

Audited Financial Statements

BRAC

31 December 1999

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Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

To The Governing Body of BRAC


We have audited the accompanying Balance Sheet of BRAC (registered in Bangladesh at a newly made for Securities Regulation Act 1993 and operating as a non-governmental development organisation) as at December 31, 1999 and the Statement of Income and Expenditure and Cash Flows for the year then ended. These financial statements, which are prepared on the basis of the accounting records of BRAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

BRAC

We conducted our audit in accordance with auditing standards adopted in Bangladesh. 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 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.

31 December 1999

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of BRAC as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in conformity with the accounting principles mentioned in Note 2 of the financial statements.


ERNST & YOUNG
Public Accountants
Kuala Lumpur, Malaysia


S. F. AHMED & CO
Chartered Accountants
Dhaka, Bangladesh

June 28, 2000

ERNST & YOUNG
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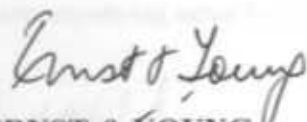
INDEPENDENT AUDITORS' REPORT

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 1860 and operating as a non-government development organisation) as of December 31, 1999 and the related Statements of Income and Expenditure and Cash Flows for the year then ended. These financial statements, which are set out on pages 1 to 15, are the responsibility of BRAC's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards adopted in Bangladesh. 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 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, 1999 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 financial statements.



ERNST & YOUNG
Public Accountants
Kuala Lumpur, Malaysia




S. F. AHMED & CO
Chartered Accountants
Dhaka, Bangladesh

June 24, 2000

BRAC
Balance Sheet as at December 31, 1999

	Notes	1999 Taka	1998 Taka
ASSETS			
Fixed assets	3	2,529,873,746	1,998,670,501
Investments in related undertakings	4	190,129,118	142,908,921
Investments in securities and others	5	42,151,143	52,153,871
Loans to Village Organisation members, net	6	6,550,371,002	4,853,804,461
Motor cycle loans		131,069,112	93,557,613
Stock, stores and spares		820,898,023	538,745,619
Advances, deposits and prepayments	7	493,816,868	397,207,140
Sundry debtors/accounts receivable, net	8	927,489,536	749,414,014
Fixed deposits and PSPs	9	1,057,056,962	1,209,921,345
Cash in hand and at banks	10	205,675,787	437,101,320
		<u>12,948,531,297</u>	<u>10,473,484,805</u>
FUNDS AND LIABILITIES			
Capital fund	11	3,176,423,865	2,791,593,980
Donor fund-investment in fixed assets	12	564,175,493	472,295,840
Donor fund-investment in loan fund	13	1,458,271,344	2,176,354,812
Motorcycle replacement fund	14	232,477,852	225,124,281
Donor fund-general	15	45,798,773	150,458,317
Other funds	16	55,668,024	11,223,428
Long term loans	17	2,162,159,418	1,315,963,740
VO members savings deposits		2,902,953,491	2,237,519,953
VO members project & current accounts		92,982,417	43,683,631
Other liabilities	18	1,213,974,406	929,927,142
Provision for taxation		12,481,746	-
Bank overdraft	19	1,031,164,468	119,339,681
		<u>12,948,531,297</u>	<u>10,473,484,805</u>

The accompanying notes form an integral part of this statement.


