

Audited Financial Statements

BRAC

31 December 2000

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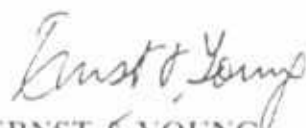
INDEPENDENT AUDITORS' REPORT

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, 2000 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 17, 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 presentation of the financial statements. 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, 2000 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

May 30, 2001

BRAC
Balance Sheet as at December 31, 2000

	Notes	2000 Taka	1999 Taka
ASSETS			
Fixed assets	3	3,020,016,265	2,529,873,746
Investments in related undertakings	4	206,635,581	190,129,118
Investments in securities and others	5	77,305,969	42,151,143
Loans to Village Organisation members, net	6	7,310,962,622	6,550,371,002
Motor cycle loans		133,209,153	131,069,112
Inventories	7	803,072,435	820,898,023
Advances, deposits and prepayments	8	319,679,286	493,816,868
Grants and accounts receivables, net	9	875,131,415	927,489,536
Fixed deposits and PSPs	10	1,177,904,421	1,057,056,962
Cash in hand and at banks	11	385,803,475	205,675,787
		14,309,720,622	12,948,531,297
FUNDS AND LIABILITIES			
Capital fund	12	5,210,579,987	3,176,423,865
Donor fund-investment in fixed assets	13	544,103,937	564,175,493
Donor fund-investment in loan fund	14	-	1,458,271,344
Motorcycle replacement fund	15	180,615,766	232,477,852
Donor fund-general	16	18,189,531	45,798,773
Other funds	17	71,637,275	55,668,024
Term loans	18	2,951,562,680	2,162,159,418
VO members savings deposits	19	3,550,373,268	2,902,953,491
VO members project & current accounts		73,052,432	92,982,417
Other liabilities	20	1,275,348,053	1,213,974,406
Provision for taxation		31,741,030	12,481,746
Bank overdrafts	21	402,516,663	1,031,164,468
		14,309,720,622	12,948,531,297

The accompanying notes form an integral part of this statement.



Chairman, Governing Body
BRAC
Dhaka, May 30, 2001



Executive Director
BRAC

BRAC
Statement of Income and Expenditure
for the year ended December 31, 2000

	Notes	2000 Taka	1999 Taka
Income			
Service charge on loans to VO members		1,893,023,196	1,378,922,205
Revenue from commercial projects	22(a)	1,173,113,604	1,027,636,011
Revenue from program support enterprises	22(b)	1,037,366,328	484,360,140
Interest on bank accounts, fixed deposits & PSPs		169,272,727	118,241,298
Training income		95,542,733	161,771,466
Income from investments	26(a)	25,372,325	7,077,927
Foreign exchange gain -unrealised		10,296,700	-
Other income	23	273,820,435	243,623,068
		<u>4,677,808,048</u>	<u>3,421,632,115</u>
Expenditure			
Salaries and benefits		1,562,899,979	1,548,135,626
Travelling and transportation		188,751,402	216,853,406
Teachers' salaries		272,855,664	277,206,463
Teachers' training		33,864,034	84,270,026
School rent and maintenance		63,549,740	86,830,742
Stationery, rent and utilities		202,816,984	185,085,535
Maintenance and general expenses		111,841,747	116,908,749
VO members' training		128,655,899	158,147,540
Staff training and development		90,008,598	95,282,497
Program supplies		531,407,327	718,757,604
Interest on VO members' savings deposits		196,272,685	146,553,814
Interest on long term loans		163,088,980	97,635,497
Bank overdraft interest and charges		75,513,020	43,006,696
Cost of sales of commercial projects	3, 24(a)	886,524,111	777,357,480
Cost of sales of program support enterprises	3, 24(b)	811,394,800	371,250,294
Publicity, advertisement and sales commissions		24,882,689	18,503,891
Loan loss provision for loans to VO members	6	271,814,612	219,965,842
Depreciation of fixed assets	3	183,279,877	156,340,999
Provision for bad and doubtful debts		2,324,997	997,349
Provision for inventory obsolescence		5,053,376	4,823,573
Foreign exchange loss- unrealised		4,905,210	-
Allocation to self- insurance fund	17	8,394,099	7,602,554
Value Added Tax	25	848,184	11,274,949
Loss on investments	26(b)	23,099,749	17,357,607
		<u>5,844,047,763</u>	<u>5,360,148,733</u>
Deficit of program income over expenditure		(1,166,239,715)	(1,938,516,618)
Transfers from Donor funds	27	<u>1,706,132,812</u>	<u>2,317,227,025</u>
Surplus of income over expenditure before taxation		539,893,097	378,710,407
Provision for taxation on commercial projects		(19,259,284)	(12,481,746)
Net surplus of income over expenditure transferred to capital fund	12	<u>520,633,813</u>	<u>366,228,661</u>

The accompanying notes form an integral part of this statement.



