

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

KHIN SU HTAY & ASSOCIATES LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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BRAC MYANMAR MICROFINANCE COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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
Ms. Bridget Lee Dougherty	-	Director (Appointed in April 2022)
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,Thingangkuun
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 2022

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2022, 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 2022 is as follows:

- Interest income on loans increased by 10% from MMK 16,118 million in 2021 to MMK 17,651 million in 2022.
- Loans and advances to customers increased by 2% from MMK 55,111 million in 2021 to MMK 56,063 million in 2022. Loan disbursement increased by 31% from MMK 71,987 million in 2021 to MMK 94,562 million in 2022. Loan realization increased by 31% from MMK 67,044 million in 2021 to MMK million 87,782 in 2022.
- Operating expenses Decreased by 1% from MMK 7,187 million in 2021 to MMK 7,122 million in 2022.
- Total Assets decreased by 1% from MMK 68,678 million in 2021 to MMK 68,051 million in 2022.
- During the year, the Company had a net loss of MMK 1,242 million (2021 – Loss of MMK 3,985 million).

g) Results from operation

The results for the Company's operation for the year ended 31 December 2022 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 1.

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 2022 the Company had four 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 2022

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

- Predisbursmeent Oreitnation to all operation staff to provide better service to clients during challenging times. Agriculture loan and PWD loan is expanded to new branches in 2022. 100% of staff were vaccinated at all offices.

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 2022, the company had a total staff of 738. The female staff are 646 and male are 92.

r) Employees' welfare

Management/employee relationship

There were continued good relation between employees and management for the year 2022. 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 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 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 2023.

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 2022, 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 2022. 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 on2023 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 2022, 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 2022 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 control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Yangon,
Date: 29 March 2023

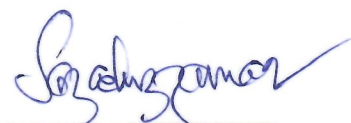
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kyats	2021 Kyats	2022 USD	2021 USD
Service charge on loan	4	17,651,262,064	16,118,803,521	9,116,603	9,883,228
Interest and other financial expenses	5	(4,483,755,764)	(3,292,086,900)	(2,315,790)	(2,018,540)
Net income from service charge		13,167,506,300	12,826,716,621	6,800,812	7,864,688
Membership and other fees	6	1,002,877,132	695,206,020	517,970	426,265
Other income	7	(322,941,278)	72,390,780	(166,794)	44,386
Grant income	8	176,066,652	163,851,535	90,936	100,465
		856,002,506	931,448,335	442,112	571,117
Total operating income		14,023,508,806	13,758,164,956	7,242,924	8,435,805
Impairment loss on loan	17.2	(7,712,498,574)	(10,557,079,216)	(3,983,386)	(6,473,062)
Operating income after impairment charge		6,311,010,232	3,201,085,741	3,259,539	1,962,742
Staff costs	9	(4,130,490,946)	(4,103,991,221)	(2,133,334)	(2,516,358)
Other operating expenses	10	(2,863,123,317)	(2,938,735,724)	(1,478,759)	(1,801,883)
Depreciation and amortization	11	(128,884,568)	(144,055,168)	(66,567)	(88,327)
Total operating cost		(7,122,498,831)	(7,186,782,113)	(3,678,660)	(4,406,568)
Profit/ (loss) before tax		(811,488,599)	(3,985,696,372)	(419,121)	(2,443,826)
Income tax expenses		(430,902,772)	-	(222,555)	-
Profit for the year		(1,242,391,371)	(3,985,696,372)	(641,676)	(2,443,826)

Authenticated by:



Head of Finance
BRAC Myanmar Microfinance
Company Limited



Managing Director
BRAC Myanmar Microfinance
Company Limited

Director
BRAC Myanmar Microfinance
Company Limited

Date- 28.3.2023

Director
BRAC Myanmar Microfinance
Company Limited

Date- 28.3.2023

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 2022

	Notes	2022 Kyats	2021 Kyats	2022 USD	2021 USD
Profit for the year	12	(1,242,391,371)	(3,985,696,372)	(641,676)	(2,443,826)
Other comprehensive income					
Unrealized exchange gain/ (loss)		(2,581,429,487)	(3,544,900,178)	(1,333,268)	(2,173,545)
Total comprehensive (loss)/income for the year, net of tax		(3,823,820,858)	(7,530,596,550)	(1,974,944)	(4,617,371)

