

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

KHIN SU HTAY & ASSOCIATES LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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BRAC MYANMAR MICROFINANCE COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

General information

DIRECTORS

The directors in office at the date of this report are as follows:

Mr. Shameran Abed	-	Director (Appointed in August 2021)
Mr. Johannes Maria Antonius	-	Director
Mr. Muhammad Musa	-	Director (Resigned in July 2021)
Mr. ATM Tariqul Islam	-	Director (Resigned in June 2021)
Mr. Syed Abdul Muntakim	-	Director
Mr. Md Sazaduzzaman	-	Director

ADMINISTRATORS

Mr. Sazaduzzaman	-	Managing Director
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PRINCIPAL PLACE OF BUSINESS

No (17), Pyi Thar Yar Housing
Street (1) , (15) Ward
Yankin 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

AYA Bank

No(12),Thanthumar St,
Thanthumar Housing ,Thingankunn
Yangon, Myanmar

YOMA Bank

No-05/B,Ground Floor,Myanmar Plaza,
Corner of Kabaraye Road & Sattmu 1 Rd,
Bahan township,Yangon

Myanma Economic Bank

Branch (1) 43-45 Pansodan St.
Kyauktada Township, Yangon

CB Bank

No(4/6),Thanthumar St,Thingankuun
Yangon, Myanmar

AGD Bank

No(73/75),Sule Pagoda Road,
Kyauktada Township, Yangon,Myanmar.

UAB Bank

Building (41) Room(01/02)
Yankin Palm Village Housing
Yan Shin Road
(5) Quarter, Yankin Township,
Yangon Division

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2021, 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 re-registered under the Myanmar Companies Law 2017 on 29 October 2018 with its new registration number 108090278 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 ground-breaking development initiatives.

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

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

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

e) Principal activities

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

f) Financial performance

The Company's performance during the year ended 31 December 2021 is as follows:

- Interest income on loans increased by 68% from MMK 9,578 million in 2020 to MMK 16,118 million in 2021.

- Loans and advances to customers decreased by 6% from MMK 58,373 million in 2020 to MMK 55,111 million in 2021. Loan disbursement decreased by 1.63% from MMK 73,180 million in 2020 to MMK 71,987 million in 2021. Loan realisation increased by 21.6% from MMK 55,105 million in 2020 to MMK million 67,044 in 2021.

- Operating expenses increased by 6.62% from MMK 6,741 million in 2020 to MMK 7,187 million in 2021.

- Total Assets decreased by 8% from MMK 74,769 million in 2020 to MMK 68,678 million in 2021.

- During the year, the Company had a net loss of MMK 3,985 million (2020 – profit of MMK 204 million).

g) Results from operation

The results for the Company's operation for the year ended 31 December 2021 are set out on page 9.

h) Composition of Directors

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

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 2021 the Company had six 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 Managing Director who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

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

m) Related party transactions

Related party transactions are disclosed in *Note 23* and *27* to the financial statements.

n) Future development plans

Microfinance Program

- Number of borrowers will be increased and increasing rural client numbers will be focused.
- Digital field application solution will be piloted for 9 branches for paper less and efficient front line operation.
- International standard Client Protection certification by SPTF will be achieved.
- Continue digital innovation like Mobile money services expansion for different loan product client.
- Agriculture and PWD loan product expansion in new branches will be continuing.

o) Key achievement in 2021

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

- Predisbursement Orientation to all operation staffs to provide better serve to clients during challenging time. Agriculture loan and PWD loan is expanded to new branches in 2021. 97% of staffs were vaccinated at all offices.
- 45 branches expanded for mobile money based client installment repayment for enterprise learning.

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 2021, the company had a total staff of 757. The female staff are 685 and male are 72.

r) Employees' welfare

Management/employee relationship

There were continued good relation between employees and management for the year 2021. There were no unresolved complaints received by management from the employees during the year. New performance incentive schemes were introduced in 2016 which is helping to identify staffs who needs more care and capacity development.

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.

Training

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

Medical assistance

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

Social security contribution

All eligible employees are required to contribute National Social Security Scheme managed by Social Security Board at the rate 5% of salary maximum of MMK 15,000. As an 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 Limited, have indicated their willingness to accept re-appointment.

t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 2022.

By order of the Board



Director



Director

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2021, the statement of profit or loss, the statement of other 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 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.


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. 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 2021. 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.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on2022 and were signed on its behalf by:



Director



Director



KHIN SU HTAY & ASSOCIATES LIMITED

Certified Public Accountants

(Company Registration Number: 100124548)

C1 / 005, Ground Floor, Hninnsi Street, Yuzana Highway Complex,
Narnat Taw Road, Kamayut Township, Yangon, Myanmar

Email: thantint@kshal.com

Tel: (95-09) 422953862, 422953863

Independent Auditor's Report

To the members of BRAC Myanmar Microfinance Company Limited

Opinion

We have audited the financial statements of BRAC Myanmar Microfinance Company Limited ("BRAC" or also referred as "the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies 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 2021 and of 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 Standards (IFRSs) and for such control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



KHIN SU HTAY & ASSOCIATES LIMITED

Certified Public Accountants

(Company Registration Number: 100124548)

C1 / 005, Ground Floor, Hninnsi Street, Yuzana Highway Complex,
Narnat Taw Road, Kamayut Township, Yangon, Myanmar

Email: thantint@kshal.com

Tel: (95-09) 422953862, 422953863

-
- 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, 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 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and 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.

