

AUDITED FINANCIAL STATEMENTS
of
BRAC in BANGLADESH

YEAR ENDED 31 DECEMBER 2008

Ernst & Young
Chartered Accountants
Level 23 A, Menara Milenium
Jalan Damanlela
pusat Bnadar Damansara
50490 Kuala Lumpur
Malaysia

Tel: +60 3 74958000
Fax: +60 3 20959076

S. F. Ahmed & Co.
Chartered Accountants
House #25, Road#13A, Block
D
Banani
Dhaka-1213
Bangladesh

Tel: +880 2 8815102
Fax: +880 2 8825135

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 31,2008 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 Governing Body.

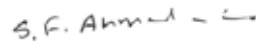
It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with clause 37 of the Rules and Regulations of BRAC and for no other purpose. We do not assume responsibility to any other person for the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

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 31,2008 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
Chartered Accountants
Kuala Lumpur, Malaysia
March 17, 2009



S.F AHMED & CO
Chartered Accountants
Dhaka, Bangladesh

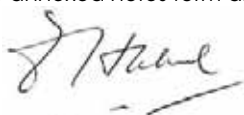
BRAC

(Registered in Bangladesh under the Societies Registration Act, 1860)

Balance Sheet as at December 31, 2008

| | Notes | 2008 Taka | 2007 Taka |
|--|--------------|-----------------------|-----------------------|
| ASSETS | | | |
| Property, plant and equipment | 3 | 5,607,339,327 | 5,468,612,685 |
| Investments in related undertakings | 4 | 2,878,210,799 | 1,806,369,952 |
| Investments in securities and others | 5 | 59,140,000 | 44,285,706 |
| Loans to Village Organization (VO) members | 6 | 41,542,182,420 | 33,986,290,977 |
| Motorcycle loans | | 684,439,580 | 566,378,307 |
| Inventories | 7 | 1,716,963,574 | 1,636,657,415 |
| Grants and accounts receivable | 8 | 1,054,292,357 | 826,085,804 |
| Advance, deposits and prepayments | 9 | 2,269,911,533 | 1,915,282,147 |
| Fixed deposits | 10 | 6,616,102,277 | 9,318,975,818 |
| Cash in hand and at banks | 11 | 4,880,055,354 | 4,594,103,724 |
| TOTAL ASSETS | | 67,308,637,221 | 60,163,042,535 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Deferred income | 12 | 422,422,160 | 425,549,866 |
| Term loans | 13 | 22,704,437,727 | 20,142,007,672 |
| VO members' savings deposits | 14 | 15,764,569,644 | 13,467,188,019 |
| Securitized financing | 15 | 345,083,404 | 71,785,351 |
| Other long term liabilities | 16 | 3,819,825,051 | 3,145,191,876 |
| VO members project & current account | | 27,540,740 | 25,059,115 |
| Grants received in advance account | 17 | 1,834,102,592 | 1,623,732,366 |
| Other current liabilities | 18 | 1,245,272,326 | 745,080,907 |
| Provision for taxation | | 191,941,030 | 171,441,030 |
| Bank overdrafts | 19 | 5,657,677,143 | 6,881,999,845 |
| Total Liabilities | | 52,012,871,817 | 46,699,036,047 |
| Net Assets: | | | |
| Capital fund | | | |
| -unrestricted | | 14,766,605,071 | 13,074,137,119 |
| -temporarily restricted | | 529,160,333 | 389,869,369 |
| | | 15,295,765,404 | 13,464,006,488 |
| TOTAL LIABILITIES AND NET ASSETS | | 67,308,637,221 | 60,163,042,535 |

The annexed notes form an integral part of these statements.



Chairperson, Governing Body
BRAC
Dhaka, March 17, 2009




Executive Director
BRAC

BRAC
 (Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Income and Expenditure
 for the year ended December 31, 2008

| | Notes | Unrestricted Taka | Temporarily Restricted Taka | Total 2008 Taka |
|--|--------------|------------------------------|--|--------------------------------|
| Income | | | | |
| Donor grants | 20 | 39,542,877 | 9,818,812,688 | 9,858,355,565 |
| Revenue from: | | | | |
| - Income Generating Projects | | 4,541,369,528 | - | 4,541,369,528 |
| - Program Support Enterprises | | 2,649,039,605 | - | 2,649,039,605 |
| Service charge on loans to VO members | | 10,265,858,263 | - | 10,265,858,263 |
| Investment income | 21 | 1,003,691,788 | 20,723,622 | 1,024,415,410 |
| Other income | 22 | 589,262,413 | 10,326,492 | 599,588,905 |
| Income from House Property | | 93,577,802 | - | 93,577,802 |
| Total income | | 19,182,342,276 | 9,849,862,802 | 29,032,205,078 |
| Expenditure | | | | |
| Income Generating Projects | | 3,947,828,653 | - | 3,947,828,653 |
| Program Support Enterprises | | 2,628,845,524 | - | 2,628,845,524 |
| House Property | | 87,894,145 | - | 87,894,145 |
| Education Programme | | 486,519,266 | 3,908,998,159 | 4,395,517,425 |
| Challenging the Frontiers of Poverty Reduction Programme | | 209,717,000 | 2,505,065,550 | 2,714,782,550 |
| Health and Population Programme | | 88,034,303 | 1,955,962,779 | 2,043,997,082 |
| Micro Finance Programme | | 9,696,673,450 | - | 9,696,673,450 |
| Relief and Rehabilitation | | 14,662,345 | 1,224,795,990 | 1,239,458,335 |
| Poultry & Livestock Extension Programme | | 31,365,838 | - | 31,365,838 |
| Fisheries Extension Programme | | 29,850,378 | 1,033,314 | 30,883,692 |
| Agriculture & Sericulture Extension Programme | | 42,748,731 | 7,272,202 | 50,020,933 |
| Livelihood Development Programme | | 189,309,925 | 39,890,972 | 229,200,897 |
| Grant to BRAC University | | 15,924,766 | - | 15,924,766 |
| Research, Monitoring and Evaluation | | - | 67,552,872 | 67,552,872 |
| Total expenditure | | 17,469,374,324 | 9,710,571,838 | 27,179,946,162 |
| Surplus of income over expenditure before taxation | | 1,712,967,952 | 139,290,964 | 1,852,258,916 |
| Taxation | 23 | (20,500,000) | - | (20,500,000) |
| Net surplus for the year | | 1,692,467,952 | 139,290,964 | 1,831,758,916 |

The annexed notes form an integral part of these statements.


 Chairperson, Governing Body
 BRAC
 Dhaka, March 17, 2009


 Executive Director
 BRAC

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Income and Expenditure
for the year ended December 31, 2007

| | Notes | Unrestricted Taka | Temporarily Restricted Taka | Total 2007 Taka |
|--|--------------|------------------------------|--|--------------------------------|
| Income | | | | |
| Donor grants | 20 | 47,078,310 | 6,323,377,081 | 6,370,455,391 |
| Revenue from: | | | | |
| - Income Generating Projects | | 3,678,296,771 | - | 3,678,296,771 |
| - Program Support Enterprises | | 2,422,283,380 | | 2,422,283,380 |
| Service charge on loans to VO members | | 7,913,031,873 | - | 7,913,031,873 |
| Investment income | 21 | 770,520,047 | 15,230,406 | 785,750,453 |
| Other income | 22 | 268,822,612 | 2,975,995 | 271,798,607 |
| Income from House property | | 88,653,948 | - | 88,653,948 |
| Total income | | 15,188,686,941 | 6,341,583,482 | 21,530,270,423 |
| Expenditure | | | | |
| Income Generating Projects | | 3,195,421,927 | - | 3,195,421,927 |
| Program Support Enterprises | | 2,365,301,995 | - | 2,365,301,995 |
| House Property | | 76,656,553 | - | 76,656,553 |
| Education Programme | | 267,485,014 | 3,054,846,592 | 3,322,331,606 |
| Challenging the Frontiers of Poverty Reduction Programme | | 152,463,655 | 1,782,673,230 | 1,935,136,885 |
| Nutrition Programme | | - | 1,785,204 | 1,785,204 |
| Health and Population Programme | | 30,096,979 | 1,133,549,247 | 1,163,646,226 |
| Micro Finance Programme | | 7,664,833,109 | - | 7,664,833,109 |
| Relief and Rehabilitation | | 98,844,190 | 69,488,790 | 168,332,980 |
| Poultry & Livestock Extension Programme | | 29,507,430 | - | 29,507,430 |
| Fisheries Extension Programme | | 27,006,930 | 1,886,854 | 28,893,784 |
| Agriculture & Sericulture Extension Programme | | 25,636,956 | 9,970,304 | 35,607,260 |
| Livelihood Development Programme | | 68,988,834 | 106,130,763 | 175,119,597 |
| Research, Monitoring and Evaluation | | - | 41,793,637 | 41,793,637 |
| Total expenditure | | 14,002,243,572 | 6,202,124,621 | 20,204,368,193 |
| Surplus of income over expenditure before taxation | | 1,186,443,369 | 139,458,861 | 1,325,902,230 |
| Taxation | 23 | (44,700,000) | | (44,700,000) |
| Net surplus for the year | | 1,141,743,369 | 139,458,861 | 1,281,202,230 |

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, 2008

| | Capital Fund | | Total Net assets |
|--------------------------|---------------------|-------------------------------|-------------------------|
| | Unrestricted | Temporarily restricted | |
| | Taka | Taka | Taka |
| At 1 January 2007 | 11,932,393,750 | 250,410,508 | 12,182,804,258 |
| Net surplus for the year | 1,141,743,369 | 139,458,861 | 1,281,202,230 |
| At 31 December 2007 | 13,074,137,119 | 389,869,369 | 13,464,006,488 |
| At 1 January 2008 | 13,074,137,119 | 389,869,369 | 13,464,006,488 |
| Net surplus for the year | 1,692,467,952 | 139,290,964 | 1,831,758,916 |
| At 31 December 2008 | 14,766,605,071 | 529,160,333 | 15,295,765,404 |

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, 2008

| Note | 2008 Taka | 2007 Taka |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Surplus of income over expenditure before taxation | 1,852,258,916 | 1,325,902,230 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Loan loss provision | 1,588,589,068 | 1,080,766,652 |
| Depreciation | 396,550,703 | 356,428,893 |
| Gain on disposal of property, plant and equipment | (5,041,476) | (4,652,997) |
| Loss on dilution of related undertakings | (1,852,489) | - |
| Share of results in related undertakings | (220,767,071) | (159,602,792) |
| Reversal of impairment in value of investment in related undertakings | 796,022 | 3,607,078 |
| Donor grants - amortisation of investment in property, plant and equipment | (60,861,600) | (61,438,112) |
| Donor grants - amortisation of motorcycle replacement funds | (36,231,203) | (25,479,472) |
| Service charge on loans to VO members | (10,265,858,263) | (7,913,031,873) |
| Interest on fixed deposits and bank accounts | (804,170,268) | (621,505,176) |
| Interest on VO members saving deposits | 691,516,942 | 568,664,709 |
| Interest on long term loans and overdraft facilities | 3,668,881,956 | 2,022,417,078 |
| Adjustments for other accounts: | | |
| Decrease/(Increase) in service charge outstanding on loans to VO members | 129,373,281 | (29,516,870) |
| Increase in inventories | (80,306,159) | (252,056,030) |
| Increase in advances, deposits and prepayments | (354,629,386) | (756,493,219) |
| (Increase)/Decrease in accounts receivable, net | (123,579,888) | 93,932,797 |
| Increase/(Decrease) in other current liabilities | 500,191,419 | (197,348,689) |
| Increase in other long term liabilities | 674,633,175 | 752,401,058 |
| Increase in deferred income | 93,965,098 | 93,926,818 |
| (Decrease)/Increase in motorcycle loans | (118,061,273) | 19,359,924 |
| Net cash used in operating activities | (2,474,602,496) | (3,703,717,993) |
| Cash flows from investing activities: | | |
| Increase in loans to VO members | (9,273,853,792) | (12,367,872,718) |
| Service charge received on loans to VO members | 10,265,858,263 | 7,913,031,873 |
| Interest received on fixed deposits and bank accounts | 804,170,268 | 621,505,176 |
| Interest paid on VO members saving deposits | (691,516,942) | (568,664,709) |
| Interest paid on long term loans and overdraft facilities | (3,668,881,956) | (2,022,417,078) |
| Purchase of property, plant and equipment | (535,277,345) | (641,655,838) |
| Proceeds from disposal of property, plant and equipment | 5,041,476 | 4,652,997 |
| Increase in fixed deposits pledged with financial institutions | (697,914,380) | (642,604,192) |
| Increase in investments in related undertakings | (852,517,299) | (142,583,604) |
| Dividends received from related undertakings | 2,499,990 | 15,974,946 |
| (Investments in)/Realisation of investment in securities and others | (14,854,294) | 94,389,966 |
| Net cash used in investing activities | (4,657,246,011) | (7,736,243,181) |

