

BRAC (REGISTERED IN BANGLADESH UNDER THE SOCIETIES
REGISTRATION ACT 1860)
Audited Financial Statements
December 31, 2004

ERNST & YOUNG

AF: 0039

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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, 2004 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 37, 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.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Clause 37 of the Rules and Regulations of BRAC and for no other purpose. We do not assume responsibility to any other person for the content of this report

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC as of December 31, 2004 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

ERNST & YOUNG
Chartered Accountants
Kuala Lumpur, Malaysia
31 March, 2005


S. F. Ahmed & Co

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

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Balance Sheet
as at December 31, 2004

	Notes	2004 Taka	2003 Taka
ASSETS			
Property, plant and equipment	3	4,077,284,843	3,715,718,935
Investment in related undertakings	4	991,808,643	887,104,181
Investment in securities and others	5	210,593,765	430,906,861
Loans to Village Organisation members	6	13,374,678,938	10,855,808,970
Motor cycle loans		316,313,194	245,084,529
Inventories	7	1,053,995,636	968,960,304
Grants and accounts receivable	8	1,068,207,404	686,777,380
Advances, deposits and prepayments	9	682,426,064	582,859,158
Fixed deposits	10	3,560,872,504	1,964,259,588
Cash in hand and at banks	11	626,009,950	457,267,909
TOTAL ASSETS		25,962,190,941	20,794,747,815
LIABILITIES AND NET ASSETS			
Liabilities:			
Deferred income	12	433,928,776	431,315,162
Term loans	13	5,914,074,360	4,149,157,346
VO members' savings deposits	14	7,657,087,732	6,285,938,837
Other long term liabilities	15	1,692,213,337	1,410,411,324
VO members' project and current account		32,088,660	31,551,382
Grants received in advance account	16	939,856,649	350,232,107
Other current liabilities	17	698,946,885	689,335,936
Provision for taxation		31,741,030	31,741,030
Bank overdraft	18	713,349,797	506,164,508
Total liabilities		18,113,287,226	13,885,847,632
Net Assets:			
Capital fund			
- unrestricted		7,692,206,910	6,775,001,652
- temporarily restricted		156,696,805	133,898,531
		7,848,903,715	6,908,900,183
TOTAL LIABILITIES AND NET ASSETS		25,962,190,941	20,794,747,815

The annexed notes form an integral part of these statements.



Chairperson, Governing Body
BRAC
Dhaka, March 31, 2005




Executive Director
BRAC

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Income and Expenditure
for the year ended December 31, 2004

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2004 Taka
Income				
Donor grants	19	46,077,062	3,392,191,154	3,438,268,216
Revenue from:				
- Commercial projects		1,585,219,547	-	1,585,219,547
- Programme support enterprises		2,336,960,301	-	2,336,960,301
Service charge on loans to VO members		3,610,151,992	-	3,610,151,992
Investment income	20	366,018,502	4,682,559	370,701,061
Other income	21	87,049,546	5,687,343	92,736,889
Rental income from House property		87,978,674	-	87,978,674
Total income		8,119,455,624	3,402,561,056	11,522,016,680
Expenditure				
Commercial Projects		1,429,166,640	-	1,429,166,640
Program Support Enterprises		2,343,264,970	-	2,343,264,970
House property related expenses		58,978,742	-	58,978,742
Education Programme		27,223,673	1,881,208,298	1,908,431,971
Challenging the Frontiers of Poverty Reduction Programme		60,000,000	517,756,135	577,756,135
Nutrition Programme		1,317,340	486,394,379	487,711,719
Health and Population Programme		3,350,896	162,122,936	165,473,832
Micro Finance Programme		3,181,541,076	277,325	3,181,818,401
Relief and Rehabilitation		31,672,779	153,974,020	185,646,799
Poultry Extension Programme		2,315,430	76,479,204	78,794,634
Fisheries Extension Programme		2,980,369	28,583,082	31,563,451
Agriculture Extension Programme		2,595,971	48,083,867	50,679,838
Sericulture and Silk Development Programme		2,970,314	-	2,970,314
Training, Workshops and Seminars		54,872,166	-	54,872,166
Research, Monitoring and Evaluation		-	24,883,536	24,883,536
Total expenses		7,202,250,366	3,379,762,782	10,582,013,148
Surplus of income over expenditure before taxation		917,205,258	22,798,274	940,003,532
Taxation	22	-	-	-
Net surplus for the year		917,205,258	22,798,274	940,003,532

The annexed notes form an integral part of these statements.


Chairperson, Governing Body
BRAC
Dhaka, March 31, 2005


Executive Director
BRAC

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Income and Expenditure
for the year ended December 31, 2003

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2003 Taka
Income				
Donor grants	19	48,359,951	2,244,965,879	2,293,325,830
Revenue from:				
- Commercial projects		1,505,708,077	-	1,505,708,077
- Programme support enterprises		2,251,326,409	-	2,251,326,409
Service charge on loans to VO members		2,882,472,913	-	2,882,472,913
Investment income	20	211,644,576	4,868,164	216,512,740
Other income	21	75,396,123	33,803,054	109,199,177
Rental income from House property		88,472,321	-	88,472,321
Total income		7,063,380,370	2,283,637,097	9,347,017,467
Expenditure				
Commercial Projects		1,340,268,713	-	1,340,268,713
Program Support Enterprises		2,205,080,068	-	2,205,080,068
House property related expenses		72,459,403	-	72,459,403
Education Programme		24,401,465	1,599,983,844	1,624,385,309
Challenging the Frontiers of Poverty Reduction Programme		45,000,000	390,481,618	435,481,618
Nutrition Programme		-	113,470,763	113,470,763
Health and Population Programme		69,819,009	64,475,897	134,294,906
Micro Finance Programme		2,371,523,988	346,000	2,371,869,988
Poultry Extension Programme		64,370,687	43,402,494	107,773,181
Fisheries Extension Programme		24,898,805	20,771,436	45,670,241
Agriculture Extension Programme		41,449,633	13,554,964	55,004,597
Sericulture and Silk Development Programme		24,802,092	-	24,802,092
Rural Enterprise Development Programme		23,027,654	-	23,027,654
Training, Workshops and Seminars		37,869,218	4,287,290	42,156,508
Grant to BRAC Afghanistan		5,508,710	-	5,508,710
Research, Monitoring and Evaluation		-	21,294,118	21,294,118
Total expenses		6,350,479,445	2,272,068,424	8,622,547,869
Surplus of income over expenditure before taxation		712,900,925	11,568,673	724,469,598
Taxation	22	-	-	-
Net surplus for the year		712,900,925	11,568,673	724,469,598

The annexed notes form an integral part of these statements.

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Changes in Net Assets
for the year ended December 31, 2004

Note	Capital Fund		Total Net assets Taka
	Unrestricted Taka	Temporarily restricted Taka	
At 1 January 2003	6,060,360,457	124,070,128	6,184,430,585
Transfer following expiry of programmes	1,740,270	(1,740,270)	-
Net surplus for the year	<u>712,900,925</u>	<u>11,568,673</u>	<u>724,469,598</u>
At 31 December 2003	<u>6,775,001,652</u>	<u>133,898,531</u>	<u>6,908,900,183</u>
At 1 January 2004	6,775,001,652	133,898,531	6,908,900,183
Net surplus for the year	<u>917,205,258</u>	<u>22,798,274</u>	<u>940,003,532</u>
At 31 December 2004	<u>7,692,206,910</u>	<u>156,696,805</u>	<u>7,848,903,715</u>

The annexed notes form an integral part of these statements.

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Cash Flows
for the year ended December 31, 2004

Note	2004 Taka	2003 Taka
Cash flows from operating activities:		
Surplus of income over expenditure before taxation	940,003,532	724,469,598
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loan loss provision	718,246,273	367,823,502
Depreciation	237,561,677	232,856,489
Gain on disposal of property, plant and equipment	(28,200,866)	(7,333,872)
Loss on dilution/(gain) on disposal of related undertakings	6,531,087	(7,735,190)
Share of results in related undertakings during the year	(78,290,542)	(23,137,202)
Provision for doubtful debts	2,571,724	-
Provision for impairment in value of investment in related undertakings	(1,094,250)	6,055,995
Donor grants - amortisation of investment in property, plant and equipment	(49,468,172)	(48,459,166)
Donor grants - amortisation of motorcycle replacement funds	(9,240,432)	(4,271,864)
Service charge on loans to VO members	(3,610,151,992)	(2,838,603,785)
Interest on fixed deposits and bank accounts	(252,369,021)	(123,142,133)
Interest on VO members saving deposits	356,527,402	280,368,425
Interest on long term loans and overdraft facilities	438,318,703	303,080,320
Adjustments for other accounts:		
Increase in service charge outstanding on loans to VO members	(26,187,045)	(35,079,722)
Increase in inventories	(85,035,332)	(177,785,470)
(Increase)/decrease in advances, deposits and prepayments	(99,566,906)	17,146,466
(Increase)/decrease in accounts receivable, net	(66,963,850)	107,185,069
Increase in other current liabilities	9,610,945	81,949,556
Increase in other long term liabilities	281,802,013	178,710,508
Increase in deferred income	61,322,218	6,866,441
Increase in motorcycle loans	(71,228,668)	(30,478,196)
Net cash used in operating activities	(1,325,301,502)	(989,514,231)
Cash flows from investing activities:		
Increase in loans to VO members	(3,210,929,196)	(2,589,520,280)
Service charge received on loans to VO members	3,610,151,992	2,838,603,785
Interest received on fixed deposits and bank accounts	252,369,021	123,142,133
Interest paid on VO members saving deposits	(356,527,402)	(280,368,425)
Interest paid on long term loans and overdraft facilities	(438,318,703)	(303,080,320)
Purchase of property, plant and equipment	(622,450,181)	(253,314,660)
Proceeds from disposal of property, plant and equipment	51,523,462	61,632,814
Proceeds from disposal of related undertakings	-	40,000,000
(Increase)/decrease in fixed deposits pledged with financial institutions	(1,944,769,859)	37,582,899
Increase in investments in related undertakings	(45,419,958)	(449,777,016)
Dividends received from related undertakings	13,569,204	14,999,941
Realisation of/(increase in) investment in securities and others	220,313,096	(116,432,008)
Net cash used in investing activities	(2,470,488,524)	(876,531,137)

BRAC
 (Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Cash Flows
 for the year ended December 31, 2004

	Note	2004 Taka	2003 Taka
Cash flows from financing activities:			
Grants received during the year		3,713,468,474	2,682,663,640
Grants utilised during the year for:			
- operational expenditure & micro-finance		(3,379,559,608)	(2,240,594,800)
- investment in property, plant and equipment		(29,161,061)	(2,925,941)
- motorcycle replacement funds		(32,161,157)	(3,940,500)
Increase in term loans		1,764,917,014	423,409,986
Increase in VO members savings deposits		1,371,148,895	1,301,981,869
Increase/(decrease) in VO members project and current accounts		537,278	(9,337,142)
Net cash provided by financing activities		<u>3,409,189,835</u>	<u>2,151,257,112</u>
Net (decrease)/increase in cash and cash equivalents		(386,600,191)	285,211,744
Cash and cash equivalents, beginning of the year		<u>688,968,928</u>	<u>403,757,184</u>
Cash and cash equivalents, end of the year	11	<u><u>302,368,737</u></u>	<u><u>688,968,928</u></u>

The annexed notes form an integral part of these statements.