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

Date- 28.3.2023


Date- 28.3.2023

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 Kyats	2021 Kyats	2022 USD	2021 USD
Assets					
Property and equipment	13	205,724,034	251,844,779	97,964	141,645
ROU Asset	14	19,990,750	-	9,519	-
Intangible assets	15	470,128,008	7,823,266	223,870	4,400
Other assets	16	1,528,602,174	1,830,308,769	727,906	1,029,420
Loans to customer	17	56,063,436,339	55,110,725,373	26,696,874	30,995,909
Cash and cash equivalents	18	9,762,692,657	11,476,006,163	4,648,901	6,454,447
Total assets		68,050,573,962	68,676,708,351	32,405,035	38,625,820
Equity					
Share capital	19	22,230,770,000	22,230,770,000	16,450,000	16,450,000
Retained earnings	20	(10,378,485,519)	(4,836,678,669)	(4,942,136)	(2,720,292)
Currency translation		-	-	(5,863,919)	(3,946,755)
Total equity		11,852,284,481	17,394,091,331	5,643,945	9,782,954
Liabilities					
Donor grants	21	2,571,310,459	2,224,649,311	1,224,434	1,251,209
Loans and borrowings	22	42,411,319,643	39,908,359,075	20,195,866	22,445,646
Related party payables	23	2,065,121,520	815,659,172	983,391	458,751
Member savings payable	24	7,969,100,630	7,056,201,214	3,794,810	3,968,617
Other liabilities	25	1,181,437,230	1,277,748,249	562,589	718,644
Total liabilities		56,198,289,481	51,282,617,019.79	26,761,090	28,842,867
Total equity and liabilities		68,050,573,962	68,676,708,351	32,405,035	38,625,820

Authenticated by:


Head of Finance
BRAC Myanmar Microfinance
Company Limited


Managing Director
BRAC Myanmar Microfinance
Company Limited

Director
BRAC Myanmar Microfinance
Company Limited

Date- 28.3.2023

Director
BRAC Myanmar Microfinance
Company Limited

Date- 28.3.2023

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 2022

	Share Capital	Share money deposit	Retained earnings	Donor Grant	Total equity	Total equity
	Kyats	Kyats	Kyats	Kyats	Kyats	USD
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
At 1 January 2022	22,230,770,000	-	(4,836,678,669)	-	17,394,091,331	9,782,954
Share Capital	-	-	-	-	-	-
Previous Year Adjustment	-	-	(1,717,985,992)	-	(1,717,985,992)	(887,313)
Profit/(Loss) for the year	-	-	(1,242,391,371)	-	(1,242,391,371)	(641,676)
Other comprehensive income	-	-	(2,581,429,487)	-	(2,581,429,487)	(1,333,268)
Foreign currency translation differences	-	-	-	-	-	(1,276,751)
At 31 December 2022	22,230,770,000	-	(10,378,485,519)	-	11,852,284,481	5,643,945

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>Notes</u>	2022 Kyats	2021 Kyats	2022 USD	2021 USD
Cash flows from operating activities					
Net cash flow from operations	12	3,577,504,072	(365,623,361)	1,865,038	(46,080)
Loan disbursements		(94,562,256,762)	(71,987,133,046)	(45,029,646)	(40,487,701)
Loan collection		87,781,562,168	67,044,651,487	41,800,744	37,707,903
Prior year adjustments		(1,717,985,992)	1,094,629,730	(818,089)	615,652
Net cash used in operating activities		(4,921,176,514)	(4,213,475,190)	(2,181,953)	(2,210,226)
Cash flows from investing activities					
Acquisition of property and equipment		(47,434,527)	(28,458,718)	(22,588)	(16,006)
Proceeds of Sale of Fixed asset		17,175,000	-	8,179	-
Acquisition of intangible asset		(504,407,846)	-	(240,194)	-
ROU (Right of use) asset		(19,990,750)	-	(9,519)	-
Net cash used in investing activities		(554,658,123)	(28,458,718)	(264,123)	(16,006)
Cash flows from financing activities					
Members savings		912,899,416	1,123,058,913	434,714	631,642
Proceeds from issue of share capital		-	-	-	-
Grant received in advance		346,661,148	(408,257,960)	165,077	- 229,616
Term loan		2,502,960,568	757,542,117	1,191,886	426,064
Net cash from financing activities		3,762,521,132	1,472,343,070	1,791,677	828,089
Net increase/(decrease) in cash and cash equivalents		(1,713,313,506)	(2,769,590,838)	(654,399)	(1,398,143)
Cash and cash equivalents at 1 January		11,476,006,163	14,245,597,000	6,454,447	10,718,228
Effect of exchange rate fluctuation on		-	-	(1,151,146)	(2,865,638)
Cash and cash equivalents at 31 December	17	9,762,692,657	11,476,006,163	4,648,901	6,454,447

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 on2023.

