,280)	(41,830)
Acquisition of intangible asset		(65,463,294)	(34,132,680)	(48,099)	(27,502)
Net cash used in operating activities		(112,118,881)	(86,046,587)	(82,380)	(69,332)
Cash flows from financing activities					
Members savings		201,609,894	867,797,635	148,025	635,749
Proceeds from issue of share capital		635,880,000	2,408,780,000	466,872	1,764,674
Grant received in advance		441,135,320	189,299,000	323,888	138,681
Term loan		3,261,228,785	-	2,394,441	-
Share money deposit		(635,880,000)	1,320,765,345	(466,872)	967,594
Net cash from financing activities		3,903,973,999	4,786,641,980	2,866,354	3,506,697
Net increase/(decrease) in cash and cash equivalents		(401,275,417)	(50,849,255)	(296,945)	(391,110)
Cash and cash equivalents at 1 January		1,431,432,280	1,482,281,535	1,048,668	1,132,377
Effect of exchange rate fluctuation on cash		-	-	4,632	307,402
Cash and cash equivalents at 31 December	8	1,030,156,863	1,431,432,280	756,356	1,048,668

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

1. Reporting entity

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

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

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

2. Basis of preparation

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)..

The financial statements were issued by the Board of Directors on 09 March 2018.

b. Basis of measurement

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

c. Functional and presentation currency

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

Memorandum figures

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

The exchange rates used to translate the MMK figures to USD memorandum were as follows:

- Assets and liabilities were translated at the closing rate at 31 December 2017 which of MMK 1,362 (2016:MMK 1,365);
- Income and expenses were translated using an average exchange rate for the period of MMK 1,361 (2016: MMK 1,241.08);

d. Use of estimation and judgments

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

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

3. Significant accounting policies

a. Foreign currency transactions

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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

b. Interest income and other income

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

(i) Interest income on loans and advances

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

(ii) Membership fees and other charges

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

(iii) Other Income

Other income comprises of house rent received from local staff or using the office residence and gain on foreign currency translation.

c. Income Tax

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. During the year 2017 the Company earned profits but not liable for tax in accordance with the Myanmar Tax Law because of its tax losses in prior years.

d. Financial assets and liabilities

(i) Recognition

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

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

(ii) Classification

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

Cash and cash equivalents

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Loans and receivables

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

Other receivables

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

Other financial liabilities

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

(iii) De-recognition

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

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

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

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

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

(iv) Off-setting

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

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

(v) Fair value measurement

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

(vi) Impairment of financial assets

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

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

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

Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e. Property and equipment

i. Recognition and measurement

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

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

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

ii. Subsequent cost

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

iii. Depreciation

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Furniture & Fixtures	10%
Computer/Laptop	20%
Equipments	33.33%
Vehicles	20%

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

f. Intangible asset

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

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

g. Operating lease

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

h. Provisions

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

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

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

i. Related party transactions

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

j. Classes of financial instruments

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

4. Property and equipment

	Furniture & Fixtures Kyats	Computer Kyats	Equipment Kyats	Motor vehicles Kyats	Total Kyats	Total USD
Cost						
At 1 January 2016	48,504,950	35,783,856	19,298,500	88,734,000	192,321,306	146,922
Additions	22,793,000	16,417,747	8,715,160	3,988,000	51,913,907	41,830
Write-off	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(9,825)
At 31 December 2016	71,297,950	52,201,603	28,013,660	92,722,000	244,235,213	178,927
At 1 January 2017	71,297,950	52,201,603	28,013,660	92,722,000	244,235,213	178,927
Additions	15,879,750	18,727,787	8,140,100	6,970,000	49,717,637	36,530
Write-off	(1,539,700)	(372,000)	(1,150,350)	-	(3,062,050)	(2,250)
Effect of movements in exchange rate	-	-	-	-	-	369
At 31 December 2017	85,638,000	70,557,390	35,003,410	99,692,000	290,890,800	213,576
Accumulated depreciation						
At 1 January 2016	4,122,443	6,369,569	5,207,848	8,809,824	24,509,684	18,724
Additions	6,136,693	9,471,372	8,092,358	18,366,246	42,066,669	33,895
Write-off	-	-	-	-	-	-
Effect of movements in exchange rate	-	-	-	-	-	(3,845)
At 31 December 2016	10,259,136	15,840,941	13,300,206	27,176,070	66,576,353	48,774
At 1 January 2017	10,259,136	15,840,941	13,300,206	27,176,070	66,576,353	48,774
Additions	7,698,623	12,487,626	9,722,806	19,401,172	49,310,227	36,231
Write-off	(455,533)	(228,305)	(843,102)	-	(1,526,940)	(1,122)
Effect of movements in exchange rate	-	-	-	-	-	82
At 31 December 2017	17,502,226	28,100,262	22,179,910	46,577,242	114,359,640	83,964
Carrying amounts						
At 1 January 2016	44,382,507	29,414,287	14,090,652	79,924,176	167,811,622	128,198
At 31 December 2016	61,038,814	36,360,662	14,713,454	65,545,930	177,658,860	130,153
At 31 December 2017	68,135,774	42,457,128	12,823,500	53,114,758	176,531,160	129,612