Chairman, Governing Body
BRAC
Dhaka, June 24, 2000


Executive Director
BRAC

BRAC
Statement of Income and Expenditure
for the year ended December 31, 1999

	Notes	1999 Taka	1998 Taka
Income			
Service charge on loans to VO members		1,378,922,205	1,237,919,305
Revenue from sales of commercial projects	20(a)	1,027,636,011	835,094,013
Revenue from program support enterprises	20(b)	484,360,140	12,309,525
Interest on bank accounts, fixed deposits & PSPs		118,241,298	131,231,348
Training income		161,771,466	105,975,570
Income from investments	23(a)	7,077,927	11,539,798
Other income	21	243,623,068	171,821,797
		<u>3,421,632,115</u>	<u>2,505,891,356</u>
Expenditure			
Salaries and benefits		1,548,135,626	1,159,491,942
Travelling and transportation		216,853,406	192,352,866
Teachers' salaries		277,206,463	250,292,246
Teachers' training		84,270,026	52,432,440
School rent and maintenance		86,830,742	82,529,347
Stationery, rent and utilities - current year		230,083,654	161,189,798
Stationery, rent and utilities - overprovision in prior year		(44,998,119)	-
Maintenance and general expenses		116,908,749	78,996,259
VO members' training		158,147,540	104,202,338
Staff training and development		95,282,497	66,725,635
Program supplies		723,581,177	483,228,404
Interest on VO members' savings deposits		146,553,814	100,803,842
Interest on long term loans		97,635,497	55,203,679
Bank overdraft interest and charges		43,006,696	28,302,999
Cost of sales of commercial projects	3, 22(a)	777,357,480	650,196,021
Cost of sales of program support enterprises	3, 22(b)	371,250,294	7,980,439
Publicity, advertisement and sales commissions		18,503,891	15,386,265
Loan loss provision for loans to VO members	6	219,965,842	254,721,277
Depreciation of fixed assets	3	156,340,999	137,329,878
Provision for bad and doubtful debts		997,349	79,500
Self-insurance charge allocated to self insurance fund	16	7,602,554	6,758,670
VAT		11,274,949	4,162,558
Loss on investments	23(b)	17,357,607	10,172,268
		<u>5,360,148,733</u>	<u>3,902,538,671</u>
Deficit of program income over expenditure		(1,938,516,618)	(1,396,647,315)
Income from grants for operations		<u>2,317,227,025</u>	<u>1,828,180,171</u>
Surplus of income over expenditure before taxation		378,710,407	431,532,856
Provision for taxation on commercial projects		12,481,746	-
Surplus of income over expenditure transferred to capital fund	11	<u>366,228,661</u>	<u>431,532,856</u>

The accompanying notes form an integral part of this statement.



Chairman, Governing Body
 BRAC
 Dhaka, June 24, 2000



Executive Director
 BRAC

BRAC
Statement of Cash Flows
For the year ended December 31, 1999

	1999 Taka	1998 Taka
Cash flows from operating activities:		
Surplus of income over expenditure	378,710,407	431,532,856
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Loan loss provision	219,965,842	254,721,277
Depreciation and provisions	171,035,359	162,048,101
Gain from disposal of fixed assets	-	(19,090,229)
Income on investments	(3,177,136)	-
Loss on investments in related companies and securities	16,460,585	6,425,308
Donor fund-investment in fixed assets: depreciation adjustment	(14,111,890)	(12,574,702)
Adjustments for other accounts:		
Increase in service charge outstanding on loans to VO members	(39,233,044)	(70,509,991)
Increase in stock, stores and spares	(282,152,404)	(213,487,371)
Increase in advances, deposits and prepayments	(96,609,728)	(186,656,309)
Increase in accounts receivable, net	(178,075,522)	(334,254,730)
Increase in other liabilities	284,047,264	137,713,475
Increase in current accounts with projects/area office loans to VO members written-off	(198,292,035)	-
Increase in motorcycle loans	(37,511,499)	(19,073,956)
Net cash provided by operating activities	<u>221,056,199</u>	<u>274,906,686</u>
Cash flows from investing activities:		
Increase in loans to VO members	(1,679,007,304)	(1,344,146,727)
Disposal of fixed assets	-	88,128,265
Purchase of fixed assets	(702,234,767)	(456,404,129)
Decrease(increase) in fixed deposits and PSPs	152,864,383	128,396,006
Decrease(increase) in investments in related companies	(60,319,076)	(74,870,494)
Decrease(increase) in investment in securities and others	9,818,158	5,832,540
Net cash used in investing activities	<u>(2,278,878,606)</u>	<u>(1,653,064,539)</u>
Cash flows from financing activities:		
Increase/(decrease) in Donor funds (excluding fund for operation expenses)	(709,397,898)	564,621,900
Increase in long term loans	846,195,678	524,001,939
Increase in VO members savings deposits	665,433,538	482,124,420
Increase in VO members project and current accounts	49,298,786	9,654,325
Decrease in group trust fund	-	(19,454,854)
Increase in other funds	63,041,983	417,979
Increase(decrease) in bank overdraft	911,824,787	(61,572,420)
Net cash provided by financing activities	<u>1,826,396,874</u>	<u>1,499,793,289</u>
Net increase in cash in hand and at banks	(231,425,533)	121,635,436
Cash in hand and at banks, beginning of the year	437,101,320	315,465,884
Cash in hand and at banks, end of the year	<u>205,675,787</u>	<u>437,101,320</u>

The accompanying notes form an integral part of this statement.

