

PROXIMITY DESIGNS AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2017**

**WIN THIN AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS,
YANGON, MYANMAR.**

**PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PROXIMITY DESIGNS AND ITS SUBSIDIARIES

It is the responsibility of the management to prepare the consolidated financial statements for each fiscal year which gives a true and fair view of the financial position of Proximity Designs (the "Organization") and its subsidiaries (the "Group") as of 30 June 2017 and of its financial performance and its cash flows for the year 1 July 2016 to 30 June 2017. In preparing these consolidated financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently; and
- Make judgments and estimates that are reasonable and prudent.

The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Organization. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Organization and to prevent and detect fraud and other irregularities.

On behalf of Management



Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017



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WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Ref: 682/P-67/June 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Proximity Designs
South Pasadena, CA, USA

We have audited the accompanying consolidated statement of financial position of Proximity Designs (a nonprofit organization) and its subsidiaries (the "Group") as of June 30, 2017 and the related statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of Proximity Designs and its subsidiaries. Our responsibility is to express an opinion on these consolidated financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Proximity Designs and its subsidiaries as of June 30, 2017 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Nay Min Thant (PA-466)
Partner

WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



December 20, 2017

PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
Currency – United States Dollars

	Note	Group 2017	Group 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent		5,662,397	5,120,999
Loans receivable	4	15,717,009	12,059,428
Grants & Pledges Receivable	5	3,372,405	1,986,300
Product inventories	6	337,341	264,215
Prepaid Expense		178,982	468,217
Total Current Assets		25,268,134	19,899,159
NON-CURRENT ASSETS			
Grants & Pledges Receivable	5	2,202,013	1,053,057
Fixed assets, net	7	438,414	296,642
Investment in subsidiary	10	-	-
Total Non-Current Assets		2,640,427	1,349,699
Total Assets		27,908,561	21,248,858
LIABILITIES AND NET ASSETS			
Trade and other payables	8	3,730,956	3,851,526
Borrowings	9	1,554,653	1,519,304
Total Current Liabilities		5,285,609	5,370,830
Borrowings	9	6,589,562	4,213,735
Total Non-Current Liabilities		6,589,562	4,213,735
Total Liabilities		11,875,171	9,584,565
Net Assets			
Unrestricted Net Assets		8,949,408	3,513,539
Temporarily Restricted Net Assets		5,607,296	6,674,068
Permanently Restricted Net Assets		1,476,686	1,476,686
Total Net Assets		16,033,390	11,664,293
Total Liabilities and Net Assets		27,908,561	21,248,858

See Accompanying Notes to the Financial Statements

Piet Schutter

Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017

PROXIMITY DESIGNS AND ITS SUBSIDIARIES**STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2017**

Currency – United States Dollars

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Grant income	7,052,608	1,614,578	-	8,667,186
Private Donations & Public Support	39,014	-	-	39,014
Product Sale income	632,783	-	-	632,783
Service fees income	3,911,201	-	-	3,911,201
Interest income	17,626	-	-	17,626
Others	38,844	-	-	38,844
Net Assets released from restrictions	2,681,350	(2,681,350)	-	-
Total Revenues	14,373,426	(1,066,772)	-	13,306,654
EXPENSES				
Yetagon Irrigation	(1,657,414)	-	-	(1,657,414)
Yetagon Energy	-	-	-	-
Yetagon Farm Advisory Services	(1,415,631)	-	-	(1,415,631)
Proximity Research	(991,427)	-	-	(991,427)
Proximity Finance	(2,852,251)	-	-	(2,852,251)
Total Program Expenses	(6,916,723)	-	-	(6,916,723)
General & Administrative	(878,307)	-	-	(878,307)
Fundraising	(161,779)	-	-	(161,779)
Total Expenses	(7,956,809)	-	-	(7,956,809)
Surplus/(Deficit)from Operating Activities	6,416,617	(1,066,772)	-	5,349,845
Remeasurement Gain/(Loss)	(980,748)	-	-	(980,748)
Total Net Surplus/(Deficit) for the Year	5,435,869	(1,066,772)	-	4,369,097
Net assets, beginning of the year	3,513,539	6,674,068	1,476,686	11,664,293
Exchange rate adjustment for opening net asset	-	-	-	-
Net Assets, end of the year	8,949,408	5,607,296	1,476,686	16,033,390