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
5. Intangible assets				
Cost				
At 1 January	34,132,680	-	25,006	-
Additions	65,463,294	34,132,680	48,099	27,502
Disposal adjustment	-	-	-	-
Currency translation adjustment	-	-	20	(2,497)
At 31 December	99,595,974	34,132,680	73,125	25,006
Accumulated amortization				
At 1 January	4,266,585	-	3,126	-
Charge for the year	8,622,852	4,266,585	6,336	3,438
Disposal adjustment	-	-	-	-
Currency translation adjustment	-	-	2	(312)
At 31 December	12,889,437	4,266,585	9,464	3,126
Carrying amount				
At 31 December	86,706,537	29,866,095	63,661	21,880
6. Other assets				
Advance to third parties	129,720,000	86,959,998	95,242	63,707
Advance to staff	-	350,000	-	256
Receivable from BRAC Myanmar	2,564,893	-	1,883	-
Receivable from Donor	7,192,821	-	5,281	-
	139,477,714	87,309,998	102,407	63,963
7. Loan to customers				
Group loans	12,033,814,170	7,817,773,392	8,835,400	5,727,307
Small Enterprises Program (SEP)	313,748,497	-	230,359	-
Loans write off	(20,383,666)	(12,329,895)	(14,966)	(9,033)
	12,327,179,001	7,805,443,497	9,050,792	5,718,274
Add: Interest receivable	85,326,292	48,551,018	62,648	35,569
Less: Impairment loss on loans	(219,974,296)	(149,919,246)	(161,508)	(109,831)
	12,192,530,997	7,704,075,269	8,951,932	5,644,011
7.1 The movement on the loan accounts is analyzed as shown below				
Opening balance	7,805,443,497	2,905,723,116	5,718,274	2,219,804
Add: Loans disbursement	27,020,950,000	15,937,750,000	19,853,747	12,841,839
Less: Loan realization	(22,478,830,830)	(11,025,699,724)	(16,516,408)	(8,883,956)
Loans write off	(20,383,666)	(12,329,895)	(14,977)	(9,935)
Translation adjustment	-	-	10,156	(449,479)
Principal outstanding	12,327,179,001	7,805,443,497	9,050,792	5,718,274
Add: Interest receivable	85,326,292	48,551,018	62,648	35,569
Less: Impairment loss on loans	(219,974,296)	(149,919,246)	(161,508)	(109,831)
	12,192,530,997	7,704,075,269	8,951,932	5,644,011

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
7.2 Movement of impairment on loans				
At 1 January	149,919,246	58,114,462	109,831	44,396
Charge for the year	90,438,716	104,134,679	66,450	83,906
Loan write off	(20,383,666)	(12,296,118)	(14,977)	(9,908)
Interest receivable write off	-	(33,777)	-	(27)
Currency translation adjustment	-	-	204	(8,537)
	219,974,296	149,919,246	161,508	109,831

7.2.a Impairment loss on loans

	Principal outstanding (Kyats)	Provision rate	Provision required (Kyats)
For general provision			
No past due	12,023,185,889	1%	120,231,859
For specific provision			
1-30 days	206,116,936	10%	20,611,694
31-60 days	27,449,368	50%	13,724,684
61-90 days	20,082,993	75%	15,062,245
91-over	50,343,815	100%	50,343,815
	12,327,179,001		219,974,296

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
8. Cash and cash equivalents				
Cash in hand	15,758,737	13,617,767	11,570	9,976
Cash at bank	1,014,398,126	1,417,814,513	744,786	1,038,692
	1,030,156,863	1,431,432,280	756,356	1,048,668

9. Share capital

Share capital	7,332,540,000	6,696,660,000	5,383,656	4,905,978
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The Company's share capital includes 733,254 ordinary shares of Kyats 10,000 each, issued and fully paid as detailed below:

