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# BRAC

in SRI LANKA

When we began working in Sri Lanka in 2005, it was to help those who had survived the 2004 Asian Tsunami to rebuild their lives and livelihoods. The end, in May 2009, of the armed conflict that had ravaged the country for nearly three decades provided us with an opportunity to reaffirm our commitment to the poor of Sri Lanka - to help them maximise the socio-economic benefits and make peace dividends real. Since 2006, BRAC has been operating the Sustainable Livelihood Development Programme which provides microfinance services in 15 districts of Sri Lanka. Under this initiative, BRAC has organised nearly 90,000 women into more than 4,500 village organisations. Over 65,000 members are actively borrowing and more than USD 50 million in loans has been disbursed to date. Capacity development is another focus area for BRAC in Sri Lanka and we offer rigorous training programmes not only for our staff but also programme participants and external organisations.



Women attend a BRAC Village Organisation meeting in Madapathana, Galle district.



## Chairperson's Statement

I am delighted to note the significant achievements of BRAC's sustainable livelihoods programme in Sri Lanka. The quality of the microfinance portfolio and its rate of growth have been extremely positive over the past year. BRAC is now well placed to begin offering larger, individually-serviced loans to small enterprises.

The opening up of the country's northern region following the end of the armed conflict provides us great opportunities for geographic expansion. With five years of experience in implementing transformational programmes in Sri Lanka, BRAC can play an important role in helping communities and organisations in the region move from rehabilitation work to sustainable development activities.

As always, capacity development of our staff remains a priority and I am pleased that the high quality training courses offered by our training division in Sri Lanka has proven beneficial to both local staff and programme participants as well as our staff from Pakistan.

Our success in Sri Lanka is made possible through the hard work and dedication of our staff, the strong involvement of our stakeholders, the generous contributions of partners including Strømme Foundation and Etimos Lanka and the support of the Sri Lankan government. I am confident that with their continued support, BRAC will be successful in changing the lives of the poorest people of Sri Lanka.

**Fazle Hasan Abed**  
Founder and Chairperson, BRAC





**Md. Aminul Alam**  
1949-2010

## A Lasting Legacy

**Md. Aminul Alam:** BRAC's Field Marshall

"an exceptional person with an exceptional commitment to rural development. BRAC would not be what it is without him"

Sir Fazle Hasan Abed

"he has left a rich legacy to BRAC: of programs firmly in place around the world, of staff and members inspired by his pragmatic vision, and of practical solutions to many of the world's seemingly intractable problems"

Marty Chen

**Aminul Alam** joined BRAC in 1975 and worked closely with Sir Fazle Hasan Abed for more than thirty-five years helping turn vision into reality. Amin was at the heart of our very first field programmes and eventually went on to become a leading figure in the evolution and story of BRAC as we know it today. We want to celebrate his achievements and continue to build on his efforts towards helping men and women realise their potential in Bangladesh and in developing countries around the world.

The story of Aminul Alam and BRAC began in 1975 with a young man, recently graduated from Dhaka University, full of radical ideas about helping the poor in post liberation Bangladesh. It was at this turbulent time, amidst devastating drought and famine, that Amin recalled he had seen truly poor people for the first time. Abed had offered Amin a job in the Rangpur District as part of an emergency relief effort, feeding 15,000 children two meals a day, marking some of BRAC's earliest work in Bangladesh.

Amin moved to Manikgang to continue his work for BRAC and ended up staying for eight years, leaving him with an experience that would change his views forever. More than thirty years later Amin went on to become a leading figure and much loved member of the BRAC family, working closely with Abed and introducing pioneering ideas towards their shared mission to fight poverty.

Amin made his first visit to Afghanistan in 2002, leading a team of just four people, to start BRAC operations in post war Afghanistan. Tackling the returning flood of refugees, coupled with a challenging political situation, didn't make for an easy task. More recently, Amin played a crucial role in leading BRAC's efforts to help victims of Haiti's earthquake and the devastating floods in Pakistan that ensued last year.

Today, BRAC is the largest NGO in Afghanistan offering education and health services across the country reaching more than 24 million people. Amin's leadership in expanding BRAC programmes across Bangladesh, and then to 9 countries around the world is undoubtedly one of his most important legacies to BRAC's work.