See Accompanying Notes to the Financial Statements

Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017

PROXIMITY DESIGNS AND ITS SUBSIDIARIES**STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2016**

Currency – United States Dollars

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Grant income	1,204,775	2,236,572	-	3,441,347
Private Donations & Public Support	42,782	-	-	42,782
Product Sale income	571,249	-	-	571,249
Service fees income	2,332,270	-	-	2,332,270
Interest income	44,754	-	-	44,754
Others	6,090	-	-	6,090
Net Assets released from restrictions	5,214,177	(5,214,177)	-	-
Total Revenues	9,416,097	(2,977,605)	-	6,438,492
EXPENSES				
Yetagon Irrigation	(1,485,470)	-	-	(1,485,470)
Yetagon Energy	(30,754)	-	-	(30,754)
Yetagon Farm Advisory Services	(1,208,878)	-	-	(1,208,878)
Proximity Research	(1,191,068)	-	-	(1,191,068)
Proximity Finance	(2,357,471)	-	-	(2,357,471)
Total Program Expenses	(6,273,641)	-	-	(6,273,641)
General & Administrative	(609,573)	-	-	(609,573)
Fundraising	(176,155)	-	-	(176,155)
Total Expenses	(7,059,369)	-	-	(7,059,369)
Surplus/(Deficit)from Operating Activities	2,356,728	(2,977,605)	-	(620,877)
Remeasurement Gain/(Loss)	(575,465)	-	-	(575,465)
Total Net Surplus/(Deficit) for the Year	1,781,263	(2,977,605)	-	(1,196,342)
Net assets, beginning of the year	1,796,646	9,651,673	1,514,236	12,962,555
Exchange rate adjustment for opening net asset	(64,370)	-	(37,550)	(101,920)
Net Assets, end of the year	3,513,539	6,674,068	1,476,686	11,664,293

See Accompanying Notes to the Financial Statements

Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017

PROXIMITY DESIGNS AND ITS SUBSIDIARIES**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30, 2017**

Currency – United States Dollars

	2017	2016
Cash flow from operating activities		
Net Surplus (Deficit) for the Year	4,369,097	(1,196,342)
Adjustment for:		
Depreciation	135,108	108,128
Loan loss provision	-	55,553
Exchange rate gain	(1,012,178)	(262,033)
Change in operating assets and liabilities:		
(Increase) / Decrease in grants & pledges receivable	(2,535,061)	3,241,890
(Increase) / Decrease in deferred revenue	-	824,424
(Increase) / Decrease in non-grant accounts receivable	(3,531,062)	(4,585,827)
(Increase) / Decrease in product inventory	(73,126)	(28,085)
(Increase) / Decrease in prepaid expenses	289,235	(279,519)
Increase / (Decrease) in trade & other payables	75,082	144,370
Net cash used in operating activities	(2,282,905)	(1,977,441)
Cash flow from investing activities		
Purchase of property and equipment	(280,494)	(123,804)
Net cash used in investing activities	(280,494)	(123,804)
Cash flow from financing activities		
Repayment of short-term borrowing	(344,050)	(61,204)
Repayment of long-term borrowing	(717,232)	-
Proceeds from short-term borrowing	543,935	1,772,400
Proceeds from long-term borrowing	3,622,144	2,390,000
Net cash provided by financing activities	3,104,797	4,101,196
Net increase in cash and cash equivalents	541,398	1,999,951
Cash and Cash equivalents at beginning of the year	5,120,999	3,121,048
Cash and Cash equivalents at end of the year	5,662,397	5,120,999