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 2022 which of MMK 2,100.00 (2021:MMK 1,778.00);
- Income and expenses were translated using an average exchange rate for the period of MMK 1,936.17 (2021: MMK 1,630.93);

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 2022 the Company paid MMK 292.97 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 2022

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 31 December 2022.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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	9,762,692,657	9,762,692,657
Loans to customer	Loans and receivables	Amortised cost	56,063,436,339	56,063,436,339
Other assets	Loans and receivables	Amortised cost	1,528,602,174	1,528,602,174
Total financial assets			67,354,731,170	67,354,731,170

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 2021	9,834,328,118
Impairment allowance increased at 1 January 2021 on:	
Loans and advances to customers as at 31 December 2022 (net)	1,699,681,323
Other assets	-
Cash and cash equivalents	-
Impairment allowance as at 31 December 2022 using IFRS 9	11,534,009,441

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.

(iii) IFRS 16 Lease

IFRS 16, the International Financial Reporting Standard on Leases, requires lessees to recognize all leases on their balance sheet as assets and liabilities, with the exception of short-term leases and leases of low-value assets. This standard aims to provide a more transparent and consistent approach to lease accounting, enabling users of financial statements to better understand the impact of leased assets and liabilities on the financial position and performance of the company. It is important for microfinance companies to ensure compliance with IFRS 16, as it can significantly affect their financial statements and key financial ratios.

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.

3. Significant accounting policies (continued)

f. Property and equipment (continued)

iii. Depreciation (continued)

Furniture & Fixtures	10%
Computer/Laptop	33.33%
Equipments	20%
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 (2/2022), this year provision has changed to 1% for all catogery loans in 2022.

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 2022

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 2022

New standards or amendments	Effective for annual period beginning or after
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
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	2022 Kyats	2021 Kyats	2022 USD	2021 USD
4. Service charge on loan				
Group loans (Microfinance)	8,411,312,235	8,854,860,790	4,344,312	5,429,349
Small Enterprises Program (SEP)	2,282,717,120	2,181,419,417	1,178,988	1,337,535
Woman Enterprise Programme (WEP)	2,094,365,067	1,836,319,700	1,081,707	1,125,938
Digital Agriculture Loan	4,813,606,737	3,212,290,335	2,486,153	1,969,613
Covid 19 Economic recovery	1,087,745	9,133,900	562	5,600
Inclusive finance to disable person	48,173,160	24,779,379	24,881	15,193
	17,651,262,064	16,118,803,521	9,116,603	9,883,228
5. Interest and other financial expenses				
Interest on member savings	919,733,213	772,814,446	475,028	473,850
Interest on long term loan	3,373,869,280	2,092,591,998	1,742,551	1,283,071
Other financial expenses- Fund management fees	190,153,271	426,680,456	98,211	261,619
	4,483,755,764	3,292,086,900	2,315,790	2,018,540
6. Membership and other fees				
Interest income on employee loan	1,589,042	1,624,815	821	996
Fees on Loan	1,001,288,090	693,581,205	517,150	425,269
	1,002,877,132	695,206,020	517,970	426,265
7. Other income				
Non-operational	115,036,369	72,390,780	59,414	44,386
Realized exchange gain/(loss)	(437,977,647)	-	(226,209)	-
	(322,941,278)	72,390,780	(166,794)	44,386
8. Grants income				
Transferred to statement of income and expenses	167,819,706	154,578,512	86,676	94,780
Transferred from deferred grant (depreciation)	8,246,946	9,273,023	4,259	5,686
	176,066,652	163,851,535	90,936	100,465
9. Staff Costs				
Salaries	3,686,005,449	3,674,482,614	1,903,765	2,253,005
Leave salaries	56,233,734	38,089,265	29,044	23,354
Social Security benefit expense	95,603,930	120,459,611	49,378	73,860
Staff bonus	268,831,832	270,959,731	138,847	166,139
Incentive	23,816,000		12,301	
	4,130,490,946	4,103,991,221	2,133,334	2,516,358