Chairman, Governing Body
BRAC
Dhaka, May 30, 2001



Executive Director
BRAC

BRAC
Statement of Cash Flows
For the year ended December 31, 2000

	2000 Taka	1999 Taka
Cash flows from operating activities:		
Surplus of income over expenditure before taxation	539,893,097	378,710,407
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Loan loss provision	271,814,612	219,965,842
Depreciation	202,027,513	171,035,359
Gain on disposal of fixed assets	(4,381,151)	
Share of profits in related undertakings	(16,038,139)	(3,177,136)
Share of losses in related undertakings	9,233,714	16,460,585
Donor fund-investment in fixed assets: depreciation adjustment	(43,299,797)	(14,111,890)
Adjustments for other accounts:		
Decrease/(Increase) in service charge outstanding on loans to VO members	172,551,010	(39,233,044)
Decrease/(Increase) in inventories	17,825,588	(282,152,404)
Decrease/(Increase) in advances, deposits and prepayments	174,137,582	(96,609,728)
Decrease/(Increase) in accounts receivable, net	52,358,121	(178,075,522)
Increase in other liabilities	61,373,647	284,047,264
loans to VO members written-off net of realisation	(198,164,985)	(198,292,035)
Increase in motorcycle loans	(2,140,041)	(37,511,499)
Net cash provided by operating activities	<u>1,237,190,771</u>	<u>221,056,199</u>
Cash flows from investing activities:		
Increase in loans to VO members	(1,006,792,257)	(1,679,007,304)
Purchase of fixed assets	(715,806,145)	(702,234,767)
Proceeds from disposal of fixed assets	28,017,264	-
(Increase)/Decrease in fixed deposits and PSPs	(120,847,459)	152,864,383
Increase in investments in related companies	(9,702,038)	(60,319,076)
(Increase)/Decrease in investment in securities and others	(35,154,826)	9,818,158
Net cash used in investing activities	<u>(1,860,285,461)</u>	<u>(2,278,878,606)</u>
Cash flows from financing activities:		
Decrease in Donor funds (excluding transfers to capital fund and statement of income and expenditure)	(992,122)	(709,397,898)
Increase in term loans	789,403,262	846,195,678
Increase in VO members savings deposits	647,419,777	665,433,538
(Decrease)/Increase in VO members project and current accounts	(19,929,985)	49,298,786
Increase in other funds	15,969,251	63,041,983
(Decrease)/Increase in bank overdrafts	(628,647,805)	911,824,787
Net cash provided by financing activities	<u>803,222,378</u>	<u>1,826,396,874</u>
Net increase in cash in hand and at banks	180,127,688	(231,425,533)
Cash in hand and at banks, beginning of the year	205,675,787	437,101,320
Cash in hand and at banks, end of the year	<u>385,803,475</u>	<u>205,675,787</u>

The accompanying notes form an integral part of this statement.

BRAC
Notes to Financial Statements
December 31, 2000

Introduction:

BRAC, a national private development organisation, was formed in 1972 under the Societies Registration Act 1860. 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 poor people of Bangladesh. BRAC also earns from various income generating projects such as Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food Project. 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 is to be subject to taxation with effect from the financial year 1999.

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.

The significant accounting policies followed are summarized below:

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.

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 Village Organisation (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 grant receivable. In addition, amounts equivalent to depreciation expenses on donor funded fixed assets are transferred to the statement of income and expenditure.

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.

3 Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for 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.

4 Loans to VO members

BRAC's activities includes providing micro-credit loans to 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% 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, so as to reduce by equivalent amounts the charges to the statement of income and expenditure during the financial year in respect of loan loss provision arising.

5 Investments in related companies

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.

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.

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 inventories are stated at cost based on selling price less average mark-up and other inventories are stated at cost. Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

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.

9 Foreign currency translations

BRAC maintains its books of account in Bangladesh Taka. Transactions in foreign currencies are translated into Taka at the rate of exchange prevailing at the dates of transactions. Monetary 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 30 below.

10 Head Office overhead expenses

BRAC's Head Office overhead 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.

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.