BRAC
(Registered in Bangladesh under the Societies Registration Act, 1860)
Statement of Cash Flows
for the year ended December 31, 2008

| Note | 2008 Taka | 2007 Taka |
|------|--------------|--------------|
|------|--------------|--------------|

Cash flows from financing activities:

| | | |
|--|---------------------|-----------------|
| Grants received during the year | 9,960,971,420 | 7,157,836,141 |
| Grants utilised during the year for: | | |
| -operational expenditure & micro-finance | (9,761,262,762) | (6,283,537,807) |
| -investment in property, plant and equipment | (43,660,839) | (59,038,561) |
| -motorcycle replacement funds | (50,304,259) | (34,888,257) |
| Net increase/(decrease) in securitised financing | 273,298,053 | (583,944,162) |
| Increase in term loans | 2,562,430,055 | 13,187,736,726 |
| Increase in VO members savings deposits | 2,297,381,625 | 2,872,094,253 |
| Increase/(decrease) in VO members project and current accounts | 2,481,625 | (10,509,318) |
| Net cash provided by financing activities | 5,241,334,918 | 16,245,749,015 |
| Net (decrease)/increase in cash and cash equivalents | (1,890,513,589) | 4,805,787,841 |
| Cash and cash equivalents, beginning of the year | 2,231,875,101 | (2,573,912,740) |
| Cash and cash equivalents, end of the year | 11 341,361,512 | 2,231,875,101 |

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, 2008

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 Printing Pack 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 or provides donor liaison assistance to certain organisations that, in some instances may bear names with resemblance to BRAC, viz BRAC University, BRAC Afghanistan, BRAC Sri Lanka, BRAC Tanzania, BRAC Uganda, BRAC Southern Sudan, BRAC Pakistan, BRAC Liberia and BRAC Sierra Leone. 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 income generating activities, programme support enterprises, micro-financing activities and self-financing social development 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 2.12, 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.) :

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

Income generating projects - Aarong Rural Craft Centre, BRAC Printers and Printing Pack and BRAC Dairy and Food Project.

Programme Support Enterprises - mainly comprising poultry farms, feedmills, seedmills, fish and prawn hatcheries, horticulture nurseries, chilling centres, broiler rearing and meat marketing, salt production and marketing recycle paper production and health product related activities.

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, 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:

| Item | Annual Depreciation Rate (%) |
|------------------------------|------------------------------|
| Buildings | 4-10 |
| 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-finance loans to group members without collateral, on a service charge basis under various programmes. 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 the 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% |

2.9 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 are classified as "Non-Interest Bearing Loans" (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 Summary of Significant Accounting Policies (contd.) :

2.10 Securitisation of Micro Finance Loans

BRAC has entered into an asset securitization financing arrangement involving the sale of a designated pool of micro finance loan receivables ("Designated Loans") originating from its micro finance programme, in return for financing through a trust formed for this purpose, known as the BRAC Micro Credit Securitisation Trust ("the Trust").

Under this arrangement, the Trust purchases the Designated Loans from BRAC and in turn, finances the purchase of the Designated Loans by issuing asset backed securities.

BRAC retains the responsibility for collections and administering of the Designated Loans from VO members. Cash flows from the loan collections are remitted, based on agreed terms, to the Trustee according to the repayment patterns as per the VO loan agreements. Under the current arrangement, all the Designated Loans sold are for a maturity period of not more than 12 months.

Apart from the sale of the Designated Loans, BRAC is also obligated to ensure that collateral represented by other microfinance loan receivables ("Collateral Loans") valued at not less than 50% of the Designated Loan outstanding balance, is maintained as additional security for the financing arrangement. In addition, BRAC is required to make a security deposit to the Trustee which may be applied towards payments for any amounts due to the Trustee in the event of insufficient funds.

In the event of default by the VO members, BRAC is obliged to replace, substitute or reassign the Designated Loans or Collateral Loans in accordance with agreed pre-set criteria. As a result, the Designated Loans do not meet the derecognition requirements and are therefore recognized in the financial statements even though they have been legally sold.

Funds received from the sale of the Designated Loans are recorded as a liability in the Securitised Financing Account, as depicted in Note 15. Upon collection from VO members, BRAC is required to remit the collections based on the agreed terms to the Trustee, and this is accounted for through the Securitised Financing Account. Any prepayment of loans are separately accounted for, and applied as payments against the Securitised Financing Account as the loans mature.

2.11 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 Summary of Significant Accounting Policies (contd.):

2.12 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. On disposal, gains or losses representing the difference between the proceeds on disposal and the carrying value of the undertakings at the date of disposal are recognised in the statement of income and expenditure. Gains or losses on dilution of interest in related undertakings, representing the difference in BRAC's share of net assets before and after the dilution concerned is also recognised in the statement of income and expenditure. Provision is also made for any impairment if the carrying amount of an investment exceeds its recoverable amount.

2.13 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.

2.14 Accounts Receivable

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

2.15 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.

2.16 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 Summary of Significant Accounting Policies (contd.):

2.17 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 24 below.

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

| | Dec. 2008 Taka | Dec. 2007 Taka |
|-----------------------|-------------------|-------------------|
| United States Dollars | 68.45 | 68.00 |
| Euro | 94.57 | 98.22 |
| Great Britain Pound | 97.01 | 133.50 |

2.18 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', as depicted in Note 16, 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, also within 'Other long term liabilities' 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 immediate following financial periods have been determined based on actuarial valuations carried out in 2008 in respect of the funds, and are disclosed in Note 16 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.

2.19 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', as depicted in Note 16, 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.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediate following financial periods have been determined based on actuarial valuation carried out in 2008, and are disclosed in Note 16 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 Summary of Significant Accounting Policies (contd.):

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 Goodwill

Goodwill represents the excess of the cost of acquisition over BRAC's interest in the fair value of the identifiable assets and liabilities of investments in related undertakings at the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.22 above except that an impairment loss for goodwill is not reversed unless the specific external events that caused the impairment loss is reversed by a subsequent external event. Goodwill arising on the acquisition of related undertakings is included within the respective carrying amounts of the related undertakings concerned.

2.24 Financial Instruments

Financial instruments are recognised in the balance sheet when BRAC 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.

2.24 Financial Instruments (Contd).

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.

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, overdrafts and securitised financing are recorded at the amount of proceeds received, net of transactions costs. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investments of funds drawn down from that borrowing facility.

All borrowing costs are recognized as an expense in the income statement in the period in which they are incurred. The carrying values of these financial instruments approximate their fair values due to their short term maturities.

2.25 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 | Amount in Taka | | | | | | | | | | |
|------------------------------------|----------------------------|---------------------------|-----------------------------|---------------------------|----------------------------|----------------------------|-------------------------|--|----------------------------|-------------------------------|-------------------------------|
| | Cost | | | Depreciation | | | | Written down value | | Written down value 31-12-2007 | |
| | Opening balance 01-01-2008 | Additions during the year | Transferred during the year | Disposals during the year | Closing balance 31-12-2008 | Opening balance 01-01-2008 | Charged during the year | Adjustment for disposals during the year | Closing Balance 31-12-2008 | | Written down value 31-12-2008 |
| Freehold land | 2,347,311,823 | 27,421,358 | - | - | 2,374,733,181 | - | - | - | - | 2,374,733,181 | 2,347,311,823 |
| Buildings | 2,646,177,172 | - | 165,744,153 | - | 2,811,921,325 | 756,016,903 | 106,779,246 | 1,530,450 | 864,326,599 | 1,947,594,726 | 1,890,160,269 |
| Furniture & fixtures | 535,982,708 | 68,176,893 | - | - | 604,159,601 | 341,080,127 | 43,027,581 | - | 384,107,708 | 220,051,893 | 194,902,581 |
| Equipment | 1,188,242,450 | 103,613,769 | - | - | 1,291,856,219 | 841,287,996 | 98,750,677 | - | 940,038,673 | 351,817,546 | 346,954,454 |
| Vehicles | 369,226,235 | 56,911,956 | - | (6,211,669) | 419,926,522 | 248,572,383 | 41,080,577 | (6,211,669) | 283,441,291 | 136,485,231 | 120,653,852 |
| Bicycles | 30,887,817 | 4,635,786 | - | - | 35,523,603 | 18,127,261 | 3,795,873 | - | 21,923,134 | 13,600,469 | 12,760,556 |
| Machineries | 777,878,310 | 50,313,405 | - | - | 828,191,715 | 386,366,627 | 82,500,176 | - | 468,866,803 | 359,324,912 | 391,511,683 |
| Deep tubewells and tanks | 10,102,372 | 1,531,181 | - | - | 11,633,553 | 7,095,488 | 859,902 | - | 7,955,390 | 3,678,163 | 3,006,884 |
| Hatcheries | 11,262,065 | 293,360 | - | - | 11,555,425 | 8,820,080 | 466,162 | (1,530,450) | 7,755,792 | 3,799,633 | 2,441,985 |
| Camp/Poultry/Livestock sheds | 201,178,168 | 111,627 | - | - | 201,289,795 | 66,617,571 | 14,090,286 | - | 80,707,857 | 120,581,938 | 134,560,597 |
| Motorcycles | 5,716,128 | 144,747 | - | (1,354,530) | 4,506,345 | 2,507,965 | 201,052 | (1,354,530) | 1,354,487 | 3,151,858 | 3,208,163 |
| Construction work-in-progress | 3,374,495 | 196,630,176 | (165,744,153) | - | 34,260,518 | - | - | - | - | 34,260,518 | 3,374,495 |
| Crates/Mannequins/Samples/Antiques | 75,975,853 | 25,493,087 | - | - | 101,468,940 | 58,210,510 | 4,999,171 | - | 63,209,681 | 38,259,259 | 17,765,343 |
| Total 2008 | 8,203,315,596 | 535,277,345 | - | (7,566,199) | 8,731,026,742 | 2,734,702,911 | 396,550,703 | (7,566,199) | 3,123,687,415 | 5,607,339,327 | 5,468,612,685 |
| Total 2007 | 7,573,046,908 | 641,655,838 | - | (11,387,150) | 8,203,315,596 | 2,389,661,168 | 356,428,893 | (11,387,150) | 2,734,702,911 | 5,468,612,685 | |

Allocation of depreciation:

| | Dec. 2008 | Dec. 2007 |
|---|--------------------|--------------------|
| i) included in cost of sales of commercial projects | 29,462,830 | 16,298,163 |
| ii) included in programme related expenses | 367,087,873 | 340,130,730 |
| | <u>396,550,703</u> | <u>356,428,893</u> |

An amount of Tk.60,861,600 (2007: 61,438,112) 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 & 20.

Landed properties with an aggregate net book value of Tk. 1,024,045,904 (2007: 989,227,437) have been pledged to secure term loans and overdraft facilities as disclosed in Notes 13 and 19 to the financial statements.