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 Kyats	2021 Kyats	2022 USD	2021 USD
10. Other operating expenses				
Occupancy expenses (N-10.1)	544,767,148	550,033,923	281,364	337,253
Travel & transportation expenses (N-10.2)	496,230,787	300,672,120	256,295	184,357
Maintenance and general expenses (N-10.3)	846,303,450	425,770,569	437,103	261,061
Software maintenance expense	291,348,189	275,133,298	150,477	168,698
Stationary expenses	144,067,646	83,550,348	74,409	51,229
Staff training cost	65,680,100	8,122,230	33,923	4,980
HO logistics expenses	284,456,618	1,124,299,583	146,917	689,363
Sub partner NGO Expenses	113,685,095	64,569,683	58,717	39,591
Audit and professional fee (N-10.4)	76,584,284	106,583,971	39,555	65,352
	2,863,123,317	2,938,735,724	1,478,759	1,801,883
10.1 Occupancy expenses				
Rent	498,659,976	511,963,786	257,550	313,910
Utilities	46,107,172	38,070,137	23,814	23,343
	544,767,148	550,033,923	281,364	337,253
10.2 Travel & transportation expenses				
Travel and transportation	430,850,071	273,334,192	222,527	167,595
Air tickets & VISA cost	65,380,716	27,337,928	33,768	16,762
	496,230,787	300,672,120	256,295	184,357
10.3 Maintenance and general expenses				
Wi-Fi and Mobile SIM & Bill	77,603,083	63,549,790	40,081	38,965
Maintenance and general expenses	131,181,833	53,111,219	67,753	32,565
Meals	159,704,286	56,947,803	82,485	34,917
Accommodation (hotel fare)	43,749,446	23,107,489	22,596	14,168
Meeting expenses	45,968,033	16,317,769	23,742	10,005
Advertisement	3,830,743	-	1,979	-
Office supplies	6,387,200	60,000	3,299	37
Other Office Expenses	13,483,450	672,154	6,964	412
Covid 19 Expense	2,734,480	52,453,939	1,412	32,162
Bank charge	9,848,542	27,373,433	5,087	16,784
Medical expenses	9,263,562	4,070,817	4,784	2,496
Business license & registration	28,890,494	36,502,269	14,921	22,381
Visibility & communication expense	56,563,805	2,990,647	29,214	1,834
Vehicle maintenance & fuel	94,717,863	72,564,771	48,920	44,493
Digitalization expense(ongo)	4,081,000	1,599,600	2,108	981
Event and workshop expense	118,739,620	3,004,400	61,327	1,842
Cash and bank write off	4,270,996	4,522,341	2,206	2,773
Program Supplies	45,539,370	4,081,363	23,520	2,502
Fixed asset write-off	(10,254,356)	2,817,765	(5,296)	1,728
Fuel Charge	-	20,000	-	12
Water and Sewerage Bill	-	3,000	-	2
	846,303,450	425,770,569	437,103	261,061

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
10.4 Audit and professional fee				
Professional & consultancy fee	62,584,284	91,883,971	32,324	56,339
Audit fee	14,000,000	14,700,000	7,231	9,013
	76,584,284	106,583,971	39,555	65,352
11. Depreciation & amortization				
Depreciation	86,781,464	101,952,064	44,821	62,512
Amortization	42,103,104	42,103,104	21,746	25,815
	128,884,568	144,055,168	66,567	88,327
12. Cash generated from operations				
Net profit/(loss) for the year	(1,242,391,371)	(3,985,696,372)	(641,676)	(2,443,826)
Other comprehensive income/(expenses)	(2,581,429,487)	(3,544,900,178)	(1,333,268)	(2,173,545)
Depreciation & amortization	128,884,568	144,055,168	66,567	88,327
Adjustments for fixed assets	20,552	(24,782,819)	11	(15,196)
Loan loss provision	7,712,498,574	10,557,079,216	3,983,386	6,473,062
Gain on Sale of Equipment	(12,286,625)	-	(6,346)	-
Gain/Loss on Write off of fixed assets	1,864,882	-	963	-
Cash flow before changes in working capital	4,007,161,093	3,145,755,015	2,069,636	1,928,823
Changes in working capital				
Decrease/(increase) of receivables and other current assets	301,706,595	(30,352,982)	143,670	(17,071)
Decrease/(increase) in interest receivable	(1,884,514,946)	(2,351,791,137)	(897,388)	(1,322,717)
Increase/(decrease) of related party payables	1,249,462,348	(1,133,991,388)	594,982	(637,790)
Increase/(decrease) of current liabilities	(96,311,019)	4,757,132	(45,862)	2,676
	3,577,504,072	(365,623,361)	1,865,038	(46,080)
Net cash generated from operations				