12 Self – Insurance funds

Since 1998, BRAC has created a self-insurance fund to cover the risk of cyclone and fire to the BRAC Centre and Aarong Bhaban properties and damage of motorcycles. The self-insurance fund is based on estimates by the Governing Body and the management, and is not externally funded.

BRAC also sets aside monthly amount equivalent to 3% of the basic salary of employees, to constitute the group self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by the employees. The terms of employment provide for payment in the event of death or permanent injury, of amounts ranging from 12 months' equivalent of basic salary in the first year of employment, to 50 months' equivalent of basic salary in the 10th year of employment onwards. The self-insurance fund for employees is held as a provision and is not externally funded.

BRAC has commissioned actuarial reviews of these funds, and expects the results of the reviews during 2001.

13 Employee Gratuity and Redundancy funds

BRAC makes provisions for a Gratuity fund on the basis of two months' basic salary (based on basic salary of the last month) for each completed year's service. The gratuity fund is held as a provision and is not externally funded. The rate applied in making these provisions represents the rate applicable for gratuity obligations.

BRAC makes provisions for a Redundancy fund on the basis of three months' full salary (based on basic salary of the last month) for each permanent employee, to be disbursed as one time termination benefit in the event of cessation of service from BRAC on grounds of redundancy. The redundancy fund is held as a provision and is not externally funded. The rate applied in making these provisions represents the rate applicable in the event of such cessation..

3. Fixed assets : Amounts in Taka

Group of fixed assets	Cost					Depreciation				Written down value 31-12-2000	Written down value 31-12-99
	Opening balance	Additions during the year	Transferred during the year	Disposals during the year	Closing balance	Opening balance	Charged during the year	Adjustment for disposals during the year	Closing Balance		
Freehold land	747,610,022	236,224,777	-	(1,450,240)	982,384,559	-	-	-	-	982,384,559	747,610,022
Buildings	1,246,000,223	-	305,324,350	(19,827,528)	1,531,497,045	160,452,500	46,185,429	-	206,637,929	1,324,859,116	1,085,547,723
Furniture & fixtures	259,373,156	31,706,143	-	-	291,079,299	109,539,654	30,069,136	-	139,608,790	151,470,509	149,833,502
Equipment	394,586,178	120,984,906	6,759,485	-	522,330,569	195,872,043	65,132,152	-	261,004,195	261,326,374	198,714,135
Vehicles	174,164,721	13,579,930	-	-	187,744,651	107,344,461	21,479,469	-	128,823,930	58,920,721	66,820,260
Bicycles	10,250,593	40,641	-	(509,000)	9,782,234	7,780,051	943,262	(450,250)	8,273,063	1,509,171	2,470,542
Machinery	281,572,765	185,590	(6,759,485)	(2,299,595)	272,699,275	79,144,056	22,841,262	-	101,985,318	170,713,957	202,428,709
Deep tubewell and tank	4,223,838	445,742	-	-	4,669,580	2,805,780	124,468	-	2,930,248	1,739,332	1,418,058
Hatchery	1,037,353	943,549	-	-	1,980,902	978,143	23,742	-	1,001,885	979,017	59,210
Camp/Poultry/Livestock sheds	645,371	-	-	-	645,371	645,369	-	-	645,369	2	2
Motor cycles	1,282,635	399,976	-	-	1,682,611	890,125	109,067	-	999,192	683,419	392,510
Construction Work in progress	62,741,380	298,202,741	(305,324,350)	-	55,619,771	-	-	-	-	55,619,771	62,741,380
Crates/mannequins/samples	24,944,260	13,092,150	-	-	38,036,410	13,106,567	15,119,526	-	28,226,093	9,810,317	11,837,693
Total 2000	3,208,432,495	715,806,145	-	(24,086,363)	3,900,152,277	678,558,749	202,027,513	(450,250)	880,136,012	3,020,016,265	2,529,873,746
Total 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	

Allocation of depreciation:

	<u>2000</u>	<u>1999</u>
i) shown in statement of income and expenditure	183,279,877	156,340,999
ii) included in cost of sales	18,747,636	14,614,100
	<u>202,027,513</u>	<u>170,955,099</u>

An amount of Tk.31,812,308 (Tk. 14,111,891 in 1999) 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. (Notes 13, 27)

Landed properties with an aggregate net book value of Tk. 275,526,729 have been pledged to secure bank overdraft facilities (Note 21)

Investments in related undertakings:

