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ANDERSEN

ARTHUR ANDERSEN & CO.

**BRAC**

INDEPENDENT AUDITORS REPORT

**Financial Statements - December 31, 1998  
Together With Independent Auditors Report**



# BRAC

INDEPENDENT AUDITING REPORT

## Financial Statements - December 31, 1998 Together With Independent Auditors Report

We have audited the accompanying financial statements of BRAC, which comprise the balance sheet as of December 31, 1998, and the statements of income, cash flows, and changes in net assets for the year then ended, and the related notes to the financial statements. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards. These 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 is designed to obtain reasonable assurance, but not absolute assurance, that the financial statements are free of material misstatement. Because of the inherent limitations of an audit, including the possibility of collusion or error on the part of management, material misstatements may exist that were not detected by our audit. However, the risk that our audit will not detect a material misstatement is low.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of BRAC as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

We have audited the financial statements referred to above in accordance with the standards of the Board of Accountancy of the State of New York. These 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 is designed to obtain reasonable assurance, but not absolute assurance, that the financial statements are free of material misstatement. Because of the inherent limitations of an audit, including the possibility of collusion or error on the part of management, material misstatements may exist that were not detected by our audit. However, the risk that our audit will not detect a material misstatement is low.

*Arthur Andersen & Co.*

New York, New York  
10036

1998

## ARTHUR ANDERSEN & Co.

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In Bangladesh

### INDEPENDENT AUDITORS REPORT

To the Governing Body of BRAC

We have audited the accompanying balance sheet of BRAC (registered in Bangladesh as a society under the Societies Registration Act and operating as a non-government development organisation) as of December 31, 1998 and the related statements of income and expenditure and cash flows for the year then ended. These financial statements are the responsibility of BRAC's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with approved auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC as of December 31, 1998 and the results of its operations and its cash flows for the year then ended in conformity with the accounting policies summarized in note 2 of the accompanying financial statements.

Arthur Andersen & Co.

Arthur Andersen & Co.  
Dubai

ACNABIN & Co.

ACNABIN & Co.  
Dhaka

July 11, 1999

**BRAC**  
**Balance Sheet as at December 31, 1998**

	Notes	1998 Taka	1997 Taka
<b>PROPERTY AND ASSETS</b>			
Fixed assets	3	1,998,670,501	1,756,401,654
Investments in related companies	4	142,908,921	72,096,675
Investments in securities and others	5	52,153,871	60,353,471
Loans to VO members, net	6	4,853,804,461	3,693,869,020
Stock, stores and spares, net		438,994,335	325,258,248
Motor cycle loans		93,557,613	74,483,657
Advances, deposits and prepayments	7	397,207,140	220,628,939
Sundry debtors/accounts receivable, net	8	638,200,581	425,237,392
Current accounts with projects/area offices	9	258,013,201	138,112,957
Fixed deposits and PSPs	10	1,209,921,345	1,338,317,351
Cash in hand and at banks		390,052,836	315,465,884
		<u>10,473,484,805</u>	<u>8,420,225,248</u>
<b>FUND AND LIABILITIES</b>			
Capital fund	11	2,791,593,980	2,345,887,710
Donor fund-investment in fixed assets	12	472,295,840	275,026,742
Donor fund-investment in loan fund	13	2,176,354,812	1,974,401,438
Motorcycle replacement fund	14	225,124,281	204,763,833
Donor fund-general	15	150,458,317	42,131,484
Other funds	16	11,223,428	4,046,779
Long term loans	17	1,315,963,740	791,961,801
VO members savings deposits		2,237,519,953	1,755,395,533
Group trust fund		2,211,390	21,666,244
VO members project & current accounts		41,472,241	31,817,916
Other liabilities	18	929,927,142	792,213,667
Bank overdraft		119,339,681	180,912,101
		<u>10,473,484,805</u>	<u>8,420,225,248</u>

The accompanying notes form an integral part of this statement.