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Notes to Financial Statements
December 31, 2004

1 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. At present, 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 carries out licensed banking activities through the BRAC Bank Ltd and also earns from various income generating projects such as Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food project, BRAC Tea Estates, and various programme support enterprises such as poultry farms, feedmills, seedmills and prawn hatcheries.

2 Summary of Significant Accounting Policies:

BRAC prepares its financial statements on a going concern basis, under the historical cost convention, except for investments in shares in listed companies classified within investment in securities and others, which are stated at fair value. BRAC generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items, as disclosed in the Summary of Significant Accounting Policies. The financial statements are expressed in Bangladesh Taka.

The significant accounting policies followed in the preparation and presentation of these financial statements are summarized below.

2.1 Basis of preparation of financial statements

BRAC maintains its books of account and records on a programme or project-wise basis. The Head Office maintains records of all treasury, investment and management functions. All cash balances, including those held for programmes, are held by the Head Office and transferred to programmes as required. Balances between projects are eliminated upon combination for the purposes of presentation of the financial statements.

These financial statements include the financial statements of BRAC and, on an equity accounted basis, those of the related undertakings set out in Note 4 in which BRAC has equity interests through which it exercises control or significant influence. As stated in Note 2.2, BRAC, being a society under the Societies Registration Act, 1860, is not subject to any requirement to prepare consolidated financial statements.

In contrast to the ownership of equity interest in related undertakings, BRAC also extends gratuitous grants to certain organisations that, in some instances may bear names with resemblance to BRAC, viz BRAC University and BRAC Afghanistan. However, no equity is held in these entities, and BRAC's financial statements therefore do not include the financial statements of these entities.

BRAC's accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and internal reporting into funds established according to their nature and purposes based on the existence or absence of donor-imposed restrictions.

2. Summary of Significant Accounting Policies (contd.)

2.1 Basis of preparation of financial statements (contd.)

In the combined financial statements, funds have been classified within either of two net asset categories - temporarily restricted and unrestricted. Accordingly, the net assets of BRAC and changes therein are classified and reported as follows:

- **Temporarily restricted net assets** - Net assets subject to donor-imposed restrictions that permit BRAC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time and/or by actions of BRAC. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, any balances of temporarily restricted net assets are either returned to donors in accordance with donor agreements or utilized consequent to donor and management agreements on a temporarily restricted or unrestricted basis.

In cases where restrictions expire, it is BRAC's policy to effect the reclassification of assets from temporarily restricted net assets to unrestricted net assets via transfers within the balance sheet.

- **Unrestricted net assets** - Net assets that are not subject to any donor-imposed restrictions or which arise from internally funded activities. This category of net assets includes amongst others, amounts designated by BRAC for commercial activities, programme support enterprises and micro-financing activities.

2.2 Non-consolidation

BRAC, being a society registered under the Societies Registration Act, 1860 is not subject to any requirement on the preparation of consolidated financial statements. Accordingly, BRAC's investments in related undertakings wherein the effective equity interests are more than 50% are accounted for by the equity method as explained in Note 2.11, together with related undertakings in which the effective equity interests are between 20% and 50%.

2.3 Donor Grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially, BRAC's donor grants are for the funding of projects and programmes, and for these grants, income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned. For donor grants provided to purchase motorcycles for specific projects, income is recognized over the estimated useful life of the motorcycles.

All donor grants received are initially recorded at fair value as liabilities in Grants Received in Advance Account. For grants utilized to purchase fixed assets and motorcycles, the donor grants are transferred to deferred income accounts whilst for grants utilized to reimburse programme-related expenditure, the amounts are recognized as income. Donor grants received in-kind, through the provision of gifts and/or services, are recorded at fair value (excluding situations when BRAC may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants). Income recognition of such grants follows that of cash-based donor grants and would thus depend on whether the grants are to be utilized for the purchase of fixed assets or expended as programme-related expenditure.

2. Summary of Significant Accounting Policies (contd.)

2.3 Donor Grants (contd.)

Grant income is classified as temporarily restricted or unrestricted depending upon the existence of donor-imposed restrictions. For completed or phased out projects and programmes, any unutilized amounts are dealt with in accordance with consequent donor and management agreements.

For ongoing projects and programmes, any expenditure yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as grant receivable.

2.4 Revenue Recognition

Commercial projects - Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food Project.
Programme Support Enterprises - mainly comprising poultry farms, feedmills, seedmills, prawn hatcheries.

Revenue is recognized based on billings, net of discounts and allowances.

Service charge on loans to VO members

Service charges on loans to VO members are recognized on an accrual basis as income. The recognition of service charge ceases when a loan is transferred to non-interest bearing loan as described in Note 2.9. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectibility is reasonably assured.

Interest on bank accounts, fixed deposits, PSPs and debentures

Revenue is recognized as the interest accrues unless collectibility is in doubt.

Other income

All other income are recognized when BRAC's right to receive such income has been reasonably determined and all conditions precedent are satisfied.

2.5 Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BRAC's Head Office overhead expenses are allocated to various projects and programmes at a range of 5% to 10% of their costs, based on agreement with donors or management's judgement.

2. Summary of Significant Accounting Policies (contd.)

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis over the estimated useful lives at the following annual rates:

<u>Item</u>	<u>Annual Depreciation Rate (%)</u>
Buildings	2.5 – 4
Furniture & Fixtures	10-20
Equipment	15-33.3
Vehicles	20
Bicycles	20
Machinery	20
Deep tube wells and tanks	20
Hatcheries	20
Motorcycles	20
Camp/Poultry/Livestock sheds	20
Crates/Mannequins/Samples	33.33

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

2.7 Loans to VO Members

BRAC's activities include providing micro-credit loans to group members without collateral, on a service charge basis under various programs. Loans inclusive of service charge are stated net of provision for loan losses.

2.8 Provision for Loan Losses

BRAC generally provides for loan losses based on 2% of loan disbursements made. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. At the year end, BRAC calculates required provision for loan losses based on the loan classification and provisioning methodology which is shown below and any adjustments, if required are made and accounted for in the financial statements for the year.

Loan Classification	Days in Arrears	Provision required
Standard	Current (no arrears)	2%
Watchlist	1 - 30	5%
Substandard	31 - 180	20%
Doubtful	181 - 350	75%
Loss	Over 350	100%

2. Summary of Significant Accounting Policies (contd.)

2.8 Provision for Loan Losses (cont'd)

The following additional provisions have been made in 2004 to take account of the possible effects of widespread devastating floods during the year:

- Additional 1% in respect of loans classified as "Standard"
- A general provision of 1% of loan amounts disbursed during the year.

2.9 Loans written off

Loans within their maturity period are classified as "Current loans". Loans which remain outstanding after one month of their maturity period are considered as "Late loans". Late loans which remain unpaid after one year is classified as "Non- Interest Bearing Loan"(NIBL). The total amount of NIBL, which are considered bad and have no possibility of recovery, is referred to the Governing Body of BRAC for approval of write off, generally within one year from the date when a loan is transferred to NIBL. Generally loans are written off twice a year i.e. July and December. Any collections realised from loans previously written off are credited to the statement of income and expenditure.

2.10 Provision for Liabilities

Provisions for liabilities are recognised when BRAC has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.11 Investments in 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 whereby the investments are initially recorded at cost and subsequently adjusted to reflect BRAC's 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. Provision is also made for any impairment if the carrying amount of an investment exceeds its recoverable amount.

2. Summary of Significant Accounting Policies (contd.)

2.12 Investment in Securities and Others

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in shares of listed companies are subsequently measured at fair value, with unrealized gains or losses recognized in the statement of income and expenditure. Fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

Other long-term investments which are intended to be held to maturity, such as debentures and private debt securities, are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost apart from the amortization process which is dealt with through the statement of income and expenditure, any gain or loss is recognized in the statement of income and expenditure when the investment is disposed of or suffers a permanent diminution in value.

2.13 Accounts Receivable

Accounts receivable arise principally from BRAC's commercial activities and programme support enterprises, and are stated net of provision for doubtful debts.

2.14 Inventories

Retail inventories are stated at cost based on selling price less average mark-up, and other inventories are stated at cost. Cost is determined using the weighted average basis. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

2.15 Motorcycle Replacement Fund

Applicable donor funds are utilized for providing motorcycles to project or programme staff, and these funds are held in a replacement fund. BRAC provides motorcycles to staff, the cost of which is recovered through monthly salary deductions. Donor funds received and utilized for the purchase of motorcycles are amortized to the statement of income and expenditure over a period of 5 years, being the average estimated useful life of the motorcycles.

2.16 Foreign Currency Translations

BRAC maintains its books of account in Bangladesh Taka. Transactions in foreign currencies are translated into Taka at the exchange rates 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 and liabilities are disclosed in Note 23 below.