	Shares	Deposit for shares	Retained Earnings (Accumulated deficit)	Loans	2000 Taka	1999 Taka
BRAC Industries Ltd. (cold storage)	24,999,900	-	748,932	-	25,748,832	25,748,832
BRAC BD Mail Network	8,500,000	-	(2,794,260)	-	5,705,740	5,885,810
BRAC Renata Agro Industries Ltd.	-	15,300,000	(1,575,463)	25,615,406	39,339,943	36,437,778
BRAC Service Ltd	-	10,000,000	(19,095,879)	25,072,967	15,977,088	18,971,675
BRAC Concord Lands Ltd (formerly known as Bengal Lands Ltd.)	-	60,000,000	1,111,290	-	61,111,290	50,000,000
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	-	8,752,688	-	58,752,688	53,085,023
	<u>83,499,900</u>	<u>85,300,000</u>	<u>(12,852,692)</u>	<u>50,688,373</u>	<u>206,635,581</u>	<u>190,129,118</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. 51%; and in BRAC Service Ltd 100%.

BRAC's investments in the related undertakings are represented by its share in the respective net tangible assets. These loans represent finance provided for working capital and earn 12% - 20% (1999: 12%- 20%) interest per annum. These loans have no fixed repayment terms, but are expected to be repaid by year 2001.

Investments in securities and others:

	2000 Taka	1999 Taka
Shares in companies listed in Bangladesh		
Original cost	9,544,706	13,774,995
Written down to market value	(4,592,646)	(5,975,457)
At lower of cost and market value	4,952,060	7,799,538
Debentures	70,000,000	30,000,000
Other program investments (Brick field, Engineering workshop & carpentry)	2,353,909	4,351,605
	<u>77,305,969</u>	<u>42,151,143</u>
Market value of shares in listed companies	<u>5,640,090</u>	<u>10,648,376</u>

The debentures earn interest at 11.5% - 12.75% (1999: 11.5%) per annum. Other program investments are made in projects run by VO members on a profit sharing basis.

Debentures of Tk,30,000,000 have been pledged as security for overdrafts facilities (1999: Tk 30,000,000)

Loans to Village Organisation members, net:

	2000			Total Taka	1999 Total Taka
	Principal outstanding	Service charge receivable	Loan loss provision		
Opening balance	6,725,662,227	295,919,535	(471,210,760)	6,550,371,002	4,853,804,461
Additions	13,545,998,829	1,893,023,196	(271,814,612)	15,167,207,413	12,017,890,562
Realisation	(12,331,704,722)	(2,047,859,783)	(27,051,288)	(14,406,615,793)	(10,321,324,021)
Write-off	(207,501,850)	(17,714,423)	225,216,273	-	-
Closing balance	<u>7,732,454,484</u>	<u>123,368,525</u>	<u>(544,860,387)</u>	<u>7,310,962,622</u>	<u>6,550,371,002</u>

Loans to VO members bear annual service charges as follows:

Micro – credit	15% flat
Housing loans	10% flat

Repayments are made in weekly/bi-weekly/monthly installments. The year-end loan loss provision based on 2% of disbursement made covers all loans 3 or more months past due.

2000 Taka	1999 Taka
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7. Inventories :

Seeds & Feeds	265,600,811	206,941,923
Medicine, Napkin, Cotton, Salt	18,141,260	26,567,071
Books, Pass books, Application forms	96,465,994	174,221,783
Handicrafts goods	210,307,895	209,018,163
Milk, Youghart drink, Skimed milk, Butter, Ghee	19,418,612	22,246,092
Program materials	193,137,863	181,902,991
	<u>803,072,435</u>	<u>820,898,023</u>

8. Advances, deposits and prepayments :

Advances :

Employees	28,965,534	75,345,492
Suppliers	195,879,666	344,562,971
Advance for tax	50,706,800	42,449,544
	<u>275,552,000</u>	<u>462,358,007</u>
Deposits for facilities and utilities	13,257,330	2,121,809
Prepayments	30,869,956	29,337,052
	<u>319,679,286</u>	<u>493,816,868</u>

Included in Prepayments is Tk.9,475,017 (1999: Tk.nil) in respect of amounts disbursed towards the establishment of BRAC Bank of which BRAC is a promoter. BRAC Bank has received a licence for banking activities. However, other permits to commence banking activities are pending the conclusion of legal actions and processes.