At 31 December 2017	No. of Shares	Kyats	USD
BRAC International Holdings B.V.	733,253	7,332,530,000	5,383,649
Mr. Faruque Ahmed	1	10,000	7
	733,254	7,332,540,000	5,383,656

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
10. Share money deposit				
Applied for Share capital	684,885,345	1,320,765,345	502,853	967,594
11. Donor grant				
Grant received in advance (note- 11.1)	367,935,320	189,299,000	270,143	138,681
Grant investment in loan (note-11.2)	500,812,436	238,313,436	367,704	174,589
	868,747,756	427,612,436	637,847	313,269
11.1 Grant received in advance				
At 1 January	189,299,000	223,013,436	138,681	171,518
Donation received during the year	459,111,520	189,299,000	339,920	137,672
Donor fund investment in loan	(262,499,000)	(223,013,436)	(192,872)	(179,693)
Transferred to statement of comprehensive income	-	-	-	-
Currency translation adjustment	(17,976,200)	-	(13,208)	-
	367,935,320	189,299,000	270,143	138,681
11.1.1 Donation received during the year				
WPF(Whole Planet Foundation)	404,646,040	189,299,000	299,960	137,672
UNCDF	54,465,480	-	39,960	-
	459,111,520	189,299,000	339,920	137,672
11.2 Grant investment in loans				
At 1 January	238,313,436	15,300,000	174,589	-
Donor fund investment in loan	262,499,000	223,013,436	192,872	179,693
Currency translation adjustment	-	-	243	(5,104)
	500,812,436	238,313,436	367,704	174,589
12. Retained earnings				
At 1 January	(1,351,345,357)	(1,063,746,284)	(989,997)	(812,640)
Profit/(loss) for the year	49,541,387	(287,599,073)	36,401	(231,733)
Currency translation adjustment	-	-	(2,207)	54,377
	(1,301,803,971)	(1,351,345,357)	(955,803)	(989,997)
13. Term loan				
Loan principal	3,245,833,333	-	2,383,138	-
Accrued interest	15,395,452	-	11,304	-
	3,261,228,785	-	2,394,441	-
14. Related party payables				
BRAC (Bangladesh)	597,976,866	530,721,255	439,043	388,807
BRAC International Holdings B.V.	346,017,927	158,329,591	254,051	115,992
BRAC IT Services Ltd. (biTS)	165,989,664	49,178,220	121,872	36,028
Stichting BRAC International	34,618,788	72,865,841	25,418	53,382
	1,144,603,245	811,094,907	840,384	594,209

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
15. Member savings				
Member savings	1,518,303,844	1,335,142,391	1,114,761	978,126
Interest on members savings	18,470,263	21,822	13,561	16
	1,536,774,107	1,335,164,213	1,128,322	978,142
16. Other liabilities				
Provision for salary	8,634,726	106,782,661	6,340	78,229
Provision for leave salaries	54,436,355	46,097,276	39,968	33,771
Liabilities for expenses	69,804	10,747	51	8
Withholding tax payable	22,013,758	14,794,483	16,163	10,838
Insurance provision	6,437,359	4,498,031	4,726	3,295
Medical expense provision	-	15,467,760	-	11,332
Audit fee provision	6,836,001	2,740,000	5,019	2,007
	98,428,003	190,390,958	72,267	139,481
17. Service charge on loan				
Group loans	2,910,679,198	1,686,499,870	2,138,633	1,358,897
Individual loans	17,169,746	-	12,616	-
	2,927,848,944	1,686,499,870	2,151,248	1,358,897
18. Interest and other financial expenses				
Interest on member savings	160,057,735	113,875,325	117,603	91,755
Interest on long term loan	240,534,884	-	176,734	-
Other financial expenses	6,500,000	-	4,776	-
	407,092,619	113,875,325	299,113	91,755
19. Membership and other fees				
Membership fee	31,073,000	22,096,000	22,831	17,804
Loan appraisal fee	270,209,500	159,377,500	198,537	128,418
Sales of passbook	13,952,000	13,839,000	10,251	11,151
Death benefit	6,139,500	4,418,900	4,511	3,561
Insurance	32,540,000	23,370,000	23,909	18,830
	353,914,000	223,101,400	260,040	179,764
20. Other income				
Non-operational	43,221,072	41,079,146	31,757	33,100
Realized exchange gain	14,568,141	42,117,969	10,704	33,937
	57,789,213	83,197,115	42,461	67,036
21. Grant income				
Transferred to statement of comprehensive income	25,169,021	-	18,493	-
	25,169,021	-	18,493	-