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**
13. Property and equipment
Cost

	Furniture & Fixtures	Computer	Equipment	Motor vehicles	Total	Total
	Kyats	Kyats	Kyats	Kyats	Kyats	USD
As 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)
As at 31 December 2021	187,214,487	195,641,876	71,901,303	201,194,650	655,952,316	368,927
As at 1 January 2022	187,214,487	195,641,876	71,901,303	201,194,650	655,952,316	368,927
Additions	5,240,927	30,791,400	8,126,200	2,400,000	46,558,527	22,171
Asset transfer from NMF	-	876,000	-	-	876,000	417
Disposal adjustment	-	(1,475,000)	(399,000)	(35,123,000)	(36,997,000)	- 17,618
Write Off Adjust	(3,587,233)	(5,942,585)	(6,539,100)	(4,619,500)	(20,688,418)	- 9,852
Translation adjustment	-	-	-	-	-	(56,569)
As at 31 December 2022	188,868,181	219,891,691	73,089,403	163,852,150	645,701,425	307,477

Accumulated depreciation

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 Adjust	(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
As at 1 January 2022	70,215,996	154,925,956	47,354,027	131,611,558	404,107,537	227,282
Charge for the year	18,763,645	39,631,933	9,203,125	19,182,760	86,781,464	44,821
Asset transfer from NMF	-	657,000	-	-	657,000	313
Previous Year Adjustment	-	(1,974,529)	1,237,245	-	(737,283)	(351)
Current Year Adjustment	-	-	-	100,837	100,837	52
Write Off Adjust	(2,233,418)	(5,889,308)	(6,320,981)	(4,379,829)	(18,823,536)	(8,964)
Disposal adjustment	-	(1,385,144)	(335,552)	(30,387,931)	(32,108,627)	(16,584)
Translation adjustment	-	-	-	-	-	(37,057)
As at 31 December 2022	86,746,223	185,965,909	51,137,865	116,127,395	439,977,391	209,513

Carrying amount

At 1 January 2021	92,857,660	96,472,661	17,931,668	93,293,318	300,555,307	226,135
At 31 December 2021	116,998,491	40,715,920	24,547,276	69,583,093	251,844,779	141,645
At 31 December 2022	102,121,958	33,925,782	21,951,538	47,724,756	205,724,034	97,964

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	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
14. ROU Asset				
ROU (Right of use) asset	19,990,750	-	9,519	-
	19,990,750	-	9,519	-
15. Intangible assets				
Cost				
At 1 January	168,412,418	168,412,418	94,720	126,712
Additions	504,407,846	-	240,194	-
Currency translation adjustment	-	-	(14,524)	(31,992)
At 31 December	672,820,264	168,412,418	320,391	94,720
Accumulated amortization				
At 1 January	160,589,152	118,486,048	90,320	89,148
Additions	42,103,104	42,103,104	21,746	25,815
Currency translation adjustment	-	-	(15,546)	(24,643)
At 31 December	202,692,256	160,589,152	96,520	90,320
Carrying amount				
At 31 December	470,128,008	7,823,266	223,870	4,400
16. Other assets				
Advance office rent	218,824,170	280,612,144	104,202	157,825
Receivable from BRAC Myanmar	939,533,722	239,136,959	447,397	134,498
Prepaid Insurance	-	3,546,873	-	1,995
Advance corporate income tax	292,971,862	1,277,013,220	139,510	718,230
Employee motor cycle Loan	77,272,420	29,999,573	36,796	16,873
	1,528,602,174	1,830,308,769	727,906	1,029,420
17. Loan to customers				
Group loans (Microfinance)	32,891,958,823	31,634,408,210	15,662,838	17,792,131
Small Enterprises Program (SEP)	8,173,975,621	8,330,637,657	3,892,369	4,685,398
Woman Enterprise Programme (WEP)	7,736,790,602	7,091,270,197	3,684,186	3,988,341
Digital Agriculture Loan	18,730,484,368	15,142,387,373	8,919,278	8,516,528
Inclusive Finance (Disability)	182,430,546	126,954,661	86,872	71,403
COVID19 Economic Recover	28,592,061	190,089,682	13,615	106,912
Loans write off	(5,126,263,928)	(1,552,210,353)	(2,441,078)	(873,009)
Principal outstanding	62,617,968,093	60,963,537,427	29,818,080	34,287,704
Add: Interest receivable	6,069,381,818	3,981,516,064	2,890,182	2,239,323
Loans write off - Interest	(1,089,904,131)	-	(519,002)	-
Less: Impairment loss on loans	(11,534,009,441)	(9,834,328,118)	(5,492,385)	(5,531,118)
	56,063,436,339	55,110,725,373	26,696,874	30,995,909
17.1 The movement of loans is shown below:				
Opening balance	60,963,537,427	57,573,266,221	34,287,704	43,317,483
Add: Loans disbursement	94,562,256,762	71,987,133,046	45,029,646	40,487,701
Less: Loan realization	(87,781,562,168)	(67,044,651,487)	(41,800,744)	(37,707,903)
Loans write off	(5,126,263,928)	(1,552,210,353)	(2,441,078)	(873,009)
Translation adjustment	-	-	(5,257,448)	(10,936,568)
Principal outstanding	62,617,968,093	60,963,537,427	29,818,080	34,287,704
Add: Interest receivable	6,069,381,818	3,981,516,064	2,890,182	2,239,323
Loans write off - Interest	(1,089,904,131)	-	519,002	-
Less: Impairment loss on loans	(11,534,009,441)	(9,834,328,118)	(5,492,385)	(5,531,118)
	56,063,436,339	55,110,725,373	26,696,874	30,995,909