See Accompanying Notes to the Financial Statements

Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017

Proximity Designs and its subsidiaries

Statement of Functional Expenses

For the Year Ended June 30, 2017

	Yetagon Irrigation	Yetagon Farm Advisory Services	Proximity Research	Proximity Finance	Total Programs	General & Administrative	Fundraising	Proximity Finance Co., Ltd.	Proximity Holding Company Pte. Ltd.	Overall Total
Cost of goods sold	(637,395)	-	-	-	(637,395)	-	-	-	-	(637,395)
Salaries, wages & benefits	(322,776)	(606,595)	(141,259)	(1,293,163)	(2,363,793)	(350,452)	(138,413)	-	-	(2,852,658)
Material & equipment expenses	(1,013)	(94,746)	(6,575)	(43,725)	(146,059)	(42,509)	(306)	-	-	(188,874)
Contract services expenses	(432)	(22,985)	(485,323)	(94,750)	(603,490)	(119,195)	(606)	-	-	(723,291)
Office expenses	(15,122)	(33,808)	(1,110)	(78,136)	(128,176)	(13,059)	(525)	-	-	(141,760)
Facility expenses	-	(67,065)	(15,000)	(52,841)	(134,906)	(257,684)	-	-	-	(392,590)
Travel & transportation expenses	(90,343)	(78,366)	(13,308)	(139,523)	(321,540)	(7,418)	(10,873)	-	-	(339,831)
Meeting & workshop expenses	(38,412)	(168,715)	(99,727)	(162,389)	(469,243)	(10,684)	(10,768)	-	-	(490,695)
Other general administrative	(14,565)	(28,905)	(2,390)	(772,543)	(818,403)	(69,565)	(288)	(4,527)	(3,214)	(895,997)
Direct allocation expenses	(300,345)	(97,751)	(3,271)	-	(401,367)	-	-	-	-	(401,367)
Allocated shared service centre expenses	(237,011)	(216,695)	(223,464)	(215,181)	(892,351)	-	-	-	-	(892,351)
Total expenses	(1,657,414)	(1,415,631)	(991,427)	(2,852,251)	(6,916,723)	(870,566)	(161,779)	(4,527)	(3,214)	(7,956,809)

See Accompanying Notes to the Consolidated Financial Statements

Proximity Designs and its subsidiaries

Statement of Functional Expenses

For the Year Ended June 30, 2016

	Yetagon Irrigation	Yetagon Farm Advisory Services	Yetagon Farm Advisory Services	Proximity Research	Proximity Finance	Total Programs	General & Administrative	Fundraising	Overall Total
Cost of goods sold	(551,645)	(26,651)	-	-	-	(578,296)	-	-	(578,296)
Salaries, wages & benefits	(261,009)	(817)	(366,518)	(110,279)	(1,195,472)	(1,934,096)	(303,319)	(151,414)	(2,388,828)
Material & equipment expenses	(1,931)	-	(68,895)	-	(53,300)	(124,125)	(1,290)	(182)	(125,597)
Contract services expenses	(11,339)	-	(359,313)	(725,522)	(106,910)	(1,203,083)	(63,773)	(1,717)	(1,268,573)
Office expenses	(13,488)	-	(17,705)	(571)	(63,101)	(94,866)	(9,587)	(1,110)	(105,563)
Facility expenses	-	-	(25,502)	-	(36,550)	(62,053)	(146,761)	-	(208,814)
Travel & transportation expenses	(91,925)	-	(51,760)	(91,108)	(109,181)	(343,974)	(35,487)	(20,047)	(399,508)
Meeting & workshop expenses	(7,563)	-	(44,552)	(111,123)	(39,711)	(202,950)	(7,902)	(1,512)	(212,364)
Other general administrative	(100,973)	(3,286)	(12,543)	(9,165)	(625,397)	(751,363)	(41,455)	(174)	(792,991)
Direct allocation expenses	(309,364)	-	(69,484)	(2,368)	-	(381,217)	-	-	(381,217)
Allocated shared service centre expenses	(136,233)	-	(192,606)	(140,931)	(127,847)	(597,618)	-	-	(597,618)
Total expenses	(1,485,470)	(30,754)	(1,208,878)	(1,191,068)	(2,357,471)	(6,273,641)	(609,573)	(176,155)	(7,059,369)

See Accompanying Notes to the Consolidated Financial Statements

PROXIMITY DESIGNS AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Currency – United States Dollars

1. Organization and Nature of Activities

Proximity Designs (the “Organization”) and its subsidiaries (the “Group”) is a not-for-profit 501(c)(3) corporation registered in the State of California with sole operations in Myanmar. The Organization’s mission is to increase the productivity and income of rural households in Myanmar by designing and disseminating innovative products and services.

The Organization has signed a Memorandum of Understanding with the Ministry of Livestock, Fisheries and Rural Development. The Organization operates throughout Myanmar in Kayin, Mon, Shan, Ayeyarwaddy, Bago, Magway, Mandalay, Sagaing and Yangon states.

The Organization also holds a microfinance license from the Myanmar Ministry of Planning and Finance and provides financial services to rural customers.