BRAC
Notes to Financial Statements
December 31, 1999

1. Introduction:

BRAC, a national private development organisation, was formed in 1972 under the Societies Registration Act 1860 in the Shulla area, in north-eastern 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 generating projects such as Printing Press, Dairy and 'Aarong' Retail Shops. BRAC had been declared as tax exempted for its income from projects by a verdict of the High Court. However, consequent upon subsequent legislation being adopted, the income of BRAC derived from commercial activities will be subject to taxation with effect from the financial year 1999.

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. The financial statements are expressed in Bangladesh Taka.

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 account 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 for the purposes of presentation of the financial statements.

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 expenditure yet to be funded, but for which funding has been agreed at year end is recognized as donation or grant 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 stated 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
Crates/Manikins/Samples	33.33

No depreciation is charged on freehold 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 2% (1998 - 3%) 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.

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 generating 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. 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.

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 26 below.

2.10 Head Office overhead expenses

BRAC's Head Office expenses are allocated to various projects and programs at a range of 5 to 10% of their costs, based on agreement with Donors or management's judgement.

2.11 Related Undertakings

Related undertakings refer to separately-established undertakings in which BRAC has effective equity interests of more than 20%. Details of these undertakings are disclosed in Note 4.

BRAC's investments in these undertakings are accounted for by the equity method, with its share of results for each period added to or deducted from the respective investment costs, from the dates of their acquisition and to the dates of their disposal.

3. Fixed assets : Amounts in Taka

Amount in Taka

Group of fixed assets	Cost					Depreciation				Written down value 31-12-99	Written down value 31-12-98
	Opening balance	Additions during the year	Transferred during the year	Disposal during the year	Closing balance	Opening balance	Charged during the year	Adjustment for disposals during the year	Closing Balance		
Freehold land	426,333,060	321,276,962	-	-	747,610,022	-	-	-	-	747,610,022	426,333,060
Buildings	1,037,554,247	-	208,445,976	-	1,246,000,223	120,436,779	40,015,721	-	160,452,500	1,085,547,723	917,117,468
Furniture & fixtures	179,047,132	80,326,024	-	-	259,373,156	81,818,073	27,721,581	-	109,539,654	149,833,502	97,229,059
Equipment	356,961,175	37,730,003	*	(105,000)	394,586,178	149,132,625	46,844,368	(104,950)	195,872,043	198,714,135	207,904,923
Vehicles	159,568,921	14,595,800	-	-	174,164,721	82,660,872	24,683,589	-	107,344,461	66,820,260	76,908,049
Bicycles	9,368,201	882,392	-	-	10,250,593	7,721,190	58,861	-	7,780,051	2,470,542	1,647,011
Machinery	254,526,541	27,046,224	-	-	281,572,765	56,684,533	22,459,523	-	79,144,056	202,428,709	197,842,008
Deep tubewell and tank	3,963,897	259,941	-	-	4,223,838	2,396,141	409,639	-	2,805,780	1,418,058	1,567,756
Hatchery	967,693	69,660	-	-	1,037,353	967,693	10,450	-	978,143	59,210	-
Camp/Poultry/Livestock shed	645,371	0	-	-	645,371	645,369	-	-	645,369	2	2
Motor cycles	1,217,635	65,000	-	-	1,282,635	817,977	72,148	-	890,125	392,510	399,658
Construction Work in progress	59,595,507	211,591,849	(208,445,976)	-	62,741,380	-	-	-	-	62,741,380	59,595,507
Crates/manikins/samples	16,553,348	8,390,912	-	-	24,944,260	4,427,348	8,679,219	-	13,106,567	11,837,693	12,126,000
Total year 1999	2,506,302,728	702,234,767	-	(105,000)	3,208,432,495	507,708,600	170,955,099	(104,950)	678,558,749	2,529,873,746	1,998,670,501
Total year 1998	2,123,122,619	456,404,129	-	(73,224,020)	2,506,302,728	366,720,965	145,097,247	(4,185,985)	507,632,227	1,998,670,501	