2. Summary of Significant Accounting Policies (contd.)

2.16 Foreign Currency Translations (contd.)

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2004 Taka	2003 Taka
United States Dollar	59.10	58.90
Euro	79.68	71.66
Great Britain Pound	112.73	101.16
Pakistani Rupees	1.02	1.03
Indian Rupees	1.26	1.29

2.17 Self - Insurance Funds

BRAC has created a self-insurance fund to cover the risks of cyclone and fire on its properties and motorcycles. This self-insurance fund is based on estimates by the Governing Body, and as from 2001 by reference to external actuarial valuations. It is held as a provision within 'Other long term liabilities' (Note 15) and is not externally funded.

BRAC also sets aside monthly amounts 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 within 'Other long term liabilities' (Note 15) and is not externally funded. It is based on estimates by the Governing Body, and as from 2001 by reference to external actuarial valuations.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediately following financial periods have been determined based on actuarial valuations carried out in 2003 in respect of the funds, and are disclosed in Note 15 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provisions in respect of these funds.

2.18 Employee Gratuity and Redundancy Fund

BRAC makes provisions for an Employee Gratuity and Redundancy fund, on the basis of two months' basic salary for each completed year's service for each permanent employee (based on basic salary of the last month). The fund is held as a provision within 'Other long term liabilities' (Note 15), and is not externally funded. Gratuity is to be disbursed upon retirement of employees whilst redundancy disbursements are to be made as a one-time termination benefit in the event of cessation of service from BRAC on grounds of redundancy.

2. Summary of Significant Accounting Policies (contd.)

2.19 Employee Gratuity and Redundancy Fund (contd)

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediately following financial periods have been determined based on actuarial valuation carried out in 2003, and are disclosed in Note 15 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provision in respect of the fund.

2.20 Deferred Taxation

Deferred taxation is provided for, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation benefits are only recognised when their realisation is probable.

2.21 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case these costs are capitalised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.22 Impairment of Assets

At each balance sheet date, BRAC reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use.

An impairment loss is recognised as an expense in the statement of income and expenditure immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exists or have decreased.

2.23 Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

a) Investments in Related Undertakings

Investments in related undertakings are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.22.

b) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified and an estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2. Summary of Significant Accounting Policies (contd.)

2.23 Financial Instruments (cont'd)

c) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

d) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transactions costs.

All borrowing costs are recognized as an expense in the income statement as an expense in the period in which they are incurred.

2.24 Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash and bank balances and unpledged fixed deposits, against which bank overdrafts, if any, are deducted. Included in cash and bank balances are donations which are received through donor grants. By virtue of donor agreements, the manner in which such donations are to be applied may be restricted to specific projects and/or assets.

3. Property, plant and equipment

Group of fixed assets	Cost					Depreciation				Net book value 31-12-2004	Net book value 31-12-2003
	Opening balance Taka	Additions during the year Taka	Transferred during the year Taka	Disposals during the year Taka	Closing balance Taka	Opening balance Taka	Charged during the year Taka	Adjustment for disposals/transfer during the year Taka	Closing balance Taka		
Freehold land	1,422,017,998	299,957,625	-	(2,316,415)	1,719,659,208	-	-	-	-	1,719,659,208	1,422,017,998
Buildings	1,859,473,858	106,191,172	33,902,005	(20,593,258)	1,978,973,777	386,164,242	69,329,079	(1,621,744)	453,871,577	1,525,102,200	1,473,309,616
Furniture and fixtures	336,006,681	33,386,916	-	-	369,393,597	218,491,293	34,482,926	-	252,974,219	116,419,378	117,515,388
Equipment	854,182,973	100,116,862	-	-	954,299,835	501,316,782	77,449,158	-	578,765,940	375,533,895	352,866,191
Vehicles	219,641,261	22,524,745	-	(2,966,000)	239,200,006	184,015,239	14,068,879	(931,333)	197,152,785	42,047,221	35,626,022
Bicycles	15,882,077	7,116,299	-	-	22,998,376	11,827,252	609,586	-	12,436,838	10,561,538	4,054,825
Machinery	300,648,310	4,900,594	-	-	305,548,904	177,234,133	26,012,327	-	203,246,460	102,302,444	123,414,177
Deep tubewell and tank	8,459,118	790,521	-	-	9,249,639	4,820,511	779,769	-	5,600,280	3,649,359	3,638,607
Hatchery	6,618,892	1,028,181	-	-	7,647,073	2,028,493	1,196,310	-	3,224,803	4,422,270	4,590,399
Camp/poultry/livestock sheds	150,228,469	-	-	-	150,228,469	21,652,540	10,515,993	-	32,168,533	118,059,936	128,575,929
Motoreycles	2,259,695	295,620	-	-	2,555,315	1,255,524	-	-	1,255,524	1,299,791	1,004,171
Construction work in progress	33,902,005	40,790,921	(33,902,005)	-	40,790,921	-	-	-	-	40,790,921	33,902,005
Crates/mannequins/samples	53,989,085	5,350,725	-	-	59,339,810	38,785,478	3,117,650	-	41,903,128	17,436,682	15,203,607
Total 2004	5,263,310,422	622,450,181	-	(25,875,673)	5,859,884,930	1,547,591,487	237,561,677	(2,553,077)	1,782,600,087	4,077,284,843	3,715,718,935
Total 2003	5,071,394,292	253,314,660	-	(61,398,530)	5,263,310,422	1,321,834,586	232,856,489	(7,099,588)	1,547,591,487	3,715,718,935	

Allocation of depreciation:

- included in cost of sales of commercial projects
- reflected in programme related expenses

Note 26
Note 27

	2004 Taka	2003 Taka
	4,933,385	7,220,227
	232,628,292	225,636,262
	<u>237,561,677</u>	<u>232,856,489</u>

An amount of Tk49,468,172 (2003: Tk.48,459,166) has been transferred to the statement of income and expenditure from Deferred Income - investment in fixed assets to cover the depreciation charge for donor-funded fixed assets as disclosed in Notes 12 & 19

Landed properties with an aggregate net book value of Tk.673,350,055 (2003: Tk. 381,545,087) have been pledged to secure term loans and overdraft facilities as disclosed in Notes 13 and 18 to the financial statements.

4. Investment in related undertakings

Related undertakings - unquoted	2004				
	Shares	Share of Reserves	Loans	Provision for impairment in value	Total
	Taka	Taka	Taka	Taka	Taka
BRAC Bank Ltd.	317,390,000	57,261,478	-	-	374,651,478
BRAC Industries Ltd.	24,999,900	1,157,740	-	-	26,157,640
BRAC BD Mail Network	9,250,000	(639,914)	5,500,000	-	14,110,086
Documenta TM Ltd	2,400,000	366,124	-	-	2,766,124
BRAC Services Ltd.	10,000,000	(33,186,756)	28,148,501	(4,961,745)	-
BRAC Concord Lands Ltd.	60,000,000	(5,106,450)	-	-	54,893,550
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	21,733,350	-	-	71,733,350
A.Q.Choudhury & Sons Tea Estate Ltd	243,908,025	(383,897)	53,312,320	-	296,836,448
Purbachal Tea Company Ltd	63,300,695	(5,218,110)	10,977,036	-	69,059,621
Banshkhali Tea Company Ltd	27,719,870	(7,281,994)	18,207,423	-	38,645,299
Bangladesh Netting Factory	17,071,429	(763,534)	26,647,152	-	42,955,047
	<u>826,039,919</u>	<u>27,938,037</u>	<u>142,792,432</u>	<u>(4,961,745)</u>	<u>991,808,643</u>

Related undertakings - unquoted	2003				
	Shares	Share of Reserves	Loans	Provision for impairment in value	Total
	Taka	Taka	Taka	Taka	Taka
BRAC Bank Ltd.	317,390,000	(9,093,757)	-	-	308,296,243
BRAC Industries Ltd.	24,999,900	3,527,411	-	-	28,527,311
BRAC BD Mail Network	9,250,000	1,611,636	-	-	10,861,636
Documenta TM Ltd	2,400,000	74,790	1,760,180	-	4,234,970
BRAC Services Ltd.	10,000,000	(28,853,003)	24,908,998	(6,055,995)	-
BRAC Concord Lands Ltd.	60,000,000	(9,781,395)	-	-	50,218,605
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	18,897,411	-	-	68,897,411
A.Q.Choudhury & Sons Tea Estate Ltd	243,908,025	2,241,543	20,499,607	-	266,649,175
Purbachal Tea Company Ltd	63,300,695	(1,528,392)	15,049,777	-	76,822,080
Banshkhali Tea Company Ltd	27,719,870	(2,217,665)	8,608,729	-	34,110,934
Bangladesh Netting Factory	17,071,429	(5,130,796)	26,545,183	-	38,485,816
	<u>826,039,919</u>	<u>(30,252,217)</u>	<u>97,372,474</u>	<u>(6,055,995)</u>	<u>887,104,181</u>

Represented by:

Share of net tangible assets

Goodwill on acquisition

Loans

	2004	2003
	808,151,489	748,866,985
	40,864,722	40,864,722
	142,792,432	97,372,474
	<u>991,808,643</u>	<u>887,104,181</u>

4. Investments in related undertakings (contd)

Related undertakings	2004 %	2003 %	Principal activities
BRAC Bank Ltd. (Incorporated in Bangladesh)	63.48	99.9	Banking business
BRAC Industries Ltd. (Incorporated in Bangladesh)	99.9	99.9	Cold storage
BRAC BD Mail Network Ltd. (Incorporated in Bangladesh)	95.2	95.2	Internet service provider
BRAC Services Ltd. (Incorporated in Bangladesh)	100	100	Hospitality
BRAC Concord Lands Ltd. (Incorporated in Bangladesh)	50.0	50.0	Land and housing
Delta BRAC Housing Finance Corp. Ltd. (Incorporated in Bangladesh)	25.0	25.0	Housing finance
Documenta TM ltd (Incorporated in Bangladesh)	80.0	80.0	Software Development
A.Q.Choudhury & Sons Tea Estate Ltd (Incorporated in Bangladesh)	99.9	99.9	Tea Plantation
Purbachal Tea Company Ltd (Incorporated in Bangladesh)	99.9	99.9	Tea Plantation
Banshkhali Tea Company Ltd (Incorporated in Bangladesh)	99.9	99.9	Tea Plantation
Bangladesh Netting Factory (Incorporated in Bangladesh)	94.0	94.0	Poultry Processing

BRAC's investments in the related undertakings are represented by its share in the respective net tangible assets, goodwill and loans extended.