9. Grants and accounts receivable

Grants receivable	301,023,234	517,252,385
Interest receivable on fixed deposits and PSPs	350,255,678	293,493,116
Others, stated net of provisions for doubtful debts of Tk.12,627,992 (1999 : Tk.10,302,995)	223,852,503	116,744,035
	<u>875,131,415</u>	<u>927,489,536</u>

Included in interest receivable on fixed deposits and PSPs is Tk 25,000,000 receivable after 12 months in respect of PSPs maturing in 2002.

10. Fixed deposits and PSPs :

Fixed deposits	922,904,421	802,056,962
* Patirakhya Sanchya Patras (PSPs)	255,000,000	255,000,000
	<u>1,177,904,421</u>	<u>1,057,056,962</u>

* PSPs are defence Savings Certificates issued by the Government of Bangladesh.

Fixed deposits and PSPs amounting in aggregate to Tk.840,601,506 (1999: Tk.1,055,027,796) have been pledged to secure term loan and overdraft facilities (Notes 18 and 21) .

11. Cash in hand and at banks

Cash in hand	38,073,320	24,562,882
Cash at banks	347,730,155	181,112,905
	<u>385,803,475</u>	<u>205,675,787</u>

	2000 Taka	1999 Taka
12. Capital fund :		
Opening balance	3,176,423,865	2,791,593,980
Net surplus for the year	520,633,813	366,228,661
Transferred from Motor cycle replacement fund (Note15)	55,250,965	-
Transferred from Donor fund -investment in fixed assets (Note13)	-	18,601,224
	<u>3,752,308,643</u>	<u>3,176,423,865</u>
Cumulative amount reclassified from Donor fund - investment in loan fund (Note15)	1,458,271,344	-
Closing balance	<u>5,210,579,987</u>	<u>3,176,423,865</u>
13. Donor fund-investment in fixed assets :		
Opening balance	564,175,493	472,295,840
Transferred from Donor fund-general (Note 16)	29,098,007	124,592,768
Transferred to Statement of income and expenditure for depreciation (Notes 3,27)	(43,299,797)	(14,111,891)
Transferred to Capital fund (Note12)	-	(18,601,224)
Transferred to Donor fund-general (Note16)	(5,869,766)	-
Closing balance	<u>544,103,937</u>	<u>564,175,493</u>
14. Donor fund-investment in loan fund :		
Opening balance	1,458,271,344	2,176,354,812
Transferred from/(to) Donor fund-general (Note 16)	-	(648,110,197)
Loan transferred to other funds (Note 17)	-	(69,973,271)
	<u>1,458,271,344</u>	<u>1,458,271,344</u>
Cumulative amount reclassified to Capital fund (Note12)	(1,458,271,344)	-
Closing balance	<u>-</u>	<u>1,458,271,344</u>
<p>Donor fund-investment in loan fund represents grants received for micro credit and similar loan assistance programs. The amount reclassified to Capital fund represents the cumulative amount of such grants in respect of which the respective project or program periods have expired.</p>		
15. Motorcycle replacement fund :		
Opening balance	232,477,852	225,124,281
Transferred from Donor fund- general (Note16)	3,388,879	7,353,571
Transferred to Capital fund (Note12)	(55,250,965)	-
Closing balance	<u>180,615,766</u>	<u>232,477,852</u>

The transfer from Motorcycle replacement fund to Capital fund has been effected upon expiry of the relevant program period, and based on the program grant.

2000 Taka	1999 Taka
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16. Donor fund-general :

Opening balance	45,798,773	150,458,317
Previous year's receivable	(517,252,385)	(296,309,966)
	(471,453,612)	(145,851,649)
Donations received (Note 28)	1,878,070,044	1,446,476,726
Transferred (to)/from :		
Investment in fixed assets (Note 13)	(29,098,007)	(124,592,768)
Investment in loan (Note 14)	-	648,110,197
Motorcycle replacement fund (Note 15)	(3,388,879)	(7,353,571)
Income for expenditure during the year (Note 27)	(1,662,833,015)	(2,303,115,135)
	(288,703,469)	(486,326,200)
Add : Current year's receivable (Note 8)	301,023,234	517,252,385
Transferred from donor fund-investment in assets (Note 13)	5,869,766	14,872,588
Closing balance	18,189,531	45,798,773

Balance as on 1/1/2000	Addition	Utilized	Balance as on 31/12/2000
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17. Other funds :

Special fund for scholarship	2,512,862	258,253	-	2,771,115
Flood rehabilitation fund	38,793,938	7,316,899	-	46,110,837
Self-insurance fund	14,361,224	8,394,099	-	22,755,323
	55,668,024	15,969,251	-	71,637,275

The Special fund for scholarship represents the Cathorine H Lovel memorial fund which will subsequently be utilized for a scholarship program for poor girls. It is represented by specific fixed deposits, from which interest is added to the fund.