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



Yangon,
Date: 11 May 2022

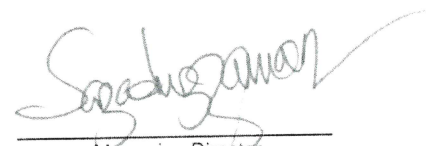
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020	2021	2020
		Kyats	Kyats	USD	USD
Service charge on loan	4	16,118,803,521	9,578,568,705	9,883,228	7,001,929
Interest and other financial expenses	5	(3,292,086,900)	(2,751,547,631)	(2,018,540)	(2,011,380)
Net income from service charge		12,826,716,621	6,827,021,074	7,864,688	4,990,549
Membership and other fees	6	695,206,020	936,389,178	426,265	684,500
Other income	7	72,390,780	36,527,560	44,386	26,702
Grant income	8	163,851,535	307,755,653	100,465	224,969
		931,448,335	1,280,672,391	571,117	936,171
Total operating income		13,758,164,956	8,107,693,465	8,435,805	5,926,720
Impairment loss on loan	16.2	(10,557,079,216)	(943,327,538)	(6,473,062)	(689,572)
Operating income after impairment charge		3,201,085,741	7,164,365,927	1,962,742	5,237,148
Staff costs	9	(4,103,991,221)	(4,366,456,613)	(2,516,358)	(3,191,878)
Other operating expenses	10	(2,938,735,724)	(2,215,053,238)	(1,801,883)	(1,619,203)
Depreciation and amortization	11	(144,055,168)	(159,599,135)	(88,327)	(116,667)
Total operating cost		(7,186,782,113)	(6,741,108,986)	(4,406,568)	(4,927,747)
Profit/ (loss) before tax		(3,985,696,372)	423,256,941	(2,443,826)	309,401
Income tax expenses		-	(218,744,265)	-	(159,902)
Profit for the year		(3,985,696,372)	204,512,676	(2,443,826)	149,499

Authenticated by:



Head of Finance
BRAC Myanmar Microfinance
Company Limited



Managing Director
BRAC Myanmar Microfinance
Company Limited



Director
BRAC Myanmar Microfinance
Company Limited



Director
BRAC Myanmar Microfinance
Company Limited

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

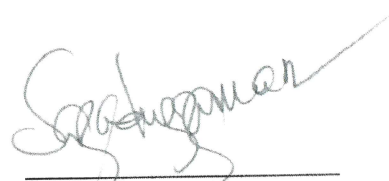
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>Notes</u>	2021	2020	2021	2020
		Kyats	Kyats	USD	USD
Profit for the year	12	(3,985,696,372)	204,512,676	(2,443,826)	149,499
Other comprehensive income					
Unrealized exchange gain/ (loss)		(3,544,900,178)	1,214,736,165	(2,173,545)	887,972
Total comprehensive (loss)/income for the year, net of tax		(7,530,596,550)	1,419,248,841	(4,617,371)	1,037,470

Authenticated by:



Head of Finance
BRAC Myanmar Microfinance
Company Limited



Managing Director
BRAC Myanmar Microfinance
Company Limited



Director
BRAC Myanmar Microfinance
Company Limited




Director
BRAC Myanmar Microfinance
Company Limited


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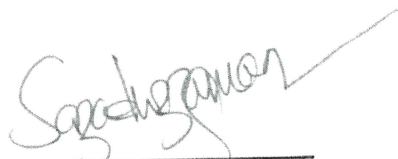
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021


	<i>Notes</i>	2021 Kyats	2020 Kyats	2021 USD	2020 USD
Assets					
Property and equipment	13	251,844,779	300,555,307	141,645	226,134
Intangible assets	14	7,823,266	49,926,370	4,400	37,565
Other assets	15	1,830,308,769	1,799,955,787	1,029,420	1,354,267
Loans to customer	16	55,110,725,373	58,373,531,893	30,995,909	43,919,594
Cash and cash equivalents	17	11,476,006,163	14,245,597,001	6,454,447	10,718,228
Total assets		68,676,708,351	74,769,566,358	38,625,820	56,255,787
Equity					
Share capital	18	22,230,770,000	22,230,770,000	16,450,000	16,450,000
Retained earnings	19	(4,836,678,669)	1,599,288,152	(2,720,292)	1,203,287
Currency translation		-	-	(3,946,755)	276,183
Total equity		17,394,091,331	23,830,058,152	9,782,954	17,929,470
Liabilities					
Donor grants	20	2,224,649,311	2,632,907,271	1,251,209	1,980,970
Loans and borrowings	21	39,908,359,075	39,150,816,958	22,445,646	29,456,638
Related party payables	22	815,659,172	1,949,650,560	458,751	1,466,895
Member savings payable	23	7,056,201,214	5,933,142,301	3,968,617	4,464,030
Other liabilities	24	1,277,748,249	1,272,991,117	718,644	957,784
Total liabilities		51,282,617,020	50,939,508,206	28,842,867	38,326,317
Total equity and liabilities		68,676,708,351	74,769,566,358	38,625,820	56,255,787

Authenticated by:


 Head of Finance
 BRAC Myanmar Microfinance
 Company Limited


 Director
 BRAC Myanmar Microfinance
 Company Limited


 Managing Director
 BRAC Myanmar Microfinance
 Company Limited


 Director
 BRAC Myanmar Microfinance
 Company Limited

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Share money deposit	Retained earnings	Donor Grant	Total equity	Total equity
	Kyats	Kyats	Kyats	Kyats	Kyats	USD
At 1 January 2020	19,666,150,000	-	180,039,311	-	19,846,189,311	14,645,202
Share Capital	2,564,620,000	-	-	-	2,564,620,000	1,929,591
Profit/(Loss) for the year	-	-	204,512,676	-	204,512,676	149,499
Other comprehensive income	-	-	1,214,736,165	-	1,214,736,165	887,972
Foreign currency translation differences	-	-	-	-	-	317,206
At 31 December 2020	22,230,770,000	-	1,599,288,152	-	23,830,058,152	17,929,470
At 1 January 2021	22,230,770,000	-	1,599,288,152	-	23,830,058,152	17,929,470
Share Capital	-	-	-	-	-	-
Previous Year Adjustment	-	-	1,094,629,730	-	1,094,629,730	671,171
Profit/(Loss) for the year	-	-	(3,985,696,372)	-	(3,985,696,372)	(2,443,826)
Other comprehensive income	-	-	(3,544,900,178)	-	(3,544,900,178)	(2,173,552)
Foreign currency translation differences	-	-	-	-	-	(4,200,310)
At 31 December 2021	22,230,770,000	-	(4,836,678,669)	-	17,394,091,331	9,782,954