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	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
17 Loan to customers (continued)				
17.2 Movement of impairment loss on loans				
At 1 January	9,834,328,118	927,304,606	5,531,118	697,694
Impact of IFRS 9	7,695,954,267	10,523,176,504	3,974,841	6,452,275
Charge for the year	16,544,307	33,902,712	8,545	20,787
Loan write off	(4,945,292,760)	(1,287,761,944)	(2,554,167)	(789,590)
Interest Receivable Write off	(1,067,524,491)	(362,293,760)	(551,360)	(222,140)
Currency translation adjustment	-	-	(916,592)	(627,908)
	11,534,009,441	9,834,328,118	5,492,385	5,531,118

Loan loss reserve is recognized as per Expected Credit Loss provisioning model according to IFRS-9. As per Microfinance Supervisory Committee notification no (072/2023) issued on 24 January 2023, loan loss reserve balance shall be as follows up to Dec 2022-

	Principal Outstanding MMK	Provision rate	Provision required MMK
No past due	47,172,824,932	1%	471,728,249
1-30 days	404,517,434	1%	4,045,174
31-60 days	338,001,103	1%	3,380,011
61-90 days	331,093,157	1%	3,310,932
91-over	14,371,531,473	1%	143,715,315
	62,617,968,099		626,179,681

	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
18 Cash and cash equivalents				

Cash in hand	189,250,988	460,591,431	90,120	259,050
Cash at bank	9,573,441,669	11,015,414,732	4,558,782	6,195,396
	9,762,692,657	11,476,006,163	4,648,901	6,454,447

As at 31 December 2022 the company has cash balance in its account with following banks-

	MMK	USD	Total MMK
KBZ Bank	184,592,820	50,855	291,387,522
CB Bank	28,790,047	5,735	40,834,072
AYA Bank	17,691,473	-	17,691,473
AGD Bank	2,100,265,309	-	2,100,265,309
UAB Bank	3,753,616	3,379,665	7,101,050,956
MEB Bank	8,151,300	-	8,151,300
YOMA Bank	4,635,901	3,832	12,684,004
MAY Bank	1,377,032	-	1,377,032
	2,349,257,499	3,440,088	9,573,441,669

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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19 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:

At 31 December 2021

BRAC International Holdings B.V.
Mr. Sameran Abed

No. of Shares	Kyats	USD
2,223,075	22,230,750,000	16,449,985
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 2022, the company had share capital of MMK 22,230,770,000.

20 Retained earnings

At 1 January
Profit/(loss) for the year
Unrealised gain/(loss)
Prior year adjustment
Currency translation adjustment

2022	2021	2022	2021
Kyats	Kyats	USD	USD
(4,836,678,668)	1,599,288,152	(2,720,292)	1,203,287
(1,242,391,371)	(3,985,696,372)	(641,676)	(2,443,826)
(2,581,429,487)	(3,544,900,178)	(1,333,268)	(2,173,552)
(1,717,985,992)	1,094,629,730	(887,313)	671,169
-	-	640,413	22,630
(10,378,485,519)	(4,836,678,668)	(4,942,136)	(2,720,292)