4 Investments in related undertakings

| Related undertakings | 2008 | | | | |
|---------------------------------------|----------------------|------------------------------|--------------------|---|----------------------|
| | Shares Taka | Share of Reserves Taka | Loans Taka | Provision for impairment in value Taka | Total Taka |
| BRAC Bank Ltd. | 954,821,142 | 732,231,767 | - | - | 1,687,052,909 |
| BRAC Industries Ltd. | 24,999,900 | 1,673,708 | - | - | 26,673,608 |
| BRAC BD Mail Network | 178,160,000 | (84,202,976) | 5,500,000 | - | 99,457,024 |
| Documenta TM Ltd | 2,400,000 | 3,040,088 | - | - | 5,440,088 |
| BRAC Services Ltd. | 10,000,000 | (48,896,992) | 50,632,871 | (11,735,879) | - |
| Delta BRAC Housing Finance Corp. Ltd. | 50,000,000 | 123,389,655 | - | - | 173,389,655 |
| BRAC Karnafuli Tea Company Ltd | 243,908,025 | (22,074,170) | 241,528,803 | - | 463,362,658 |
| BRAC Kaiyachara Tea Company Ltd | 63,300,695 | (4,574,962) | 45,196,387 | - | 103,922,120 |
| BRAC Banshkhali Tea Company Ltd | 27,719,870 | (36,850,837) | 131,156,687 | - | 122,025,720 |
| BRAC Kodala Tea Company Ltd | 81,680,954 | (21,498,964) | 88,918,017 | - | 149,100,007 |
| Bangladesh Netting Factory | 17,071,429 | (1,194,279) | 31,909,860 | - | 47,787,010 |
| | <u>1,654,062,015</u> | <u>641,042,038</u> | <u>594,842,625</u> | <u>(11,735,879)</u> | <u>2,878,210,799</u> |

| Related undertakings | 2007 | | | | |
|---------------------------------------|--------------------|------------------------------|--------------------|---|----------------------|
| | Shares Taka | Share of Reserves Taka | Loans Taka | Provision for impairment in value Taka | Total Taka |
| BRAC Bank Ltd. | 317,390,000 | 498,946,181 | - | - | 816,336,181 |
| BRAC Industries Ltd. | 24,999,900 | 2,590,850 | - | - | 27,590,750 |
| BRAC BD Mail Network | 116,200,000 | (58,388,821) | 5,500,000 | - | 63,311,179 |
| Documenta TM Ltd | 2,400,000 | 2,668,606 | - | - | 5,068,606 |
| BRAC Services Ltd. | 10,000,000 | (45,233,763) | 46,173,620 | (10,939,857) | - |
| Delta BRAC Housing Finance Corp. Ltd. | 50,000,000 | 83,845,121 | - | - | 133,845,121 |
| BRAC Karnafuli Tea Company Ltd | 243,908,025 | (15,822,320) | 183,136,161 | - | 411,221,866 |
| BRAC Kaiyachara Tea Company Ltd | 63,300,695 | (5,870,323) | 71,718,839 | - | 129,149,211 |
| BRAC Banshkhali Tea Company Ltd | 27,719,870 | (26,046,055) | 57,887,879 | - | 59,561,694 |
| BRAC Kodala Tea Company Ltd | 81,680,954 | (14,845,997) | 44,920,124 | - | 111,755,081 |
| Bangladesh Netting Factory | 17,071,429 | (921,011) | 32,379,845 | - | 48,530,263 |
| | <u>954,670,873</u> | <u>420,922,468</u> | <u>441,716,468</u> | <u>(10,939,857)</u> | <u>1,806,369,952</u> |

| | 2008 | 2007 |
|------------------------------|----------------------|----------------------|
| Represented by: | | |
| Share of net tangible assets | 2,104,410,347 | 1,313,799,715 |
| Goodwill on acquisition | 178,957,827 | 50,853,769 |
| Loans | 594,842,625 | 441,716,468 |
| | <u>2,878,210,799</u> | <u>1,806,369,952</u> |

4 Investments in related undertakings (contd):

| Related undertakings (All Incorporated in Bangladesh) | 2008 | 2007 | Principal activities |
|--|-------|-------|--|
| BRAC Bank Ltd. | 33.51 | 31.74 | Banking business, listed on the Dhaka and Chittagong Stock Exchanges |
| BRAC Industries Ltd. | 99.9 | 99.9 | Cold storage |
| BRAC BD Mail Network Ltd. | 39.7 | 39.6 | Internet service provider |
| BRAC Services Ltd. | 100.0 | 100.0 | Hospitality |
| Delta BRAC Housing Finance Corp.Ltd. | 20.37 | 25.0 | Housing finance, listed on the Dhaka and Chittagong Stock Exchanges |
| Documenta TM Ltd. | 80.0 | 80.0 | Software development |
| BRAC Karnafuli Tea Company Ltd. | 99.9 | 99.9 | Tea plantation |
| BRAC Kaiyachara Tea Company Ltd. | 99.9 | 99.9 | Tea plantation |
| BRAC Banshkhali Tea Company Ltd. | 99.9 | 99.9 | Tea plantation |
| BRAC Kodala Tea Company Ltd. | 99.1 | 99.1 | Tea plantation |
| Bangladesh Netting Factory | 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% (2007: 12%) interest per annum. These loans have no fixed repayment terms.

Included in share of reserves in 2008 is a non-distributable portion amounting to Tk 468,753,685 (2007: Tk 394,673,845).

The market value of BRAC Bank Ltd shares at 31 December 2008 was Tk. 828.00 and Tk. 825.75 on the Dhaka ("DSE") and Chittagong ("CSE") Stock Exchanges respectively.

Significant events during the year:

BRAC Bank Ltd.

On April 30, 2008, BRAC Bank Ltd. allotted 380,868 ordinary shares of Tk.100 each at a ratio of 1:10 to BRAC through a bonus issue exercise.

On September 2, 2008, BRAC Bank Ltd. allotted 837,900 ordinary shares of Tk.100 each at a rights issue price of Tk. 500 per share at a ratio of 1:5 to BRAC through a rights shares exercise.

On December 28, 2008, through a back to back Block Market sale and purchase arrangement, BRAC acquired 280,224 ordinary shares of Tk. 100 each in BRAC Bank Ltd from another shareholder, Shore Cap International Ltd at Tk. 775 per share. Following the acquisition, BRAC's equity interest in BRAC Bank Ltd. increased from 31.74% to 33.51%.

4 Investments in related undertakings (contd):

Significant events during the year (contd.):

BRAC BD Mail Network Ltd.

On November 23, 2008, BRAC BD Mail Network Ltd. allotted 693,750 ordinary shares of Tk. 100 each at the nominal value of Tk. 100 each. Following this, BRAC's equity interest in BRAC BD Mail Network Ltd. increased from 39.6% to 39.7%.

Delta BRAC Housing Finance Corp.Ltd.

On April 8, 2008, Delta BRAC Housing Finance Corp.Ltd. issued, through an Initial Public Offering ("IPO") exercise, 5,000,000 ordinary shares of Tk. 100 each at an issue price of Tk. 210 per share. Arising from the IPO, BRAC's interest in Delta BRAC Housing Finance Corp.Ltd. was reduced from 25% to 20.37%. Subsequently, on 24 April 2008, Delta BRAC Housing Finance Corp.Ltd. was successfully listed on the DSE and CSE respectively. The market value of Delta BRAC Housing Finance Corp.Ltd. shares at 31 December 2008 was Tk. 1,366.25 on DSE and Tk 1,350.00 on CSE respectively.

On December 14, 2008, Delta BRAC Housing Finance Corp.Ltd. allotted 165,000 ordinary shares of Tk. 100 each to BRAC at a ratio of 10:3 through a bonus issue exercise. Following this, equity interest in Delta BRAC Housing Finance Corp.Ltd. remains intact at 20.37%.

5. Investments in securities and others

| | 2008 Taka | 2007 Taka |
|----------------------|--------------|--------------|
| Debentures and Bonds | 59,140,000 | 44,285,706 |

The debentures and bonds earned interest at 8.5% (2007: 12.5%) per annum respectively during the year.

6. Loans to Village Organisation (VO) members

| | Principal outstanding Taka | Service charge receivable Taka | Loan loss provision Taka | Total Taka |
|----------------------|-------------------------------|--------------------------------------|-----------------------------|------------------|
| At January 1, 2008 | 36,116,164,251 | 227,422,196 | (2,357,295,470) | 33,986,290,977 |
| Additions | 84,286,347,150 | 10,265,858,263 | (1,588,589,068) | 92,963,616,345 |
| Realisation | (75,012,493,358) | (10,329,863,582) | - | (85,342,356,940) |
| Write-off | (585,055,728) | (65,367,962) | 585,055,728 | (65,367,962) |
| At December 31, 2008 | 44,804,962,315 | 98,048,915 | (3,360,828,810) | 41,542,182,420 |

Loans to VO members bear annual service charges as follows:

| | |
|---------------|--|
| Micro-credit | 12.5% -15% (2007: 12.5%) per annum on loan disbursed |
| Housing loans | 10% (2007: 10%) per annum on loan disbursed |

Repayments are made in weekly/monthly instalments.

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

| Loan Classification | Days in Arrears | Loan Principal 2008 Taka | Loan loss Provision 2008 Taka | Loan Principal 2007 Taka | Loan loss Provision 2007 Taka |
|---------------------|----------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| Standard | Current (no arrears) | 40,682,070,340 | 813,641,407 | 32,193,280,367 | 965,798,411 |
| Watchlist | 1 - 30 | 679,353,369 | 33,967,668 | 1,851,422,802 | 92,571,140 |
| Substandard | 31 - 180 | 1,131,725,168 | 226,345,034 | 945,253,720 | 189,050,744 |
| Doubtful | 181 - 350 | 99,754,946 | 74,816,210 | 65,328,747 | 48,996,560 |
| Loss | Over 350 | 2,212,058,492 | 2,212,058,492 | 1,060,878,615 | 1,060,878,615 |
| | | 44,804,962,315 | 3,360,828,810 | 36,116,164,251 | 2,357,295,470 |

Loans to VO members include certain securitised loan receivables as follows :

| | 2008 Taka | | |
|---|---------------|-------------|---------------|
| | Principal | Interest | Total |
| Securitised VO Loans | 3,432,576,372 | 240,836,147 | 3,673,412,519 |
| Less : Collections from VO members in respect of securitised loans | 3,057,795,016 | 215,266,368 | 3,273,061,384 |
| | 374,781,356 | 25,569,779 | 400,351,135 |

6 Loans to Village Organisation (VO) members (contd.):

On July 6, 2006, BRAC entered into an asset securitization financing arrangement involving the sale of a designated pool of micro finance loan receivables ("Designated Loans") to Eastern Bank Limited ("EBL" or "Trustee"), to raise funds of up to an aggregate of USD 180 million (approximately Taka 12.6 billion) over a period of 6.5 years. Under the arrangement, up to USD 15 million (approximately Taka 1 billion) will be disbursed in each of twelve tranches every six months to BRAC, with a maturity of one year for each tranche. We have drawn USD 15 million for Tranche 1 & 2 and Tranche size was reduced to USD 10 million for Tranche 3 & 4. Tranches that have been effected are as follows:

| Tranche No. | Date | Amount in USD | Taka equivalent |
|-------------|--------------------|---------------|-----------------|
| Tranche 1 | September 05, 2006 | 15,000,000 | 1,036,726,502 |
| Tranche 2 | March 07, 2007 | 15,000,000 | 1,025,178,237 |
| Tranche 3 | February 06, 2008 | 10,000,000 | 686,842,664 |
| Tranche 4 | August 05, 2008 | 10,000,000 | 683,828,969 |
| Total | | 50,000,000 | 3,432,576,372 |

Designated Loans are assigned to BRAC MicroCredit Securitization Trust ("the Trust") set up for this purpose. Under this arrangement, the Trust purchases the Designated Loans from BRAC and in turn, finances the purchase of the Designated Loans by issuing asset backed securities, represented by the Designated Loans, to investors or beneficiaries of the Trust.

BRAC retains the responsibility for collections and administering of the Designated Loans from VO members. Cash flows from the loan collections are remitted, based on agreed terms, to the Trustee according to the repayment patterns as per the VO loan agreements. Under the current arrangement, all the Designated Loans sold are for a maturity period of not more than 12 months. In the event of default by the VO members, BRAC is obliged to replace, substitute or reassign the Designated Loans or Collateralised Loans in accordance with agreed pre-set criteria. As a result, the Designated Loans do not meet the derecognition requirements and are therefore recognized in the financial statements even though they have been legally sold.