# Sustainable Livelihood Development: Microfinance

A woman with dark hair, wearing a white polka-dot top with a black collar and a gold necklace, is looking down and counting a stack of Sri Lankan banknotes. She is seated at a table. To her left, the face of another woman is partially visible. To her right, a man in a light green shirt is partially visible. The background is a patterned curtain.

A borrower settling her weekly installment during a Village Organisation meeting in Madapathana, Galle district.

# Programme Highlights

“With the profits from my poultry business, I bought a cow and now I’m earning some money from selling milk as well. I’m completely occupied with the various businesses I run using BRAC loans and am grateful to BRAC for helping me change my life.”

**Thayaparan Siva Pakkiyam**, a microfinance borrower from the Trincomalee District

BRAC believes that poverty must be tackled from a holistic viewpoint, transitioning individuals from being aid recipients to becoming empowered citizens in control of their own destinies. Over the years, BRAC has organised the isolated poor of Sri Lanka, learned to understand their needs, piloted, refined and scaled up practical ways to increase their access to resources, supported their entrepreneurship and empowered them to become active agents of change. Women and girls have been the central analytical lens of BRAC’s anti-poverty approach because of their vulnerabilities and need for change.

While our work in Sri Lanka started with disaster relief and rehabilitation, following Asian Tsunami of 2004, by 2007 our focus had to longer term efforts in revitalising affected enterprises and economies through microfinance.

The core feature of the BRAC’s microfinance programme is its strength in reaching the poor and specialising in a credit-plus approach. This approach relies heavily on organising the poor and preparing them to make effective use of development interventions.

Susima (55) lives with her two children and ailing elder sister in Aramanagolla, Horana. Before the death of her husband, her family lived comfortably with the earnings from their handicraft shop. In 1989, her husband passed away and Susima was forced to work in a garments factory to support her family. Susima’s job made it difficult for her to take care of her sister and children. She longed to restart the family’s handicraft business but lack of capital stood in her way. “There was a BRAC meeting taking place nearby. A friend who attended told me about BRAC and I decided to apply for membership”, says Susima. She joined BRAC in 2008 and is currently repaying her third loan. She has used the loans to expand her handicraft business. “I currently have one employee and my net profit is around LKR 12,000 per month. With that, I am, able to manage all my family expenditures and maintain a good living condition”, says Susima happily.

Piyasili (47) joined BRAC two years ago to support the expansion of her unique business - she produces fiber parts and antennas for the popular three-wheeled vehicles and the demand for her products is increasing daily. Piyasili’s income is sporadic because she makes

sales every few days. BRAC’s weekly installment system for loan repayment is therefore very convenient for her. She also appreciates that the collections happen at her village so she doesn’t have to travel far. She thinks that they have only one year of period to repay their loan. “We don’t have to worry about finding several guarantors for the loans, which is a great advantage”, Piyasili says, “last month, I received training on enterprise management, which improved my knowledge on maintaining good business practices”.

Marie Agnas is a borrower from BRAC’s Kalutara Branch. She lives with her two sons, a daughter-in-law and a grandchild. Her home was destroyed by tidal waves caused by the 2004 tsunami, but her family was lucky enough to survive. The untimely death of her husband a year ago left the family financially unstable. Her husband had been a fisherman who owned two boats. Following his death, Marie wanted to take over the fishing business but was in need of fishing nets. She recalled participating in a door-to-door survey carried out by an organisation called BRAC, so she visited BRAC’s Kalutara office for further information. After becoming familiar with BRAC’s operation, she mobilised women in her neighbourhood to form a village organisation. Marie is currently repaying her second loan of LKR 27,000. She invested both loans in buying nets and now owns 15, some of which her sons use to fish and the remainder which she rents out to other fishermen. “I prefer BRAC to other MFI’s operating in our area because it offers lower interest rates and I hope to stay with BRAC for as long as it exists”, says Marie, “with my next loan, I plan on buying a motor boat”.

In 2010, BRAC finished the preparatory surveys necessary to start a small enterprise lending scheme which will provide larger loans to established micro-enterprises starting 2011.