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>Notes</u>	2021 Kyats	2020 Kyats	2021 USD	2020 USD
Cash flows from operating activities					
Net cash flow from operations	12	(365,623,361)	1,146,542,775	(46,080)	798,690
Loan disbursements		(71,987,133,046)	(73,180,140,130)	(40,487,701)	(53,494,646)
Loan collection		67,044,651,487	55,105,265,393	37,707,903	40,281,921
Prior year adjustments		1,094,629,730	-	615,652	-
Net cash used in operating activities		(4,213,475,190)	(16,928,331,962)	(2,210,226)	(12,414,034)
Cash flows from investing activities					
Acquisition of property and equipment		(28,458,718)	(165,459,383)	(16,006)	(124,490)
Acquisition of intangible asset		-	-	-	-
Net cash used in investing activities		(28,458,718)	(165,459,383)	(16,006)	(124,490)
Cash flows from financing activities					
Members savings		1,123,058,913	2,150,715,724	631,642	1,618,174
Proceeds from issue of share capital		-	2,564,620,000	-	1,929,591
Grant received in advance		(408,257,960)	807,126,263	(229,616)	607,273
Term loan		757,542,117	20,464,601,156	426,064	15,397,337
Net cash from financing activities		1,472,343,070	25,987,063,143	828,089	19,552,376
Net increase/(decrease) in cash and cash equivalents		(2,769,590,838)	8,893,271,798	(1,398,143)	7,013,852
Cash and cash equivalents at 1 January		14,245,597,000	5,352,325,203	10,718,228	3,616,925
Effect of exchange rate fluctuation on		-	-	(2,865,638)	87,451
Cash and cash equivalents at 31 December	17	11,476,006,163	14,245,597,000	6,454,447	10,718,228

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

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

BRAC Myanmar Microfinance Company Limited was incorporated as a limited liability company under the company Act on 15 October 2013 with its registration number 559 FC/13-14 and re-registered under Myanmar Companies Law 2017 on 29 October 2018 with its new registration number 108090278 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 (IFRSs).

The financial statements were issued by the Board of Directors on

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 2021 which of MMK 1,778.00 (2020:MMK 1,329.10);
- Income and expenses were translated using an average exchange rate for the period of MMK 1,630.93 (2020: MMK 1,367.99);

2. Basis of preparation (continued)

d. Use of estimation and judgments

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

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

3. Significant accounting policies

a. Foreign currency transactions

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

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

b. Revenue recognition

Revenue is recognized on accrual basis.

(i) Interest income on loans and advances

Interest income and expenses are recognized on accrual basis taking into account the effective interest rate.

Interest income includes the amortization of any discount at premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and charges paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

The requirements of IFRS 9 require the suspension of recognition of interest on the impaired part of the loan and interest on the impaired part of the loan.

3. Significant accounting policies (continued)

b. Revenue recognition (continued)

(ii) Membership fees and other charges

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

(iii) Other income

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

c. Grants income

Grants and contributions from donor organisations or individuals constitute an important part of BRAC Myanmar Microfinance Company Limited's resources as some its MFI operation/ projects are partially financed by grants and contributions provided by donors. Grants are assistance in the form of transfers of resources to the company, in return for past or future compliance with certain terms and conditions relating to the operating activities of the Company. Grants or contributions from donor can be of 4 categories-

- i. Unrestricted
- ii. Restricted
- iii. Grants investment in Fixed asset
- iv. Contribution in kind

The Company received grants from donors of different projects are all restricted grants. Restricted grants refer to grants that must be spent in the exact way the donor agreement describes.

All restricted grants received are initially recorded in the grant received in advance account as liabilities for the period in accordance with IAS 20. Periodically, a portion of the grant is recognised as revenue, based on the expenses incurred for the period. This method follows the proposition that the Company earns its revenue based on its activities or performance, as expressed in its expenses. The revenue is always equal to expenses; unspent portion of the grant remains as a liability.

The portion of the grants utilized to disburse group loans, are transferred as deferred income in loans to group members.

For projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as Grants receivable.

d. 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 2021 the Company paid MMK 50 million as advance tax to the tax authorities.

3. Significant accounting policies (continued)

e. Financial assets and liabilities

(i) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(1) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the entity's accounting policies related to financial assets and financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(i) IFRS 9 Financial Instruments (continued)

On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value using the effective interest method. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Debt investments at FVTPL	These assets are subsequently measured at Fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit and loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVTPL	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the entity's financial assets as at 1 January 2021.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2021

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(i) IFRS 9 Financial Instruments (continued)

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	14,245,597,001	14,245,597,001
Loans to customer	Loans and receivables	Amortised cost	58,373,531,893	58,373,531,893
Other assets	Loans and receivables	Amortised cost	1,799,955,787	1,799,955,787
Total financial assets			74,419,084,680	74,419,084,680

Loans and advances to customers that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of Loans and advances to customers, cash and cash equivalents, short term deposits and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition .

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and assessment and including forward-looking information.