Apart from the sale of the Designated Loans, BRAC is also obligated to ensure that collateral represented by other microfinance loan receivables ("Collateral Loans") valued at not less than 50% of the Designated Loan outstanding balance is maintained as additional security for the financing arrangement. In addition, BRAC is required to make a security deposit to the Trustee which may be applied towards payments for any amounts due to the Trustee in the event of insufficient funds. At 31 December 2008, the Collateral Loans amount to Taka 223,249,436 in relation to the nominal value of the Designated Loans of Taka 400,351,135.

7. Inventories

| | 2008 Taka | 2007 Taka |
|----------------------------------|----------------------|----------------------|
| Seeds and feed | 627,949,563 | 526,684,023 |
| Medical supplies and consumables | 50,546,711 | 23,832,755 |
| Printing and stationery | 168,882,773 | 166,988,480 |
| Handicraft goods | 666,238,260 | 784,025,496 |
| Dairy products | 82,675,479 | 39,636,529 |
| Programme materials | 120,670,788 | 95,490,132 |
| | <u>1,716,963,574</u> | <u>1,636,657,415</u> |

8. Grants and accounts receivable

| | | |
|---|----------------------|--------------------|
| Grants receivable (Note 17) | 204,730,963 | 100,104,297 |
| Interest receivable on fixed deposits and bank accounts | 326,567,912 | 340,160,859 |
| Other accounts receivable | 535,447,544 | 404,243,229 |
| | <u>1,066,746,419</u> | <u>844,508,385</u> |
| Provision for doubtful debts | (12,454,062) | (18,422,581) |
| | <u>1,054,292,357</u> | <u>826,085,804</u> |

Included in interest receivable on fixed deposits is Tk. 308,328,417 (2007: Tk. 178,608,835) receivable after 12 months.

9. Advance, deposits and prepayments

| | 2008 Taka | 2007 Taka |
|--|-----------------------------|-----------------------------|
| Advances: | | |
| Employees | 275,753,204 | 131,753,743 |
| Suppliers | 1,021,794,382 | 1,088,455,778 |
| Advance for tax | 352,127,337 | 220,704,083 |
| | <u>1,649,674,923</u> | <u>1,440,913,604</u> |
| Deposits for facilities and utilities | 100,597,734 | 80,664,522 |
| Debt service reserve for securitised financing | 262,911,071 | 194,708,766 |
| Prepayments | <u>256,727,805</u> | <u>198,995,255</u> |
| | <u><u>2,269,911,533</u></u> | <u><u>1,915,282,147</u></u> |

10. Fixed deposits

| | | |
|--|----------------------|----------------------|
| Fixed deposits pledged with financial institutions (Notes 13 and 19) | 5,497,118,976 | 4,799,204,596 |
| Fixed deposits unpledged | 1,118,983,301 | 4,519,771,222 |
| | <u>6,616,102,277</u> | <u>9,318,975,818</u> |

11. Cash in hand and at banks

| | | |
|---------------|----------------------|----------------------|
| Cash in hand | 242,973,757 | 105,441,592 |
| Cash at banks | 4,637,081,597 | 4,488,662,132 |
| | <u>4,880,055,354</u> | <u>4,594,103,724</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 | 4,880,055,354 | 4,594,103,724 |
| Fixed deposits unpledged (Note 10) | 1,118,983,301 | 4,519,771,222 |
| Bank overdrafts (Note 19) | (5,657,677,143) | (6,881,999,845) |
| | <u>341,361,512</u> | <u>2,231,875,101</u> |

12. Deferred income

| Note | Investment in Fixed Assets Taka | Motorcycle Replacement Fund Taka | Total Taka |
|--|---------------------------------------|--|--------------------|
| At 1 January 2008 | 346,147,253 | 79,402,613 | 425,549,866 |
| Transferred from | | | |
| Grants received in advance | 17 43,660,839 | 50,304,259 | 93,965,098 |
| Amortisation to Statement of Income and Expenditure | 20 (60,861,600) | (36,231,203) | (97,092,803) |
| At December 31, 2008 | <u>328,946,492</u> | <u>93,475,668</u> | <u>422,422,160</u> |

13. Term loans

| | 2008 Taka | 2007 Taka |
|---|-----------------------|-----------------------|
| * Standard Chartered Bank (SCB) | 3,173,771,428 | 3,369,400,000 |
| Citi Bank NA (guaranted by OPIC & IFC) | 2,718,750,000 | - |
| * Pubali Bank Ltd (PBL) | 1,577,397,275 | 25,081,088 |
| FMO, Netherlands | 1,467,214,286 | 1,711,750,000 |
| Mercantile Bank Ltd. | 1,300,000,000 | 1,700,000,000 |
| Palli Karma Shahayak Foundation (PKSF) | 1,296,666,636 | 1,249,999,952 |
| * Agrani Bank Ltd | 1,126,800,000 | 1,236,000,000 |
| IIDFC Ltd | 950,000,000 | 1,000,000,000 |
| The Trust Bank Ltd. | 846,423,781 | 40,000,000 |
| Citi Bank NA (local currency syndication) | 646,000,000 | 640,000,000 |
| AB Bank Ltd | 620,812,761 | 807,956,038 |
| Prime Bank Ltd | 607,142,856 | 1,178,571,429 |
| Norfund, Norwegian | 586,885,714 | 684,700,000 |
| * HSBC Bank Ltd | 562,500,000 | 769,166,667 |
| Eastern Bank Ltd. | 482,735,404 | 459,154,169 |
| Shahjalal Islami Bank Ltd | 460,760,445 | 326,432,903 |
| National Bank Ltd | 398,268,287 | 185,655,876 |
| * Bangladesh Krishi Bank (BKB) | 383,333,331 | 597,500,000 |
| Bank Asia Ltd. | 317,055,510 | 436,148,667 |
| Janata Bank Ltd | 243,101,811 | 96,854,648 |
| Mutual Trust Bank Ltd | 235,552,701 | 145,519,629 |
| Commercial Bank of Ceylon Ltd. | 234,400,000 | 112,760,000 |
| Bangladesh Commerce Bank (BCB) Ltd | 216,665,085 | 76,334,400 |
| Rajshahi Krishi Unnyon Bank (RAKUB) | 210,025,000 | 351,726,000 |
| Dutch Bangla Bank Ltd | 202,210,076 | 120,000,000 |
| Uttara Finance & Investment Ltd | 189,030,224 | 316,405,844 |
| Southeast Bank Ltd | 187,501,259 | 200,000,000 |
| NCC Bank Ltd | 181,748,077 | 272,217,692 |
| Sonali Bank Ltd | 156,498,563 | 300,000,000 |
| BASIC Bank Ltd | 150,432,443 | 115,696,000 |
| Rupali Bank Ltd | 150,000,000 | - |
| IPDC of Bangladesh Ltd | 116,970,734 | 177,430,421 |
| MIDAS Financing Ltd. | 116,666,665 | 183,333,333 |
| Jamuna Bank Ltd | 99,378,126 | 154,528,994 |
| Uttara Bank Ltd | 91,666,667 | - |
| State Bank of India | 90,000,000 | 120,000,000 |
| IDLC Finance Ltd | 89,506,636 | 166,017,292 |
| Export Import Bank of Bangladesh (EXIM) Ltd | 70,435,163 | 118,087,854 |
| Premier Leasing and Finance Ltd. | 45,554,175 | 92,824,860 |
| Phonix Financing and Investments Ltd. | 41,102,820 | 89,098,785 |
| Standard Bank Ltd. | 38,473,788 | 60,180,673 |
| United Commercial Bank Ltd (UCBL) | 25,000,000 | 50,000,000 |
| Government of Bangladesh (GOB) | - | 2,111,979 |
| One Bank Ltd. | - | 35,000,000 |
| Social Investment Bank | - | 68,362,479 |
| The City Bank Ltd. | - | 300,000,000 |
| | <u>22,704,437,727</u> | <u>20,142,007,672</u> |

13. Term loans (contd.):

Term Loans are analysed as follows:

Amount repayable within 12 months

Amount repayable after 12 months:

- Repayable after 12 months but less than 24 months
- Repayable after 24 months but less than 36 months
- Repayable after 36 months but less than 48 months
- Repayable after 48 months but less than 60 months
- Repayable after 60 months

| 2008 Taka | 2007 Taka |
|----------------|----------------|
| 13,091,359,002 | 10,358,334,797 |
| 4,324,990,297 | 4,594,892,622 |
| 2,580,610,984 | 2,327,749,554 |
| 1,515,872,178 | 1,114,838,427 |
| 653,626,705 | 670,235,129 |
| 537,978,561 | 1,075,957,143 |
| 9,613,078,725 | 9,783,672,875 |
| 22,704,437,727 | 20,142,007,672 |

All repayment obligations in respect of the term loans were met and no amounts were in arrears as at 31 December 2008.

* Secured by fixed deposits amounting to Tk.1,580,173,721 (2007: Tk.1,483,826,560) and properties amounting in aggregate to Tk. 472,498,556 (2007: Tk.459,418,819)

The term loans were obtained to support various micro finance and development projects undertaken by BRAC and for working capital purposes. The loans are repayable at various intervals, i.e., monthly, quarterly, half-yearly, annually and biannually and bear the following interest rates:

| | 2008 | 2007 |
|------------------------------|--------|----------|
| Government of Bangladesh | - | 1% |
| PKSF | 5%-7% | 5%-7% |
| Other financial institutions | 6%-16% | 6%-14.5% |

14. VO members' savings deposits

Opening balance

Deposits during the year

Withdrawals during the year

Closing balance

| 2008 Taka | 2007 Taka |
|------------------|-----------------|
| 13,467,188,019 | 10,595,093,766 |
| 14,231,140,038 | 12,098,641,068 |
| (11,933,758,413) | (9,226,546,815) |
| 15,764,569,644 | 13,467,188,019 |

VO members' savings deposits are analysed as follows:

Compulsory savings

Own savings

Total

| | |
|----------------|----------------|
| 5,675,245,072 | 4,753,602,995 |
| 10,089,324,572 | 8,713,585,024 |
| 15,764,569,644 | 13,467,188,019 |

The average rate of interest paid in respect of savings deposits by VO members was 5% (2007: 5%) per annum.

BRAC has two types of savings deposits initiatives, namely, Own savings and 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 inaugural meeting of the year up to 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 "saving deposits" of the VO member loan. This deducted amount is considered as "deposit against loan disbursed".

14. VO members' savings deposits (contd.)

Rules for Savings withdrawals:

- a) The entire amount of savings deposits of a VO member will be refunded when the member retires or is terminated from membership.
- b) After one year of becoming a VO member 50% of savings deposits may be withdrawn to meet special requirements 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 the entire amount of savings deposits.
- 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 the remaining balance. Moreover, if a VO member withdraws deposits more than twice in a year, no interest will be paid for that financial year.

15. Securitised financing

| | 2008 Taka | 2007 Taka |
|---------------------------------------|---------------------|---------------------|
| Financing for securitised receivables | 1,442,488,351 | 1,681,234,513 |
| Interest Charge | 58,570,026 | 70,731,742 |
| | <hr/> 1,501,058,377 | <hr/> 1,751,966,255 |
| Less: Repayments | 1,155,974,973 | 1,680,180,904 |
| | <hr/> 345,083,404 | <hr/> 71,785,351 |

The amounts financed are in return for the sale of an identified pool of microfinance loan receivables ("Designated Loans"). In addition BRAC is also obligated to ensure that collateral, represented by other microfinance loan receivables ("Collateral Loans") valued at not less than 50% of the Designated Loan balance, is maintained as additional security. At 31 December 2008, the value of Designated Loans and Collateralised Loans amounted to Taka 400,351,135 and Taka 223,249,436 respectively.

The financing bears interest at effective rates ranging between 9.36% to 12.48% per annum.

All repayment obligations in respect of the above financing have been met and no amounts were in arrears as at 31 December 2008.