Chairman, Governing Body  
BRAC  
Dhaka, July 11, 1999



Executive Director  
BRAC

**BRAC**  
**Statement of Income and Expenditure**  
**for the year ended December 31, 1998**

	Notes	1998 Taka	1997 Taka
<b>Income</b>			
Service charge on loans to VO members		1,237,919,305	887,216,431
Revenue from sales of commercial and support projects	19	847,403,538	643,303,809
Interest on bank accounts, fixed deposits & PSPs		131,231,348	103,107,047
Training income		105,975,570	89,687,491
Income from investments		11,539,798	3,249,987
Other income	20	171,821,797	109,912,412
		<u>2,505,891,356</u>	<u>1,836,477,177</u>
<b>Expenditure</b>			
Salaries and benefits		1,159,491,942	911,295,816
Travelling and transportation		192,352,866	149,258,051
Teachers' salaries		250,292,246	247,111,197
Teachers' training		52,432,440	48,860,323
School rent and maintenance		82,529,347	77,013,236
Stationery, rent and utilities		161,189,798	142,983,030
Maintenance and general expenses		78,996,259	51,717,669
VO members' training		104,202,338	89,456,903
Staff training and development		66,725,635	46,716,206
Program supplies		483,228,404	356,041,189
Interest on VO members' savings deposits		100,803,842	71,853,236
Interest on long term loans		55,203,679	24,415,704
Bank overdraft interest and charges		28,302,999	7,103,548
Cost of sales of commercial and support projects	21	652,340,412	479,123,674
Publicity, advertisement and sales commissions		15,386,265	3,981,661
Loan loss provision for loans to VO members		254,721,277	137,844,007
Depreciation and other provisions		154,166,654	101,624,830
Loss on investments	22	10,172,268	116,714,561
		<u>3,902,538,671</u>	<u>3,063,114,841</u>
Deficit of program income over expenditure		(1,396,647,315)	(1,226,637,664)
<b>Income from grants for operations</b>		<u>1,828,180,171</u>	<u>1,529,852,007</u>
Surplus of income over expenditure transferred to capital fund		<u>431,532,856</u>	<u>303,214,343</u>

The accompanying notes form an integral part of this statement.

**BRAC**  
**Statement of Cash Flow**  
**For the year ended December 31, 1998**

	1998 Taka	1997 Taka
<b>Cash flows from operating activities:</b>		
Surplus of income over expenditure	431,532,856	303,214,343
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Loan loss provision	254,721,277	137,844,007
Depreciation and provisions	162,048,101	106,198,578
Gain from sale of fixed assets	(19,090,229)	(647,467)
Loss on investments in related companies and Securities	6,425,308	116,714,561
Donor fund-investments in fixed assets	(12,574,702)	(8,793,943)
Adjustments for other accounts:		
Increase in service charge outstanding on loans to VO members	(70,509,991)	(44,998,098)
Increase in stocks, stores and spares, net	(113,736,087)	(68,700,979)
Increase in advances, deposits and prepayments	(186,656,309)	(40,727,651)
Increase in accounts receivable, net	(223,041,297)	(98,601,998)
Increase in other liabilities	137,713,475	195,023,817
Increase in current accounts with projects/area office	(119,900,244)	(61,686,609)
Increase in motorcycle loans	(19,073,956)	77,768,685
Net cash provided by operating activities	<u>227,858,202</u>	<u>612,607,246</u>
<b>Cash flows from investing activities:</b>		
Increase in loans to VO members	(1,344,146,727)	(794,542,770)
Sale of fixed assets	88,128,265	4,021,075
Purchase of fixed assets	(456,404,129)	(401,789,838)
Decrease(increase) in fixed deposits and PSPs	128,396,006	(584,300,923)
Decrease(increase) in investments in related companies	(74,870,494)	13,498,730
Decrease(increase) in investment in securities and others	5,832,540	(54,760,889)
Net cash used in operating activities	<u>(1,653,064,539)</u>	<u>(1,817,874,615)</u>
<b>Cash flows from financing activities:</b>		
Increase in Donor fund (excluding fund for operation expenses)	564,621,900	237,313,657
Increase in long term loans	524,001,939	363,591,841
Increase in VO members savings deposits	482,124,420	573,992,060
Increase in VO members project and current accounts	9,654,325	8,531,037
Decrease in group trust fund	(19,454,854)	(7,927,344)
Increase in Other funds	417,979	396,173
Increase(decrease) in bank overdraft	(61,572,420)	150,665,577
Net cash provided by financing activities	<u>1,499,793,289</u>	<u>1,326,563,001</u>
Net increase in cash in hand and at banks	74,586,952	121,295,632
Cash in hand and at banks, beginning of the year	315,465,884	194,170,252
Cash in hand and at banks, end of the year	<u>390,052,836</u>	<u>315,465,884</u>

The accompanying notes form an integral part of this statement.

**BRAC**  
Notes to Financial Statements  
December 31, 1998

**1. Introduction:**

BRAC, a national private development organisation, was formed in 1972 under the Societies Registration Act in the Shulla area, north east of Bangladesh. Although it was first set up to resettle refugees in post-war Bangladesh, BRAC later redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor. Today, BRAC has a large number of development programs that cover the areas of health, education, credit, employment and training for the landless rural people of Bangladesh. BRAC also earns from various income earning projects such as Printing press, Dairy and Aarong shops. Subsequent to the balance sheet date, BRAC has been declared as tax exempted for its income from projects by a verdict of the High Court.