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(i) IFRS 9 Financial Instruments (continued)

The entity assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The entity considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the entity is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the entity assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to loans and advances to customers are presented in the statement of profit or loss and OCI under "Net movement in impairment losses on loans and advances"

Impact of the IFRS 9 impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The entity has determined that the application of IFRS 9's impairment requirements at 1 January 2021 results in an additional impairment allowance as follows;

	MMK
Impairment allowance at 31 December 2020	927,304,606
Impairment allowance increased at 1 January 2021 on:	
Loans and advances to customers as at 31 December 2021 (net)	8,907,023,512
Other assets	-
Cash and cash equivalents	-
Impairment allowance as at 31 December 2021 using IFRS 9	9,834,328,118

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(ii) IFRS 15 Revenue from contracts with customers

IFRS 15, revenue from contracts with customers, which replaced IAS 18, revenue and IAS 11, construction contracts, has been applied effective from 1 January 2019. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the entity to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognize revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the entity recognizes revenues or when revenue should be recognized gross as a principal or net as an agent. Therefore, BRAC will continue to recognize fee and commission income charged for services provided by the entity as the services are provided (for example on completion of the underlying transaction). Revenue recognition for interest income on loans and advances is recognized based on requirements of IFRS 9.

f. 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
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3. Significant accounting policies (continued)

f. Property and equipment (continued)

iii. Depreciation (continued)

Furniture & Fixtures	10%
Computer/Laptop	33.33%
Equipments	20.00%
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 profit or loss.

g. 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.

h. 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.

i. 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:

<u>Name</u>	<u>Period of default</u>	<u>Provision % on default loans*</u>
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%

As per government directive (7/2020), this year provision has changed to 1% for all catogery loans in 2020.

j. Related party transactions

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Significant accounting policies (continued)

k. Adoption of new and revised standards

i) New and amended standards and interpretations

Amendments and interpretations listed below apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Company. All new standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Company).

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021

New standards or amendments	Effective for annual period beginning or after
IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	1-Jan-22
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1-Jan-22
IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	1-Jan-22
IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	1-Jan-22
IAS 16 <i>Property, Plant and Equipment</i> - Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	1-Jan-22
IAS 1 <i>Classification of liabilities as current or non-current</i> - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1-Jan-23
IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i> - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	1-Jan-23
IAS 8 <i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	1-Jan-23
IAS 12 <i>Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> : Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	1-Jan-23

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
4. Service charge on loan				
Group loans (Microfinance)	8,854,860,790	6,221,512,095	5,429,349	4,547,922
Small Enterprises Program (SEP)	2,181,419,417	1,560,997,395	1,337,535	1,141,088
Woman Enterprise Programme (WEP)	1,836,319,700	1,217,071,820	1,125,938	889,679
Digital Agriculture Loan	3,212,290,335	569,503,685	1,969,613	416,307
Covid 19 Economic recovery	9,133,900	30,688	5,600	22
Inclusive finance to disable person	24,779,379	9,453,022	15,193	6,910
	16,118,803,521	9,578,568,705	9,883,228	7,001,929
5. Interest and other financial expenses				
Interest on member savings	772,814,446	601,256,379	473,850	439,518
Interest on long term loan	2,092,591,998	1,940,246,193	1,283,071	1,418,319
Interest on short term loan	-	63,288,170	-	46,264
Other financial expenses- Fund management fees	426,680,456	146,756,889	261,619	107,279
	3,292,086,900	2,751,547,631	2,018,540	2,011,380
6. Membership and other fees				
Interest income on employee loan	1,624,815	15,627,147	996	11,423
Fees on Loan	693,581,205	920,762,031	425,269	673,077
	695,206,020	936,389,178	426,265	684,500
7. Other income				
Non-operational	72,390,780	45,903,926	44,386	33,556
Realized exchange gain/(loss)	-	(9,376,366)	-	(6,854)
	72,390,780	36,527,560	44,386	26,702
8. Grants income				
Transferred to statement of income and expenses	154,578,512	304,910,466	94,780	222,889
Transferred from deferred grant (depreciation)	9,273,023	2,845,187	5,686	2,080
	163,851,535	307,755,653	100,465	224,969
9. Staff Costs				
Salaries	3,674,482,614	3,788,365,736	2,253,005	2,769,293
Leave salaries	38,089,265	199,848,636	23,354	146,089
Social Security benefit expense	120,459,611	59,168,071	73,860	43,252
Staff bonus	270,959,731	319,074,170	166,139	233,243
	4,103,991,221	4,366,456,613	2,516,358	3,191,878

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2021	2020	2021	2020
Kyats	Kyats	USD	USD

10. Other operating expenses

Occupancy expenses (N-10.1)	550,033,923	536,966,396	337,253	392,522
Travel & transportation expenses (N-10.2)	300,672,120	302,632,346	184,357	221,224
Maintenance and general expenses (N-10.3)	425,770,569	510,730,455	261,061	373,344
Software maintenance expense	275,133,298	160,779,727	168,698	117,530
Stationary expenses	83,550,348	106,211,611	51,229	77,641
Staff training cost	8,122,230	57,920,726	4,980	42,340
HO logistics expenses	1,124,299,583	462,815,081	689,363	338,318
Sub partner NGO Expenses	64,569,683	-	39,591	-
Audit and professional fee (N-10.4)	106,583,971	76,996,896	65,352	56,285
	2,938,735,724	2,215,053,238	1,801,883	1,619,203

10.1 Occupancy expenses

Rent	511,963,786	501,709,738	313,910	366,750
Utilities	38,070,137	35,256,658	23,343	25,773
	550,033,923	536,966,396	337,253	392,522

10.2 Travel & transportation expenses

Travel and transportation	273,334,192	263,614,127	167,595	192,702
Technical team visit cost	-	4,647,303	-	3,397
Air tickets & VISA cost	27,337,928	34,370,916	16,762	25,125
	300,672,120	302,632,346	184,357	221,224