Loans represent finance provided for working capital and earn 12% (2003: 12%) interest per annum. These loans have no fixed repayment terms.

Included in share of reserves in 2004 is a non-distributable portion amounting to Tk 31,369,972 (2003: Tk 13,251,492).

5. Investment in securities and others

	2004 Taka	2003 Taka
Original cost of shares in companies listed in Bangladesh	6,851,195	9,784,906
Write-up/(provision for permanent diminution) in value	4,549,716	(2,356,613)
	11,400,911	7,428,293
Debentures and Bonds	199,192,854	423,478,568
	210,593,765	430,906,861
Market value of shares in companies listed in Bangladesh	11,400,911	7,428,293

Debentures and Bonds amounting to Tk. 172,050,000 have been pledged as securities for borrowing facilities from banks (Note 13). The debentures and bonds earned interest at 12.0% - 13.50% and 8.5% (2003: 12% - 13.50% and 8.5%) per annum respectively during the year.

6. Loans to Village Organisation members

	Principal outstanding Taka	Service charge receivable Taka	Loan loss provision Taka	Total Taka
At January 1, 2004	11,493,192,015	112,392,646	(749,775,691)	10,855,808,970
Additions	25,901,515,000	3,610,151,992	(718,246,273)	28,793,420,719
Realisation	(22,690,585,804)	(3,546,833,355)	-	(26,237,419,159)
Write-off	(212,582,282)	(37,131,592)	212,582,282	(37,131,592)
At December 31, 2004	14,491,538,929	138,579,691	(1,255,439,682)	13,374,678,938

Loans to VO members bear annual service charges as follows:

Micro-credit	15% per annum on loan disbursed
Housing loans	10% per annum on loan disbursed

Repayments are made in weekly/monthly instalments.

6. Loans to Village Organisation members (contd.)

The loan principal outstanding and loan loss provision are analysed as follows:

Loan Classification	Days in Arrears	Loan Principal 2004 Taka	Loan loss Provision 2004 Taka	Loan Principal 2003 Taka	Loan loss Provision 2003 Taka
Standard	Current (no arrears)	12,834,557,198	385,036,716	10,088,877,280	201,777,546
Watchlist	1 - 30	460,139,095	23,006,955	300,507,620	15,025,381
Substandard	31 - 180	713,859,083	142,771,817	643,461,080	128,692,216
Doubtful	181 - 350	149,498,035	112,123,526	224,261,948	168,196,461
Loss	Over 350	333,485,518	333,485,518	236,084,087	236,084,087
General loan loss provision			259,015,150		-
		<u>14,491,538,929</u>	<u>1,255,439,682</u>	<u>11,493,192,015</u>	<u>749,775,691</u>

The following additional provisions have been made in 2004 to take account of the possible effects of widespread devastating floods during the year:

- Additional 1% in respect of loans classified as "Standard"
- A general provision of 1% of loan amounts disbursed during the year.

7. Inventories

	2004 Taka	2003 Taka
Seeds and feeds	390,731,753	388,231,753
Medical supplies and consumables	91,726,547	91,726,547
Printing and stationery	91,104,178	91,104,178
Handicraft goods	280,621,127	328,232,146
Dairy products	43,456,975	34,254,841
Programme materials	156,355,056	35,410,839
	<u>1,053,995,636</u>	<u>968,960,304</u>

8. Grants and accounts receivable

Grants receivable (Note 16)	440,815,851	123,777,953
Interest receivable on fixed deposits and bank accounts	252,693,472	100,522,750
Other accounts receivable	382,775,864	465,967,819
	<u>1,076,285,187</u>	<u>690,268,522</u>
Provision for doubtful debts	(8,077,783)	(3,491,142)
	<u>1,068,207,404</u>	<u>686,777,380</u>

Included in interest receivable on fixed deposits is Tk. 98,097820 (2003: Tk. 66,795,723) receivable after 12 months.

9. Advances, deposits and prepayments	2004 Taka	2003 Taka
Advances:		
Employees	66,071,237	85,570,802
Suppliers	454,806,834	362,421,461
Advance for tax	79,858,292	86,790,045
	<u>600,736,363</u>	<u>534,782,308</u>
Deposits for facilities and utilities	10,554,874	9,539,826
Prepayments	71,134,827	38,537,024
	<u>682,426,064</u>	<u>582,859,158</u>
10. Fixed deposits		
Fixed deposits pledged with financial institutions (Notes 13 and 18)	3,171,163,920	1,226,394,061
Fixed deposits unpledged	389,708,584	737,865,527
	<u>3,560,872,504</u>	<u>1,964,259,588</u>
11. Cash in hand and at banks		
Cash in hand	24,781,223	24,532,009
Cash at banks	601,228,727	432,735,900
	<u>626,009,950</u>	<u>457,267,909</u>

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following as at December 31:

Cash in hand and at banks	626,009,950	457,267,909
Fixed deposits unpledged (Note 10)	389,708,584	737,865,527
Bank overdrafts (Note 18)	(713,349,797)	(506,164,508)
	<u>302,368,737</u>	<u>688,968,928</u>

12. Deferred income

	Note	Investment in Fixed Assets Taka	Motorcycle Replacement Fund Taka	Total Taka
At 1 January 2004		424,342,493	6,972,669	431,315,162
Transferred from Grants received in advance	16	29,161,061	32,161,157	61,322,218
Amortisation to Statement of Income and Expenditure	19	(49,468,172)	(9,240,432)	(58,708,604)
At 31 December 2004		<u>404,035,382</u>	<u>29,893,394</u>	<u>433,928,776</u>

13. Term loans

	Note	2004 Taka	2003 Taka
Government of Bangladesh (GOB)	(a)	164,471,781	54,772,033
Palli Karma Shahayak Foundation (PKSF)	(b)	2,298,266,626	2,768,233,313
* Bangladesh Krishi Bank (BKB)	(c)	363,762,953	81,152,000
* Standard Chartered Bank (SCB)	(d)	800,000,000	800,000,000
* Agrani Bank	(e)	740,000,000	300,000,000
Sonali Bank		-	25,000,000
* Pubali Bank Ltd (PBL)	(f)	870,000,000	120,000,000
Rajshahi Krishi Unnyon Bank (RAKUB)	(g)	77,573,000	-
* HSBC	(h)	600,000,000	-
		<u>5,914,074,360</u>	<u>4,149,157,346</u>

Term Loans are analysed as follows:

Amount repayable within 12 months	3,367,745,287	1,767,284,259
Amount repayable after 12 months	2,546,329,073	2,381,873,087
	<u>5,914,074,360</u>	<u>4,149,157,346</u>

All repayment obligations in respect of the term loan have been met and no amounts were in arrears as at 31 December 2004.

- * Secured by fixed deposits and debentures amounting to Tk.2,720,834,692 (2003: Tk. 1,070,220,061) and properties amounting in aggregate to Tk.390,330,849 (2003: Tk.98,525,881)

- (a) (i) A loan from the Government of Bangladesh of Tk. 82,700,200 was obtained for construction of Garments workers hostel, and bears interest at 1% per annum. The loan will be repayable in equal half early instalments over twenty years, starting from September 2005.
- (a) (ii) A loan from the Government of Bangladesh of Tk. 48,000,000 was obtained to disburse among VO members as housing loans, and bears interest at 1% per annum. The loan is repayable in equal half yearly instalment over five years, starting from August 2000.
- (a) (iii) A loan from the Government of Bangladesh of Tk. 40,740,000 was obtained to disburse among VO members as loans under the Poultry for Nutrition programme. The loan will be repayable after realisation from beneficiaries and is interest free.
- (a) (iv) A loan from the Government of Bangladesh of Tk. 16,613,032 was obtained to disburse among VO members as loans for the Household Food Security through Nutrition Gardening programme. The loan bears interest at 10% per annum and will be repayable after realisation from beneficiaries.
- (b) (i) A loan from PKSF of Tk.3,401,000,000 was obtained to support the credit program and bears service charge at 5% - 7% (2003: 5% - 7%) per annum. Each drawdown is repayable in ten equal half-yearly instalments. The amount repayable within the next 12 months is Tk683,333,338 (2003: Tk629,166,687).
- (b) (ii) A loan from PKSF of Tk.292,000,000 was obtained to support the Participatory Livestock Development Program and bears service charge at 6.25% (2003: 6.25%) per annum. Each drawdown is repayable in ten equal quarterly instalments. The amount repayable within the next 12 months is Tk26,600,000 (2003: Tk40,800,000).

13. Term loans (contd)

- (c) (i) A loan from BKB of Tk. 120,572,400 was obtained to support the credit program and bears interest at 8% (2003: 8%) per annum. It is repayable in twenty equal half-yearly instalments, starting from January 01, 1998 and ending on July 01, 2007.
- (c) (ii) A loan from BKB of Tk. 312,000,000 was obtained to support rural helpless women for employment and income generation through cow rearing, and bears interest at 9% (2003: 8%) per annum. It is repayable in eight equal half yearly instalments, starting from February 2005.
- (c) (iii) A loan from BKB of Tk. 20,000,000 was obtained to support the broiler processing plant and bears interest at 11.5% (2003: 11.5%) per annum. It is repayable in twelve equal quarterly installments, starting from March 31, 2004.
- (d) A loan from Standard Chartered Bank of Tk. 800,000,000 was obtained for working capital purposes and bears interest at 8.5% (2003: 9.5%) per annum and is to be fully repaid within 180 days from drawdown on December 14, 2004
- (e) (i) A loan from Agrani Bank of Tk. 300,000,000 was obtained to support credit programme and bears interest at 9.5% (2002: 9.5%) per annum. It is repayable in 5 equal half yearly instalments, starting from September 2004.
- (e) (ii) A loan from Agrani Bank of Tk. 500,000,000 was obtained to support credit programme and bears interest at 9.5% per annum. It is repayable in five equal installments, starting from July 2005, within 3 years thereafter.
- (f) (i) A loan from Pubali bank Ltd. of Tk. 120,000,000 was obtained for working capital purposes and bears interest at 11% per annum and is repayable on October 31, 2005.
- (f) (ii) A loan from Pubali Bank Ltd of Tk. 750,000,000 was obtained to finance working capital requirements and bears interest at 9.25% per annum. It is repayable by May 2005.
- (g) A loan from RAKUB of Tk. 77,573,000 was obtained for operation of credit activity among small farmers, and bears interest at 6%-7% per annum. It is repayable within 23 months from the date of disbursement in March 2006.
- (h) A loan from HSBC of Tk. 600,000,000 was obtained to finance working capital requirement and bears interest at 8.5% per annum. It is repayable by September 2005.