**2. Summary of significant accounting policies:**

BRAC prepares its financial statements under the historical cost convention on a going concern basis. BRAC generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items. Certain policies are explained in the detailed notes to the financial statements. The significant accounting policies followed are summarized below:

**2.1 Maintenance of records and combinations**

BRAC maintains its books of accounts and records on a program or project-wise basis. The Head Office maintains records of all treasury, investment and management functions. All cash balances, including those held for programs, are held by the Head Office and transferred to programs as required. Major balances between projects are eliminated upon combination.

**2.2 Donor grants**

Income is recognized when grants are utilized by BRAC to carry out the programs stipulated. All donor grants received are initially recorded as liabilities under the Donor Fund-General Account and transferred to Donor Fund-Fixed Assets, Donor Fund-Loans to VO members or individual program income when utilized for fixed assets, loans and program expenditure, respectively.

For ongoing projects and programs, any donor unfunded expenditure at year end is recognized as a donation receivable. In addition, amounts equivalent to donor funded fixed asset depreciation expense are transferred to income.

For completed or phased out projects and programs, any remaining Donor Fund balances are returned to Donors or utilized in accordance with donor and management arrangements.

### 2.3 Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives at the following rates:

<u>Item</u>	<u>Depreciation Rate (%)</u>
Buildings	2.5 - 4
Furniture & Fixtures	10
Equipment	15
Vehicles	20
Bicycles	20
Machinery	20
Deep tube wells and tanks	20
Hatchery	20
Motorcycles	20
Camp/Poultry/Livestock sheds	20

No depreciation is charged on land and construction work-in-progress.

### 2.4 Loans to VO members

BRAC's activities includes providing micro-credit loans to landless group members without collateral on a service charge basis under various programs. Loans are stated net of loan loss provision. BRAC annually provides for loan loss provision based on 3% (1997 - 2%) of loan disbursements made. Non performing loans are monitored and interest is not recorded. Such loans are written off against the loan loss provision when recovery is unlikely. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. Any collections received from loans previously written off are credited to the loan loss provision.

### 2.5 Investments in related companies

Commencing 1998, investments in related companies are accounted for under the equity method whereby the investments are initially recorded at cost and subsequently adjusted to reflect BRAC's share of changes in net assets. Prior to 1998, investments in related companies were stated at cost. The impact as a result of this change in policy has been disclosed in note 27 to the financial statements.

### 2.6 Investments in securities

Investments in securities are stated at the lower of average purchase cost or their quoted market value on an individual security basis.

### 2.7 Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food project

BRAC's principal income earning ventures comprise Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food Project. Revenue is recognized based on billings, net of discounts and allowances. Accounts receivable are stated net of provision for doubtful debts based on management's judgement. Retail stocks are stated at cost based on selling price less average mark up and other stocks, stores and spares are stated at cost. Provision is made for obsolete or slow moving items based on management's judgement.



2.8 Motorcycle replacement fund

Donor Funds are utilized for providing motorcycles to project staff. Effective from January 1, 1997, these funds are held in a replacement fund. BRAC provides motorcycles to staff, the cost of which is recovered through monthly salary deductions.

2.9 Foreign currency translations

BRAC maintains its records in Bangladesh Taka. Transactions in foreign currencies are translated into Taka at the rate of exchange prevailing at the dates of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Bangladesh Taka at exchange rates prevailing at that date and any gain or loss is recognized in the statement of income and expenditure. BRAC's foreign currency denominated monetary assets or liabilities are outlined in note 25 below.

2.10 Head Office overhead expenses

BRAC's Head Office expenses are allocated to various projects and programs at a range of 8 to 10% of their costs, based on agreement with Donor's or management's judgement. Adjustments to these allocations are made at year-end based on actual head office expenditure incurred.