Allocation of depreciation:

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

	1999	1998
i)	156,340,999	137,329,878
ii)	14,614,100	7,767,369
	<u>170,955,099</u>	<u>145,097,247</u>

An amount of Tk.14,111,891 (Tk. 12,574,702 in 1998) 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. (Note 12)

4. Investments in related undertakings:

	Shares	Deposit for shares	Retained Earnings (Accumulated deficit)	Loans	1999 Taka	1998 Taka
BRAC Industries Ltd. (cold storage)	24,999,900	-	748,932	-	25,748,832	27,556,505
BRAC BD Mail Network	8,500,000	-	(4,680,868)	2,066,678	5,885,810	8,396,117
Renata Agro Industries Ltd.	-	15,300,000	(8,948,039)	30,085,817	36,437,778	26,356,095
BRAC Service Ltd	-	10,000,000	(9,862,165)	18,833,840	18,971,675	-
Bengal Lands Ltd.	-	50,000,000	-	-	50,000,000	30,000,000
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	-	3,085,023	-	53,085,023	50,600,204
	<u>83,499,900</u>	<u>75,300,000</u>	<u>(19,657,117)</u>	<u>50,986,335</u>	<u>190,129,118</u>	<u>142,908,921</u>

Shareholdings /equity interests of BRAC in BRAC Industries Ltd. is 99%; in Delta BRAC Housing Finance Corp. Ltd. 25%; in BRAC BD Mail Network 90%; in BRAC Renata Agro Industries Ltd. 51%; in Bengal Lands Ltd. 62%; and in BRAC Service Ltd 100%.

BRAC's investments in the related undertakings are represented by its share in the respective net tangible assets

Loans represent finance provided for working capital and earn 12% - 20% interest per annum. These loans have no fixed repayment terms, but are expected to be repaid by year 2001.

5. Investments in securities and others:

	1999 Taka	1998 Taka
Shares in companies listed in Bangladesh		
Original cost	13,774,995	13,774,995
Written down to market value	(5,975,457)	(5,790,887)
At lower of cost and market value	7,799,538	7,984,108
Debenture	30,000,000	40,000,000
Other program investments (Brick field, Engineering workshop & carpentry)	4,351,605	4,169,763
	<u>42,151,143</u>	<u>52,153,871</u>

Market value of shares in listed companies 10,648,376 8,250,274

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

6. Loans to Village Organisation members:

	1999			Total Taka	1998 Total Taka
	Principal outstanding	Service charge receivable	Loan loss provision		
Opening balance	5,046,654,923	256,686,491	(449,536,953)	4,853,804,461	3,693,869,020
Additions	10,843,341,145	1,394,515,259	(219,965,842)	12,017,890,562	9,429,345,068
Realisation	(8,991,084,574)	(1,330,239,447)	-	(10,321,324,021)	(8,269,409,627)
Write-off	(173,249,267)	(25,042,768)	198,292,035	-	-
Closing balance	<u>6,725,662,227</u>	<u>295,919,535</u>	<u>(471,210,760)</u>	<u>6,550,371,002</u>	<u>4,853,804,461</u>

Loans to VO members bear service charges ranging from 15% to 25% per annum and are repaid in weekly/bi-weekly/monthly installments. The year-end loan loss provision covers all loans 3 or more months past due.