The Flood rehabilitation fund represents recoveries from prior disbursements of grants for flood rehabilitation, and is held as a provision .

18. Term loans :

Government of Bangladesh	239,338,526	212,579,000
Palli Karma Shahayak Foundation (PKSF)	1,827,000,000	1,378,000,000
*Bangladesh Krishi Bank (BKB)	85,328,300	96,720,400
Arab Bangladesh Bank Ltd (ABBL)	-	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
*Standard Chartered Bank	490,000,000	-
*Credit Agricole Indosuez	50,000,000	-
Agrani Bank	189,000,000	-
Unibank	28,895,854	42,860,018
	2,951,562,680	2,162,159,418

* Secured by fixed deposits and PSPs amounting in aggregate to Tk.460,701,506 (1999: Tk.428,720,000)

The actual loan amounts received/repaid during the year are disclosed in Note 29. The terms of individual loans are detailed below:

2000 Taka	1999 Taka
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- a. Loan from the Government of Bangladesh is interest-free, and will be repaid until the completion of IGVGDCP and Poultry for Nutrition program, expected to be beyond 2005 .
- b.1 Loan from PKSFB of Tk.1,700,000,000 was obtained to support the credit program and bears service charge at 5% (1999: 5%) per annum.This loan is repayable in equal half-yearly installments in 10 years, starting from June 10, 2001
- b.2 Loan from PKSFB of Tk. 127,000,000 was obtained to support the Participatory Livestock Development Program and bears service charge at 6.25% per annum.This loan is repayable in equal quarterly installments in 10 installments, starting from 1999.
- c. Loan from BKB bears interest at 8% (1999: 8%) per annum and is repayable in twenty equal half yearly installments, starting from January 01, 1998 and ending on July 01, 2007.
- d. Loan from Al-Baraka Bank is obtained at a profit markup of 9% (1999: 9%), and is repayable in full on May 06, 2001.
- e. Loan from Standard Chartered Bank bears interest at 10% per annum and is repayable in full in June 2001.
- f. Loan from Credit Agricole Indosuez bears interest at 9% per annum and is repayable in full on April 23, 2001.
- g. Loan from Agrani Bank bears interest at 9.5% per annum and is repayable in 9 equal half yearly installments, starting from December 2000.
- h. The Unibank loan balance includes capitalised interest calculated at 6% per annum at the time of drawdown for the purchase of machinery .The loan is repayable in 10 equal half yearly installments, starting from September 30, 1997.

19. VO Members Savings Deposits :

Opening balance	2,902,953,491	2,237,357,861
Deposits for the year	2,124,177,419	1,604,597,385
Withdrawals the year	(1,476,757,642)	(939,001,755)
Closing balance	<u>3,550,373,268</u>	<u>2,902,953,491</u>

The average rate of interest paid in respect of savings deposits by VO members was 6% (1999: 6%) per annum.

20. Other liabilities :

Gratuity & redundancy fund	722,606,711	599,032,899
Group self-insurance fund for employees	47,680,833	31,267,019
Liabilities for expenses	399,057,695	500,447,954
Liabilities for goods	42,267,335	20,887,483
Advances received for training, publications, etc.	63,735,479	62,339,051
	<u>1,275,348,053</u>	<u>1,213,974,406</u>

2000 Taka	1999 Taka
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21. Bank overdrafts

*Pubali Bank Ltd	49,645,257	508,144,322
*Credit Agricole Indosuez	154,588,770	154,588,770
*American Express Bank	198,282,636	-
Standard Chartered Bank	-	328,436,376
Southeast Bank Ltd	-	39,995,000
	<u>402,516,663</u>	<u>1,031,164,468</u>

* Secured by fixed deposits and PSPs amounting in aggregate to Tk.379,900,000 (1999: Tk.626,307,796), by investments in debentures amounting to Tk.30,000,000 (1999: Tk. 30,000,000) and by pledge of properties with a net book value of Tk.275,526,729.

Terms and conditions of the individual overdrafts are detailed below:

- Overdraft from Pubali Bank Ltd, which was obtained for micro-credit program bears interest at 11% (1999: 11%) per annum, and is repayable on or before December 31, 2001
- Overdraft from Credit Agricole Indosuez was obtained for micro-credit program, bears interest at 10.75% (1999: 10.75%) per annum, and is repayable on or before April 30, 2001
- Overdraft from American Express Bank was obtained for micro-credit program, bears interest at 10% per annum, and is repayable on demand.