### 3. Fixed assets

Group of fixed assets (All amounts in Taka)	Cost					Depreciation				Written down value 31-12-98	Written down value 31-12-97
	Opening balance	Additions during the year	Transfers during the year	Sales during the year	Closing balance	Opening balance	Charges during the year	Sales during the year	Closing Balance		
Land	340,748,203	99,277,248	-	(13,692,391)	426,333,060	-	-	-	-	426,333,060	340,748,203
Buildings	839,342,681	-	245,506,252	(47,294,686)	1,037,554,247	91,763,122	28,673,657	-	120,436,779	917,117,468	747,579,559
Furniture & fixtures	165,124,059	13,950,633	-	(27,560)	179,047,132	67,118,271	14,702,080	(2,278)	81,818,073	97,229,059	98,005,788
Equipment	325,670,229	34,111,726	-	(2,820,780)	356,961,175	99,041,385	50,456,845	(441,978)	149,056,252	207,904,923	226,628,844
Vehicles	115,672,872	47,057,752	-	(3,161,703)	159,568,921	60,101,393	25,721,182	(3,161,703)	82,660,872	76,908,049	55,571,479
Bicycles	8,566,846	864,895	-	(63,540)	9,368,201	6,182,527	1,602,203	(63,540)	7,721,190	1,647,011	2,384,319
Machinery	220,856,236	33,670,305	-	-	254,526,541	36,793,856	19,890,677	-	56,684,533	197,842,008	184,062,380
Deep tubewell and tank	3,824,297	139,600	-	-	3,963,897	2,084,318	311,823	-	2,396,141	1,567,756	1,739,979
Hatchery	967,693	-	-	-	967,693	967,693	-	-	967,693	-	-
Camp/Poultry/Livestock shed	645,371	-	-	-	645,371	645,369	-	-	645,369	2	2
Motor cycles	1,630,120	104,000	-	(516,485)	1,217,635	789,304	545,159	(516,486)	817,977	399,658	840,816
Possession right	5,646,875	-	-	(5,646,875)	-	-	-	-	-	-	5,646,875
Construction Work in progress	85,984,872	219,116,887	(245,506,252)	-	59,595,507	-	-	-	-	59,595,507	85,984,872
Crates/manikins/samples	8,442,265	8,111,083	-	-	16,553,348	1,233,727	3,193,621	-	4,427,348	12,126,000	7,208,538
<b>Total year 1998</b>	<b>2,123,122,619</b>	<b>456,404,129</b>	<b>0</b>	<b>(73,224,020)</b>	<b>2,506,302,728</b>	<b>366,720,965</b>	<b>145,097,247</b>	<b>(4,185,985)</b>	<b>507,632,227</b>	<b>1,998,670,501</b>	<b>1,756,401,654</b>
<b>Total year 1997</b>	<b>1,728,138,432</b>	<b>407,825,983</b>	<b>0</b>	<b>(12,841,796)</b>	<b>2,123,122,619</b>	<b>272,378,134</b>	<b>103,811,019</b>	<b>(9,468,188)</b>	<b>366,720,965</b>	<b>1,756,401,654</b>	

#### Allocation of depreciation:

- i) shown in statement of income and expenditure  
ii) included in cost of sales

	<u>1998</u>	<u>1997</u>
i)	137,329,876	97,889,466
ii)	7,767,369	5,921,553
	<u>145,097,245</u>	<u>103,811,019</u>

An amount of Tk.12,574,702 (Tk. 8,793,943 in 1997) has been transferred to the statement of income and expenditure from Donor fund-investment in fixed assets to cover the depreciation charge for Donor funded fixed assets.

4. **Investments in related companies:**

	Shares	Deposit for shares	Retained Earnings (Accumulated deficit)	Loans	1998 Taka	1997 Taka
BRAC Industries Ltd. (cold storage)	24,999,900	-	2,556,605	-	27,556,505	24,999,900
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	-	600,204	-	50,600,204	30,000,000
BRAC BD Mail Network	-	8,500,000	(3,798,652)	3,694,769	8,396,117	12,059,775
BRAC Renata Agro Industries Ltd.	-	15,300,000	(3,416,405)	14,472,500	26,356,095	5,037,000
Bengal Lands Ltd.	-	30,000,000	-	-	30,000,000	-
	<u>74,999,900</u>	<u>53,800,000</u>	<u>(4,058,248)</u>	<u>18,167,269</u>	<u>142,908,921</u>	<u>72,096,675</u>

Shareholding of BRAC in BRAC Industries Ltd. is 99%, in Delta BRAC Housing Finance Corp. Ltd. 25%, in BRAC BD Mail Network 85%, in BRAC Renata Agro Industries Ltd. 51%, and in Bengal Lands Ltd. 62%.

During 1998, BRAC changed the accounting policy for investments in related parties from cost to the equity method. This change was made to better reflect the financial positions of its related parties in the accompanying financial statements. The effect of this change in accounting policy amounting to Tk.4,058,248 has been included in the statement of income and expenditure since the amount relating to prior periods is not material.

Subsequent to the balance sheet date, shares have been issued by BRAC BD Mail Network and BRAC Renata Agro Industries Ltd.