14. VO members' savings deposits

	2004 Taka	2003 Taka
Opening balance	6,285,938,837	4,983,956,968
Deposits during the year	3,996,762,314	3,926,726,213
Withdrawals during the year	(2,625,613,419)	(2,624,744,344)
Closing balance	<u>7,657,087,732</u>	<u>6,285,938,837</u>

VO members' savings deposits are analysed as follows:

Compulsory savings	2,405,321,238	1,952,155,059
Own savings	5,251,766,494	4,333,783,778
Total	<u>7,657,087,732</u>	<u>6,285,938,837</u>

The average rate of interest paid in respect of savings deposits by VO members was 6% (2003: 6%) per annum.

BRAC has already initiated two types of savings deposits namely (a) Own savings and (b) Compulsory savings, with a view to facilitating and encouraging savings by people in rural areas.

- (a) **Own savings:** Each VO member deposits a minimum amount of Tk.5 in a weekly meeting. The amount to be deposited weekly is fixed by the VO member at the beginning meeting of the year. A member may deposit a maximum amount of Tk.20 per week.
- (b) **Compulsory savings:** When loans are disbursed to VO members, 5% of the loan sanctioned is deducted at source at inception and recorded under "savings deposits" of the VO member loan. This deducted amount is considered as "deposit against loan disbursed"

Rules for Savings withdrawals:

- (a) The entire amount of savings deposits of a VO member will be refunded when the member retires or becomes terminated from membership.
- (b) After one year of becoming a VO member 50% of savings deposits may be withdrawn to meet special requirement (such as marriage of offspring, illness, etc)
- (c) Loan outstanding balance including service charge on loan is to be fully repaid by a VO member before withdrawal of entire amount deposited to savings deposits inclusive of interest earned.
- (d) If the savings deposit balance of a VO member is less than Tk 2,000 after part withdrawals, no interest will be paid on remaining balance. Moreover, if a VO member withdraws more than two times in a year from savings deposits, no interest will be paid for that financial year.

15. Other long term liabilities

Employee gratuity and redundancy fund

2004 Taka	2003 Taka
1,233,301,673	1,059,938,049

Self-insurance fund

- Employees

115,603,965	87,933,950
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- BRAC properties and motorcycles

171,053,434	118,738,287
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286,657,399	206,672,237
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Other funds

- Special fund for scholarship

3,457,175	3,326,253
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- Flood rehabilitation fund

16,101,262	47,774,041
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- Emergency fund

152,695,828	92,700,744
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1,692,213,337	1,410,411,324
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An actuarial valuation of the self-insurance fund for employees as at 31 December 2003 was performed by an independent professional actuary. Based on the valuation, there was an excess provision of Tk 33,174,000. The principal assumptions applied in the actuarial valuation, which were consistent with a similar valuation carried out in 2001, included official mortality rates in Bangladesh and an interest rate of 8%, which is the average long-term rate of interest expected to be applicable.

An actuarial valuation of the employee gratuity and redundancy fund as at 31 December 2003 was performed by an independent professional actuary. Based on the valuation, there was an excess provision of Tk 18,865,000. The principal assumptions applied in the actuarial valuation were similar to those applied for the self-insurance fund for employees, and additionally a rate of salary increase of 7% per annum. The principal assumptions used were consistent with a similar valuation carried out in 2001.

The indicative excess provisions in respect of the self-insurance fund for employees and the employee gratuity and redundancy fund, amounting to an aggregate of Tk 52,039,000, have not been written back, but will be considered in determining future provisions.

BRAC also commissioned an investigation report by an independent professional actuary on the properties and motorcycles self-insurance fund as at 31 December 2003. Similar to the valuation carried out in 2001, the investigation report addressed BRAC's properties and motor cycles within and outside the Dhaka City Corporation areas. The investigation report set out a recommendation that to attain a satisfactory financial position required for the self-insurance fund, an additional provision of Tk 150,000,000 would be required. BRAC intends to accrete its properties and motorcycle self-insurance fund provision to attain the recommended additional Tk 150,000,000 over a period of four years commencing 2004. Accordingly, Tk 37,500,000 has been accreted in the financial year 2004.

The Special fund for scholarship represents the Catherine H. Lovel memorial fund which will subsequently be utilized for a scholarship programme 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 liability. This fund will be utilized to meet outgoings during natural disasters.

The Emergency fund represents receipts from service charges from prior disbursements of grants under the donor funded Micro-credit Rehabilitation Project to assist micro-credit borrowers in the event of natural disasters such as floods, typhoons and cyclones. The fund is represented by a specific bank balance from which interest is added to the fund.

16. Grants received in advance account

Note	2004 Taka	2003 Taka
At 1 January	350,232,107	218,631,804
Receivables as at 1 January	<u>(123,777,953)</u>	<u>(427,380,049)</u>
	226,454,154	(208,748,245)
Donations received during the year	25 3,713,468,474	2,682,663,640
Transferred to deferred income:		
- Investment in fixed assets	12 (29,161,061)	(2,925,941)
- Motorcycle replacement fund	12 (32,161,157)	(3,940,500)
Transfer to Statement of Income and Expenditure for expenditure during the year	19 <u>(3,379,559,612)</u>	<u>(2,240,594,800)</u>
	499,040,798	226,454,154
Receivables as at 31 December	8 <u>440,815,851</u>	<u>123,777,953</u>
At 31 December	<u>939,856,649</u>	<u>350,232,107</u>

17. Other current liabilities

Liabilities for expenses	162,471,794	152,151,429
Liabilities for goods	196,653,936	197,904,386
Advances received for training, publications, supplies etc.	<u>339,821,155</u>	<u>339,280,121</u>
	<u>698,946,885</u>	<u>689,335,936</u>

18. Bank overdraft

Pubali Bank Ltd	(a)	371,714,122	506,164,508
Bangladesh Krishi Bank (BKB)	(b)	<u>341,635,675</u>	-
		<u>713,349,797</u>	<u>506,164,508</u>

The overdrafts are secured by fixed deposits amounting to Tk.622,379,228 (2003: Tk. 278,224,000) and properties amounting in aggregate to Tk.283,019,206 (2003: Tk.283,019,206)

(a) The bank overdraft from Pubali Bank Ltd was obtained for BRAC's micro-finance programme, bears interest at 9.25% -10% (2003: 10%) per annum, and is repayable on or before May 31, 2005.

(b) The bank overdraft from Bangladesh Krishi Bank was obtained to finance working capital requirements of Agro-based program support enterprises, bears interest at 10% per annum, and is repayable on or before March 2006.

19. Donor grants

Donor grants recognised in the Statement of Income and Expenditure:

	Note	2004 Taka	2003 Taka
Transferred from grants received in advance	16	3,379,559,612	2,240,594,800
Transferred from deferred income:			
(a) amortisation of investment in fixed assets			
- unrestricted		45,008,743	45,858,318
- temporarily restricted		4,459,429	2,600,848
	12	49,468,172	48,459,166
(b) amortisation of motorcycle replacement fund			
- unrestricted		1,068,319	2,501,633
- temporarily restricted		8,172,113	1,770,231
	12	9,240,432	4,271,864
		<u>3,438,268,216</u>	<u>2,293,325,830</u>

20 Investment income

Interest on bank accounts and fixed deposits		252,369,021	123,142,133
Debenture interest		37,516,653	69,086,739
In respect of investments in related undertakings:			
- Share of profits less losses		78,290,542	23,137,202
- Write back of/(provision for) impairment in value		1,094,250	(6,055,995)
- (Loss on dilution)/gain on disposal		(6,531,087)	7,735,190
		72,853,705	24,816,397
Write up/(down) in value of investment in securities and others		4,549,716	(2,356,613)
Others		3,411,966	1,824,084
		<u>370,701,061</u>	<u>216,512,740</u>

21. Other income

Gain on disposal of property, plant and equipment		28,200,866	7,333,872
Partial reimbursements on cost of program supplies		5,687,343	32,954,445
Training income		35,008,235	40,864,287
Sales revenue from Gonokendra Journal		-	3,470,405
Sales revenue from Printing and Publication		-	9,538,833
Interest received on loans and advances		21,205,047	13,321,180
Foreign exchange gain - unrealised		2,635,398	-
Others		-	1,716,155
		<u>92,736,889</u>	<u>109,199,177</u>

22 Taxation

2004 Taka	2003 Taka
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Income taxation charge for the year

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Under the Income Tax Ordinance 1984 (Amended), in addition to its commercial activities, BRAC is also subject to taxation on income derived from its other non-commercial activities unless they are tax exempt. Income from micro-finance activities, agricultural based programme support enterprises and dairy activities are tax-exempt.

There is no taxable income in respect of BRAC's taxable activities in 2004. BRAC has approximately Tk142 million (2003: Tk256 million) tax losses arising from these activities, subject to the agreement of the tax authorities.

On 28 November 2004, The Office of the Deputy Commissioner of Tax had issued BRAC a directive requesting for payment of taxes in respect of the financial years 2000 to 2003, amounting to Tk200,113,000. BRAC has successfully obtained a stay of execution and this matter has been referred to the High Court Division of the Supreme Court of Bangladesh.

The Management of BRAC is of the view that the basis for taxation in the above-mentioned directive is inappropriate, and therefore, that BRAC will not finally be liable for this taxation. Accordingly, the amount has not been provided for in the financial statements as at 31 December 2004.