22. (a) Revenue from commercial projects:

Aarong	740,806,701	653,819,445
BRAC Printers	141,955,834	139,313,750
BRAC Dairy and Food Project	290,351,069	234,502,816
	<u>1,173,113,604</u>	<u>1,027,636,011</u>

22. (b) Revenue from program support enterprises:

Program Support Enterprise	1,013,979,035	466,634,124
Printing & Publication	19,067,936	13,913,280
Gonokendra Journal	4,319,357	3,812,736
	<u>1,037,366,328</u>	<u>484,360,140</u>

23. Other income :

Service charges	59,544,154	59,268,726
Sectoral income	102,887,623	56,501,884
Rental income	44,096,485	53,239,310
Gain on disposal of assets	4,381,151	-
Partial reimbursements on cost of educational supplies.	23,971,480	29,059,820
Others	38,939,542	45,553,328
	<u>273,820,435</u>	<u>243,623,068</u>

Schedule of donations received :

Name of the projects	Donor	2000 Taka	1999 Taka
Rural Development Programme	NOVIB	30,906,566	9,396,013
	AKF/CIDA	50,426,515	52,521,738
	EC	213,871,168	154,213,652
		<u>295,204,249</u>	<u>216,131,403</u>
Reproductive Health and Disease Control	DFID	115,441,162	79,187,091
	SIDA	-	7,907,710
		<u>115,441,162</u>	<u>87,094,801</u>
Rural Service Delivery component of National Integrated Population and Health Programme	Pathfinder International	<u>99,066,139</u>	<u>95,330,885</u>
Vulnerable Group Development Credit Programme	GOB	<u>33,500,000</u>	<u>35,000,000</u>
National Facilitation Program (BINP)	GOB	<u>231,856,735</u>	<u>125,168,737</u>
Arsenic Mitigation	UNICEF	<u>3,985,847</u>	<u>6,435,771</u>
Flood Relief and Rehabilitation Programme	DFID	10,798,538	-
	DANIDA	-	7,750,000
	NOVIB	10,663,835	-
	E.C	16,437,910	77,046,433
	Local Donors	155,357	-
		<u>38,055,640</u>	<u>84,796,433</u>
Forth Fisheries Program	DFID	<u>3,036,000</u>	<u>-</u>
Integrated Food Assisted Rehabilitation	World Food Program	<u>9,103,000</u>	<u>3,656,500</u>
Education for Under Aged Garment Workers	UNICEF	<u>2,870,682</u>	<u>8,894,619</u>
Implementation of Guidelines for Compensating Erosion Flood Affected Persons	GOB	<u>12,166,497</u>	<u>10,849,766</u>
Nonformal Primary Education (Expansion)	UNICEF	-	37,242,489
	KFW	-	81,226,576
	DGIS	345,280,000	-
	NOVIB	47,085,370	35,009,797
	DFID	236,280,000	225,706,535
	AKF/CIDA	49,110,840	69,877,981
	EC	313,950,000	210,965,792
	Others	11,495	49,755
		<u>991,717,705</u>	<u>660,078,925</u>

Name of the projects	Donor	2000 Taka	1999 Taka
Small Holder Livestock Development Programme	DANIDA	-	-
	GOB	-	13,478,012
		-	13,478,012
Agroforestry and Block Plantation	EC	7,558,862	17,722,200
Adult Literacy Programme	GOB	9,155,395	11,549,856
Basic Education for Hard to Reach Urban Working Children	GOB	4,660,147	4,562,618
Hepatitis -B Vaccine	CIDA	179,347	-
Char Development Program	DGIS	6,802,721	-
Strategies to Improve the Proportion of Deliveries with Skill Attendants	University Aberdeen	803,576	-
Micronutrient Beverage Supplementation for Adolescent Girls	International Dev. Research Centre	6,946,340	-
Participatory Livestock Development Programme	DANIDA	-	60,196,200
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	5,960,000	5,530,000
TOTAL		1,878,070,044	1,446,476,726

Term loan receipts and payments :