Active programs are:

- Irrigation equipment (“Yetagon Irrigation”) designs, produces and sells low-cost irrigation products to boost efficiency and yields for smallholder farmers.
 - Product Loans (“Yetagon Credit”) is now reported as part of Yetagon Irrigation. Financing for the purchase of irrigation products through installment plans.
- Farm Advisory Services (“Yetagon Farm Advisory Services”) teaches ‘best-fit’ agronomy techniques and farm advisory services for rice farmers through field agronomists
- Proximity Research conducts macroeconomic and policy research to offer guidance to policymakers and key stakeholders involved in nation-building in Myanmar
- Micro Finance (“Proximity Finance”) offers financial products designed for smallholder farmer credit needs including loans for crops, livestock, migration costs for rural labor and small enterprise loans.

Programs finished before the fiscal year started:

- Solar Lights (“Yetagon Energy”) distributed solar lanterns to rural families in Myanmar.
- Delta Village Stimulus contributed to rebuilding key infrastructure (bridges, elevated pathways, etc.) in rural villages on a cash-for-work basis during lean seasons following cyclone Nargis.
- Dry Zone Village Stimulus contributed to rebuilding key infrastructure (community irrigation ponds, etc.) in rural villages on a cash-for-work basis during lean seasons.

2. Summary of significant accounting policies

Basis of Presentation

The Group reports information regarding its consolidated financial position and activities according to three classes of net assets: *unrestricted*, *temporarily restricted* and *permanently restricted net assets*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Permanently restricted: Those donor imposed restrictions that states that the donation must be maintained permanently but may permit the organization to use up or expend part or all of the income derive from it is related investment.

Temporarily restricted: Those donor imposed restrictions may be for a particular purpose or program or for use in a specified time period.

Unrestricted: Those have no donor-imposed restrictions.

Method of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Foreign Currency Transactions

The consolidated financial statements are presented in U.S. Dollars which, based on management's assessment of facts and circumstances, is the Group's and the Organization's functional currency and reporting currency.

Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars using monthly exchange rates. The monthly exchange rates are determined at the first day of each month based on the rates published by the Central Bank of Myanmar. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted into U.S. Dollars at the rate of reporting date 30th June for the respective years. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rates using monthly exchange rates.

Income Taxes

Proximity Designs has been recognized by the Internal Revenue Service as an organization that is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and has been recognized by the Franchise Tax Board as an organization that is exempt from income and franchise tax under Section 23701(d) of the California Revenue and Taxation Code, except for taxes on net unrelated business income.

In accordance with FASB ASC 740, Uncertainty in Income Taxes, Proximity Designs recognizes the impact of positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization is subject to US federal and California state tax jurisdictions. Proximity Designs has evaluated its tax positions for the open tax year of June 30, 2016 through June 30, 2017 for federal tax purposes and June 30, 2016 through June 30, 2017 for California tax purposes.

As of June 30, 2017 and for the year then ended, Proximity has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements or which may have an effect on its tax exempt status nor is a material change to uncertain tax positions anticipated during the 12 months following June 30, 2017.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit, savings and money market accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity date that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with original maturity dates within three months of the acquisition date.

Loans receivable

Loans receivable consist of receivables recorded upon recognition of revenue based on contractual arrangements reduced by reserves for estimated bad debts. The allowance for doubtful accounts is determined based on historical write-off experience, current customer information and other relevant factors, including specific identification of past due accounts. Accounts are charged off against the allowance when Proximity determines they are uncollectible.

Part of the loans receivable balance consist of receivables from customers that purchased our irrigation product on credit. The maximum duration of these types of loans is 5 months.

Proximity Finance (microfinance business unit of Proximity Designs) recognizes issued loans in its balance if Proximity Finance enters into a contractual relation, as result of which it acquires legitimate rights to receive cash as repayment of issued loans. Proximity Finance terminates recognition of a loan when it loses control over the contractual rights. Initially, loans are recognized for the amounts actually issued. Subsequent evaluation of loans is reduced for repayments and in case of the Company's decision for partial or full writes off. The payment terms vary according to type of the loans and the seasonality of the crop.

Inventories

Inventories consist of finished goods, raw materials, work in progress and purchased inventory. Manufacturing activities revolve around the needs of the rural farmers that Proximity serves. Cost is determined using the moving average cost method.