	1999 Taka	1998 Taka
7. Advances, deposits and prepayments :		
Advances :		
Employees	75,345,492	77,092,546
Suppliers	387,012,515	297,378,830
	<u>462,358,007</u>	<u>374,471,376</u>
Deposits for facilities and utilities	2,121,809	4,360,435
Prepayments	29,337,052	18,375,329
	<u>493,816,868</u>	<u>397,207,140</u>
8. Sundry debtors/accounts receivable :		
Donations and grants receivable	517,252,385	296,309,966
Interest receivable on fixed deposits and PSPs	293,493,116	243,254,574
Others, stated net of provisions for doubtful debts of Tk.10,302,995 (1998 : Tk.4,331,527)	116,744,035	209,849,474
	<u>927,489,536</u>	<u>749,414,014</u>
9. Fixed deposits and PSPs :		
Fixed deposits	802,056,962	954,921,345
* Patirakhya Sanchya Patras (PSPs)	255,000,000	255,000,000
	<u>1,057,056,962</u>	<u>1,209,921,345</u>
* PSPs are defence Savings Certificates issued by the Government of Bangladesh.		
Fixed deposits and PSPs amounting in aggregate to Tk.1,055,027,796 have been pledged to secure term loan and overdraft facilities (Notes 17 and 19) .		
10. Cash in hand and at banks		
Cash in hand	24,562,882	19,684,039
Cash at banks	181,112,905	417,417,281
	<u>205,675,787</u>	<u>437,101,320</u>
11. Capital fund :		
Opening balance	2,791,593,980	2,345,887,710
Surplus for the year	366,228,661	431,532,856
Transfers	18,601,224	14,173,414
Closing balance	<u>3,176,423,865</u>	<u>2,791,593,980</u>
12. Donor fund-investment in fixed assets :		
Opening balance	472,295,840	275,026,742
Transferred from Donor fund-general (Note 15)	124,592,768	210,526,968
Transferred to income for depreciation (Note 3)	(14,111,891)	(12,574,702)
Transferred to capital fund	(18,601,224)	(683,168)
Closing balance	<u>564,175,493</u>	<u>472,295,840</u>

	1999 Taka	1998 Taka
13. Donor fund-investment in loan fund :		
Opening balance	2,176,354,812	1,974,401,438
Transferred from/(to) Donor fund-general (Note 15)	(648,110,197)	201,953,374
Loan transferred to other funds (Note 16)	(69,973,271)	-
Closing balance	<u>1,458,271,344</u>	<u>2,176,354,812</u>
14. Motorcycle replacement fund :		
Opening balance	225,124,281	204,763,833
Transferred from :		
Donor fund-general (Note 15)	7,353,571	19,746,707
Capital fund	-	620,129
Transferred to other assets	-	(6,388)
Closing balance	<u>232,477,852</u>	<u>225,124,281</u>
15. Donor fund-general :		
Opening balance	150,458,317	42,131,484
Previous year's receivable	(296,309,966)	(123,153,796)
	<u>(145,851,649)</u>	<u>(81,022,312)</u>
Donations received (note 24)	1,446,476,726	2,183,003,181
Transferred (to)/from :		
Investment in Fixed assets (Note 12)	(124,592,768)	(210,526,968)
Investment in Loan (Note 13)	648,110,197	(201,953,374)
Motorcycle Replacement fund (Note 14)	(7,353,571)	(19,746,707)
Income for expenditure during the year	<u>(2,303,115,135)</u>	<u>(1,815,605,469)</u>
	<u>(486,326,200)</u>	<u>(145,851,649)</u>
Add : Current year's receivable (Note 8)	517,252,385	296,309,966
Adjustment	14,872,588	-
Closing balance	<u>45,798,773</u>	<u>150,458,317</u>

	Balance as on 1/1/99	Addition	Utilized	Balance as on 31/12/99
16. Other funds :				
Special fund for scholarship	2,464,758	48,104	-	2,512,862
Flood rehabilitation fund	2,000,000	69,973,271	(33,179,333)	38,793,938
Self-insurance fund	6,758,670	7,602,554	-	14,361,224
	<u>11,223,428</u>	<u>77,623,929</u>	<u>(33,179,333)</u>	<u>55,668,024</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. The self insurance fund is based on estimates by the Governing Body and the management. It is the intention that formal independent advice will be sought during the following financial year, on the size of the fund to be held.