## ACHIEVEMENTS 2010

4,571 village organised across Sri Lanka with 86,143 members

USD 16,586,964 disbursed to 65,607 active borrowers this year





H. V. Nandawathi (46) feeds her chickens outside her home in Samagipura, Hambantota. She owned a food store near the beach which was destroyed by the 2004 tsunami. Initially, she received a grant of LKR 4,000 from BRAC as part of its disaster relief efforts. Nandawathi then borrowed LKR 10,000 from BRAC's Sustainable Development Programme to restart her food business. She eventually saved up enough money to start a poultry farm in her home. Now she has 70 chickens and earns LKR 10,000 per month from her poultry business.

## Programme Description

BRAC's Sustainable Livelihood Programme goes beyond providing financial services to empowering poor women in Sri Lanka to become conduits for change for their families and communities by organising them and developing their capacity.

### Village Organisations

BRAC's microloans are exclusively targeted towards poor women. We strongly believe that community partnerships and institution building are essential for poor women if they are to change their economic, social and political conditions. Therefore, prior to delivering our microfinance services, we first organise prospective borrowers into groups called Village Organisations (VOs).

BRAC's microfinance branch officers conduct door-to-door surveys and consult community leaders and local elders to select the 20-40 prospective members of each Village Organisation. Priority is given to:

- Families being looked after by women
- Widows
- Families with more female children
- Extreme poor households
- Households that do not receive any NGO assistance

Age range for members is 18-60 years and there is no minimum education requirement. Prospective members must have been residents of the village or area for at least five years. Only one member of the household is considered. BRAC lends to women who are not served by other microfinance institutions.

Once the VO is formed, the group is then sub-divided into smaller peer groups of five, each with its own elected leader. The members of the small groups take co-responsibility to resolve peer repayment problems. The VO meets weekly with its assigned BRAC credit officer to discuss credit decisions, make loan payments and confer on issues of common interest.

### Key Features of a Microloan

- Loan repayments in equal weekly installments
- No physical collateral needed
- 12-20% interest rate
- Death benefit of LKR 10,000 (USD 91) provided
- Services delivered to member's village
- Available in rural and urban areas
- 10% refundable security amount in reserve





Rasika Ruwanmali of Hambantota district boils rice in her kitchen. She revived her rice-flour business using loans from BRAC after her machines were damaged by the tsunami in 2004. With the money, she bought a used industrial-strength grinding machine to kick-start her business. Now, both her children are back in school.

## Enterprise Development Training

Borrowers are provided enterprise development training based on a module prepared in consultation with experts and relevant government authorities. The training includes enterprise selection, business plan development, market analysis, book keeping, enterprise management, etc.

## Programme Supervision

The programme is implemented by credit officers who conduct regular field visits to extend support to borrowers by way of discussions and demonstrations.

## Sustainable Livelihood Development Programme Coverage

Provinces Covered	7
Districts Covered	15
Total Number of Branches (including partner NGOs)	65
Village Organisations	4,571
Active VO members (100% women)	86,143
Active/Outstanding Borrowers	65,607
Cumulative Loan Disbursement	LKR 5,653,766,900 (USD 50,033,335)
Average Loan (without interest)	LKR 28,353.36 (USD 250.91)
Loan Realisation	LKR 1,654,938,346 (USD 15,027,134)
Total Loan Outstanding	LKR 1,025,832,527 (USD 9,573,199)
Staff Training	503
Group Member Training	1,397

# Capacity Development



BRAC provides various capacity development training to its staff and its borrowers. Chamani Disilva received training from BRAC on business management and maintaining accounts. She then took a loan to start a brick production business with her husband.

BRAC places great emphasis on the continuous capacity development of its staff and programme participants. The design and conduction of needs-oriented, participatory training programmes is a hallmark of the organisation.

Since 2006, BRAC's training division in Sri Lanka has developed a large number of training courses for staff members as well as programme participants. In addition to enterprise management training for borrowers, it conducts skills development training in agriculture. The division, which employs 4 female trainers, also designs and conducts overseas training programmes for BRAC staff from Pakistan.