Fixed assets, net

Fixed assets are recorded at cost or, if donated, at estimated fair value at the date of donation. The cost of additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Proximity Designs capitalized assets with an original cost over \$1,000. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Building and improvements	30-50 years
Automobiles, furniture, fixtures and equipment	3-10 years

Leasehold improvements are amortized using the useful life of the asset or the remaining lease term, whichever is shorter.

The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives. Fully depreciated assets are kept on the books until disposed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been detailed in the statement of functional expenses and summarized in the statement of activities.

Salaries and related expenses are allocated to program services and supporting services on the basis of the actual time devoted to those activities. Other expenses have been charged directly or allocated using various bases as determined by management.

In certain instances, common expenses are incurred, which support the activities of more than one program. In absence of agreements to the contrary, such expenses are allocated on the basis that appears most reasonable to management.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. If this would happen, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs would have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

In-kind Contributions

In-kind contributions, including volunteer services and other non-cash contributions, when required by generally accepted accounting principles, are reflected as contributions and expenses at their estimated fair values when received. For the year ended June 30, 2017 and June 30, 2016, no in-kind contributions were received.

Contributions

Contributions primarily include unconditional transfers of cash or other assets. Contributions, whether temporarily restricted, permanently restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are recorded at net realizable value on the date the promise is received.

Products & Services Revenue

Revenues are measured at the fair value of the consideration received or receivable by net of sales tax, trade discounts and customer returns. The Company generates revenue mainly selling affordable irrigation products to low income farmers and by providing microfinance loans.

For the sales of irrigation products, the Company recognized as sales income once the product has been delivered to the farmers. Interest income for loans are recognized on effective accrual basis using automatic interest accrual. Fee income, other than insurance fee, are recognized upon payment date.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determination of accounts receivable allowance and imputed interest rate on non-interest bearing loan. Actual results could differ from those estimates.

3. Concentration of Credit Risk

Proximity Designs has deposits in foreign institutions not covered by U.S federal deposit in insurance of approximately \$1,593,405 (2016: \$1,751,350). Proximity Designs also has deposits in U.S financial institutions in excess of FDIC insurance limits of approximately \$3,773,168 (2016: \$3,014,010). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit on cash and cash equivalents at this time.

4. Loans receivable

Details are as follows:

	Group	
	2017	2016
Product installment loans	32,458	46,244
Proximity Finance loans	15,024,536	11,811,276
Proximity Finance accrued interest receivable	760,484	419,859
Staff equipment loans & advance	72,888	93,385
Other receivables	11,460	-
	15,901,826	12,370,764
Less: Provision for uncollectable loans	(184,817)	(311,336)
	15,717,009	12,059,428

5. Grants & Pledges Receivable

As of June 30, 2017 grantors to Proximity Designs have made unconditional promises to give totaling \$5,574,418. Grants due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of 8% . Grants are due as follow as of June 30, 2017:

	Group	
	2017	2016
Less than One Year	3,372,405	1,986,300
One to five years	2,366,049	1,053,057
Allowance to discount balance to Present Value	(164,036)	-
	5,574,418	3,039,357

Some additional remarks:

In February 2017, as a result of the critical support of King Philanthropies, the Group received funding of USD 6,000,000 as an unrestricted fund for Proximity Designs overall operation. The grant period is from January 2017 to December 2019 (3 years).

In June 2015 The Department for International Development (DFID) made a grant of GBP 2,000,000 to the Group in order to support The Myanmar Public Policy Initiative. The grant period runs from 1st July 2015 to 30th June 2018.

6. Product inventories

Details are as follows:

	Group 2017	2016
Raw materials	132,094	85,482
Work in progress	52,117	55,943
Irrigation Finished goods	148,871	117,809
Manufacturing Mould	4,259	4,981
	337,341	264,215

7. Fixed assets, net

Details are as follows:

	Group 2017	2016
Cost		
Vehicles	257,488	197,700
Furniture and Equipment	234,050	206,433
Manufacturing Equipment	10,756	9,532
Software	217,053	192,186
Building	6,223	-
Exchange rate adjustment	(10,362)	(4,086)
	715,208	601,765
Addition		
Vehicle	3,146	60,603
Furniture and equipment	78,571	32,110
Software	10,210	24,868
Building	188,567	6,223
	280,494	123,804
Less: Accumulated depreciation		
Opening depreciation	(429,183)	(321,815)
For the year depreciation	(135,108)	(108,128)
Exchange rate adjustment	7,003	1,016
	(557,288)	(428,927)
Balance as at June 30	438,414	296,642