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
22. Staff costs				
Salaries	1,636,726,817	1,144,728,031	1,202,591	922,364
Per diem	4,890,337	154,200	3,593	124
Leave salaries	9,551,210	46,097,276	7,018	37,143
Staff insurance expenses	21,844,989	14,439,969	16,051	11,635
Staff bonus	42,560,818	28,240,342	31,272	22,755
	1,715,574,171	1,233,659,818	1,260,525	994,021
23. Other operating expenses				
Occupancy expenses (Note-23.1)	261,616,535	205,026,761	192,224	165,200
Travel and transportation (Note-23.2)	152,936,029	123,570,288	112,370	99,567
General maintenance expenses (Note-23.3)	312,873,599	267,809,685	229,885	215,788
Stationary expenses	29,817,144	27,388,277	21,908	22,068
Staff training cost	40,043,575	12,457,378	29,422	10,038
HO logistics expenses	190,548,536	107,957,232	140,006	86,987
Audit and professional fee (Note-23.4)	58,084,324	7,119,740	42,678	5,737
	1,045,919,742	751,329,361	768,494	605,384
23.1 Occupancy expenses				
Rent	246,765,403	194,226,052	181,312	156,498
Utilities	14,851,132	10,800,709	10,912	8,703
	261,616,535	205,026,761	192,224	165,200
23.2 Travel & transportation expenses				
Travel and transportation	115,737,526	81,073,336	85,039	65,325
Air tickets & VISA cost	37,198,503	42,496,952	27,332	34,242
	152,936,029	123,570,288	112,370	99,567
23.3 Maintenance and general expenses				
Wi-Fi and mobile SIM & bill	42,143,281	39,132,753	30,965	31,531
Maintenance and general expenses	52,336,323	51,461,600	38,454	41,465
Meals	67,208,584	50,216,701	49,382	40,462
Accommodation (hotel fare)	7,661,568	9,745,590	5,629	7,853
Entertainment cost	21,643,013	10,208,878	15,902	8,226
Bank charge	4,086,909	1,872,336	3,003	1,509
Medical expenses	(15,052,971)	15,579,190	(11,060)	12,553
Uniform cost	5,313,600	1,930,000	3,904	1,555
Business license & registration	25,958,466	11,717,700	19,073	9,442
Visibility & communication expense	25,991,759	10,441,900	19,098	8,414
Vehicle maintenance & fuel	7,690,387	5,266,401	5,651	4,243
Cash and bank write off	166,000	358,416	122	289
Automation expenses	53,576,994	49,178,220	39,366	39,625
Member death benefit	10,800,000	10,700,000	7,935	8,622
Meeting expenses	1,814,576	-	1,333	-
Fixed asset write-off	1,535,110	-	1,128	-
	312,873,599	267,809,685	229,885	215,788

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
23.4 Audit and professional fee				
Professional & consultancy fee	49,215,823	3,086,140	36,162	2,487
Audit fee	8,868,501	4,033,600	6,516	3,250
	58,084,324	7,119,740	42,678	5,737
23. Depreciation & amortization				
Depreciation	49,310,227	42,066,669	36,231	33,895
Amortization	8,622,852	4,266,585	6,336	3,438
	57,933,079	46,333,254	42,567	37,333
25. Cash generated from operations				
Net profit/(loss) for the year	49,541,387	(287,599,073)	36,401	(231,733)
Depreciation & amortization	56,406,139	46,333,254	41,445	37,333
Loan loss provision	90,438,716	104,134,679	66,450	83,906
Cash flow before changes in working capital	196,386,242	137,131,140	144,296	(110,493)
Changes in working capital				
Decrease/(increase) of receivables and other current assets	(52,167,716)	(10,179,998)	(38,330)	(8,203)
Decrease/(increase) in interest receivable	(36,775,274)	(44,767,691)	(27,021)	(36,072)
Increase/(decrease) of related party payables	333,508,338	249,517,871	245,047	201,049
Increase/(decrease) of current liabilities	(91,962,955)	103,166,586	(67,570)	83,126
Net cash generated from operations	348,988,635	160,605,628	256,421	129,408

26. Financial risk management policies and objectives

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

Risk management policies are established to identify and analyse the risks faced by BRAC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and BRAC's activities.