10.3 Maintenance and general expenses

Wi-Fi and Mobile SIM & Bill	63,549,790	75,647,589	38,965	55,298
Maintenance and general expenses	53,111,219	78,360,065	32,565	57,281
Meals	56,947,803	65,105,354	34,917	47,592
Accommodation (hotel fare)	23,107,489	43,758,487	14,168	31,987
Meeting expenses	16,317,769	5,313,000	10,005	3,884
Advertisement	-	4,908,780	-	3,588
Office supplies	60,000	-	37	-
Other Office Expenses	672,154	982,833	412	718
Social Performance Management expense	-	778,150	-	569
Loss on disposal of property and equipment	-	2,353,758	-	1,721
Covid 19 Expense	52,453,939	68,356,776	32,162	49,969
Bank charge	27,373,433	27,844,266	16,784	20,354
Medical expenses	4,070,817	9,576,062	2,496	7,000
Uniform cost	-	3,200,000	-	2,339
Business license & registration	36,502,269	19,559,795	22,381	14,298
Visibility & communication expense	2,990,647	3,151,800	1,834	2,304
Vehicle maintenance & fuel	72,564,771	77,340,936	44,493	56,536
Digitalization expense(ongo)	1,599,600	19,967,600	981	14,596
Baseline and Endline Study	-	2,235,104	-	1,634
Event and workshop expense	3,004,400	91,800	1,842	67
Cash and bank write off	4,522,341	100,000	2,773	73
Program Supplies	4,081,363	698,300	2,502	510
Member death benefit	-	1,400,000	-	1,023
Fixed asset write-off	2,817,765	-	1,728	-
Fuel Charge	20,000	-	12	-
Water and Sewerage Bill	3,000	-	2	-
	425,770,569	510,730,455	261,061	373,344

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	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
10.4 Audit and professional fee				
Professional & consultancy fee	91,883,971	67,416,896	56,339	41,337
Audit fee	14,700,000	9,580,000	9,013	5,874
	106,583,971	76,996,896	65,352	47,211
11. Depreciation & amortization				
Depreciation	101,952,064	121,004,623	62,512	88,454
Amortization	42,103,104	38,594,512	25,815	28,213
	144,055,168	159,599,135	88,327	116,667
12. Cash generated from operations				
Net profit/(loss) for the year	(3,985,696,372)	204,512,676	(2,443,826)	(39,576)
Other comprehensive income/(expenses)	(3,544,900,178)	1,214,736,165	(2,173,545)	887,972
Depreciation & amortization	144,055,168	159,599,135	88,327	97,858
Prior year adjustments	(24,782,819)	-	(15,196)	-
Loan loss provision	10,557,079,216	943,327,538	6,473,062	689,572
Cash flow before changes in working capital	3,145,755,015	2,522,175,514	1,928,823	1,635,825
Changes in working capital				
Decrease/(increase) of receivables and other current assets	(30,352,982)	(563,550,767)	(17,071)	(316,958)
Decrease/(increase) in interest receivable	(2,351,791,137)	(1,208,172,405)	(1,322,717)	(679,512)
Increase/(decrease) of related party payables	(1,133,991,388)	52,988,718	(637,790)	29,802
Increase/(decrease) of current liabilities	4,757,132	343,101,715	2,676	192,971
Net cash generated from operations	(365,623,361)	1,146,542,775	(46,080)	862,129

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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13. Property and equipment

Cost	Furniture & Fixtures	Computer	Equipment	Motor vehicles	Total	Total
	Kyats	Kyats	Kyats	Kyats	Kyats	USD
At 1 January 2020	149,951,968	152,259,766	63,214,232	125,953,000	491,378,966	332,057
Additions	31,651,335	46,764,198	9,988,200	77,055,650	165,459,383	124,490
Asset Disposal	(1,225,786)	-	(1,697,500)	-	(2,923,286)	(2,199)
Transfer to NGO	-	-	-	-	-	-
Write-off	(2,403,294)	(9,394,761)	(4,105,434)	(141,000)	(16,044,489)	(12,072)
Effect of movements in exchange rate	-	-	-	-	-	37,651
At 31 December 2020	177,974,223	189,629,203	67,399,498	202,867,650	637,870,574	479,927
At 1 January 2021	177,974,223	189,629,203	67,399,498	202,867,650	637,870,574	479,927
Additions	15,528,320	11,132,800	1,172,980	-	27,834,100	15,655
Previous Year Adjustment	(5,345,801)	583,485	5,527,934	(141,000)	624,618	351
Asset transfer to NMF	-	-	-	-	-	-
Disposal adjustment	(942,255)	(5,703,612)	(2,199,109)	(1,532,000)	(10,376,976)	(6,363)
Translation adjustment	-	-	-	-	-	(120,643)
At 31 December 2021	187,214,487	195,641,876	71,901,303	201,194,650	655,952,316	368,927
Accumulated depreciation						
At 1 January 2020	38,580,866	63,910,818	40,953,549	91,833,186	235,278,419	158,993
Additions	17,822,885	34,820,123	13,365,182	17,741,146	83,749,336	61,221
Depreciation Rate Change	32,686,754	3,302,156	-	-	35,988,910	27,078
Write-off	-	-	-	-	-	-
Write-Off	(1,089,262)	(8,876,555)	(3,724,912)	-	(13,690,729)	(10,008)
Effect of movements in exchange rate	(2,884,680)	-	(1,125,989)	-	(4,010,669)	(3,018)
	-	-	-	-	-	19,526
At 31 December 2020	85,116,563	93,156,542	49,467,830	109,574,332	337,315,267	253,792
At 1 January 2021	85,116,563	93,156,542	49,467,830	109,574,332	337,315,267	253,792
Charge for the year	18,721,449	51,859,672	8,830,197	22,540,747	101,952,064	62,512
Previous Year Adjustment	(33,101,268)	13,981,533	(8,779,661)	298,812	(27,600,584)	(16,923)
Write Off Adjustment	(520,748)	(4,071,791)	(2,164,339)	(802,333)	(7,559,211)	(4,635)
Translation adjustment	-	-	-	-	-	(67,464)
At 31 December 2021	70,215,996	154,925,956	47,354,027	131,611,558	404,107,537	227,282
Carrying amount						
At 1 January 2020	111,371,102	88,348,948	22,260,683	34,119,814	256,100,547	173,064
At 31 December 2020	92,857,660	96,472,661	17,931,668	93,293,318	300,555,307	226,134
At 31 December 2021	116,998,491	40,715,920	24,547,276	69,583,093	251,844,779	141,645