8. Trade and other payables

Details are as follows:

	Group 2017	2016
Deferred Revenue	712,317	936,788
Accounts Payable/Accrued Expense	1,140,238	953,371
Proximity Health Group Fund	47,584	38,225
Credit cards	3,933	2,339
Employee Tax and unused leave days	286,082	164,309
Other Creditors Due Within One Year	(1,875)	(15,906)
Customer fixed deposit	1,541,400	1,772,400
Provision	1,277	-
	3,730,956	3,851,526

Details are as follows:

Deferred revenue includes as following, \$373,154 is LIFT financial inclusion project for Proximity Finance program, \$200,080 Norfund grant to support Yetagon Irrigation program, \$96,737 is the premiums received for a life insurance that is offered as part of our Proximity Finance program, \$30,600 Norfund grant to support technical assistance to Proximity Finance program and \$11,746 is grant from Sygenta Crop Protection project for Proximity Finance program.

Accounts Payable / Accrued Expense include the following,

	Group 2017	2016
Consultant fees for Proximity Research	385,080	318,357
Deferred compensation	261,501	235,949
Interest expense accrued	199,970	129,313
Management Fees	109,450	109,450
Other	102,913	70,777
Trade Creditor	-	57,514
Withholding Tax	29,169	18,571
Accounting & Audit Fees	52,155	13,440
	1,140,238	953,371

9. Borrowings

Short Term Loans Payable consist of the following at 30 June, 2017:

- \$100,000 note payable to The Herman P. and Sophia Taubman Foundation with interest rate one percent per which is fully repaid in August 2017
- \$739,370 loan payable to Kiva Microfunds consists of multiple tranches of capital raised on the Kiva website and these tranches have specific due dates. Kiva operates a web-based business that allows website users throughout the world to connect with organizations that provide small loans to individuals or groups in developing countries. Loan is unsecured and interest free. Loan is made to the Proximity Finance program.
- \$715,283 loan payable to Norfund with interest rate 13% per annum which will be due in December 2017.

Long term borrowings includes,

- (a) \$3,021,168 from Cordaid with interest rate 10% per annum. Among from total loan amount, \$805,289 will be due in December 2019, \$495,450 in January 2020 and \$1,720,429 in March 2020
- (b) \$1,321,200 is from Grameen Credit Agricole (GCA) with interest rate 13% per annum. The maturity date is 15 June 2020.
- (c) \$2,145,851 from LIFT Financial Inclusion with zero interest rate per annum. This loan shall be converted to the grant fund when the conditions stated in the agreement are met.
- (d) \$101,343 – other non-current liabilities (accruals)

10. Investment in Subsidiary

The Organization had the following subsidiaries as at 30 June 2017:

Proximity Finance Co., Ltd, incorporated in Myanmar, is 99% owned by Proximity Holding Company Pte. Ltd. and 1% owned by Proximity Designs. The principal activity is to provide micro-finance service to rural area in Myanmar.

Proximity Holding Company Pte. Ltd., incorporated in Singapore, is also wholly-owned by Proximity Designs. The principal activity is to invest in Proximity Finance Co., Ltd in Myanmar.

11. Retirement Plan

The Organization established a 403(b) (7) retirement plan effective January 1, 2012 for eligible employees. The plan is funded by employees contributing a portion of their salary to the plan. The organization reserves the right to make non-elective discretionary contribution to the plan. A contribution to the plan of \$43,200 was made by Proximity to the 2016 and 2017 plan year.

12. Operating Leases

The Organization leases its offices, manufacturing space and vehicles under various operating lease agreements that renew annually. The lessor and lessee share maintenance responsibilities, depending on the nature of the repair. The lessor is responsible for all taxes and insurance, with the exception of liability insurance, which is the responsibility of the lessee. Rental expense under the leases for the year ended June 30, 2017 was \$371,555 (2016: \$224,871).

	Group	
	2017	2016
Not later than one year	418,869	398,923
Between one and five years	1,895,645	1,805,376
Later than five years	2,314,514	2,204,299

13. Subsequent Events

The Group has evaluated events or transactions that occurred subsequent to the statement of consolidated financial position date through [Date], the date of the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the consolidated financial statements. Events occurring after that date have been evaluated to determine whether a change in the consolidated financial statements would be required.



Piet Schutter
Chief Financial Officer
Proximity Designs
December 20, 2017