Loans represent finance provided for working capital and earn 12% - 13.5% interest per annum. These loans have no fixed repayment terms, however, are expected to be repaid latest by year 2001.

5. **Investments in securities and others:**

	1998 Taka	1997 Taka
Shares in listed companies	7,984,108	5,939,926
Deposit for share purchase in listed companies	-	101,050
Debenture	40,000,000	50,000,000
Other program investments (Brick field, Engineering workshop & carpentry)	4,169,763	4,312,495
	<u>52,153,871</u>	<u>60,353,471</u>

The debenture earns interest at 11.5% per annum and matures in December, 1999. Other program investments are made in projects run by VO members on a profit sharing basis.

Subsequent to the balance sheet date, there has been a 40% diminution in the market value of shares in listed companies.

6. **Loans to VO members:**

	1998			Total Taka	1997 Total Taka
	Principal outstanding	Service charge receivable	Loan loss provision		
Opening balance	3,709,145,714	186,176,500	(201,453,194)	3,693,869,020	2,995,907,523
Additions	8,451,423,743	1,232,642,602	(254,721,277)	9,429,345,068	7,627,326,989
Realisation	(7,105,972,290)	(1,161,250,139)	(2,187,198)	(8,269,409,627)	(6,929,365,492)
Write-off	(7,942,244)	(882,472)	8,824,716	-	-
Closing balance	<u>5,046,654,923</u>	<u>256,686,491</u>	<u>(449,536,953)</u>	<u>4,853,804,461</u>	<u>3,693,869,020</u>

Loans to VO members bear service charges ranging from 15% to 25% and are repaid in weekly/bi-weekly/monthly installments. The year-end loan loss provision covers all loans with 12 or more installments past due.

**7. Advances, deposits and prepayments :**

## Advances :

Employees

Others

Deposits

Prepayments

	1998 Taka	1997 Taka
Employees	77,092,546	22,485,691
Others	297,378,830	181,933,999
	<u>374,471,376</u>	<u>204,419,690</u>
Deposits	4,360,435	3,445,816
Prepayments	18,375,329	12,763,433
	<u>397,207,140</u>	<u>220,628,939</u>

Advances of Tk.22,863,959 (Tk.21,845,264 in 1997) have been made to various parties for acquisition of land and property, title for which is yet to be formally obtained. Presently, the title of three plots of land is in dispute and legal cases have been filed by the owners, to secure the title and subsequently transfer it to the name of BRAC. In addition, BRAC has filed litigation against the owners of certain land to secure title.

Advances also include Tk.11,835,702 (Tk.10,770,994 in 1997) for income tax payments by BRAC and deductions at source from rent income.

**8. Sundry debtors/accounts receivable :**

Donations receivable

Interest receivable on fixed deposits and PSPs

Others, stated net of provisions for doubtful debts  
of Tk.10,078,108 (Tk.3,735,364 in 1997)

	1998 Taka	1997 Taka
Donations receivable	296,309,966	123,153,796
Interest receivable on fixed deposits and PSPs	243,254,574	191,272,196
Others, stated net of provisions for doubtful debts of Tk.10,078,108 (Tk.3,735,364 in 1997)	98,636,041	110,811,400
	<u>638,200,581</u>	<u>425,237,392</u>

**9. Current accounts with projects/area office :**

Cash in-transit

Expenditure in-transit

Materials in-transit

Cash in-transit	47,048,484	32,213,688
Expenditure in-transit	111,213,433	21,294,372
Materials in-transit	99,751,284	84,604,897
	<u>258,013,201</u>	<u>138,112,957</u>

**10. Fixed deposits and PSPs :**

Fixed deposits

Patirakhya Sanchya Patras

Fixed deposits	954,921,345	1,083,317,351
Patirakhya Sanchya Patras	255,000,000	255,000,000
	<u>1,209,921,345</u>	<u>1,338,317,351</u>

Fixed deposits and PSPs amounting to Tk.393,329,514 are under lien with commercial banks against overdraft facilities and loan for BRAC Dairy, Baor and SHLDP projects.