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	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
14. Intangible assets				
Cost				
At 1 January	168,412,418	168,412,418	126,712	113,808
Additions	-	-	-	-
Currency translation adjustment	-	-	(31,992)	12,904
At 31 December	168,412,418	168,412,418	94,720	126,712
Accumulated amortization				
At 1 January	118,486,048	79,891,536	89,148	53,988
Additions	42,103,104	38,594,512	25,815	28,213
Currency translation adjustment	-	-	(24,643)	6,947
At 31 December	160,589,152	118,486,048	90,320	89,148
Carrying amount				
At 31 December	7,823,266	49,926,370	4,400	37,565
15. Other assets				
Advance office rent	280,612,144	284,256,880	157,825	213,872
Receivable from BRAC Myanmar	239,136,959	136,650,039	134,498	102,814
Prepaid Insurance	3,546,873	-	1,995	-
Advance corporate income tax	1,277,013,220	1,227,013,220	718,230	923,191
Receivable from donor	-	31,372,442	-	23,604
Employee motor cycle Loan	29,999,573	120,663,206.00	16,873	90,786
	1,830,308,769	1,799,955,787	1,029,420	1,354,267
16. Loan to customers				
Group loans (Microfinance)	31,634,408,210	32,863,942,762	17,792,131	24,726,464
Small Enterprise Program (SEP)	8,330,637,657	8,037,106,944	4,685,398	6,047,030
Woman Enterprise Programme (WEP)	7,091,270,197	6,393,837,276	3,988,341	4,810,652
Digital Agriculture Loan	15,142,387,373	10,275,113,939	8,516,528	7,730,881
Inclusive Finance (Disability)	126,954,661	75,200,305	71,403	56,580
Covid 19 Economic Recovery	190,089,682	172,500,000	106,912	129,787
Loans write off	(1,552,210,353)	(244,435,005)	(873,009)	(183,910)
Principal outstanding	60,963,537,427	57,573,266,221	34,287,704	43,317,483
Add: Interest receivable	3,981,516,064	1,727,570,278	2,239,323	1,299,805
Less: Impairment loss on loans	(9,834,328,118)	(927,304,606)	(5,531,118)	(697,694)
	55,110,725,373	58,373,531,893	30,995,909	43,919,594
16.1 The movement of loans is shown below:				
Opening balance	57,573,266,221	39,742,826,489	43,317,483	26,856,890
Add: Loans disbursement	71,987,133,046	73,180,140,130	40,487,701	53,494,646
Less: Loan realization	(67,044,651,487)	(55,105,265,393)	(37,707,903)	(40,281,921)
Loans write off	(1,552,210,353)	(244,435,005)	(873,009)	(178,682)
Translation adjustment	-	-	(10,936,568)	3,426,550
Principal outstanding	60,963,537,427	57,573,266,221	34,287,704	43,317,483
Add: Interest receivable	3,981,516,064	1,727,570,278	2,239,323	1,299,805
Less: Impairment loss on loans	(9,834,328,118)	(927,304,606)	(5,531,118)	(697,694)
	55,110,725,373	58,373,531,893	30,995,909	43,919,594

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2021	2020	2021	2020
	Kyats	Kyats	USD	USD

16. Loan to customers (continued)

16.2 Movement of impairment loss on loans

At 1 January	927,304,606	228,412,073	697,694	171,855
Impact of IFRS 9	10,523,176,504	842,109,154	6,452,275	615,581
Charge for the year	33,902,712	101,218,384	20,787	73,991
Loan write off	(1,287,761,944)	(199,998,158)	(789,590)	(146,199)
Interest Receivable Write off	(362,293,760)	(44,436,847)	(222,140)	(32,483)
Currency translation adjustment	-	-	(627,908)	14,949
	9,834,328,118	927,304,606	5,531,118	697,694

Loan loss reserve is recognized as per Expected Credit Loss provisioning model according to IFRS-9. As per Microfinance Supervisory Committee notification no (1/2021) issued on 16 June 2021, loan loss reserve balance shall be as follows up to Dec 2021-

	Principal Outstanding MMK	Provision rate	Provision required MMK
No past due	43,192,218,332	1%	431,922,183
1-30 days	4,360,243,878	1%	43,602,439
31-60 days	4,396,847,716	1%	43,968,477
61-90 days	4,340,224,962	1%	43,402,250
91-over	4,674,002,545	1%	46,740,025
	60,963,537,433		609,635,374

	2021	2020	2021	2020
	Kyats	Kyats	USD	USD

17. Cash and cash equivalents

Cash in hand	460,591,431	6,706,422	259,050	5,046
Cash at bank	11,015,414,732	14,238,890,579	6,195,396	10,713,182
	11,476,006,163	14,245,597,001	6,454,447	10,718,228

As at 31 December 2021 the company has cash balance in its account with following banks-

	MMK	USD	Total MMK
KBZ Bank	38,442,167	201,978	397,559,176
CB Bank	6,846,260	225,955	408,594,695
AYA Bank	10,477,757	-	10,477,757
AGD Bank	2,100,063,993	-	2,100,063,993
UAB Bank	3,466,289,134	2,514,742	7,937,501,032
MEB Bank	120,536,490	-	120,536,490
YOMA Bank	32,476,197	3,832	39,290,258
MAY Bank	1,391,332	-	1,391,332
	5,776,523,330	2,946,508	11,015,414,732

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18. Share capital

The Company's share capital includes 2,223,077 ordinary shares of Kyats 10,000 each, issued and fully paid as detailed below:

<i>At 31 December 2021</i>	No. of Shares	Kyats	USD
BRAC International Holdings B.V.	2,223,075	22,230,750,000	16,449,985
Mr. Sameran Abed	2	20,000	15
	2,223,077	22,230,770,000	16,450,000

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. As at 31 December 2021, the company had share capital of MMK 22,230,770,000.