1999	1998
Taka	Taka

17. Long-term loans :

Government of Bangladesh	212,579,000	195,076,500
Palli Karma Shahayak Foundation (PKSF)	1,378,000,000	810,300,000
*Bangladesh Krishi Bank (BKB)	96,720,400	108,112,500
Arab Bangladesh Bank Ltd (ABBL)	100,000,000	100,000,000
*American Express Bank Ltd (AEBL)	190,000,000	-
*Pubali Bank Ltd	100,000,000	-
*Al-Baraka Bank Bangladesh Ltd	42,000,000	42,000,000
Unibank	42,860,018	60,474,740
	<u>2,162,159,418</u>	<u>1,315,963,740</u>

* Secured

Actual loan amounts received/repaid during the year is disclosed in Note 25. Fixed deposit and PSPs amounting in aggregate to Tk.428,720,000 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 IGVDGP and Poultry for Nutrition program, expected to be beyond 2005.
- Loan from PKSF was obtained to support the credit program and bears service charge at 5% per annum. This loan is repayable in equal half-yearly installments in 10 years, starting from April 3, 1997.
- Loan from BKB bears interest at 8% per annum and is repayable in twenty half yearly installments, starting from January 01, 1998 and ending on July 01, 2007.
- Loan from ABBL is a 2 year term loan that bears interest at 11% per annum, and is repayable at a time on or before August, 2001.
- Loan from Al-Baraka Bank is obtained at a profit markup of 9%, and is repayable on May 6, 2000.
- Loan from Unibank is interest free and is repayable in 10 half yearly installments, starting from September 30, 1997.
- Loan from AEBL bears interest at 11% per annum, and is repayable in November 2000.
- Loan from Pubali Bank Ltd. bears interest at 11% per annum, and is repayable on or before December 31, 2000.

18. Other liabilities :

Gratuity & redundancy fund (Note a)	599,032,899	486,502,959
Employees' group insurance fund (Note b)	31,267,019	25,729,852
Liabilities for expenses	500,447,954	345,424,814
Liabilities for goods	20,887,483	8,935,154
Advances received for training, publications, etc.	62,339,051	63,334,363
	<u>1,213,974,406</u>	<u>929,927,142</u>

- Gratuity fund is provided for on the basis of 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.
- 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.

	1999 Taka	1998 Taka
19. Bank overdraft		
*Standard Chartered Bank	328,436,376	12,732,185
Pubali Bank Ltd	508,144,322	-
*Credit Agricole Indosuez	154,588,770	-
Southeast Bank Ltd	39,995,000	-
Society General Bank	-	96,405,174
ANZ Grindlays Bank	-	10,202,322
	<u>1,031,164,468</u>	<u>119,339,681</u>
* Secured by fixed deposits and PSPs amounting in aggregate to Tk.626,307,796		
Terms and conditions of individual overdraft are detailed below:		
a. Overdraft from Standard Chartered Bank was obtained for working capital finance and bears interest at 10.75% per annum. This is repayable on demand.		
b. Overdraft from Pubali Bank Ltd bears interest at 11% per annum, and is repayable on or before December 31, 2000		
c. Overdraft from Credit Agricole Indosuez was obtained for micro credit program, bears interest at 10.75% per annum, and is repayable on or before June 14, 2000		
d. Overdraft from Southeast Bank Ltd was obtained to refinance micro credit operations, bears interest at 13.5% per annum, and is repayable before November 2000		
20. (a) Revenue from sales of commercial projects:		
Aarong	653,819,445	566,233,597
BRAC Printers	139,313,750	145,066,562
BRAC Dairy and Food Project	234,502,816	123,793,854
	<u>1,027,636,011</u>	<u>835,094,013</u>
20. (b) Revenue from program support enterprises:		
Program Support Enterprise	466,634,124	-
Printing & Publication	13,913,280	8,241,782
Gonokendra Journal	3,812,736	4,067,743
	<u>484,360,140</u>	<u>12,309,525</u>
21. Other income :		
Service charges	59,268,726	41,084,192
Sectoral income	56,501,884	42,267,706
Rental income	53,239,310	41,551,708
Gain on disposal of assets	-	19,090,229
Others	74,613,148	27,827,962
	<u>243,623,068</u>	<u>171,821,797</u>
22. (a) Cost of sales of commercial projects :		
Aarong	485,250,386	421,674,537
BRAC Printers	109,543,571	120,107,547
BRAC Dairy and Food Project	182,563,523	108,413,937
	<u>777,357,480</u>	<u>650,196,021</u>
22. (b) Cost of sales of program support enterprises :		
Program Support Enterprise	361,605,263	-
Printing & Publication	7,235,073	4,947,906
Gonokendra Journal	2,409,958	3,032,533
	<u>371,250,294</u>	<u>7,980,439</u>