**11. Capital fund :**

Opening balance

Surplus for the year

Transfer/adjustments

Closing balance

	1998 Taka	1997 Taka
Opening balance	2,345,887,710	2,261,230,417
Surplus for the year	431,532,856	303,214,343
Transfer/adjustments	14,173,414	(218,557,050)
Closing balance	<u>2,791,593,980</u>	<u>2,345,887,710</u>

	1998 Taka	1997 Taka
<b>12. Donor fund-investment in fixed assets :</b>		
Opening balance	275,026,742	82,079,632
Transferred from Donor fund-general	210,526,968	229,977,078
Transferred to income for depreciation	(12,574,702)	(8,793,943)
Transferred to capital fund	(683,168)	(28,236,025)
Closing balance	<u>472,295,840</u>	<u>275,026,742</u>
<b>13. Donor fund-investment in loan fund :</b>		
Opening balance	1,974,401,438	1,792,318,442
Transferred from Donor fund-general	201,953,374	110,933,805
Loan transfer	-	71,149,191
Closing balance	<u>2,176,354,812</u>	<u>1,974,401,438</u>
<b>14. Motorcycle replacement fund :</b>		
Opening balance	204,763,833	107,857,033
Transferred from :		
Donor fund-general	19,746,707	7,269,395
Capital fund	620,129	160,105,523
Donor fund-investment in fixed asset	-	10,800,046
Transferred to other assets	(6,388)	(103,691,307)
Realisation	-	22,423,143
	<u>225,124,281</u>	<u>204,763,833</u>
<b>15. Donor fund-general :</b>		
Opening balance	42,131,484	69,774,014
Previous year's receivable	(123,153,796)	(125,296,563)
	(81,022,312)	(55,522,549)
Donations received (note 23)	2,183,003,181	1,835,252,394
Transferred to :		
Investment in Fixed assets	(210,526,968)	(229,977,078)
Investment in Loan	(201,953,374)	(110,933,805)
Motorcycle Replacement fund	(19,746,707)	(7,269,395)
Income for expenditure during the year	(1,815,605,469)	(1,521,058,064)
	(145,851,649)	(89,508,497)
Add : Current year's receivable	296,309,966	123,153,796
Adjustment	-	8,486,185
Closing balance	<u>150,458,317</u>	<u>42,131,484</u>

Balance as on 1/1/98	Addition	Utilized	Balance as on 31/12/98
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**16. Other funds :**

Special fund for scholarship	2,046,779	417,979	-	2,464,758
Flood rehabilitation fund	2,000,000	8,103,587	(8,103,587)	2,000,000
Self-insurance fund	-	6,758,670	-	6,758,670
	<u>4,046,779</u>	<u>15,280,236</u>	<u>(8,103,587)</u>	<u>11,223,428</u>

Special fund for scholarship represents Cathorine H Lovel memorial fund which will subsequently be utilized for scholarship program among poor girls.

Commencing 1998, BRAC has created a self-insurance fund to cover the risk of cyclone and fire to BRAC Centre and Aarong Bhaban and damage of motorcycles.

1998 Taka	1997 Taka
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**17. Long-term loans :**

Government of Bangladesh	195,076,500	189,076,500
Palli Karma Shahayak Foundation (PKSF)	810,300,000	400,600,000
Bangladesh Krishi Bank (BKB)	108,112,500	112,649,700
Arab Bangladesh Bank Ltd (ABBL)	100,000,000	-
Al-Baraka Bank	42,000,000	42,000,000
Unibank	60,474,740	47,635,601
	<u>1,315,963,740</u>	<u>791,961,801</u>

Actual loan amounts received/repaid during the year is disclosed in note 24. Fixed deposit and PSPs have been provided as security for certain of the loans. Individual loan terms are detailed below:

- Loan from the Government of Bangladesh is an interest free loan and will be repaid till the completion of IGVGDCP and Poultry for Nutrition program.
- Loan from PKSF was obtained to support the credit program and bears interest at 5% per annum. This loan is repayable in equal quarterly installments in 5 years, starting from April 3, 1997.
- Loan from BKB bears interest at 8% per annum and is repayable in ten half yearly installments, starting from January 31, 1997.
- Loan from ABBL is a 2 year term loan that bears interest at 10% and is repayable at a time on or before August, 1999.
- Loan from Al-Baraka Bank is obtained at a profit markup of 9% repayable on June 6, 1999.
- Loan from Unibank is interest free and is repayable in 10 half yearly installments starting from September 30, 1997.

18. Other liabilities :	1998	1997
	Taka	Taka
Gratuity & redundancy fund	486,502,959	395,910,520
Employees' group insurance fund	25,729,852	23,650,062
VO members' central insurance fund	-	18,262,103
Liability for expenses	345,424,814	264,961,612
Liability for goods	8,935,154	10,352,772
Liability for other finance	63,334,363	79,076,598
	<u>929,927,142</u>	<u>792,213,667</u>

- a. Gratuity fund is created with two months' basic salary (based on basic salary of the last month) for each completed year's service.  
Redundancy fund is provided for on the basis of three months' full salary (based on last month's salary) for each permanent employee to be disbursed as one time termination benefit pay on cessation of service from BRAC.
- b. An amount equivalent to 1% percent of the basic salary of the employees is set aside at the end of each month to cover liabilities arising out of death and other injuries suffered by the employees.
- c. The group member central insurance fund was created by charging 1% of loan disbursement to pay Tk.5000 on the death of a member. From 1997, BRAC stopped this deduction from loan and payment to VO members will be charged-off directly to the statement of income and expenses.