## Programme sub-components

- Training and exposure programmes for BRAC staff in Sri Lanka
- Master trainer development
- Enterprise development training for borrowers

## Major trainee groups

- BRAC Staff in Sri Lanka
- Trainers
- Area Managers
- Branch Managers
- Credit Officers
- Accountants
- Borrowers
- BRAC staff from Pakistan

## Training for BRAC Staff in Sri Lanka

6	Provinces Covered
10	Districts Covered
142	Orientation Training of Surveyor
19	Consultative Workshop of Needs Assessment
56	Computer Training to Staff (Branch Automation)
26	Livelihood Programme Management
5	Attachment with Senior Colleagues (on the job)
10	Exposure Visit to BRAC in Bangladesh
108	Financial Management Training for Branch Manager
45	Financial Management and MF Operations Training for Area Manager
672	Financial Management and Operations Training for Credit Officer
21	Master Trainer Development
213	Communication and Community Mobilisation Training
64	Monitoring, Evaluation and MIS
47	Accounting Training for Accountants
55	Enterprise Development
127	Delinquency Management



# Partnerships



BRAC works in partnership with the local schools, communities and NGOs in Sri Lanka.

BRAC's partnership with Strømme Foundation to help sustain the lives of low-income populations in eastern areas of Sri Lanka began in December 2007. Under the 'DREAM' project, BRAC is currently operating 9 branches in Ampara, Batticaloa and Trincomalee districts with an outstanding limit of LKR 100 million, which will eventually be increased to LKR 200 million.

The partnership between Etimos Lanka and BRAC aims to provide financial assistance for agriculture-based livelihood activities in selected areas of Trincomalee and Kurunagala districts. Particular emphasis is placed on improving the agriculture sector, related services, agricultural yield and income and creating opportunities for social development. Since 2009, this partnership has provided LKR 230 million to support the operation of 37 branches.

Under the Sri Lankan government's Project PAMP-1, which is regulated by the country's central bank, BRAC receives funding of LKR 25 million through the People's Bank. With this fund, we are currently operating 2 branches - Matugama and Kalutara - under the Kalutara district.

Past collaborations include BRAC's 4-year partnership with Deutsche Bank, which ended in August 2010. Within the partnership period, we received USD 192,000 to operate 3 branches in Ampara and Batticaloa districts.



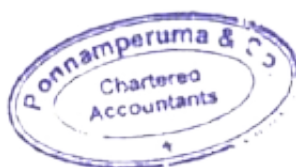
BRAC SRI LANKA  
INCOME STATEMENT  
For the year ended 31st December

	<b>2010 US\$</b>	<b>2009 US\$</b>
Income	35,970	209,539
Direct Expenses	(1,013)	-
	<u>34,957</u>	<u>209,539</u>
Administrative expenses	(634)	(5,907)
<b>Net Surplus/ (Deficit) before tax</b>	<b><u>34,323</u></b>	<b><u>203,632</u></b>
Taxation	(6,865)	(41,178)
<b>Net Surplus/(Deficit) after taxation</b>	<b><u><u>27,458</u></u></b>	<b><u><u>162,454</u></u></b>



BRAC SRI LANKA  
BALANCE SHEET  
As at 31st December

	2010 US\$	2009 US\$
<b>ASSETS</b>		
Non current assets		
Loans to village organization members	110,178	92,836
	<b>110,178</b>	<b>92,836</b>
<b>Current assets</b>		
Accounts receivables from BRAC	154,297	148,408
Cash at bank	4,492	23,009
	158,789	171,417
<b>Total assets</b>	<b>268,967</b>	<b>264,253</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves		
Retained surplus	26,483	(974)
Translation Reserve	13,307	13,238
	<b>39,790</b>	<b>12,264</b>
<b>Non current liabilities.</b>		
Grant received in advance	116	116
Donor fund investment in loan to VO members	153,175	153,175
	<b>153,291</b>	<b>153,291</b>
<b>Current liabilities</b>		
Tax payable	6,865	46,464
Saving deposits	5,102	-
Accrued expenses	43,786	38,995
Security fund	20,133	13,239
	75,886	98,698
<b>Total Equity and liabilities</b>	<b>268,967</b>	<b>264,253</b>



BRAC LANKA (GUARANTEE) LIMITED  
INCOME STATEMENT  
For the year ended 31 December