	1999 Taka	1998 Taka
23. (a) Income from Investments		
Share of profits in related undertakings	3,177,136	3,156,809
Debenture interest	2,277,639	5,872,553
Others	1,623,152	2,510,436
	<u>7,077,927</u>	<u>11,539,798</u>
23. (b) Loss on Investment		
Share of losses in related undertakings	16,276,015	7,805,208
Diminution in market value of listed shares	184,570	2,367,060
Advances on Aarong overseas venture written off	897,022	-
	<u>17,357,607</u>	<u>10,172,268</u>

24. Schedule of donations received :

Name of the projects	Donor	1999 Taka	1998 Taka
Rural Development Programme	NOVIB	9,396,013	131,474,128
	AKF/CIDA	52,521,738	101,219,415
	EC	154,213,652	347,051,428
	DFID	-	38,235,000
		<u>216,131,403</u>	<u>617,979,971</u>
Reproductive Health and Disease Control	DFID	79,187,091	29,011,240
	SIDA	7,907,710	-
		<u>87,094,801</u>	<u>29,011,240</u>
Rural Service Delivery component of National Integrated Population and Health Programme	Pathfinder International	95,330,885	61,405,538
Vulnerable Group Development Credit Programme	GOB	35,000,000	35,000,000
National Facilitation Program (BINP)	GOB	125,168,737	70,014,159
Arsenic Mitigation	UNICEF	6,435,771	-
Flood Relief and Rehabilitation Programme	CIDA	-	1,505,570
	DFID	-	80,020,000
	CESVI	-	821,270
	DANIDA	7,750,000	25,000,000
	NOVIB	-	17,090,110
	NORAD	-	39,370,660
	OXFAM America	-	1,104,599
	E C	77,046,433	-
	AUSAID	-	1,523,002
	German Embassy	-	1,911,856
	Local Donors	-	5,022,880
			<u>84,796,433</u>
Integrated Food Assisted Rehabilitation.	World Food Program	3,656,500	-

Name of the projects	Donor	1999 Taka	1998 Taka
Education for Under Aged Garment Workers	UNICEF	8,894,619	-
Implementation of Guidelines for Compensating Erosion Flood Affected Persons	GOB	10,849,766	-
Nonformal Primary Education (Expansion)	UNICEF	37,242,489	28,934,920
	KFW	81,226,576	206,729,428
	DGIS	-	87,818,278
	NOVIB	35,009,797	7,180,695
	DFID	225,706,535	183,106,339
	AKF/CIDA	69,877,981	34,123,032
	EC	210,965,792	523,667,172
	Others	49,755	-
		660,078,925	1,071,559,864
Small Holder Livestock Development Programme	DANIDA	-	8,097,012
	GOB	13,478,012	5,000,000
		13,478,012	13,097,012
Agroforestry and Block Plantation	EC	17,722,200	50,759,157
Adult Literacy Programme	GOB	11,549,856	36,811,906
Basic Education for Hard to Reach Urban Working Children	GOB	4,562,618	2,029,387
Participatory Livestock Development Programme	DANIDA	60,196,200	17,595,000
Homestead Poultry as the Means of Generating Earnings for and Improving Nutritional Status of the Poor Households of the Selected Thana (Poultry for Nutrition)	GOB	5,530,000	4,370,000
TOTAL		1,446,476,726	2,183,003,181

25. Long-term loan receipts and payments :

Long term loan amounts received and repaid during the year were as follows :