19 Retained earnings

	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
At 1 January	1,599,288,152	180,039,312	1,203,287	121,665
Profit/(loss) for the year	(3,985,696,372)	204,512,676	(2,443,826)	149,499
Unrealised gain/(loss)	(3,544,900,178)	1,214,736,165	(2,173,552)	887,972
Prior year adjustment	1,094,629,730	-	671,169	-
Currency translation adjustment	-	-	22,630	44,152
	(4,836,678,668)	1,599,288,152	(2,720,292)	1,203,287

20 Donor grant

Grant received in advance (N- 20.1)	661,475,700	1,118,458,226	372,034	841,515
Grant investment in loan (N-20.2)	1,540,445,292	1,508,640,198	866,392	1,135,084
Deferred grant investment in fixed asset(N-20.3)	22,728,319	5,808,846	12,783	4,371
	2,224,649,311	2,632,907,270	1,251,209	1,980,970

20.1 Grant received in advance

At 1 January	1,118,458,226	761,279,500	841,515	514,448
Donation received during the year (20.1.1)	820,224,090	1,407,433,595	461,318	1,058,937
Donor fund investment in loan	-	(390,576,088)	-	(293,865)
Transferred to Statement of Other Comprehensive Income	(154,578,512)	-	(86,940)	-
Translation Adjustment (prior year)	(8,783,040)	-	(4,940)	-
Donor fund- investment in Loan	(1,087,652,568)	(452,792,724)	(611,728)	(340,676)
Adjustment against donor receivable	(26,192,496)	(206,886,057)	(14,731)	(155,659)
Currency translation adjustment	-	-	(212,461)	58,331
	661,475,700	1,118,458,226	372,034	841,515

20.1.1 Donation received during the year

WPF (Whole Planet Foundation)	423,884,916	452,792,724	238,405	340,676
TLMM (The Leprosy Mission Myanmar)	-	311,110,337	-	234,076
UNOPS(LIFT)	396,339,174	643,530,534	222,913	484,185
	820,224,090	1,407,433,595	461,318	1,058,937

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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	2021 Kyats	2020 Kyats	2021 USD	2020 USD
20.2 Donor fund investment in loans				
At 1 January	1,508,640,198	1,055,847,474	1,135,084	713,507
Donor fund investment in loan	1,087,652,568	452,792,724	611,728	340,676
Disposal to Grant Income	(1,055,847,474)	-	(593,840)	-
Currency translation adjustment	-	-	(286,580)	80,901
	1,540,445,292	1,508,640,198	866,392	1,135,084
20.3 Deferred grant- investment in fixed and intangible asset				
Opening balance	5,808,846	8,654,033	3,267	6,511
Asset purchased during the year	26,192,496	-	14,731	-
Amortization during the year	(9,273,023)	(2,845,187)	(5,686)	(2,080)
Currency translation adjustment	-	-	470	(61)
	22,728,319	5,808,846	12,783	4,371
21 Loans and borrowings				
Principal outstanding	39,477,540,000	38,744,962,500	22,203,341	29,151,277
Accrued interest	430,819,075	405,854,458	242,305	305,360
	39,908,359,075	39,150,816,958	22,445,646	29,456,638
21.1 Long term loans				
AGD Bank Loan				
Principal outstanding	7,000,000,000	7,000,000,000	3,937,008	5,266,722
Accrued interest	-	28,765,370	-	21,643
Total AGD Bank Payable (a)	7,000,000,000	7,028,765,370	3,937,008	5,288,365
UAB Bank Loan				
Principal outstanding	8,000,000,000	9,469,837,500	4,499,438	7,125,000
Accrued interest	-	63,288,170	-	47,617
Total UAB Bank Payable (b)	8,000,000,000	9,533,125,670	4,499,438	7,172,617
MEB				
Principal outstanding	6,377,500,000	600,000,000	3,586,895	451,433
Accrued interest	-	-	-	-
Total MEB Bank Payable (c)	6,377,500,000	600,000,000	3,586,895	451,433
BV Loan				
Principal outstanding	8,001,000,000	9,968,250,000	4,500,000	7,500,000
Accrued interest	375,229,815	147,796,781	211,040	111,201
Total BV Loan Payable (d)	8,376,229,815	10,116,046,781	4,711,040	7,611,201
FMO				
Principal outstanding	3,556,000,000	1,661,375,000	2,000,000	1,250,000.00
Accrued interest	41,203,107	51,290,800	23,174	38,590.63
Total FMO payable (e)	3,597,203,107	1,712,665,800	2,023,174	1,288,591
DFC				
Principal outstanding	6,543,040,000	6,645,500,000	3,680,000	5,000,000
Accrued interest	14,386,153	16,905,118	8,091	12,719.22
Total DFC Payable (f)	6,557,426,153	6,662,405,118	3,688,091	5,012,719
YOMA Bank				
Principal outstanding	-	3,400,000,000	-	2,558,122
Accrued interest	-	97,808,220	-	73,590
Total YOMA Bank payable (g)	-	3,497,808,220	-	2,631,712
Total term loans (a+b+c+d+e+f+g)	39,908,359,075	39,150,816,958	22,445,646	29,456,638

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	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
22 Related party payables				
BRAC (Bangladesh)	43,908,315	816,418,881	24,695	614,264
BRAC International Holdings B.V.	695,069,984	1,118,015,427	390,928	841,182
Stichting BRAC International	76,680,873	15,216,251	43,128	11,449
	815,659,172	1,949,650,560	458,751	1,466,895

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

23 Member savings

Member savings	7,052,189,957	5,929,779,562	3,966,361	4,461,500
Interest on members savings	4,011,257	3,362,739	2,256	2,530
	7,056,201,214	5,933,142,301	3,968,617	4,464,030