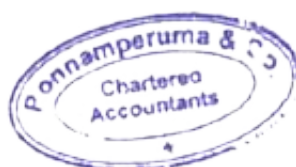
	<b>2010 US\$</b>	<b>2009 US\$</b>
Revenue	3,372,971	2,569,548
Direct expenses	<u>(329,733)</u> 3,043,237	<u>(353,537)</u> 2,216,011
Other operating income	<u>332,704</u> 3,375,942	<u>65,532</u> 2,281,543
Administrative expenses	<u>(2,463,267)</u>	<u>(2,074,493)</u>
<b>Surplus/deficit from operations</b>	<b>912,675</b>	<b>207,050</b>
Taxation	<u>(195,237)</u>	<u>(17,725)</u>
<b>Net Surplus/(deficit) for the year</b>	<b><u>717,438</u></b>	<b><u>189,326</u></b>





BRAC LANKA (GUARANTEE) LIMITED  
BALANCE SHEET  
As at 31 December

	2010 US\$	2009 US\$
<b>ASSETS</b>		
<b>Non current assets</b>		
Property, plant and equipment	428,946	332,827
Fixed deposits	454,009	43,860
Loans to village organization members	9,121,660	7,407,128
	<b>10,004,614</b>	<b>7,783,815</b>
<b>Current assets</b>		
Accounts receivables	21,205	11,415
Advance, deposits & prepayments	41,741	46,944
Receivable from BRAC Sri Lanka	33,053	33,053
Cash in hand & cash at bank	1,597,594	2,459,804
	<b>1,693,592</b>	<b>2,551,216</b>
<b>Total Assets</b>	<b>11,698,206</b>	<b>10,335,031</b>
<b>EQUITY AND LIABILITIES</b>		
Capital fund	4,182,330	-
Translation reserve	100,395	(505,686)
Retained surplus	357,993	359,445
	<b>4,640,718</b>	<b>(146,241)</b>
<b>Non current liabilities</b>		
Donor fund investment in fixed assets	51,000	52,190
Term loans	1,355,496	1,052,761
VO members saving deposits	1,889,263	1,508,800
Loan security fund	620,436	4,430,422
	<b>3,916,196</b>	<b>7,044,173</b>
<b>Current liabilities</b>		
Term loans	1,298,170	1,207,216
Income tax payable	195,237	62,037
Accrued expenses and payables	1,647,887	2,167,846
	3,141,293	3,437,099
<b>Total Equity and liabilities</b>	<b>11,698,206</b>	<b>10,335,031</b>



A close-up photograph of a person's hand holding a stack of Indian Rupee banknotes. The top note is a 10 Rupee note, featuring a green floral emblem and the text 'TEN RUPEES'. The hand is wearing a gold-colored metal watch band. The background is a ledger with handwritten entries in Hindi, including names like 'G. Ramesh', 'D. Dilip', and 'M. Suresh', and numerical values. The ledger is open, showing multiple columns of data.





# FINANCIAL STATEMENTS

**BRAC, SRILANKA**

INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS

For the year ended  
December 31, 2010



## REPORT OF THE AUDITORS TO THE GOVERNING BODY OF BRAC SRI LANKA

We have audited the accompanying Balance sheet of BRAC Sri Lanka (registered in Sri Lanka under Voluntary Social Services Organization (Registration and Supervision) Act, No. 31 of 1980 as amended Act, No. 8 of 1998 and operating as a Non-Government Organization) as of 31 December 2010 and the related Income Statements, Changes in Net Assets and Cash Flow for the year then ended together, with the Accounting Policies and the related notes exhibited on page 06 to 10.

### **Respective Responsibilities of Governing Body and Auditors**

The Governing Body is responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

### **Basis of Opinion**

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance as to whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis evidence, supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by management, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, so far as appears from our examination, proper books of accounts have been maintained by the organization for the year ended 31 December 2010 and to the best of our information and according to the explanations given to us, the said Balance Sheet and the related Income statement, Changes in Net Assets and Cash Flows and Accounting Policies and notes thereto, which are in agreement with the said books, have been prepared and presented in accordance with the Sri Lanka Accounting Standards and give a true and fair view of BRAC Sri Lanka's state of affairs as at 31 December 2010 and of the results of its operations and its changes in net assets and cash flows for the year then ended in conformity with the accounting policies summarized in Note 1 and 2 of the financial statements..