21 Donor grant

Grant received in advance
(N- 21.1)
Grant investment in loan
(N-21.2)
Deferred grant investment in fixed asset(N-
21.3)

1,016,383,794	661,475,700	483,992	372,034
1,540,445,292	1,540,445,292	733,545	866,392
14,481,373	22,728,319	6,896	12,783
2,571,310,459	2,224,649,311	1,224,434	1,251,209

21.1 Grant received in advance

At 1 January
Donation received during the year (21.1.1)
Transferred to Statement of Other
Comprehensive Income
Translation Adjustment (prior year)
Donor fund- investment in Loan
Adjustment against donor receivable
Currency translation adjustment

661,475,700	1,118,458,226	372,034	841,515
522,727,800	820,224,090	248,918	461,318
(167,819,706)	(154,578,512)	(79,914)	(86,940)
-	(8,783,040)	-	(4,940)
-	(1,087,652,568)	-	(611,728)
-	(26,192,496)	-	(14,731)
-	-	(57,045)	(212,461)
1,016,383,794	661,475,700	483,992	372,034

21.1.1 Donation received during the year

WPF (Whole Planet Foundation)
UNOPS(LIFT)

-	423,884,916	-	238,405
522,727,800	396,339,174	248,918	222,913
522,727,800	820,224,090	248,918	461,318

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	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
21.2 Donor fund investment in loans				
At 1 January	1,540,445,292	1,508,640,198	866,392	1,135,084
Donor fund investment in loan	-	1,087,652,568	-	611,728
Disposal to Grant Income	-	(1,055,847,474)	-	593,840
Currency translation adjustment	-	-	(132,847)	286,580
	1,540,445,292	1,540,445,292	733,545	866,392
21.3 Deferred grant- investment in fixed and intangible asset				
Opening balance	22,728,319	5,808,846	10,823	3,267
Asset purchased during the year	-	26,192,496	-	14,731
Amortization during the year	(8,246,946)	(9,273,023)	(4,259)	(5,686)
Currency translation adjustment	-	-	332	470
	14,481,373	22,728,319	6,896	12,783
22 Loans and borrowings				
Principal outstanding	40,978,000,000	39,477,540,000	19,513,333	22,203,341
Accrued interest	1,433,319,643	430,819,075	682,533	242,305
	42,411,319,643	39,908,359,075	20,195,866	22,445,646
22.1 Long term loans				
AGD Bank Loan				
Principal outstanding	7,000,000,000	7,000,000,000	3,333,333	3,937,008
Accrued interest	-	-	-	-
Total AGD Bank Payable (a)	7,000,000,000	7,000,000,000	3,333,333	3,937,008
UAB Bank Loan				
Principal outstanding	12,000,000,000	8,000,000,000	5,714,286	4,499,438
Accrued interest	-	-	-	-
Total UAB Bank Payable (b)	12,000,000,000	8,000,000,000	5,714,286	4,499,438
MEB				
Principal outstanding	600,000,000	6,377,500,000	285,714	3,586,895
Accrued interest	(2,329)	-	(1)	-
Total MEB Bank Payable (c)	599,997,671	6,377,500,000	285,713	3,586,895
BV Loan				
Principal outstanding	9,450,000,000	8,001,000,000	4,500,000	4,500,000
Accrued interest	862,005,623	375,229,815	410,479	211,040
Total BV Loan Payable (d)	10,312,005,623	8,376,229,815	4,910,479	4,711,040
FMO				
Principal outstanding	4,200,000,000	3,556,000,000	2,000,000	2,000,000.00
Accrued interest	262,335,329	41,203,107	124,922	23,173.85
Total FMO payable (e)	4,462,335,329	3,597,203,107	2,124,922	2,023,174
DFC				
Principal outstanding	7,728,000,000	6,543,040,000	3,680,000	3,680,000
Accrued interest	308,981,020	14,386,153	147,134	8,091.20
Total DFC Payable (f)	8,036,981,020	6,557,426,153	3,827,134	3,688,091
Total term loans (a+b+c+d+e+f+g)	42,411,319,643	39,908,359,075	20,195,866	22,445,646

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	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
23 Related party payables				
BRAC (Bangladesh)	93,038,819	43,908,315	44,304	24,695
BRAC International Holdings B.V.	1,892,398,201	695,069,984	901,142	390,928
Stichting BRAC International	79,684,500	76,680,873	37,945	43,128
	2,065,121,520	815,659,172	983,391	458,751

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.