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

Name of the creditor	2000 (Taka)			1999 Taka
	Received	Repaid	Net received	
Government of Bangladesh	27,549,000	789,474	26,759,526	17,502,500
Palli Karma Shahayak Foundation	480,000,000	31,000,000	449,000,000	567,700,000
Bangladesh Krishi Bank	-	11,392,100	(11,392,100)	(11,392,100)
Arab Bangladesh Bank Ltd	-	100,000,000	(100,000,000)	-
Pubali Bank Ltd	-	100,000,000	(100,000,000)	100,000,000
American Express Bank Ltd	-	190,000,000	(190,000,000)	190,000,000
Standard Chartered Bank	490,000,000	-	490,000,000	-
Credit Agricole Indosuez	50,000,000	-	50,000,000	-
Agrani Bank	200,000,000	11,000,000	189,000,000	-
Unibank, Denmark	4,905,210	18,869,374	(13,964,164)	(17,614,722)
	1,252,454,210	463,050,948	789,403,262	846,195,678

Foreign currency denominated monetary assets and liabilities :

2000 Taka	1999 Taka
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Residence Foreign Currency Deposits (in US\$)	279,750,750	-
Cash at bank (in US\$)	418,807	263,534
Term loan from Unibank for BRAC Dairy and Food Project (in US\$)	28,895,854	42,860,018

(Note 17)

In May 2001, the Government of Bangladesh devalued the exchange rate of the Taka against foreign currencies, from approximately Taka 53.85 to US \$ 1.00 at 31st December 2000, to approximately Taka 56.50 to US\$ 1.00. Based on the US\$ denominated monetary assets and liabilities at 31 December 2000 stated above, the net effect of the devaluation, for illustrative purposes, is a further gain in exchange of approximately Tk. 12.3 million.

31. 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, 2000			
<u>Assets</u>			
Fixed assets	274,767,146	2,745,249,119	3,020,016,265
Investments in companies/securities	-	283,941,550	283,941,550
Loans to VO members, net	-	7,310,962,622	7,310,962,622
Inventories	262,624,581	540,447,854	803,072,435
Other current assets	232,832,681	1,480,990,648	1,713,823,329
Fixed deposits & PSPs	-	1,177,904,421	1,177,904,421
	<u>770,224,408</u>	<u>13,539,496,214</u>	<u>14,309,720,622</u>
<u>Funds and Liabilities</u>			
Capital fund	108,651,559	5,101,928,428	5,210,579,987
Donor funds	-	562,293,468	562,293,468
Other funds	276,000	251,977,041	252,253,041
Term loans-external	210,895,854	2,740,666,826	2,951,562,680
Term loans-internal	326,752,931	(326,752,931)	-
VO members deposits	-	3,550,373,268	3,550,373,268
Provision for tax	31,741,030	-	31,741,030
Other current liabilities	91,907,034	1,659,010,114	1,750,917,148
	<u>770,224,408</u>	<u>13,539,496,214</u>	<u>14,309,720,622</u>
Income & Expenditure for the year 2000			
<u>Income</u>			
Service charge on loans to VO members	-	1,893,023,196	1,893,023,196
Revenue from sales	1,173,113,604	1,037,366,328	2,210,479,932
Other income	5,268,627	569,036,293	574,304,920
	<u>1,178,382,231</u>	<u>3,499,425,817</u>	<u>4,677,808,048</u>
<u>Expenditure</u>			
Salaries & benefits	52,606,570	1,510,293,409	1,562,899,979
Travelling & transportation	10,616,442	178,134,960	188,751,402
Stationery, rent and utilities	35,266,679	167,550,305	202,816,984
Maintenance & general expenses	10,174,994	101,666,753	111,841,747
Publicity, advertisement and commission	12,792,645	12,090,044	24,882,689
Program supplies	-	533,582,324	533,582,324
Cost of sales	886,524,111	811,394,800	1,697,918,911
Interest on borrowing and members savings deposits	43,484,385	391,390,300	434,874,685
Loan loss provision	-	271,814,612	271,814,612
Depreciation & other provisions	48,992,929	152,789,633	201,782,562
Loss on investments	-	23,099,749	23,099,749
VAT	848,184	-	848,184
Other expenses	38,155	588,895,780	588,933,935
	<u>1,101,345,094</u>	<u>4,742,702,669</u>	<u>5,844,047,763</u>
Surplus (deficit) before grants	77,037,137	(1,243,276,852)	(1,166,239,715)
Income from grants for operations	-	1,706,132,812	1,706,132,812
Surplus of income over expenditure before taxation	77,037,137	462,855,960	539,893,097
Provision for taxation on commercial projects	(19,259,284)	-	(19,259,284)
Net Surplus of income over expenditure transferred to Capital fund.	<u>57,777,852</u>	<u>462,855,960</u>	<u>520,633,813</u>

32. 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.