19. Revenue from sales of commercial and support projects:	1998	1997
	Taka	Taka
Aarong	566,233,597	475,084,411
BRAC Printers	145,066,562	157,745,048
BRAC Dairy and Food Project	123,793,854	-
Printing & Publication	8,241,782	6,233,635
Gonokendra Journal	4,067,743	4,240,715
	<u>847,403,538</u>	<u>643,303,809</u>

20. Other income :		
	Service charges	41,084,192
Sectoral income	42,267,706	15,332,557
Rental income	41,551,708	29,094,739
Gain on sale of assets	19,090,229	647,467
Others	27,827,962	25,498,244
	<u>171,821,797</u>	<u>109,912,412</u>

21. Cost of sales of commercial and support projects :		
	Aarong	414,844,702
BRAC Printers	121,101,334	129,973,624
BRAC Dairy and Food Project	108,413,937	-
Printing & Publication	4,947,906	4,841,800
Gonokendra Journal	3,032,533	3,426,320
	<u>652,340,412</u>	<u>479,123,674</u>

22. Loss on investments :		
	Loss on related companies	7,805,208
Diminution in price of securities	2,367,060	3,423,827
Advance to Aarong, UK-written off	-	23,392,960
	<u>10,172,268</u>	<u>116,714,561</u>

**23. Schedule of donations received :**

Name of the projects	Donor	1998 Taka	1997 Taka
Rural Development Programme	NOVIB	131,474,128	145,010,580
	AKF/CIDA	101,219,415	89,216,866
	EC	347,051,428	240,412,259
	DFID	38,235,000	171,149,950
	<b>Total</b>	<b>617,979,971</b>	<b>645,789,655</b>
Reproductive Health and Disease Control	DFID	29,011,240	24,929,458
	UNICEF	-	22,536,122
	SIDA	-	35,422,126
		<b>29,011,240</b>	<b>82,887,706</b>
Rural Service Delivery component and National Integrated population	Pathfinder International	61,405,538	51,903,733
Vulnerable Group Development Credit Programme	GOB	35,000,000	68,846,352
Integrated Nutrition Project	GOB	70,014,159	22,052,386
Social Science Immunization	Royal Tropical Institute	-	4,305,424
Flood Relief and Rehabilitation Program	CIDA	1,505,570	1,899,576
	DFID	80,020,000	
	CESVI	821,270	
	DANIDA	25,000,000	
	NOVIB	17,090,110	5,415,901
	NORAD	39,370,660	
	OXFAM America	1,104,599	2,404,510
	AUSAID	1,523,002	
	German Embassy	1,911,856	
	Local Donors	5,022,880	
	<b>Total</b>	<b>173,369,947</b>	<b>9,719,987</b>
Fisheries Management and Dev. Program	Ford Foundation	-	7,215,813
Education for Under Aged Garment Workers	UNICEF	-	7,882,785
Baor Development Program	DANIDA	-	2,641,560
BRAC Dairy & Food Project	DANIDA	-	48,749,159
Jamuna Bridge	GOB	-	18,642,210



Name of the projects	Donor	1998 Taka	1997 Taka
Nonformal Primary Education (Expansion)	UNICEF	28,934,920	22,722,900
	KFW	206,729,428	278,381,637
	DGIS	87,818,278	113,643,250
	NOVIB	7,180,695	6,732,270
	DFID	183,106,339	178,825,000
	AKF/CIDA	34,123,032	28,173,732
	EC	523,667,172	174,183,741
Total		<u>1,071,559,864</u>	<u>802,662,530</u>
Small Holder Livestock Development Programme	DANIDA	8,097,012	17,529,107
	GOB	5,000,000	15,000,000
	Total	<u>13,097,012</u>	<u>32,529,107</u>
Agroforestry and Block Plantation	EC	<u>50,759,157</u>	<u>2,556,499</u>
Adult Education	GOB	<u>36,811,906</u>	<u>24,620,288</u>
Hard to Reach	GOB	<u>2,029,387</u>	<u>2,247,200</u>
Participatory Livestock Development Programme	DANIDA	<u>17,595,000</u>	-
Poultry for Nutrition	GOB	<u>4,370,000</u>	-
GRAND TOTAL		<u>2,183,003,181</u>	<u>1,835,252,394</u>