**PONNAMPERUMA & CO.**  
**Chartered Accountants**

Colombo.

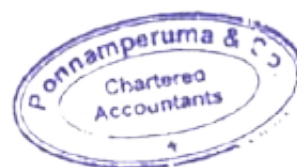
29th March 2011



BRAC SRI LANKA  
INCOME STATEMENT  
For the year ended 31st December

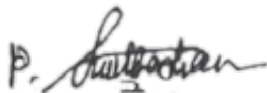
	Notes	2010 Rs	2009 Rs
Income	3	4,024,328	23,977,282
Direct Expenses		(113,329)	-
		3,910,999	23,977,282
Administration expenses	4	(70,926)	(332,405)
<b>Net Surplus/ (Deficit) before tax</b>		<b>3,840,073</b>	<b>23,644,877</b>
Taxation	5	(768,015)	(4,714,846)
<b>Net Surplus/(Deficit) after taxation</b>		<b>3,072,058</b>	<b>18,930,031</b>

The notes are an integral part of the financial statements.



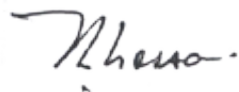
BRAC SRI LANKA  
BALANCE SHEET  
As at 31st December

	Notes	2010 Rs	2009 Rs
<b>ASSETS</b>			
<b>Non current assets</b>			
Loans to village organization members	6	12,179,772	10,100,631
		<u>12,179,772</u>	<u>10,100,631</u>
<b>Current assets</b>			
Accounts receivables from BRAC		16,992,680	16,992,680
Cash at bank		494,703	2,622,982
		<u>17,487,383</u>	<u>19,615,662</u>
<b>Total assets</b>		<b><u>29,667,155</u></b>	<b><u>29,716,293</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained surplus		4,837,237	1,765,179
		<u>4,837,237</u>	<u>1,765,179</u>
<b>Non current liabilities.</b>			
Grant received in advance	7	13,262	13,262
Donor fund investment in loan to VO members	8	16,438,388	16,438,388
		<u>16,451,650</u>	<u>16,451,650</u>
<b>Current liabilities</b>			
Tax payable		768,015	4,714,846
Saving deposits	9	570,835	-
Accrued expenses	10	4,822,171	5,273,444
Saving deposits		2,217,247	1,511,174
		<u>8,378,268</u>	<u>11,499,464</u>
<b>Total Equity and liabilities</b>		<b><u>29,667,155</u></b>	<b><u>29,716,293</u></b>



Head of Accounts-BRAC Sri Lanka

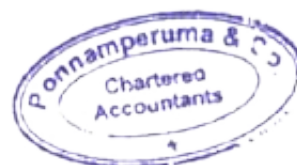
The governing body is responsible for preparing and presenting these financial statements.  
Approved on behalf of the governing body by;



Executive Director  
BRAC International



Director Finance  
BRAC International

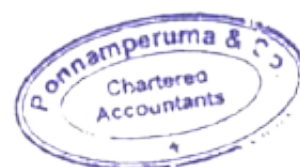


The notes are an integral part of the financial statements

BRAC SRI LANKA  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31st december 2010

	Retained Surplus Rs.	Total Rs.
Balance as at 01st January 2009	(17,164,852)	(17,164,852)
Net Surplus for the year	18,930,031	18,930,031
<b>Balance as at 31st December 2009</b>	<b>1,765,179</b>	<b>1,765,179</b>
Balance as at 01st January 2010	1,765,179	1,765,179
Net Surplus for the year	3,072,058	3,072,058
<b>Balance as at 31st December 2010</b>	<b>4,837,237</b>	<b>4,837,237</b>