16. Other long term liabilities

| | 2008 Taka | 2007 Taka |
|---------------------------------------|----------------------|----------------------|
| Employee gratuity and redundancy fund | 2,993,355,591 | 2,361,198,203 |
| Self-insurance fund | | |
| - Employees | 240,328,641 | 226,424,851 |
| - BRAC properties and motorcycles | 381,477,640 | 325,749,594 |
| | 621,806,281 | 552,174,445 |
| Other funds | | |
| - Special fund for scholarship | 4,098,141 | 3,966,942 |
| - Flood rehabilitation fund | 2,835,360 | 3,684,639 |
| - Emergency fund | 182,528,033 | 213,871,168 |
| - Staff welfare fund | 15,201,645 | 10,296,479 |
| | <u>3,819,825,051</u> | <u>3,145,191,876</u> |

An actuarial valuation of the employee gratuity and redundancy fund as at 31 December 2008 was performed by an independent professional actuary. Based on the valuation, there was an excess provision of Tk 33,721,000. The principal assumptions applied in the actuarial valuation, which were consistent with a similar valuation carried out in 2005, included official mortality tables in Bangladesh, an interest rate of 8% which is the average rate of interest expected to be realised over the applicable period and a rate of salary increase of 7% per annum.

An actuarial valuation of the self-insurance fund for employees as at 31 December 2008 was performed by an independent professional actuary. Based on the valuation, there was an excess provision of Tk 46,418,000. The principal assumptions applied in the actuarial valuation, which were consistent with a similar valuation carried out in 2005, included official mortality rates in Bangladesh.

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 80,139,000, 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 2008. Similar to the valuation carried out in 2005, 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 55,000,000 would be required. BRAC intends to accrete its properties and motorcycle self-insurance fund provision to attain the recommended additional Tk 55,000,000 over a period of two years commencing 2008. Accordingly, Tk 27,500,000 has been accreted in the financial year 2008.

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.

The staff welfare fund represents deductions from the staff salary which are utilised to defray medical expenses incurred by staff and, under certain instances, their families. The fund is managed by a staff committee who decide upon the quantum to be disbursed as well as the eligibility of staff family members for benefits.

17. Grants received in advance account

| | Note | 2008 Taka | 2007 Taka |
|--|------|-----------------|-----------------|
| At 1 January | | 1,623,732,366 | 862,514,483 |
| Receivables as at 1 January | | (100,104,297) | (119,257,930) |
| | | 1,523,628,069 | 743,256,553 |
| Donations received during the year | 26 | 9,960,971,420 | 7,157,836,141 |
| Transferred to deferred income: | | | |
| - Investment in fixed assets | 12 | (43,660,839) | (59,038,561) |
| - Motorcycle replacement fund | 12 | (50,304,259) | (34,888,257) |
| Transfer to Statement of Income and Expenditure for expenditure during the year | 20 | (9,761,262,762) | (6,283,537,807) |
| | | 1,629,371,629 | 1,523,628,069 |
| Receivables as at 31 December | 8 | 204,730,963 | 100,104,297 |
| At 31 December | | 1,834,102,592 | 1,623,732,366 |

18. Other current liabilities

| | | |
|---|---------------|-------------|
| Liabilities for expenses | 551,993,353 | 260,970,608 |
| Liabilities for goods | 302,201,664 | 129,043,806 |
| Advances received for training, publications, supplies etc. | 391,077,309 | 355,066,493 |
| | 1,245,272,326 | 745,080,907 |

19. Bank overdrafts

| | | |
|------------------------------|---------------|---------------|
| Pubali Bank Ltd | 2,219,964,603 | 3,449,841,719 |
| Prime Bank Ltd | 687,624,708 | 451,970,305 |
| Bangladesh Krishi Bank (BKB) | 559,299,084 | 221,360,806 |
| IFC Bank Ltd | 368,977,360 | 154,669,384 |
| State Bank of India | 342,760,061 | 308,872,665 |
| Dhaka Bank Ltd. | 281,909,832 | 378,084,514 |
| Standard Bank Ltd | 187,820,954 | 33,352,610 |
| National Bank Ltd. | 180,029,011 | 162,226,391 |
| United Commercial Bank Ltd. | 175,753,450 | 208,548,517 |
| Premier Bank Ltd | 168,096,787 | 215,611,059 |
| The Trust Bank Ltd | 128,757,318 | 600,365,354 |
| Uttara Bank Ltd | 117,493,325 | 228,158,517 |
| Bank Alfalah Ltd | 106,148,640 | 72,702,090 |
| Dutch Bangla Bank Ltd. | 57,049,774 | - |
| Sonali Bank Ltd | 40,416,428 | - |
| Bank Asia Ltd | 33,432,470 | 16,510,096 |
| Rupali Bank Ltd | 1,301,374 | - |
| Janata Bank Ltd | 774,054 | 191,232,547 |
| Agrani Bank Ltd | 67,910 | 91,442,809 |
| South East Bank Ltd | - | 97,050,462 |
| | 5,657,677,143 | 6,881,999,845 |

The bank overdrafts are secured by fixed deposits amounting to Tk. 3,916,945,255 (2007: Tk. 3,315,378,036) and properties amounting in aggregate to Tk. 551,547,348 (2007: 529,808,528). In 2007, Tk 40,000,000 of debentures were also pledged as security for the overdraft.

The bank overdrafts were obtained for BRAC's micro-finance programme and to finance working capital requirements. The bank overdrafts bear interest at 9.25% -14.5% (2007: 9.25% -14.5%) per annum, and are repayable within 12 months.

| | Notes | 2008 Taka | 2007 Taka |
|---|-------|----------------------|----------------------|
| 20. Donor grants | | | |
| Donor grants recognised in the Statement of Income and Expenditure: | | | |
| Transferred from grants received in advance | 17 | 9,761,262,762 | 6,283,537,807 |
| Transferred from deferred income: | | | |
| (a) amortisation of investment in fixed assets | | | |
| - unrestricted | | 38,706,037 | 46,241,470 |
| - temporarily restricted | | 22,155,563 | 15,196,642 |
| | 12 | 60,861,600 | 61,438,112 |
| (b) amortisation of motorcycle replacement fund | | | |
| - unrestricted | | 836,840 | 836,840 |
| - temporarily restricted | | 35,394,363 | 24,642,632 |
| | 12 | 36,231,203 | 25,479,472 |
| | | <u>9,858,355,565</u> | <u>6,370,455,391</u> |
| 21. Investment income | | | |
| Interest on bank accounts and fixed deposits | | 804,170,268 | 621,505,176 |
| Debenture interest | | 921,594 | 8,246,352 |
| In respect of investments in related undertakings: | | | |
| - Share of profits less losses | | 221,972,059 | 159,602,792 |
| - Provision for impairment losses | | (796,022) | (3,607,078) |
| - Dilution loss of Delta BRAC Housing Finance Corporation | | (1,852,489) | - |
| | | 219,323,548 | 155,995,714 |
| Gain on sale of shares in companies listed in Bangladesh | | - | 3,211 |
| | | <u>1,024,415,410</u> | <u>785,750,453</u> |
| 22. Other income | | | |
| Gain on disposal of property, plant and equipment | | 5,041,476 | 4,102,997 |
| Partial reimbursements on cost of programme supplies | | 52,679,727 | 37,222,614 |
| Training income | | 404,440,029 | 136,035,621 |
| Sale of waste materials | | 60,304,234 | 19,285,050 |
| Interest received on loans and advances to VO members | | 66,670,621 | 58,426,384 |
| Foreign exchange gain - unrealised | | 10,452,818 | 16,725,941 |
| | | <u>599,588,905</u> | <u>271,798,607</u> |
| 23. Taxation | | | |
| Income taxation charge for the year | | <u>20,500,000</u> | <u>44,700,000</u> |

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.

The tax charge is in respect of taxable income arising from BRAC's taxable activities in 2008 and is subject to agreement with the tax authorities.

In 2004 and 2008 respectively, the office of the Deputy Commissioner of Taxation (DCT) had issued directives requesting for payment of taxes in respect of years of assessment 2000 to 2006 cumulatively amounting to Taka 556,589,080. BRAC has successfully obtained a stay of execution on these directives, and has referred this matter to the High Court Division of the Supreme Court of Bangladesh. A similar directive for year of assessment 2007 amounting to Taka 215,545,964 was also raised by the DCT in 2008, for which an appeal by BRAC is still in progress as at the date of the financial statements. BRAC is of the view that the basis of taxation of the above-mentioned directives are inappropriate, and therefore BRAC will not be liable to taxation. Accordingly, the amounts have not been provided for in the financial statements as at 31 December 2008.

24. Foreign currency denominated monetary assets and liabilities

| | 2008 | 2007 |
|--|-------------|-------------|
| | Taka | Taka |
| Resident Foreign Currency Deposits (in US\$) | 392,568,551 | 472,152,827 |
| Resident Foreign Currency Deposits (Euro) | 17,613,374 | 16,521,844 |
| Resident Foreign Currency Deposits (in GBP) | 14,950,373 | 19,509,844 |
| Cash at bank (in US\$ `) | 14,453,323 | 12,129,656 |
| Cash at bank (in Euro) | 1,451,632 | 539,405 |
| Cash at bank (Japan YEN) | - | 52,000 |
| Cash at bank (Indian Rupee) | 174 | 174 |
| Cash at bank (in GBP `) | 401,178 | 131,956 |

25. 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.

c) Foreign Exchange Risk

BRAC's foreign exchange risks comprise transaction risk which arise 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, Great Britian 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.

26. Schedule of donation received

| Name of the projects | Donor | 2008 Taka | 2007 Taka |
|---|----------------------------------|---------------|---------------|
| BRAC Education Program | EKN | 1,563,706,880 | 1,363,957,236 |
| | NOVIB | 53,416,100 | 50,189,095 |
| | DFID | 775,413,019 | 835,679,246 |
| | CIDA | 331,750,003 | 404,529,609 |
| | AKF | - | 21,420,884 |
| | NORAD | 192,963,488 | 232,733,185 |
| | Sub total | 2,917,249,490 | 2,908,509,255 |
| Challenging the Frontiers of Poverty Reduction Programme | NOVIB | 37,206,901 | 44,633,906 |
| | AusAID | 498,012,555 | 119,889,000 |
| | DFID | 1,372,231,786 | 1,095,464,493 |
| | CIDA | 752,157,586 | 485,458,767 |
| | Sub Total | 2,659,608,828 | 1,745,446,166 |
| Road Safety Awareness Campaign | Embassy of Denmark | - | 5,286,036 |
| | GITAC Consult GmbH | - | 350,273 |
| | | - | 5,636,309 |
| BRAC University Institute of Education Development | EKN | 12,782,240 | 15,854,621 |
| | NORAD | (6,967,923) | 13,217,143 |
| | SDC | 21,390,078 | 7,523,558 |
| | | 27,204,395 | 36,595,322 |
| BRAC University Institute of Education | Plan Bangladesh | 9,945,299 | 11,986,017 |
| | Institute of Dev. Studies-Sussex | 1,745,382 | 2,414,881 |
| | World Bank | - | 554,876 |
| | | 11,690,681 | 14,955,774 |
| MA in Governance and Development Program | EKN | 50,397,584 | 13,673,640 |
| | World Bank | 2,082,000 | 5,899,000 |
| | | 52,479,584 | 19,572,640 |
| Cyclone Relief and Rehabilitation Activities | NOVIB | 46,874,788 | 59,523,990 |
| | Australian High Commission | - | 1,100,000 |
| | Charities Aid Foundation-America | - | 4,763,108 |
| | Conrad N. Hilton Foundation | 409,859 | 13,608,880 |
| | The Johanniter | - | 8,179,096 |
| | Ford Foundation | 34,154,900 | - |
| | AusAID | 94,815,000 | - |
| | DFID | 398,788,738 | - |
| | BRAC USA | 150,713,477 | - |
| | WFP | 772,562 | - |
| | Local contribution | 6,123,504 | 11,777,180 |
| | 732,652,828 | 98,952,254 | |
| Flood Relief and Rehabilitation Activities | Plan Bangladesh | 14,356,296 | 6,950,078 |
| | UNICEF | 14,811,060 | 411,000 |
| | United Way International | - | 1,712,562 |
| | CIDA | - | 6,393,359 |
| | NOVIB | 43,971,772 | - |
| | Local contribution | - | 9,875,383 |
| | 73,139,128 | 25,342,382 | |
| Improving Maternal Neonatal & Child Survival Program (MNCS) | AusAID | 191,698,310 | - |
| | EKN | 68,196,876 | - |
| | | 259,895,186 | - |
| Pilot project of distributing reading glass in Manikganj Nutrition Facilitation Program (NNP) Early Childhood Development Support Program | Scojo Foundation Incorporation | 1,315,559 | - |
| | GOB | - | 26,539,281 |
| | AKF | 1,975,000 | - |