24. Long-term loan receipts and repayments:

Name of the creditor	1998 (Taka)			1997 Taka
	Received	Repaid	Net received	
Government of Bangladesh	6,000,000	-	6,000,000	6,676,741
Palli Karma Shhayhak Foundation	410,000,000	300,000	409,700,000	349,600,000
Bangladesh Krishi Bank	6,651,400	11,188,600	(4,537,200)	(1,271,300)
Arab Bangladesh Bank	100,000,000	-	100,000,000	-
Al-Baraka Bank	-	-	-	42,000,000
Unibank, Denmark	29,809,930	16,970,791	12,839,139	(33,413,600)
	<u>552,461,330</u>	<u>28,459,391</u>	<u>524,001,939</u>	<u>363,591,841</u>

1998 Taka	1997 Taka
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25. Foreign currency denominated monetary assets and liabilities:

Cash at bank (in US\$)	10,190,691	892,874
Long term loan for BRAC Dairy and Food Project (in US\$)	<u>60,474,740</u>	<u>47,635,601</u>

26. **Segmental Financial statements:**

Commercial projects of BRAC comprise BRAC Printers, Aarong Rural Craft Centre and BRAC Dairy & Food Project.

Segmental financial statements for commercial projects and charitable & development projects are as follows:

	Commercial Projects	Charitable & Dev. Projects	Total Taka
<b>Balance Sheet as at December 31, 1998</b>			
<u>Property and Assets</u>			
Fixed assets	314,063,532	1,684,606,969	1,998,670,501
Investments in companies/securities	-	195,062,792	195,062,792
Loans to VO members, net	-	4,853,804,461	4,853,804,461
Stocks, stores & spare, net	270,525,762	168,468,573	438,994,335
Other current assets	117,937,125	1,659,094,246	1,777,031,371
Fixed deposits & PSPs	-	1,209,921,345	1,209,921,345
	<u>702,526,419</u>	<u>9,770,958,386</u>	<u>10,473,484,805</u>
<u>Fund and Liabilities</u>			
Capital fund	144,663,831	2,646,930,149	2,791,593,980
Donor funds	-	2,799,108,969	2,799,108,969
Other funds	276,000	236,071,709	236,347,709
Long-term loans-external	102,474,740	1,213,489,000	1,315,963,740
Long-term loans-internal	424,753,651	(424,753,651)	-
VO members deposits	-	2,281,203,584	2,281,203,584
Other current liabilities	30,358,197	1,018,908,626	1,049,266,823
	<u>702,526,419</u>	<u>9,770,958,386</u>	<u>10,473,484,805</u>
<b>Income &amp; Expenditure for the year 1998</b>			
<u>Income</u>			
Service charge on loans to VO members	-	1,237,919,305	1,237,919,305
Revenue from sales	835,094,013	12,309,525	847,403,538
Other income	6,390,064	414,178,449	420,568,513
	<u>841,484,077</u>	<u>1,664,407,279</u>	<u>2,505,891,356</u>
<u>Expenditure</u>			
Salaries & benefits	42,687,331	1,367,096,857	1,409,784,188
Travelling & transportation	8,066,051	184,286,815	192,352,866
Stationery, rent and utilities	32,748,985	128,440,813	161,189,798
Maintenance & general expenses	11,524,446	67,471,813	78,996,259
Publicity, advertisement and commission	15,386,265	-	15,386,265
Program supplies	-	483,228,404	483,228,404
Cost of sales	644,359,973	7,980,439	652,340,412
Interest on members savings & loans	29,845,531	152,621,592	182,467,123
Loan loss provision	-	254,721,277	254,721,277
Depreciation & other provisions	39,356,015	114,810,639	154,166,654
Loss on investments	-	10,172,268	10,172,268
Other expenses	1,843,397	305,889,760	307,733,157
	<u>825,817,994</u>	<u>3,076,720,677</u>	<u>3,902,538,671</u>
Surplus (deficit) before grants	15,666,083	(1,412,313,398)	(1,396,647,315)
Income from grants for operations	-	1,828,180,171	1,828,180,171
Net surplus	<u>15,666,083</u>	<u>415,866,773</u>	<u>431,532,856</u>

Segmental financial statements for commercial projects and charitable & development projects are presented for the first time. Therefore, no comparative figures have been presented.

27. **Comparative figures :**

Certain balances from the prior year have been reclassified to comply with the current year's presentation.