The notes are an integral part of the financial statements

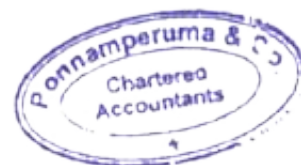




BRAC SRI LANKA  
STATEMENT OF CASH FLOW  
For the year ended 31st December

	2010 Rs	2009 Rs
<b>Cash flow from operating activities.</b>		
Net profit before taxation	3,840,073	23,644,877
Adjustment for,		
Loan loss provision	42,426	(33,565)
<b>Operating profit before working capital changes</b>	<b>3,882,499</b>	<b>23,611,312</b>
(Increase) /decrease in service charges outstanding on loans	-	(13,262)
Increase/(decrease) payables and accrued expenses	(451,273)	(21,969,977)
<b>Net cash flow from operating activities</b>	<b>3,431,226</b>	<b>1,628,073</b>
Tax Paid	(4,714,846)	(3,598,601)
<b>Net cash inflow from operating activities</b>	<b>(1,283,620)</b>	<b>(1,970,528)</b>
<b>Cash flow from investing activities</b>		
Loans granted to VO members	(18,545,000)	(15,284,000)
Loan recovered from VO members	16,423,433	14,877,917
<b>Net cash used in investing activities</b>	<b>(2,121,567)</b>	<b>(406,083)</b>
<b>Cash flow from financing activities</b>		
Grants received during the period	-	5,115,900
Security fund	706,073	532,943
Saving deposits	570,835	-
<i>Grants utilized during the year</i>		
Operational expenditure	-	(649,250)
Received of utilization for loan	-	4,453,388
Utilization of loans to VO members	-	(4,453,388)
<b>Net cash flow from financing activities</b>	<b>1,276,908</b>	<b>4,999,593</b>
Net increase / (decrease) in cash and cash equivalent	(2,128,279)	2,622,982
Cash and cash equivalent at the beginning of the year	2,622,982	-
<b>Net cash and cash equivalent at the end of the year</b>	<b>494,703</b>	<b>2,622,982</b>
Cash and cash equivalent comprises of		
Cash in hand	-	-
Cash at banks	494,703	2,622,982
	<b>494,703</b>	<b>2,622,982</b>

The notes are an integral part of the financial statements



# BRAC SRILANKA

## NOTES TO THE ACCOUNTS

### For the year ended December 31 2010

#### 1. BACKGROUND

**1.1** Following the devastating Tsunami of 2004 BRAC began exploring possibilities of relief and rehabilitation operation in Sri Lanka to help those affected by the disaster in rebuilding their livelihoods. BRAC-Sri Lanka started its operations from April 2005 as an INGO registered with the National Secretariat for NGOs under the Ministry of Social Services and Social Welfare (Reg. No: 94806) BRAC Sri Lanka is presently involved in implementing and operating rehabilitation and livelihood development activities in 43 Divisional offices under 27 Tsunami affected Districts of Sri Lanka namely Ampara, Batticaloa, Galle, Hambantota, Jaffna, Matara, Kurunagala and Trincomalee. The objectives of BRAC Sri Lanka are to:

1. Address the most essential needs of the Tsunami affected people through rehabilitation support.
2. Make Tsunami affected people in the working areas economically solvent over a period of two years by implementing sustainable livelihood activities.
3. Capacity development of local NGOs and engage them in rehabilitation and developmental programs with a view to building up their management capacity.

**1.2** BRAC Sri Lanka is providing following services for the Tsunami affected people:

- Grants (for Tsunami affected widows, women with disabled husbands, women who have lost their livelihood and houses during Tsunami).
- Micro credit support (for both poor and socially and economically better off Tsunami affected women)
- Education support (stipend and school materials for Tsunami affected Orphans)
- Health support (water and sanitation such as cleaning and disinfection of dug wells, installation of latrines, installation of tube wells and treatment support to the Tsunami injured)
- Community programs: (Green belt, home stead plantation for Tsunami affected families, dustbin etc)
- Capacity development program for local NGO of Sri Lanka.

**1.3** The notes to the Financial Statements from pages 6 to 9 form an integral part of the financial statements

**1.4** All values presented in the financial statements are in Sri Lankan Rupees unless otherwise indicated.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of preparation

The Balance Sheet, Statement of Income, Changes in Net Assets and Cash Flows together with Accounting Policies and Notes ("Financial Statements") of BRAC Sri Lanka as at 31 December 2010 for the year then ended complied with Sri Lanka Accounting Standards.

The financial statements of BRAC Sri Lanka are prepared under the historical cost Convention in accordance with Generally Accepted Accounting Principles and The Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting these accounts.