BRAC, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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

a) Credit Risk

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

Management of credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Impaired loans

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Past due but not impaired loans

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

Allowance for impairment

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

The ageing of loan to customers and rhe company's expoure to credit risk were:

	2017 Kyats	2016 Kyats
Current (performing loans)	12,023,185,889	7,017,207,412
Sub-standard (30 days past due)	206,116,936	786,636,036
Watch (31-60 days past due)	27,449,368	665,394
Doubtful (61-90 days past due)	20,082,993	735,135
Loan loss (over 90 days past due)	50,343,815	199,520
Total loan to customer	12,327,179,001	7,805,443,497
Allowance for impairment	(219,974,296)	(149,919,246)
Net loans to customer	12,107,204,705	7,655,524,251
Balance as at January 1	149,919,246	58,114,462
Impairment charge for the year	90,438,716	104,134,679
Loan write off	(20,383,666)	(12,296,118)
Interest receivable write off	-	(33,777)
Balance as at December 31	219,974,296	149,919,246

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

Write-off policy

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

(b) Liquidity risk

Liquidity Risk is the risk that BRAC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The objective of liquidity management is to ensure that BRAC has the ability to generate sufficient funds to meet all cash flow obligations as they become due, both under normal and stressed conditions without incurring unacceptable losses or risking damage to the company's reputation.

Management of liquidity risk

BRAC monitors its risk to a shortage of funds by reviewing the cash payment plan. BRAC’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to BRAC’s reputation.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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

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

	2017 Kyats	2016 Kyats	2017 USD	2016 USD
Financial assets				
Loans to customer	12,192,530,997	7,704,075,269	8,951,932	5,644,011
Cash and cash equivalents	1,030,156,863	1,431,432,280	756,356	1,048,668
Other assets	139,477,714	87,309,998	102,407	63,963
Total undiscounted financial assets	13,362,165,574	9,222,817,547	9,810,694	6,756,643
Financial liabilities				
Term loan	3,261,228,785	-	2,394,441	-
Related party payables	1,144,603,245	811,094,907	840,384	594,209
Member savings payable	1,536,774,107	1,335,164,213	1,128,322	978,142
Other liabilities	98,428,003	190,390,958	72,267	139,481
Total undiscounted financial liabilities	6,041,034,140	2,336,650,078	4,435,414	1,711,832
Net undiscounted financial assets	7,321,131,433	6,886,167,469	5,375,280	5,044,811

(c) Market risk

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

Currency Risk

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

Capital Management

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

27. Related parties

Parent and ultimate controlling party

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Transactions with key management personnel

Key management personnel compensation and transactions

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

Other related party transactions

	Transaction value		Outstanding balance	
	2017 Kyats	2016 Kyats	2017 Kyats	2016 Kyats
BRAC International Holdings B.V.	187,688,336	108,186,420	346,017,927	158,329,591
Other related companies	222,314,108	185,524,150	798,585,318	652,765,316

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

28. Use of estimates and judgements

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

Key sources of estimation uncertainty

Fair values of financial instruments

Level 1: Quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset and liability that are not based on observable market data. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

28. Use of estimates and judgements (continued)

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

	Level 1 Kyats	Level 2 Kyats	Level 3 Kyats	Carrying value Kyats	Fair value Kyats
31 December 2017					
ASSETS					
Cash and cash equivalents	-	1,030,156,863	-	1,030,156,863	1,030,156,863
Loans to customer	-	-	12,192,530,997	12,192,530,997	12,192,530,997
Other assets	-	-	139,477,714	139,477,714	139,477,714
Total assets	-	1,030,156,863	12,332,008,711	13,362,165,574	13,362,165,574
LIABILITIES					
Term loan	-	-	3,261,228,785	3,261,228,785	3,261,228,785
Related party payables	-	-	1,144,603,245	1,144,603,245	1,144,603,245
Member savings payable	-	-	1,536,774,107	1,536,774,107	1,536,774,107
Other liabilities	-	-	98,428,003	98,428,003	98,428,003
Total liabilities	-	-	6,041,034,140	6,041,034,140	6,041,034,140
31 December 2016					
ASSETS					
Cash and cash equivalents	-	1,431,432,280	-	1,431,432,280	1,431,432,280
Loans to customer	-	-	7,704,075,269	7,704,075,269	7,704,075,269
Other assets	-	-	87,309,998	87,309,998	87,309,998
Total assets	-	1,431,432,280	7,791,385,267	9,222,817,547	9,222,817,547
LIABILITIES					
Related party payables	-	-	811,094,907	811,094,907	811,094,907
Member savings payable	-	-	1,335,164,213	1,335,164,213	1,335,164,213
Other liabilities	-	-	190,390,958	190,390,958	190,390,958
Total liabilities	-	-	2,336,650,078	2,336,650,078	2,336,650,078

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

29. Contingencies

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

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

30. Subsequent events

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2017.

31. Authorisation of financial statements

The financial statements of the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of directors and authorise for issue on 9 March 2018.

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