| Name of the projects | Donor | 2008 Taka | 2007 Taka |
|---|--|----------------------|----------------------|
| Inclusion of Visual Impaired Children in NFPE School | Sight savers | - | 2,500,142 |
| Char Development and Settlement Program | EKN | 28,316,340 | 23,220,507 |
| BRAC AKF Learning Partnership Project | AKF/CIDA | - | 21,420,884 |
| Adolescent Peer Organized Network (APON) | UNICEF | 46,983,894 | 56,485,552 |
| Community Based Fisheries Management Project | ICLARM/World Fish Centre | - | 393,660 |
| Atta Fortification Program | WFP | 60,162,670 | 20,737,951 |
| Northwest Crop Diversification Project | GOB | 5,191,837 | 26,391,945 |
| HIV/AIDS Prevention Project | UNICEF | 3,047,620 | 9,989,304 |
| School Feeding Program | Land O Lakes | 5,227,200 | 5,184,000 |
| Northwest Microfinance Expansion Program | AusAID | 4,990,809 | 48,741,816 |
| Sprinkles Study in Bangladesh | Hospital for Sick Children | - | 622,655 |
| TB Control Program | The Global Fund | 425,191,291 | 460,097,085 |
| Community Based TB Control Program in Rural Area | The Int.Union Against Tuberculosis and Lung Disease | - | 1,145,934 |
| Social Protection Package for Retrenched State Owned Enterprise Workers | DFID | 25,989,125 | 63,355,085 |
| Tree Improvement project | Inter Co-operation Bangladesh | 5,863,960 | 9,404,455 |
| Primary Health Care in Later Life (PHC) | EC | - | 3,702,557 |
| Improving Sexual and Reproductive Health | Institute of Dev. Studies-Sussex | 8,229,467 | 8,085,421 |
| Pathway of Women Empowerment of research project | Institute of Dev. Studies-Sussex | 9,916,336 | 14,114,570 |
| BRAC Water,Sanitation and Hygiene Program | EKN | 829,597,069 | 462,260,295 |
| Adouble-blinded placebo Controlled randomized trial | Hospital for Sick Children | - | 1,845,837 |
| Malaria Control Program | The Global Fund | 181,329,195 | 211,873,269 |
| Deepening Democracy, Building Citizenship and Promoting Participation | Institute of Dev. Studies-Sussex | 3,956,556 | 4,086,639 |
| Dissemination of Small Solar Home System | GTZ-Germany | - | 4,136,578 |
| Eurasia /South Asia Teaching Excellence and Achievement | International Research and Exchanges Board | 2,281,335 | 1,779,783 |
| Safe Migration Facilities | Manusher Jonno Foundation | 20,713,974 | 8,069,007 |
| Maternal, Neonatal and Child Health | Bill and Melinda Gates Foundation | 496,489,089 | 372,307,992 |
| Research Center on Chronic Poverty Phase-II | The University of Manchester | - | 4,291,899 |
| BRAC Non-Formal Primary Education Program | EC | 219,357,003 | 93,047,070 |
| Revealing the Challenges of Urban Bangladesh DOTS Program | University of Leeds | 913,626 | 2,765,556 |
| Targeting Vitamine A Capsule for the Unreached Children in Hard to Reach Areas | Micro-Nutrient Initiative | 6,285,966 | 3,972,045 |
| Early Learning for Child Development Project (ELCDP) | UNICEF | 146,609,961 | 10,040,100 |
| Meeting Basic Education Needs in Bangladesh | AusAID | 212,218,555 | 291,647,555 |
| BRAC Innovation Fund towards a new Dimention of Adolescent Development Program | NOVIB | 6,150,249 | 24,624,575 |
| BRAC Limb Centre and Brace Centre | International Committee of the Red Cross (ICRC) | 898,346 | 1,793,653 |
| Mainstreaming Nutrition in to BRAC Program | ICDDRDB | 941,532 | 2,151,382 |
| Mainstreaming Nutrition in Maternal and Child Health Program | ICDDRDB | 2,484,851 | - |
| Community Based Postnatal Care Study in Bangladesh | Save the Children | 4,559,436 | - |
| Prevention & Control of HIV among High Risk Population | Save the Children | 32,698,950 | - |
| Indoor Air Polution and Health in Developing Countries Survey | Standford University | 2,266,917 | - |
| Improving Recognition Prolonged Labor and Birth with Unsilde Academic | Emory University | 2,910,915 | - |
| Impact of Oral Supplementation with Sprinkles on Infection morbidity | Hospital for Sick Children | 1,909,396 | - |
| HIV/AIDS Targeted Intervention among Clients of Sex Workers | UNICEF | 12,602,823 | - |
| BRAC Economic and Social Development Program in Aceh | NOVIB | 25,911,247 | - |
| Community Safety Pilot project | Safer World | 958,757 | - |
| Impact of Maternal Perinatal Depressive Symptom on Infant Development & Health in Bangladesh | Karolinska University-Sweden | 728,124 | - |
| Post SIDR Livelihood Rehabilitation Program | EC | 341,564,392 | - |
| Cyclone SIDR Emergency Health & Nutrition Response in Bangladesh | Save the Children | 29,699,997 | - |
| BRAC New Initiative of HRLS | GTZ | 1,187,446 | - |
| Pro-Poor Growth for South Africa and Asia | Oxford University | 4,329,556 | - |
| Distributing Essential Information over Mobile Phones | DIMAGI | 2,464,200 | - |
| Screening of Tube Well in Bangladesh Arsenic | The Rotary Foundation | 630,729 | - |
| TOTAL | | 9,960,971,420 | 7,157,836,141 |

27. Segmental financial information

| Unrestricted | | | | | | | | | Temporarily restricted | Total 2008 |
|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|---|---------------------------|--------------------|------------------------|------------|
| Aarong Rural Craft Centre | BRAC Printers & Printing Pack | BRAC Dairy and Food Project | Agro based Programme Support Enterprise | Non-agro based Programme Support Enterprise | Micro Finance Programme | Self-financing Social Development Project | House Property (Building) | Total Unrestricted | Development Projects | |
| Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |

Balance Sheet as at December 31, 2008

| Assets: | | | | | | | | | | | |
|--|----------------------|--------------------|--------------------|----------------------|-------------------|-----------------------|-----------------------|--------------------|-----------------------|----------------------|-----------------------|
| Property, plant and equipments | 489,109,932 | 118,612,518 | 302,049,895 | 859,410,321 | 2,774,805 | 1,174,011,405 | 2,247,569,536 | 217,014,554 | 5,410,552,966 | 196,786,361 | 5,607,339,327 |
| Investments in related undertakings | - | - | - | - | - | - | 2,878,210,799 | - | 2,878,210,799 | - | 2,878,210,799 |
| Investments in securities and others | - | - | - | - | - | - | 59,140,000 | - | 59,140,000 | - | 59,140,000 |
| Loans to Village Organization (VO) members | - | - | - | - | - | 41,542,182,420 | - | - | 41,542,182,420 | - | 41,542,182,420 |
| Motor cycle loans | - | - | 2,314,038 | 9,266,280 | 21,354 | 231,908,700 | 40,869,324 | - | 284,379,696 | 400,059,884 | 684,439,580 |
| Inventories | 666,238,260 | 166,841,286 | 82,675,479 | 652,417,862 | 11,603,709 | 119,584,561 | 14,866,749 | - | 1,714,227,906 | 2,735,668 | 1,716,963,574 |
| Grants and accounts receivable | 46,116,263 | 44,621,085 | 8,415,530 | 393,872,800 | 12,857,500 | 127,142,401 | 275,703,466 | 6,425,357 | 915,154,402 | 139,137,955 | 1,054,292,357 |
| Advance, deposits and prepayments | 104,898,504 | 239,050,269 | 43,373,258 | 132,669,579 | 3,647,264 | 873,610,076 | 736,559,688 | 17,092,413 | 2,150,901,051 | 119,010,482 | 2,269,911,533 |
| Inter-programme current account | 23,797,983 | (383,018,117) | 95,023,096 | (4,947,502) | - | - | 269,144,540 | - | - | - | - |
| Fixed deposits | - | - | - | - | - | 1,274,404,467 | 5,341,697,810 | - | 6,616,102,277 | - | 6,616,102,277 |
| Cash in hand and at banks | 92,211,777 | 32,789,157 | 45,280,330 | (840,130,899) | 873,122 | 1,220,335,451 | 1,791,796,320 | 623,091,780 | 2,966,247,038 | 1,913,808,316 | 4,880,055,354 |
| Total Assets | 1,422,372,719 | 218,896,198 | 579,131,626 | 1,202,558,441 | 31,777,754 | 46,563,179,481 | 13,655,558,232 | 863,624,104 | 64,537,098,555 | 2,771,538,666 | 67,308,637,221 |
| Liabilities and net Assets | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Deferred income | - | - | - | - | - | 225,379 | 207,854,118 | - | 208,079,497 | 214,342,663 | 422,422,160 |
| Term loans | 120,000,000 | - | 79,999,995 | 320,000,000 | - | 20,229,152,784 | 1,955,284,948 | - | 22,704,437,727 | - | 22,704,437,727 |
| VO members savings deposits | - | - | - | - | - | 15,764,569,644 | - | - | 15,764,569,644 | - | 15,764,569,644 |
| Securitized financing | - | - | - | - | - | 345,083,404 | - | - | 345,083,404 | - | 345,083,404 |
| Other long term liabilities | 147,420,294 | 27,428,274 | - | - | - | 182,528,033 | 3,462,448,450 | - | 3,819,825,051 | - | 3,819,825,051 |
| VO members project & current account | - | - | - | - | - | 27,139,539 | 401,201 | - | 27,540,740 | - | 27,540,740 |
| Grants received in advance account | - | - | - | - | - | - | - | - | - | 1,834,102,592 | 1,834,102,592 |
| Other current liabilities | 118,596,998 | 14,114,388 | 68,597,197 | 305,635,981 | 17,726,861 | 244,237,115 | 265,592,369 | 16,838,339 | 1,051,339,248 | 193,933,078 | 1,245,272,326 |
| Provision for taxation | - | - | - | - | - | - | 191,941,030 | - | 191,941,030 | - | 191,941,030 |
| Bank overdrafts | - | - | - | - | - | - | 5,657,677,143 | - | 5,657,677,143 | - | 5,657,677,143 |
| Total Liabilities | 386,017,292 | 41,542,662 | 148,597,192 | 625,635,981 | 17,726,861 | 36,792,935,898 | 11,741,199,259 | 16,838,339 | 49,770,493,484 | 2,242,378,333 | 52,012,871,817 |
| Net assets- Capital fund | 1,036,355,427 | 177,353,536 | 430,534,434 | 576,922,460 | 14,050,893 | 9,770,243,583 | 1,914,358,973 | 846,785,765 | 14,766,605,071 | 529,160,333 | 15,295,765,404 |
| Total Liabilities and Net assets | 1,422,372,719 | 218,896,198 | 579,131,626 | 1,202,558,441 | 31,777,754 | 46,563,179,481 | 13,655,558,232 | 863,624,104 | 64,537,098,555 | 2,771,538,666 | 67,308,637,221 |

27. Segmental financial information (cont'd.)

| Unrestricted | | | | | | | | | Temporarily restricted | Total 2007 |
|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|---|---------------------------|--------------------|------------------------|------------|
| Aarong Rural Craft Centre | BRAC Printers & Printing Pack | BRAC Dairy and Food Project | Agro based Programme Support Enterprise | Non-agro based Programme Support Enterprise | Micro Finance Programme | Self-financing Social Development Project | House Property (Building) | Total Unrestricted | Development Projects | |
| Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |

Balance Sheet as at December 31, 2007

Assets:

| | | | | | | | | | | | |
|---------------------------------------|----------------------|--------------------|--------------------|----------------------|-------------------|-----------------------|-----------------------|--------------------|-----------------------|----------------------|-----------------------|
| Property, plant and equipments | 380,227,300 | 141,667,665 | 298,593,951 | 838,571,656 | 2,453,783 | 1,345,709,895 | 2,095,088,999 | 214,489,158 | 5,316,802,407 | 151,810,278 | 5,468,612,685 |
| Investments in related undertakings | - | - | - | - | - | - | 1,806,369,952 | - | 1,806,369,952 | - | 1,806,369,952 |
| Investments in securities and others | - | - | - | - | - | - | 44,285,706 | - | 44,285,706 | - | 44,285,706 |
| Loans to Village Organization members | - | - | - | - | - | 33,986,290,977 | - | - | 33,986,290,977 | - | 33,986,290,977 |
| Motor cycle loans | - | - | 1,415,007 | 9,693,552 | 22,766 | 206,717,328 | 53,662,733 | - | 271,511,386 | 294,866,921 | 566,378,307 |
| Inventories | 784,025,496 | 145,312,703 | 39,636,529 | 543,377,694 | 8,956,510 | 82,334,800 | 32,313,935 | - | 1,635,957,667 | 699,748 | 1,636,657,415 |
| Grants and accounts receivable | 68,091,439 | 66,503,428 | 7,943,284 | 186,814,379 | 10,414,661 | 177,084,379 | 253,767,576 | 10,734,655 | 781,353,801 | 44,732,003 | 826,085,804 |
| Advance, deposits and prepayments | 94,671,977 | 142,074,203 | 38,987,935 | 123,432,135 | - | 490,034,420 | 908,426,232 | 15,524,658 | 1,813,151,560 | 102,130,587 | 1,915,282,147 |
| Inter-programme current account | (326,375,856) | (321,502,189) | 6,106,148 | 61,476,708 | (3,722,788) | 397,451,524 | 124,591,865 | - | (61,974,588) | 61,974,588 | - |
| Fixed deposits | - | - | - | - | - | 3,317,959,715 | 6,001,016,103 | - | 9,318,975,818 | - | 9,318,975,818 |
| Cash in hand and at banks | 90,824,246 | 9,047,436 | 59,715,774 | (749,002,572) | 8,348,127 | 2,301,371,927 | 611,063,268 | 627,018,931 | 2,958,387,137 | 1,635,716,587 | 4,594,103,724 |
| Total Assets | 1,091,464,602 | 183,103,246 | 452,398,628 | 1,014,363,552 | 26,473,059 | 42,304,954,965 | 11,930,586,369 | 867,767,402 | 57,871,111,823 | 2,291,930,712 | 60,163,042,535 |

Liabilities and net Assets

Liabilities:

| | | | | | | | | | | | |
|---|----------------------|--------------------|--------------------|----------------------|-------------------|-----------------------|-----------------------|--------------------|-----------------------|----------------------|-----------------------|
| Deferred income | - | - | - | - | - | 624,107 | 246,127,271 | - | 246,751,378 | 178,798,488 | 425,549,866 |
| Term loans | 25,081,088 | - | 86,666,662 | 320,000,000 | - | 19,710,259,922 | - | - | 20,142,007,672 | - | 20,142,007,672 |
| VO members savings deposits | - | - | - | - | - | 13,467,188,019 | - | - | 13,467,188,019 | - | 13,467,188,019 |
| Other long term liabilities | - | - | - | - | - | 71,785,351 | - | - | 71,785,351 | - | 71,785,351 |
| Securitized financing | 122,496,077 | 24,493,559 | - | - | - | 213,871,168 | 2,784,331,072 | - | 3,145,191,876 | - | 3,145,191,876 |
| VO members project & current account | - | - | - | - | - | 25,059,115 | - | - | 25,059,115 | - | 25,059,115 |
| Grants received in advance account | - | - | - | - | - | - | - | - | - | 1,623,732,366 | 1,623,732,366 |
| Other current liabilities | 110,071,273 | 19,261,619 | 49,703,639 | 117,285,467 | 15,206,149 | 79,408,240 | 227,948,737 | 26,665,294 | 645,550,418 | 99,530,489 | 745,080,907 |
| Provision for taxation | - | - | - | - | - | - | 171,441,030 | - | 171,441,030 | - | 171,441,030 |
| Bank overdrafts | - | - | - | - | - | - | 6,881,999,845 | - | 6,881,999,845 | - | 6,881,999,845 |
| Total Liabilities | 257,648,438 | 43,755,178 | 136,370,301 | 437,285,467 | 15,206,149 | 33,568,195,922 | 10,311,847,955 | 26,665,294 | 44,796,974,704 | 1,902,061,343 | 46,699,036,047 |
| Net assets- Capital fund | 833,816,164 | 139,348,068 | 316,028,327 | 577,078,085 | 11,266,910 | 8,736,759,043 | 1,618,738,414 | 841,102,108 | 13,074,137,119 | 389,869,369 | 13,464,006,488 |
| Total Liabilities and Net assets | 1,091,464,602 | 183,103,246 | 452,398,628 | 1,014,363,552 | 26,473,059 | 42,304,954,965 | 11,930,586,369 | 867,767,402 | 57,871,111,823 | 2,291,930,712 | 60,163,042,535 |

27. Segmental financial information (cont'd.)

| | Unrestricted | | | | | | | | Temporarily restricted | Total 2008 | |
|---|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|--|---------------------------|------------------------|----------------------|-----------------------|
| | Aarong Rural Craft Centre | BRAC Printers & Printing Pack | 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, 2008 | | | | | | | | | | | |
| Income | | | | | | | | | | | |
| Donor grants | - | - | - | - | - | 398,728 | 39,144,149 | - | 39,542,877 | 9,818,812,688 | 9,858,355,565 |
| Revenue from | | | | | | | | | | | |
| Income generating projects | 2,395,264,070 | 862,766,623 | 1,283,338,835 | - | - | - | - | - | 4,541,369,528 | - | 4,541,369,528 |
| Agro-Industries and development enterprises | - | - | - | 2,545,093,509 | 103,946,096 | - | - | - | 2,649,039,605 | - | 2,649,039,605 |
| Service charge on loans to VO members | - | - | - | - | - | 10,265,858,263 | - | - | 10,265,858,263 | - | 10,265,858,263 |
| Investment income | - | - | - | - | - | 281,171,629 | 722,520,159 | - | 1,003,691,788 | 20,723,622 | 1,024,415,410 |
| Other income -internal | (20,510,322) | (35,899,662) | - | - | - | - | 56,409,984 | - | - | - | - |
| Other income | 15,377,418 | 9,405,255 | 4,091,789 | - | - | 182,729,370 | 377,658,581 | - | 589,262,413 | 10,326,492 | 599,588,905 |
| Income from house property | - | - | - | - | - | - | - | 93,577,802 | 93,577,802 | - | 93,577,802 |
| Total income | 2,390,131,166 | 836,272,216 | 1,287,430,624 | 2,545,093,509 | 103,946,096 | 10,730,157,990 | 1,195,732,873 | 93,577,802 | 19,182,342,276 | 9,849,862,802 | 29,032,205,078 |
| Expenditure | | | | | | | | | | | |
| Income generating projects | 1,985,053,161 | 789,850,975 | 1,172,924,517 | - | - | - | - | - | 3,947,828,653 | - | 3,947,828,653 |
| Agro-Industries and development enterprises | - | - | - | 2,531,205,903 | 97,639,621 | - | - | - | 2,628,845,524 | - | 2,628,845,524 |
| House property related expenses | - | - | - | - | - | - | - | 87,894,145 | 87,894,145 | - | 87,894,145 |
| Education Programme | - | - | - | - | - | - | 486,519,266 | - | 486,519,266 | 3,908,998,159 | 4,395,517,425 |
| Challenging the Frontiers of Poverty Reduction | - | - | - | - | - | - | 209,717,000 | - | 209,717,000 | 2,505,065,550 | 2,714,782,550 |
| Health and Population Programme | - | - | - | - | - | - | 88,034,303 | - | 88,034,303 | 1,955,962,779 | 2,043,997,082 |
| Micro Finance Programme | - | - | - | - | - | 9,696,673,450 | - | - | 9,696,673,450 | - | 9,696,673,450 |
| Relief and Rehabilitation | - | - | - | - | - | - | 14,662,345 | - | 14,662,345 | 1,224,795,990 | 1,239,458,335 |
| Poultry & Livestock Extension Programme | - | - | - | - | - | - | 31,365,838 | - | 31,365,838 | - | 31,365,838 |
| Fisheries Extension Programme | - | - | - | - | - | - | 29,850,378 | - | 29,850,378 | 1,033,314 | 30,883,692 |
| Agriculture & Sericulture Extension Programme | - | - | - | - | - | - | 42,748,731 | - | 42,748,731 | 7,272,202 | 50,020,933 |
| Livelihood Development Programme | - | - | - | - | - | - | 189,309,925 | - | 189,309,925 | 39,890,972 | 229,200,897 |
| Grants to BRAC University | - | - | - | - | - | - | 15,924,766 | - | 15,924,766 | - | 15,924,766 |
| Research, Monitoring and Evaluation | - | - | - | - | - | - | - | - | - | 67,552,872 | 67,552,872 |
| Total Expenses | 1,985,053,161 | 789,850,975 | 1,172,924,517 | 2,531,205,903 | 97,639,621 | 9,696,673,450 | 1,108,132,552 | 87,894,145 | 17,469,374,324 | 9,710,571,838 | 27,179,946,162 |
| Surplus of income over expenditure before taxation | 405,078,005 | 46,421,241 | 114,506,107 | 13,887,606 | 6,306,475 | 1,033,484,540 | 87,600,321 | 5,683,657 | 1,712,967,952 | 139,290,964 | 1,852,258,916 |
| Taxation | - | - | - | - | - | - | (20,500,000) | - | (20,500,000) | - | (20,500,000) |
| Net surplus for the year before inter-programme allocations | 405,078,005 | 46,421,241 | 114,506,107 | 13,887,606 | 6,306,475 | 1,033,484,540 | 67,100,321 | 5,683,657 | 1,692,467,952 | 139,290,964 | 1,831,758,916 |
| Inter-programme allocations | (202,538,742) | (8,415,773) | - | (14,043,231) | (3,522,492) | - | 228,520,238 | - | - | - | - |
| Net surplus/(deficit) for the year after inter-programme allocations | 202,539,263 | 38,005,468 | 114,506,107 | (155,625) | 2,783,983 | 1,033,484,540 | 295,620,559 | 5,683,657 | 1,692,467,952 | 139,290,964 | 1,831,758,916 |