23. Foreign currency denominated monetary assets and liabilities

Resident Foreign Currency Deposits (in US\$)	1,125,156	386,202,192
Resident Foreign Currency Deposits (Euro)	1,620,879	1,328,689
Resident Foreign Currency Deposits (in GBP)	119,138	7,243,367
Cash at bank (in US\$')	1,345,321	1,935,096
Cash at bank (in Euro)	-	37,985
Cash at bank (in Pakistani Rupees)	2,785	37,985
Cash at bank (in Indian Rupees)	2,636	37,985
Cash at bank (in GBP')	33,552	137,767

24. Financial Instruments

a) Financial Risk Management Objectives and Policies

BRAC's financial risk management policy seeks to identify, appraise and monitor the risks facing BRAC whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. BRAC does not, however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, BRAC has sought the assistance of donors.

b) Interest Rate Risk

BRAC's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to VO members. BRAC does not engage in speculative transactions or take speculative positions on its interest exposure.

24. Financial Instruments (cont'd)

c) Foreign Exchange Risk

BRAC's foreign exchange risks comprise transaction risk which arises from donor grants received in currencies other than the local currency and minimal foreign currency deposits and cash at bank placed with licensed financial institutions. BRAC is exposed to foreign currency fluctuations, mainly in respect of donor grants denominated in United States Dollars, British Sterling Pound and the Euro.

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic project cash flow and budget forecasts and are kept to an acceptable level.

d) Liquidity Risk

BRAC manages its debt maturity profile, operating cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, BRAC maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, BRAC maintains banking facilities of a reasonable level.

e) Credit Risk

The credit policy of BRAC requires all credit exposures to be measured, monitored and managed proactively. Exposure to credit risk is monitored on an ongoing basis by the commercial ventures' respective management teams.

BRAC does not have any significant exposure to any individual customer or counterparty.

25 Schedule of donations received

Name of the projects	Donor	2004 Taka	2003 Taka
BRAC Education Program (NFPE Phase III and BEP Phase IV)	UNICEF	24,067,955	-
	DGIS	217,650,000	120,833,539
	NOVIB	50,365,000	23,687,327
	DFID	633,452,847	194,775,700
	AKF/CIDA	252,252,240	292,209,185
	NORAD	170,939,631	-
	EC	410,497,971	1,083,798,563
	Others	-	311,931
	Sub total	1,759,225,644	1,715,616,245
Challenging the Frontiers of Poverty Reduction Programme	NOVIB	26,063,400	23,682,120
	EC	277,443,506	227,853,247
	DFID	229,600,000	97,200,000
	CIDA	96,228,756	38,455,711
	Sub total	629,335,662	387,191,078
Nutrition Facilitation Program (NNP & BINP)	GOB	427,934,708	183,671,086
	ICDDRDB	1,835,433	1,481,370
	Sub total	429,770,141	185,152,456
Flood Relief and Rehabilitation Programme	NOVIB	96,880,000	3,674,692
	UNDP	76,938,388	-
	OXFAM America	2,364,000	-
	DANIDA	2,700,000	-
	CIDA	2,237,136	-
	AusAID	2,027,055	-
	Mercy Corps	5,681,682	-
	Local Contribution	9,608,929	-
	198,437,190	3,674,692	
Arsenic Mitigation	UNICEF	9,340,528	7,896,334
	Rotary International	1,304,850	2,309,200
	Sub total	10,645,378	10,205,534
Early Childhood Development Project	UNICEF	7,582,794	9,487,107
	Plan International	780,526	210,000
	Sub total	8,363,320	9,697,107
BRAC Limb Centre	Jaipur Limb Centre	2,466,051	2,071,042
	International Red Crescent Society	220,357	1,291,421
	Sub total	2,686,408	3,362,463
Reproductive Health and Disease Control	GOB	-	23,828,693
Income Generating Vulnerable Group Development	GOB	2,807,457	34,666,920
Forth Fisheries Program	ULG Northumbria	13,630,867	7,480,812
Education for Under Aged Garment Workers	UNICEF	-	225,345
International Conference on Exploration on Human Res.	Rockefeller Foundation	-	3,022,672
Char Development and Settlement Program	DGIS	13,168,188	3,776,637
Strategies to Improve the Proportion of Deliveries with Skill Attendants	University Aberdeen	-	46,902
Micronutrient Beverage Supplementation for Adolescent Girls	Micronutrient Initiatives	3,245,537	7,392,143
Alternative Livelihood Program	ULG Northumbria	12,034,260	-
BRAC AKF Learning Partnership Project	AKF/CIDA	416,098	-
Adolescent Development Program (APON)	UNICEF	28,995,106	12,565,000

Name of the projects	Donor	2004 Taka	2003 Taka
Community Based Fisheries Management Project	ICLARM/World Fish Centre	7,410,396	3,644,329
Community Health Programme Under PPP	The British Council/ Nicare Bangladesh	5,071,366	2,762,353
Community Traffic Policing Scoping	TRL Ltd.	1,290,683	203,751
Atta Fortification Program	WFP	12,378,702	1,767,572
Education Support Program	NORAD	37,564,650	73,753,684
Institute of Education and Development	Plan International	866,573	870,000
Micro Health Insurance for Rural Women in Bangladesh	ILO	2,048,326	2,541,142
National Survey for Birth weight and Anemia Survey	UNICEF	2,271,184	4,542,368
Newborn Lives Initiative Program	Save the Children	9,650,000	2,500,000
Northwest Crop Diversification Project	GOB	5,076,712	3,691,875
Exploring Emerging Areas of Microfinance Impact	Institute of Development Agencies	1,360,018	672,408
Community based HIV/AIDS Education	SIDA	30,542,415	-
HIV/AIDS Prevention Project	UNICEF	3,750,000	-
Primary Healthcare for Later life	EC	2,317,205	-
Patterns and Trends in food consumption in poor Rural Urban Household	Imperial College	-	3,591,781
Poultry for Nutrition	GOB	6,688,048	7,597,825
BRAC Pre-primary School Program	DGIS	10,473,944	151,843,061
Womens Domestic Violence Health Policy	University of Calgray	478,936	-
Sundarban Biodiversity Conversion project	GOB	1,961,028	597,568
Task Force on Maternal Health and Child Health	Columbia University	-	473,873
Training of Adolescent Girls	UNICEF	1,705,400	1,952,300
Routine Maintenance Program	GOB	2,032,562	491,725
School Feeding Program	Land O Lakes	859,603	4,858,308
Northwest Microfinance Expansion Program	AusAID	30,066,687	-
WFCL program in Haragacha	ILO	-	5,514,290
Implement of Resettlement Action Plan	GOB	-	-
Kangaroo Mother care	Population Council	729,671	-
Sprinkles Study in Bangladesh	Hospital for Sick Children	1,154,027	888,728
Sprinkles Study in Bangladesh	Hospital for Sick Children	2,766,930	-
TB Control Program	The Global Fund	268,182,391	-
Community based TB Control Program in Rural	Fidelis, France	8,910,064	-
Education for Indigenous Children	NORAD	104,334,401	-
IT in Rural Area through Existing Gonokendra	Unicol BD Ltd	1,751,693	-
Management Training to NNP Managers	GOB	2,284,433	-
Nutrition Gardening Project	GOB	26,638,023	-
Road Safty Awareness Campaign	Ircon International Ltd	2,000,000	-
VGD - NNP Implementation Collaborative Project	GOB	6,091,147	-
TOTAL		3,713,468,474	2,682,663,640

26. Segmental financial information

	Unrestricted							House Property (Building)	Total Unrestricted	Temporarily restricted	Total 2004
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects			Development Projects	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance Sheet as at December 31, 2004											
Assets											
Property, plant and equipment	40,590,781	9,818,524	156,350,152	652,818,664	114,916,876	1,449,103,770	1,285,239,429	218,295,720	3,927,133,916	150,150,927	4,077,284,843
Investment in related undertakings	-	-	-	-	-	-	991,808,643	-	991,808,643	-	991,808,643
Investment in securities and others	-	-	-	-	-	-	210,593,765	-	210,593,765	-	210,593,765
Loans to Village Organisation members	-	-	-	-	-	13,280,390,513	-	-	13,280,390,513	94,288,425	13,374,678,938
Motor cycle loans	-	-	870,136	13,135,858	1,905,611	162,915,887	29,179,041	-	208,006,533	108,306,661	316,313,194
Inventories	280,621,127	26,468,620	43,456,975	395,378,625	69,533,979	40,149,289	166,611,154	-	1,022,219,769	31,775,867	1,053,995,636
Grants and accounts receivable	33,670,737	65,129,805	13,642,413	183,498,175	15,968,187	89,664,934	224,174,664	2,772,409	628,521,324	439,686,080	1,068,207,404
Advances, deposits and prepayments	10,712,563	4,449,413	30,669,641	120,327,572	15,745,456	110,933,953	338,416,675	10,231,701	641,486,974	40,939,090	682,426,064
Term loan -internal	109,517,392	(73,008,784)	-	-	-	-	(36,508,608)	-	-	-	-
Fixed deposits	-	-	-	-	-	1,051,657,675	2,509,214,829	-	3,560,872,504	-	3,560,872,504
Cash in hand and at banks	27,391,184	4,694,408	(11,003,387)	(518,019,861)	(1,819,335)	868,207,765	(580,962,136)	343,707,389	132,196,027	493,813,923	626,009,950
Total Assets	502,503,784	37,551,986	233,985,930	847,139,033	216,250,774	17,053,023,786	5,137,767,456	575,007,219	24,603,229,968	1,358,960,973	25,962,190,941
Liabilities and Net Assets											
Liabilities:											
Deferred income	-	-	-	-	-	160,358	370,311,790	-	370,472,148	63,456,628	433,928,776
Term loans	120,000,000	-	80,000,000	243,333,333	120,000,000	3,790,687,795	1,420,000,000	-	5,774,021,128	140,053,232	5,914,074,360
VO members' savings deposits	-	-	-	-	-	7,657,087,732	-	-	7,657,087,732	-	7,657,087,732
Other long term liabilities	49,138,462	19,247,624	-	-	-	152,695,828	1,471,131,423	-	1,692,213,337	-	1,692,213,337
VO members project and current account	-	-	-	-	-	32,088,660	-	-	32,088,660	-	32,088,660
Grants received in advance account	-	-	-	-	-	-	-	-	-	939,856,649	939,856,649
Other current liabilities	61,051,096	6,189,138	12,970,084	54,177,049	16,460,158	298,802,386	183,797,899	6,601,416	640,049,226	58,897,659	698,946,885
Provision for taxation	-	-	-	-	-	-	31,741,030	-	31,741,030	-	31,741,030
Bank overdrafts	-	-	-	-	-	-	713,349,797	-	713,349,797	-	713,349,797
Total Liabilities	230,189,558	25,436,762	92,970,084	297,510,382	136,460,158	11,931,522,759	4,190,331,939	6,601,416	16,911,023,058	1,202,264,168	18,113,287,226
Net assets -Capital fund	272,314,226	12,115,224	141,015,846	549,628,651	79,790,616	5,121,501,027	947,435,517	568,405,803	7,692,206,910	156,696,805	7,848,903,715
Total Liabilities and Net assets	502,503,784	37,551,986	233,985,930	847,139,033	216,250,774	17,053,023,786	5,137,767,456	575,007,219	24,603,229,968	1,358,960,973	25,962,190,941