24 Member savings

Member savings	7,967,085,871	7,052,189,957	3,793,850	3,966,361
Interest on members savings	2,014,759	4,011,257	959	2,256
	7,969,100,630	7,056,201,214	3,794,810	3,968,617

25 Other liabilities

Provision for leave salary	206,405,901	211,865,586	98,289	119,159
Provision for Salary	6,570,709	1,906,452	3,129	1,072
BRAC IT Services Ltd. (biTS)	445,809,634	254,242,364	212,290	142,993
Liabilities for expenses	31,941,919	31,111,743	15,210	17,498
Withholding tax payable (employee)	10,275,822	54,555,136	4,893	30,683
Withholding tax payable (others)	156,867	654,487	75	368
Provision for Social Security Benefit	12,349,216	12,068,904	5,881	6,788
Bonus provision	3,853,902	993,794	1,835	559
Income tax Payable	283,443,957	569,960,277	134,973	320,563
Social Welfare Fund	171,629,303	125,689,505	81,728	70,692
Audit fee provision	9,000,000	14,700,000	4,286	8,268
	1,181,437,230	1,277,748,249	562,589	718,644

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.

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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26 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.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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26 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:

	2022	2021
	Kyats	Kyats
Current (performing loans)	47,172,824,932	43,192,218,332
Sub-standard (30 days past due)	404,517,434	4,360,243,878
Watch (31-60 days past due)	338,001,103	4,396,847,716
Doubtful (61-90 days past due)	331,093,157	4,340,224,962
Loan loss (over 90 days past due)	14,371,531,473	4,674,002,545
Total loans to customer	62,617,968,099	60,963,537,433
Allowance for impairment	(11,534,009,441)	(9,834,328,118)
Net loans to customer	51,083,958,658	51,129,209,315
Balance as at 1 January	10,241,058,724	971,741,452
Impairment charge for the year	16,544,307	33,902,712
Impact of IFRS 9	7,695,954,267	10,523,176,504
Loan write off	(4,945,292,760)	(1,287,761,944)
Balance as at 31 December	13,008,264,538	10,241,058,724

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.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
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26 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.

	2022	2021	2022	2021
	Kyats	Kyats	USD	USD
<i>Financial assets</i>				
Loans to customer	56,063,436,339	55,110,725,373	26,696,874	30,995,909
Cash and cash equivalents	9,762,692,657	11,476,006,163	4,648,901	6,454,447
Other assets	1,528,602,174	1,830,308,769	727,906	1,029,420
Total undiscounted financial assets	67,354,731,170	68,417,040,305	32,073,682	38,479,775
<i>Financial liabilities</i>				
Term loan	42,411,319,643	39,908,359,075	20,195,866	22,445,646
Related party payables	2,065,121,520	815,659,172	983,391	458,751
Member savings payable	7,969,100,630	7,056,201,214	3,794,810	3,968,617
Other liabilities	1,181,437,230	1,277,748,249	562,589	718,644
Total undiscounted financial liabilities	53,626,979,023	49,057,967,709	25,536,657	27,591,658
Net undiscounted financial assets	13,727,752,147	19,359,072,596	6,537,025	10,888,117

(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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26 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.

27 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

	Transaction value		Outstanding balance	
	2022	2021	2022	2021
	Kyats	Kyats	Kyats	Kyats
BRAC International Holdings B.V.	1,197,328,217	(422,945,443)	1,892,398,201	695,069,984
Other related companies	243,701,401	(590,371,830)	618,532,953	374,831,552

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29 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 2022					
Assets					
Cash and cash equivalents	9,762,692,657	-	-	9,762,692,657	9,762,692,657
Loans to customer	-	-	56,063,436,339	56,063,436,339	56,063,436,339
Other assets	-	-	1,528,602,174	1,528,602,174	1,528,602,174
Total assets	9,762,692,657	-	57,592,038,513	67,354,731,170	67,354,731,170
Liabilities					
Loans and borrowings	-	-	42,411,319,643	42,411,319,643	42,411,319,643
Related party payables	-	-	2,065,121,520	2,065,121,520	2,065,121,520
Member savings payable	-	-	7,969,100,630	7,969,100,630	7,969,100,630
Other liabilities	-	-	1,181,437,230	1,181,437,230	1,181,437,230
Total liabilities	-	-	53,626,979,023	53,626,979,023	53,626,979,023
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

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30. 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.

31. 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 2022.

32. Authorisation of financial statement

The financial statements of the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of directors and authorise for issue on