27. Segmental financial information (cont'd.)

| | Unrestricted | | | | | | | | Temporarily restricted | Total 2007 | |
|---|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|--|---------------------------|------------------------|----------------------|-----------------------|
| | Aarong Rural Craft Centre | BRAC Printers & Printing Pack | 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, 2007 | | | | | | | | | | | |
| Income | | | | | | | | | | | |
| Donor grants | - | - | - | - | - | 398,729 | 46,679,581 | - | 47,078,310 | 6,323,377,081 | 6,370,455,391 |
| Revenue from | | | | | | | | | | | |
| Income generating projects | 1,977,517,098 | 790,101,246 | 910,678,427 | - | - | - | - | - | 3,678,296,771 | - | 3,678,296,771 |
| Agro-Industries and development enterprises | - | - | - | 2,342,651,886 | 79,631,494 | - | - | - | 2,422,283,380 | - | 2,422,283,380 |
| Service charge on loans to VO members | - | - | - | - | - | 7,913,031,873 | - | - | 7,913,031,873 | - | 7,913,031,873 |
| Investment income | - | - | - | - | - | 144,277,365 | 626,242,682 | - | 770,520,047 | 15,230,406 | 785,750,453 |
| Other income-internal | (46,943,556) | (28,817,303) | - | - | - | - | 75,760,859 | - | - | - | - |
| Other income | 15,225,614 | 6,986,400 | 3,922,076 | 1,745,503 | 363,876 | 117,164,893 | 123,414,250 | - | 268,822,612 | 2,975,995 | 271,798,607 |
| Income from house property | - | - | - | - | - | - | - | 88,653,948 | 88,653,948 | - | 88,653,948 |
| Total income | 1,945,799,156 | 768,270,343 | 914,600,503 | 2,344,397,389 | 79,995,370 | 8,174,872,860 | 872,097,372 | 88,653,948 | 15,188,686,941 | 6,341,583,482 | 21,530,270,423 |
| Expenditure | | | | | | | | | | | |
| Income Generating Projects | 1,630,207,656 | 729,419,445 | 835,794,826 | - | - | - | - | - | 3,195,421,927 | - | 3,195,421,927 |
| Agro-Industries and development enterprises | - | - | - | 2,289,198,859 | 76,103,136 | - | - | - | 2,365,301,995 | - | 2,365,301,995 |
| House property related expenses | - | - | - | - | - | - | - | 76,656,553 | 76,656,553 | - | 76,656,553 |
| Education Programme | - | - | - | - | - | - | 267,485,014 | - | 267,485,014 | 3,054,846,592 | 3,322,331,606 |
| Challenging the Frontiers of Poverty Reduction Nutrition Programme | - | - | - | - | - | - | - | - | 152,463,655 | 1,785,204 | 1,935,136,885 |
| Health and Population Programme | - | - | - | - | - | - | - | - | 1,785,204 | 1,785,204 | 1,785,204 |
| Micro Finance Programme | - | - | - | - | - | 7,664,833,109 | - | - | 30,096,979 | 1,133,549,247 | 1,163,646,226 |
| Relief and Rehabilitation | - | - | - | - | - | - | - | - | 7,664,833,109 | - | 7,664,833,109 |
| Poultry & Livestock Extension Programme | - | - | - | - | - | - | 98,844,190 | - | 98,844,190 | 69,488,790 | 168,332,980 |
| Fisheries Extension Programme | - | - | - | - | - | - | 29,507,430 | - | 29,507,430 | - | 29,507,430 |
| Agriculture & Sericulture Extension Programme | - | - | - | - | - | - | 27,006,930 | - | 27,006,930 | 1,886,854 | 28,893,784 |
| Livelihood Development Programme | - | - | - | - | - | - | 25,636,956 | - | 25,636,956 | 9,970,304 | 35,607,260 |
| Research, Monitoring and Evaluation | - | - | - | - | - | - | 68,988,834 | - | 68,988,834 | 106,130,763 | 175,119,597 |
| Total Expenses | 1,630,207,656 | 729,419,445 | 835,794,826 | 2,289,198,859 | 76,103,136 | 7,664,833,109 | 700,029,988 | 76,656,553 | 14,002,243,572 | 6,202,124,621 | 20,204,368,193 |
| Surplus of income over expenditure before taxation | 315,591,500 | 38,850,898 | 78,805,677 | 55,198,530 | 3,892,234 | 510,039,751 | 172,067,384 | 11,997,395 | 1,186,443,369 | 139,458,861 | 1,325,902,230 |
| Taxation | - | - | - | - | - | - | (44,700,000) | - | (44,700,000) | - | (44,700,000) |
| Net surplus for the year before inter-programme allocations | 315,591,500 | 38,850,898 | 78,805,677 | 55,198,530 | 3,892,234 | 510,039,751 | 127,367,384 | 11,997,395 | 1,141,743,369 | 139,458,861 | 1,281,202,230 |
| Inter-programme allocations | - | 83,828,618 | - | (22,515,607) | (2,186,198) | - | (59,126,813) | - | - | - | - |
| Net surplus for the year after inter-programme allocations | 315,591,500 | 122,679,516 | 78,805,677 | 32,682,923 | 1,706,036 | 510,039,751 | 68,240,571 | 11,997,395 | 1,141,743,369 | 139,458,861 | 1,281,202,230 |

28. Statement of Functional Expenses

| | Unrestricted | | | | | | | | Temporarily restricted | Total 2008 | |
|---|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|--|---------------------------|------------------------|---------------|----------------------|
| | Aarong Rural Craft Centre | BRAC Printers & Printing Pack | 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 | 242,341,170 | 11,779,548 | 42,812,856 | 122,144,368 | 2,633,641 | 3,814,708,332 | 130,823,020 | - | 4,367,242,935 | 2,889,363,357 | 7,256,606,292 |
| Travelling and transportation | 16,310,489 | 2,216,866 | 28,492,033 | 34,473,831 | 302,964 | 215,975,219 | 58,521,220 | - | 356,292,622 | 422,704,225 | 778,996,847 |
| Teachers' salaries | - | - | - | - | - | - | - | - | - | 1,081,807,968 | 1,081,807,968 |
| Teachers' training | - | - | - | - | - | - | - | - | - | 392,449,463 | 392,449,463 |
| School rent and maintenance | - | - | - | - | - | - | - | - | - | 214,405,525 | 214,405,525 |
| Stationery, rent and utilities | 67,718,527 | 2,460,923 | 15,173,758 | 10,501,960 | 731,677 | 120,793,124 | 19,549,617 | 5,507,258 | 242,436,844 | 204,884,561 | 447,321,405 |
| Maintenance and general expenses | 35,533,049 | 2,605,569 | 11,426,887 | 20,633,319 | 275,246 | 144,339,055 | 51,777,654 | 8,112,321 | 274,703,100 | 101,371,954 | 376,075,054 |
| VO members' training | - | - | - | - | - | - | 20,050,000 | - | 20,050,000 | 486,753,201 | 506,803,201 |
| Staff training and development | 4,395,074 | - | 221,206 | 701,498 | 2,762 | 20,654,469 | 18,696,326 | - | 44,671,335 | 321,561,031 | 366,232,366 |
| Programme supplies | - | - | - | - | - | 77,585,773 | 98,145,244 | - | 175,731,017 | 3,514,297,483 | 3,690,028,500 |
| Interest on VO members' savings deposits | - | - | - | - | - | 691,516,942 | - | - | 691,516,942 | - | 691,516,942 |
| Interest on long term loans | - | - | 7,233,774 | 71,696,816 | - | 2,912,376,342 | - | - | 2,991,306,932 | - | 2,991,306,932 |
| Bank overdraft interest and charges | 38,247,426 | 5,508,563 | - | - | 712 | 44,084,678 | 589,733,645 | - | 677,575,024 | - | 677,575,024 |
| Cost of goods sold of income generating projects | 1,526,031,517 | 761,063,354 | 1,020,157,427 | - | - | - | - | - | 3,307,252,298 | - | 3,307,252,298 |
| Cost of goods sold of agro-industries & dev. ent. | - | - | - | 2,171,921,517 | 92,723,334 | - | - | - | 2,264,644,851 | - | 2,264,644,851 |
| Publicity, advertisement and sales commissions | 18,048,834 | - | 3,832,272 | 11,547,298 | 11,271 | - | 13,910,238 | - | 47,349,913 | 49,789,768 | 97,139,681 |
| Loan loss provision for loans to VO members | - | - | - | - | - | 1,588,589,068 | - | - | 1,588,589,068 | - | 1,588,589,068 |
| Depreciation of property, plant and equipment | 36,427,075 | 1,991,152 | 42,203,347 | 78,998,423 | 686,784 | 66,050,448 | 91,000,822 | 18,546,520 | 335,904,571 | 31,183,302 | 367,087,873 |
| Provision for bad and doubtful debts | - | 2,225,000 | 1,370,957 | 8,586,874 | 271,231 | - | - | - | 12,454,062 | - | 12,454,062 |
| Grants to BRAC University | - | - | - | - | - | - | 15,924,766 | - | 15,924,766 | - | 15,924,766 |
| Allocation to self-insurance fund | - | - | - | - | - | - | - | 55,728,046 | 55,728,046 | - | 55,728,046 |
| | 1,985,053,161 | 789,850,975 | 1,172,924,517 | 2,531,205,903 | 97,639,621 | 9,696,673,450 | 1,108,132,552 | 87,894,145 | 17,469,374,324 | 9,710,571,838 | 27,179,946,162 |

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 29,462,830.

28. Statement of Functional Expenses (cont'd.)

| | Unrestricted | | | | | | | | Temporarily restricted | Total 2007 | |
|---|---------------------------|-------------------------------|-----------------------------|---|---|-------------------------|--|---------------------------|------------------------|----------------------|-----------------------|
| | Aarong Rural Craft Centre | BRAC Printers & Printing Pack | 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 | |
| Salaries and benefits | 204,988,927 | 9,885,024 | 31,848,086 | 101,927,369 | 1,770,233 | 3,535,528,438 | 69,690,448 | - | 3,955,638,525 | 2,169,002,087 | 6,124,640,612 |
| Travelling and transportation | 14,953,249 | 2,421,167 | 22,373,075 | 24,602,171 | 334,802 | 263,811,056 | 36,605,519 | - | 365,101,039 | 244,853,951 | 609,954,990 |
| Teachers' salaries | - | - | - | - | - | - | - | - | - | 858,907,470 | 858,907,470 |
| Teachers' training | - | - | - | - | - | - | - | - | - | 283,159,534 | 283,159,534 |
| School rent and maintenance | - | - | - | - | - | - | - | - | - | 163,922,822 | 163,922,822 |
| Stationery, rent and utilities | 56,502,960 | 4,040,153 | 10,843,931 | 16,658,489 | 480,677 | 209,373,984 | 32,574,807 | 8,215,961 | 338,690,962 | 117,887,787 | 456,578,749 |
| Maintenance and general expenses | 29,620,602 | 1,503,260 | 11,887,661 | 18,273,693 | 287,165 | 186,275,184 | 21,537,186 | 6,584,810 | 275,969,561 | 58,936,745 | 334,906,306 |
| VO members' training | - | - | - | - | - | - | 25,073,351 | - | 25,073,351 | 282,869,100 | 307,942,451 |
| Staff training and development | - | - | 39,783 | 47,601 | 8,316 | 63,174,736 | 27,932,976 | - | 91,203,412 | 311,632,342 | 402,835,754 |
| Programme supplies | - | - | - | - | - | 100,640,925 | 46,302,992 | - | 146,943,917 | 1,658,421,558 | 1,805,365,475 |
| Interest on VO members' savings deposits | - | - | - | - | - | 568,664,709 | - | - | 568,664,709 | - | 568,664,709 |
| Interest on long term loans | - | - | 15,723,865 | 52,053,114 | 78,527 | 1,582,845,868 | 300,077 | - | 1,651,001,451 | - | 1,651,001,451 |
| Bank overdraft interest and charges | 10,447,094 | 11,111,737 | - | - | - | - | 349,856,796 | - | 371,415,627 | - | 371,415,627 |
| Cost of goods sold of income generating projects | 1,283,558,833 | 696,330,269 | 678,322,182 | - | - | - | - | - | 2,658,211,284 | - | 2,658,211,284 |
| Cost of goods sold of agro-industries & dev. ent. | - | - | - | 1,959,492,244 | 71,780,173 | - | - | - | 2,031,272,417 | - | 2,031,272,417 |
| Publicity, advertisement and sales commissions | 14,175,831 | - | 6,371,911 | 15,344,585 | 347,577 | - | 8,817,674 | - | 45,057,578 | 30,542,034 | 75,599,612 |
| Loan loss provision for loans to VO members | - | - | - | - | - | 1,080,766,652 | - | - | 1,080,766,652 | - | 1,080,766,652 |
| Depreciation of property, plant and equipment | 15,960,160 | 811,853 | 56,672,104 | 77,054,117 | 663,331 | 73,751,557 | 80,692,982 | 12,535,435 | 318,141,539 | 21,989,191 | 340,130,730 |
| Provision for bad and doubtful debts | - | 1,295,404 | 1,712,228 | 23,745,476 | 352,335 | - | - | - | 27,105,443 | - | 27,105,443 |
| Allocation to self- insurance fund | - | - | - | - | - | - | - | 49,320,347 | 49,320,347 | - | 49,320,347 |
| Value Added Tax | - | 2,020,578 | - | - | - | - | 645,180 | - | 2,665,758 | - | 2,665,758 |
| | <u>1,630,207,656</u> | <u>729,419,445</u> | <u>835,794,826</u> | <u>2,289,198,859</u> | <u>76,103,136</u> | <u>7,664,833,109</u> | <u>700,029,988</u> | <u>76,656,553</u> | <u>14,002,243,572</u> | <u>6,202,124,621</u> | <u>20,204,368,193</u> |

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 16,298,163.

29. Comparative Figures

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