26. Segmental financial information (Contd.)

	Unrestricted								Temporarily restricted	Total 2003	
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted		Development Projects
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
Balance Sheet as at December 31, 2003											
Assets											
Property, plant and equipment	32,412,945	10,551,156	179,263,637	668,956,509	29,133,941	1,435,510,771	1,049,178,172	237,446,070	3,642,453,201	73,265,734	3,715,718,935
Investment in related undertakings	-	-	-	-	-	-	887,104,181	-	887,104,181	-	887,104,181
Investment in securities and others	-	-	-	-	-	-	430,906,861	-	430,906,861	-	430,906,861
Loans to Village Organisation members	-	-	-	-	-	10,823,474,695	-	-	10,823,474,695	32,334,275	10,855,808,970
Motor cycle loans	-	-	894,710	9,745,829	1,326,688	145,412,988	11,962,338	-	169,342,553	75,741,976	245,084,529
Inventories	328,232,146	25,209,940	34,254,841	298,846,266	70,932,484	32,550,626	175,162,117	-	965,188,420	3,771,884	968,960,304
Grants and accounts receivable	-	86,506,246	12,291,511	260,530,045	13,589,689	76,194,860	107,086,845	6,309,915	562,509,111	124,268,269	686,777,380
Advances, deposits and prepayments	63,117,959	4,132,190	34,280,130	72,540,701	16,326,696	70,788,147	298,792,168	7,841,312	567,819,303	15,039,855	582,859,158
Term loan -internal	(60,524,601)	(113,328,445)	-	-	-	-	173,853,046	-	-	-	-
Fixed deposits	-	-	-	-	-	1,318,785,800	645,473,788	-	1,964,259,588	-	1,964,259,588
Cash in hand and at banks	23,503,623	30,998,441	(107,531,853)	(492,201,490)	(65,668,504)	505,439,583	183,587,280	116,524,730	194,651,810	262,616,099	457,267,909
Total Assets	386,742,072	44,069,528	153,452,976	818,417,860	65,640,994	14,408,157,470	3,963,106,796	368,122,027	20,207,709,723	587,038,092	20,794,747,815
Liabilities and Net Assets											
Liabilities:											
Deferred income	-	-	-	-	-	1,243,680	415,026,883	-	416,270,563	15,044,599	431,315,162
Term loans	120,000,000	-	-	330,000,000	-	3,166,457,146	500,000,000	-	4,116,457,146	32,700,200	4,149,157,346
VO members' savings deposits	-	-	-	-	-	6,285,938,837	-	-	6,285,938,837	-	6,285,938,837
Other long term liabilities	49,142,102	16,497,927	-	-	-	92,700,744	1,252,070,551	-	1,410,411,324	-	1,410,411,324
VO members project and current account	-	-	-	-	-	31,551,382	-	-	31,551,382	-	31,551,382
Grants received in advance account	-	-	-	-	-	-	-	-	-	350,232,107	350,232,107
Other current liabilities	46,695,405	15,456,377	25,034,971	65,707,209	6,099,776	256,407,853	208,991,957	9,779,733	634,173,281	55,162,655	689,335,936
Provision for taxation	-	-	-	-	-	-	31,741,030	-	31,741,030	-	31,741,030
Bank overdrafts	-	-	-	-	-	-	506,164,508	-	506,164,508	-	506,164,508
Total Liabilities	215,837,507	31,954,304	25,034,971	395,707,209	6,099,776	9,834,299,642	2,913,994,929	9,779,733	13,432,708,071	453,139,561	13,885,847,632
Net assets -Capital fund	170,904,565	12,115,224	128,418,005	422,710,651	59,541,218	4,573,857,828	1,049,111,867	358,342,294	6,775,001,652	133,898,531	6,908,900,183
Total Liabilities and Net assets	386,742,072	44,069,528	153,452,976	818,417,860	65,640,994	14,408,157,470	3,963,106,796	368,122,027	20,207,709,723	587,038,092	20,794,747,815

26. Segmental financial information (Contd.)

	Unrestricted								Temporarily restricted	Total 2004	
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted		Development Projects
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
Statement of Income and Expenditure for the year ended December 31, 2004											
Income											
Donor grants	-	-	-	-	-	-	46,077,062	-	46,077,062	3,392,191,154	3,438,268,216
Revenue from											
Commercial projects	938,348,875	248,217,406	398,653,266	-	-	-	-	-	1,585,219,547	-	1,585,219,547
Program support enterprises	-	-	-	2,110,842,409	226,117,892	-	-	-	2,336,960,301	-	2,336,960,301
Service charge on loans to VO members	-	-	-	-	-	3,610,151,992	-	-	3,610,151,992	-	3,610,151,992
Investment income	-	-	-	-	-	104,155,367	261,863,135	-	366,018,502	4,682,559	370,701,061
Other income -internal	(25,529,748)	(4,692,129)	(999,994)	(5,437,700)	(1,227,019)	-	37,886,590	-	-	-	-
Other income	8,278,484	189,073	580,004	10,982,486	1,227,019	-	40,387,526	25,404,954	87,049,546	5,687,343	92,736,889
Income from House property	-	-	-	-	-	-	-	87,978,674	87,978,674	-	87,978,674
Total income	921,097,611	243,714,350	398,233,276	2,116,387,195	226,117,892	3,714,307,359	386,214,313	113,383,628	8,119,455,624	3,402,561,056	11,522,016,680
Expenditure											
Commercial Projects	822,134,397	221,396,808	385,635,435	-	-	-	-	-	1,429,166,640	-	1,429,166,640
Programme Support Enterprises	-	-	-	2,115,914,252	227,350,718	-	-	-	2,343,264,970	-	2,343,264,970
House property related expenses	-	-	-	-	-	-	-	58,978,742	58,978,742	-	58,978,742
Education Programme	-	-	-	-	-	-	27,223,673	-	27,223,673	1,881,208,298	1,908,431,971
Challenging the Frontiers of Poverty Reduction	-	-	-	-	-	-	60,000,000	-	60,000,000	517,756,135	577,756,135
Nutrition Programme	-	-	-	-	-	-	1,317,340	-	1,317,340	486,394,379	487,711,719
Health and Population Programme	-	-	-	-	-	-	3,350,896	-	3,350,896	162,122,936	165,473,832
Micro Finance Programme	-	-	-	-	-	3,181,541,076	-	-	3,181,541,076	277,325	3,181,818,401
Relief and Rehabilitation	-	-	-	-	-	-	31,672,779	-	31,672,779	153,974,020	185,646,799
Poultry Extension Programme	-	-	-	-	-	-	2,315,430	-	2,315,430	76,479,204	78,794,634
Fisheries Extension Programme	-	-	-	-	-	-	2,980,369	-	2,980,369	28,583,082	31,563,451
Agriculture Extension Programme	-	-	-	-	-	-	2,595,971	-	2,595,971	48,083,867	50,679,838
Sericulture and Silk Development Programme	-	-	-	-	-	-	2,970,314	-	2,970,314	-	2,970,314
Training, workshops and seminars	-	-	-	-	-	-	54,872,166	-	54,872,166	-	54,872,166
Research, Monitoring and Evaluation	-	-	-	-	-	-	-	-	-	24,883,536	24,883,536
Total Expenses	822,134,397	221,396,808	385,635,435	2,115,914,252	227,350,718	3,181,541,076	189,298,937	58,978,742	7,202,250,365	3,379,762,782	10,582,013,148
Surplus/(deficit) of income over expenditure before taxation	98,963,214	22,317,542	12,597,841	472,943	(1,232,826)	532,766,283	196,915,376	54,404,886	917,205,259	22,798,274	940,003,532
Taxation	-	-	-	-	-	-	-	-	-	-	-
Net surplus/(deficit) for the year	98,963,214	22,317,542	12,597,841	472,943	(1,232,826)	532,766,283	196,915,376	54,404,886	917,205,259	22,798,274	940,003,532