24 Other liabilities

Provision for leave salary	211,865,586	207,155,497	119,159	155,861
Provision for Salary	1,906,452	-	1,072	-
BRAC IT Services Ltd. (biTS)	254,242,364	133,568,250	142,993	100,495
Liabilities for expenses	31,111,743	77,000,590	17,498	57,934
Withholding tax payable (employee)	54,555,136	28,729,403	30,683	21,616
Withholding tax payable (others)	654,487	158,214	368	119
Provision for Social Security Benefit	12,068,904	10,281,029	6,788	7,735
Bonus provision	993,794	15,000	559	11
Income tax Payable	569,960,277	569,960,277	320,563	428,832
Social Welfare Fund	125,689,505	237,722,857	70,692	178,860
Audit fee provision	14,700,000	8,400,000	8,268	6,320
	1,277,748,249	1,272,991,117	718,644	957,784

25 Financial risk management policies and objectives

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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25 Financial risk management policies and objectives (continued)

(a) Credit Risk

Credit risk is the risk of financial loss to the 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.

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25 Financial risk management policies and objectives (continued)

(a) Credit risk (continued)

Impaired loans

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

Past due but not impaired loans

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

Allowance for impairment

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

The ageing of loan to customers and the company's exposure to credit risk were:

	2021	2020
	Kyats	Kyats
Current (performing loans)	43,192,218,332	50,633,697,051
Sub-standard (30 days past due)	4,360,243,878	3,174,077,511
Watch (31-60 days past due)	4,396,847,716	1,560,688,575
Doubtful (61-90 days past due)	4,340,224,962	784,632,904
Loan loss (over 90 days past due)	4,674,002,545	1,420,170,180
Total loans to customer	60,963,537,433	57,573,266,221
Allowance for impairment	(9,834,328,118)	(927,304,606)
Net loans to customer	51,129,209,315	56,645,961,615
Balance as at 1 January	971,741,452	228,412,072
Impairment charge for the year	33,902,712	101,218,384
Impact of IFRS 9	10,523,176,504	842,109,154
Loan write off	(1,287,761,944)	(199,998,158)
Balance as at 31 December	10,241,058,724	971,741,452

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.

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25 Financial risk management policies and objectives (continued)

(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.

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.

	2021	2020	2021	2020
	Kyats	Kyats	USD	USD
Financial assets				
Loans to customer	55,110,725,373	58,373,531,893	30,995,909	43,919,594
Cash and cash equivalents	11,476,006,163	14,245,597,001	6,454,447	10,718,228
Other assets	1,830,308,769	1,799,955,787	1,029,420	1,354,267
Total undiscounted financial assets	68,417,040,305	74,419,084,680	38,479,775	55,992,088
Financial liabilities				
Term loan	39,908,359,075	39,150,816,958	22,445,646	29,456,638
Related party payables	815,659,172	1,949,650,560	458,751	1,466,895
Member savings payable	7,056,201,214	5,933,142,301	3,968,617	4,464,030
Other liabilities	1,277,748,249	1,272,991,117	718,644	957,784
Total undiscounted financial liabilities	49,057,967,709	48,306,600,935	27,591,658	36,345,347
Net undiscounted financial assets	19,359,072,596	26,112,483,745	10,888,117	19,646,741

(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.

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25 Financial risk management policies and objectives (continued)

Capital Management

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

26 Related parties

Parent and ultimate controlling party

The Company's shares are owned by BRAC International Holdings B.V. which is a subsidiary of Stichting BRAC International.

Transactions with key management personnel

Key management personnel compensation and transactions

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

Other related party transactions

	<u>Transaction value</u>		<u>Outstanding balance</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>Kvats</u>	<u>Kvats</u>	<u>Kvats</u>	<u>Kvats</u>
BRAC International Holdings B.V.	(422,945,443)	91,389,395	695,069,984	1,118,015,427
Other related companies	(590,371,830)	(249,794,524)	374,831,552	965,203,382

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

27. Use of estimates and judgements

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

Key sources of estimation uncertainty

Fair values of financial instruments

Level 1: 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.

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27 Use of estimates and judgements (continued)

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

	Level 1 Kyats	Level 2 Kyats	Level 3 Kyats	Carrying value Kyats	Fair value Kyats
31 December 2021					
Assets					
Cash and cash equivalents	11,476,006,163	-	-	11,476,006,163	11,476,006,163
Loans to customer	-	-	55,110,725,373	55,110,725,373	55,110,725,373
Other assets	-	-	1,830,308,769	1,830,308,769	1,830,308,769
Total assets	11,476,006,163	-	56,941,034,142	68,417,040,305	68,417,040,305
Liabilities					
Loans and borrowings	-	-	39,908,359,075	39,908,359,075	39,908,359,075
Related party payables	-	-	815,659,172	815,659,172	815,659,172
Member savings payable	-	-	7,056,201,214	7,056,201,214	7,056,201,214
Other liabilities	-	-	1,277,748,249	1,277,748,249	1,277,748,249
Total liabilities	-	-	49,057,967,709	49,057,967,709	49,057,967,709
31 December 2020					
Assets					
Cash and cash equivalents	14,245,597,001	-	-	14,245,597,001	14,245,597,001
Loans to customer	-	-	58,373,531,893	58,373,531,893	58,373,531,893
Other assets	-	-	1,799,955,787	1,799,955,787	1,799,955,787
Total assets	14,245,597,001	-	60,173,487,680	74,419,084,680	74,419,084,680
Liabilities					
Loans and borrowings	-	-	39,150,816,958	39,150,816,958	39,150,816,958
Related party payables	-	-	1,949,650,560	1,949,650,560	1,949,650,560
Member savings payable	-	-	5,933,142,301	5,933,142,301	5,933,142,301
Other liabilities	-	-	1,272,991,117	1,272,991,117	1,272,991,117
Total liabilities	-	-	48,306,600,935	48,306,600,935	48,306,600,935

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28. 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.

29. Subsequent events

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2021.

30. Authorisation of financial statement

The financial statements of the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of directors and authorise for issue on