Name of the creditor	1999 (Taka)			1998 Taka
	Received	Repaid	Net received	
Government of Bangladesh	17,502,500	-	17,502,500	6,000,000
Palli Karma Shahayak Foundation	570,000,000	2,300,000	567,700,000	409,700,000
Bangladesh Krishi Bank	-	11,392,100	(11,392,100)	(4,537,200)
Arab Bangladesh Bank	-	-	-	100,000,000
Pubali Bank Ltd	100,000,000	-	100,000,000	-
American Express Bank	190,000,000	-	190,000,000	-
Unibank, Denmark	-	17,614,722	(17,614,722)	12,839,139
	877,502,500	31,306,822	846,195,678	524,001,939

26. Foreign currency denominated monetary assets and liabilities :

	1999 Taka	1998 Taka
Cash at bank (in US\$)	263,534	10,190,691
Long term loan for BRAC Dairy and Food Project (in US\$)	42,860,018	60,474,740

27. Segmental Financial Information:

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

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

	Commercial Projects	Charitable & Dev. Projects	Total Taka
Balance Sheet as at December 31, 1999			
<u>Assets</u>			
Fixed assets	319,621,021	2,210,252,725	2,529,873,746
Investments in companies/securities	-	232,280,261	232,280,261
Loans to VO members, net	-	6,550,371,002	6,550,371,002
Stocks, stores & spare, net	278,059,268	542,838,755	820,898,023
Other current assets	131,718,936	1,626,332,367	1,758,051,303
Fixed deposits & PSPs	-	1,057,056,962	1,057,056,962
	<u>729,399,225</u>	<u>12,219,132,072</u>	<u>12,948,531,297</u>
<u>Funds and Liabilities</u>			
Capital fund	127,678,959	3,048,744,906	3,176,423,865
Donor funds	-	2,068,245,610	2,068,245,610
Other funds	276,000	287,869,876	288,145,876
Long-term loans-external	84,860,018	2,077,299,400	2,162,159,418
Long-term loans-internal	449,317,076	(449,317,076)	-
VO members deposits	-	2,902,953,491	2,902,953,491
Provision for tax	12,481,746	-	12,481,746
Other current liabilities	54,785,426	2,283,335,865	2,338,121,291
	<u>729,399,225</u>	<u>12,219,132,072</u>	<u>12,948,531,297</u>
Income & Expenditure for the year 1999			
<u>Income</u>			
Service charge on loans to VO members	-	1,378,922,205	1,378,922,205
Revenue from sales	1,027,636,011	484,360,140	1,511,996,151
Other income	3,126,896	527,586,863	530,713,759
	<u>1,030,762,907</u>	<u>2,390,869,208</u>	<u>3,421,632,115</u>
<u>Expenditure</u>			
Salaries & benefits	49,646,739	1,775,695,350	1,825,342,089
Travelling & transportation	8,111,798	208,741,608	216,853,406
Stationery, rent and utilities	37,562,753	147,522,782	185,085,535
Maintenance & general expenses	11,098,788	105,809,961	116,908,749
Publicity, advertisement and commission	8,529,013	9,974,878	18,503,891
Program supplies	-	723,581,177	723,581,177
Cost of sales	777,357,480	371,250,294	1,148,607,774
Interest on members savings & loans	41,021,478	246,174,529	287,196,007
Loan loss provision	-	219,965,842	219,965,842
Depreciation & other provisions	36,210,503	128,730,399	164,940,902
Loss on investments	-	17,357,607	17,357,607
VAT	11,274,949	-	11,274,949
Other expenses	22,421	424,508,384	424,530,805
	<u>980,835,922</u>	<u>4,379,312,811</u>	<u>5,360,148,733</u>
Surplus (deficit) before grants	49,926,985	(1,988,443,603)	(1,938,516,618)
Income from grants for operations	-	2,317,227,025	2,317,227,025
Surplus before taxation	49,926,985	328,783,422	378,710,407
Provision for taxation on commercial projects	12,481,746	-	12,481,746
Net Surplus after taxation	<u>37,445,239</u>	<u>328,783,422</u>	<u>366,228,661</u>

28. Comparative Amounts:

Certain comparative amounts in respect of the previous financial year have been reclassified to conform with the presentation adopted for the current financial year.