26. Segmental financial information (Contd.)

	Unrestricted								Temporarily restricted	Total 2003	
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted		Development Projects
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Statement of Income and Expenditure for the year ended December 31, 2003											
Income											
Donor grants	-	-	-	-	-	-	48,359,951	-	48,359,951	2,244,965,879	2,293,325,830
Revenue from											
Commercial projects	807,672,742	259,735,066	438,300,269	-	-	-	-	-	1,505,708,077	-	1,505,708,077
Program support enterprises	-	-	-	1,972,888,099	278,438,310	-	-	-	2,251,326,409	-	2,251,326,409
Service charge on loans to VO members	-	-	-	-	-	2,882,472,913	-	-	2,882,472,913	-	2,882,472,913
Investment income	-	-	-	-	-	129,378,498	82,266,078	-	211,644,576	4,868,164	216,512,740
Other income - internal	(13,935,734)	(7,927,136)	(5,999,964)	(7,283,065)	-	-	35,145,899	-	-	-	-
Other income	2,251,169	182,126	363,309	5,410,051	1,220,212	-	65,969,256	-	75,396,123	33,803,054	109,199,177
Income from House property	-	-	-	-	-	-	-	88,472,321	88,472,321	-	88,472,321
Total Income	795,988,177	251,990,056	432,663,614	1,971,015,085	279,658,522	3,011,851,411	231,741,184	88,472,321	7,063,380,370	2,283,637,097	9,347,017,467
Expenditure											
Commercial Projects	711,523,716	233,962,525	394,782,472	-	-	-	-	-	1,340,268,713	-	1,340,268,713
Programme Support Enterprises	-	-	-	1,932,690,514	272,389,554	-	-	-	2,205,080,068	-	2,205,080,068
House property related expenses	-	-	-	-	-	-	-	72,459,403	72,459,403	-	72,459,403
Education Programme	-	-	-	-	-	-	24,401,465	-	24,401,465	1,599,983,844	1,624,385,309
Challenging the Frontiers of Poverty Reduction	-	-	-	-	-	-	45,000,000	-	45,000,000	390,481,618	435,481,618
Nutrition Programme	-	-	-	-	-	-	-	-	-	113,470,763	113,470,763
Health and Population Programme	-	-	-	-	-	-	69,819,009	-	69,819,009	64,475,897	134,294,906
Micro Finance Programme	-	-	-	-	-	2,371,523,988	-	-	2,371,523,988	346,000	2,371,869,988
Poultry Extension Programme	-	-	-	-	-	-	64,370,687	-	64,370,687	43,402,494	107,773,181
Fisheries Extension Programme	-	-	-	-	-	-	24,898,805	-	24,898,805	20,771,436	45,670,241
Agriculture Extension Programme	-	-	-	-	-	-	41,449,633	-	41,449,633	13,554,964	55,004,597
Sericulture and Silk Development Programme	-	-	-	-	-	-	24,802,092	-	24,802,092	-	24,802,092
Rural Enterprise Development Programme	-	-	-	-	-	-	23,027,654	-	23,027,654	-	23,027,654
Training, workshops and seminars	-	-	-	-	-	-	37,869,218	-	37,869,218	4,287,290	42,156,508
Grant to BRAC Afghanistan	-	-	-	-	-	-	5,508,710	-	5,508,710	-	5,508,710
Research, Monitoring and Evaluation	-	-	-	-	-	-	-	-	-	21,294,118	21,294,118
Total Expenses	711,523,716	233,962,525	394,782,472	1,932,690,514	272,389,554	2,371,523,988	361,147,273	72,459,403	6,350,479,445	2,272,068,424	8,622,547,869
Surplus/(deficit) of income over expenditure before taxation	84,464,461	18,027,531	37,881,142	38,324,571	7,268,968	640,327,423	(129,406,089)	16,012,918	712,900,925	11,568,673	724,469,598
Taxation	-	-	-	-	-	-	-	-	-	-	-
Net surplus/(deficit) for the year	84,464,461	18,027,531	37,881,142	38,324,571	7,268,968	640,327,423	(129,406,089)	16,012,918	712,900,925	11,568,673	724,469,598

27. Statement of Functional Expenses

	Unrestricted								Temporarily restricted	Total 2004	
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted		Development Projects
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Salaries and benefits	65,029,686	5,141,087	19,817,256	44,775,886	9,470,104	1,345,717,089	63,691,257	-	1,553,642,365	949,634,485	2,503,276,850
Travelling and transportation	8,494,136	1,405,857	12,211,140	10,039,273	2,039,741	112,569,469	2,233,208	-	148,992,824	121,138,498	270,131,322
Teachers' salaries	-	-	-	-	-	-	-	-	-	423,638,840	423,638,840
Teachers' training	-	-	-	-	-	-	-	-	-	139,478,178	139,478,178
School rent and maintenance	-	-	-	-	-	-	-	-	-	112,702,046	112,702,046
Stationery, rent and utilities	43,271,555	3,103,312	4,735,147	9,989,507	1,076,497	96,981,324	7,652,962	5,485,866	172,296,170	65,204,160	237,500,330
Maintenance and general expenses	16,723,796	278,252	3,079,793	10,091,115	956,686	62,314,338	6,358,790	2,490,051	102,292,821	39,206,312	141,499,132
VO members' training	-	-	-	-	-	-	-	-	-	256,951,886	256,951,886
Staff training and development	1,094,250	-	8,275	-	-	29,158,525	5,920,083	-	36,181,133	95,565,815	131,746,948
Programme supplies	-	-	-	-	-	65,569,560	24,382,252	-	89,951,812	1,098,681,258	1,188,633,070
Interest on VO members' savings deposits	-	-	-	-	-	356,527,402	-	-	356,527,402	-	356,527,402
Interest on long term loans	15,783,141	-	6,500,000	67,035,294	3,723,120	241,847,310	1,583,676	-	336,472,541	3,771,100	340,243,641
Bank overdraft interest and charges	-	-	-	-	-	11,430,497	21,437,085	-	32,867,582	65,207,481	98,075,062
Cost of goods sold of commercial projects	650,620,743	210,198,676	305,118,086	-	-	-	-	-	1,165,937,505	-	1,165,937,505
Cost of goods sold of programme support enterpris	-	-	-	1,904,105,505	207,960,024	-	-	-	2,112,065,529	-	2,112,065,529
Publicity, advertisement and sales commissions	8,366,083	-	2,342,396	1,973,189	1,290,454	-	1,651,780	-	15,623,902	-	15,623,902
Loan loss provision for loans to VO members	-	-	-	-	-	718,246,273	-	-	718,246,273	-	718,246,273
Depreciation of property, plant and equipment	10,745,108	158,301	29,164,518	48,955,209	762,703	81,184,206	45,109,064	7,966,458	224,045,567	8,582,725	232,628,292
Provision for bad and doubtful debts	1,973,312	884,646	101,845	18,949,274	71,389	-	-	-	21,980,466	-	21,980,466
Allocation to self-insurance fund	-	-	-	-	-	-	9,278,780	43,036,367	52,315,147	-	52,315,147
Value Added Tax	32,587	226,677	2,556,979	-	-	-	-	-	2,816,243	-	2,816,243
Provision for Emergency fund	-	-	-	-	-	59,995,084	-	-	59,995,084	-	59,995,084
	822,134,397	221,396,808	385,635,435	2,115,914,252	227,350,718	3,181,541,076	189,298,937	58,978,742	7,202,250,366	3,379,762,782	10,582,013,148

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 4,933,385

27. Statement of Functional Expenses (contd.)

	Unrestricted								Temporarily restricted	Total 2003	
	Aarong Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted		Development Projects
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	
Expenditure Statement for the year ended December 31, 2003											
Salaries and benefits	65,855,948	4,490,623	18,473,789	39,998,102	7,699,735	1,016,324,467	178,399,430	-	1,331,242,094	722,075,874	2,053,317,967
Travelling and transportation	7,651,412	1,360,674	13,843,635	7,806,680	1,922,866	113,861,148	25,585,076	-	172,031,491	101,043,751	273,075,242
Teachers' salaries	-	-	-	-	-	-	-	-	-	397,959,756	397,959,756
Teachers' training	-	-	-	-	-	-	-	-	-	93,874,075	93,874,075
School rent and maintenance	-	-	-	-	-	-	-	-	-	115,666,872	115,666,872
Stationery, rent and utilities	46,860,351	3,084,221	4,576,247	8,613,598	3,145,240	112,486,361	7,726,346	7,052,194	193,544,558	31,545,291	225,089,849
Maintenance and general expenses	14,439,292	695,794	2,612,145	7,379,700	2,047,325	91,955,385	8,733,984	4,648,161	132,511,786	32,620,587	165,132,374
VO members' training	-	-	-	-	-	-	7,635,911	-	7,635,911	90,656,183	98,292,094
Staff training and development	-	-	150,434	-	3,783	23,986,777	1,936,187	-	26,077,181	70,320,512	96,397,693
Programme supplies	-	-	-	-	-	83,320,399	20,497,675	-	103,818,074	598,461,706	702,279,780
Interest on VO members' savings deposits	-	-	-	-	-	280,368,425	-	-	280,368,425	-	280,368,425
Interest on long term loans	14,843,829	-	-	32,151,390	1,378,719	182,121,784	34,942,090	-	265,437,812	11,945,528	277,383,340
Bank overdraft interest and charges	465,614	-	-	-	-	-	25,231,366	-	25,696,980	-	25,696,980
Cost of goods sold of commercial projects	535,178,398	223,310,967	320,161,896	-	-	-	-	-	1,078,651,261	-	1,078,651,261
Cost of goods sold of programme support enterpris	-	-	-	1,765,304,966	254,023,579	-	-	-	2,019,328,545	-	2,019,328,545
Publicity, advertisement and sales commissions	10,463,184	-	2,829,535	4,259,066	1,506,621	-	2,243,504	-	21,301,910	-	21,301,910
Loan loss provision for loans to VO members	-	-	-	-	-	367,823,502	-	-	367,823,502	-	367,823,502
Depreciation of property, plant and equipment	9,538,466	177,316	29,866,094	46,827,551	553,324	72,914,280	42,138,261	17,722,681	219,737,973	5,898,289	225,636,262
Provision for bad and doubtful debts	6,227,222	498,707	-	20,349,461	108,362	-	-	-	27,183,752	-	27,183,752
Foreign exchange loss- unrealised	-	-	-	-	-	-	568,733	-	568,733	-	568,733
Allocation to self- insurance fund	-	-	-	-	-	-	-	43,036,367	43,036,367	-	43,036,367
Value Added Tax	-	344,223	2,268,697	-	-	-	-	-	2,612,920	-	2,612,920
Grant to BRAC Afghanistan	-	-	-	-	-	-	5,508,710	-	5,508,710	-	5,508,710
Provision for Emergency fund	-	-	-	-	-	26,361,460	-	-	26,361,460	-	26,361,460
	711,523,716	233,962,525	394,782,472	1,932,690,514	272,389,554	2,371,523,988	361,147,273	72,459,403	6,350,479,445	2,272,068,424	8,622,547,869

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 7,220,227.

28. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.