BRAC Sri Lanka'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 recording into fund established according to their nature and purpose based on the existence or absence of donor imposed restrictions.

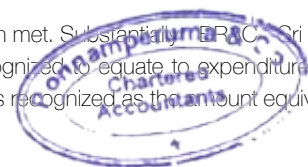
##### 2.2 Revenue Recognition

###### Interest on bank deposits

Revenue is recognized as the interest accrues unless collectivity is not in doubt.

###### Donor Grants

Income from donor grants is recognized when condition on which they depend have been met. Substantially all of BRAC Sri Lanka's donor grants are for the funding of projects/programs and for these grants income is recognized to equate to expenditure incurred on projects and programs. For donor grants, which involve for fixed assets grant income is recognized as the amount equivalent to



depreciation expense charged on the fixed assets concerned.

## **2.3 Comparatives**

Previous year's figures and phrases have been rearranged, whenever necessary to Conform to current presentation.

## **2.4 Taxation**

### **(a) Current taxes**

Non governmental organizations (NGO) tax has been provided in accordance with the provision of the section 102 of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

### **(b) Deferred taxation**

No provision has been made for deferred tax.

## **2.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment are the cost of purchase or construction together with any incidental expenses thereon.

The provision for depreciation is calculated on a straight line method and annual rates of depreciation are as follows.

Motor vehicles	20%
Motor cycle	20%
Equipments	15%
Furniture and Fixtures	10%

Provision of depreciation is charged, by considering the date of purchases of the assets.

## **2.6 Advance and other receivables**

Advance receivables and dues from related parties are stated at the amounts they are estimated to realize.

## **2.7 Cash and cash equivalents**

For the statement of cash flow, cash and cash equivalent consists of cash in hand and deposits in banks.

## **2.8 Liabilities and provisions**

All material liabilities as at the balance sheet date have been included in the accounts.

## **2.9 Defined benefit plans**

Terminal benefits have not been provided to employees of the organization.

## **2.10 Defined contribution plans**

### **Employees Provident Fund (EPF) and Employees Trust Fund (ETF)**

All local employees are eligible for EPF contribution and ETF contribution in line with respective status and regulations. Above contributions have not been made for expatriate.

## **2.11 Expenditure recognition**

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the property, plant and equipment in state of efficiency has been charged to income arriving at the surplus for the year.

District and divisional office expense arise from goods and services being distributed to the beneficiaries in accordance with the program objectives and activities. Similarly country office expenses arise for the personnel engaged in supervision of the program and maintain liaison with the donor and main office of BRAC, Dhaka, Bangladesh.

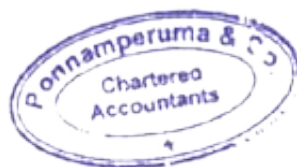
## 2.12 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent when borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready or its intended use or sale is capitalized as part of that assets

	2010 Rs	2009 Rs
<b>3. Revenue</b>		
Donor grants	-	649,250
Amortization of deferred income	-	2,736,751
Service charge on loans to VO members	4,024,328	20,591,281
	<b>4,024,328</b>	<b>23,977,282</b>
<b>4. Administration expenses</b>		
Audit fees and expenses	28,500	22,400
Training & capacity development	-	186,200
Maintenance & general	-	10,430
Office Rent utilities & stationeries	-	111,230
Traveling & transportation	-	35,710
Loan loss provision	<b>4.1</b> 42,426	(33,565)
	<b>70,926</b>	<b>332,405</b>
<b>4.1</b> The Company has made 2% general provision for outstanding loan as at the balance sheet date after deduction specific provision.		
<b>5. Taxation</b>		
As per the section 102 of Inland Revenue Act No.10 of 2006 is provided the NGO tax.		
Tax on grants received during the year	-	46,734
Tax on other activities	768,015	4,668,112
(Assessed by Dpt. of Inland Revenue)		
Year of assessment 2005/2006	-	2,009,227
Year of assessment 2006/2007	-	1,775,428
	<b>768,015</b>	<b>8,499,501</b>
<b>6. Loans to village organization members</b>		
<b><i>Principal outstanding</i></b>		
As at 01st January	10,269,861	9,863,778
Granting during the year	18,545,000	15,284,000
Recovery during the year	(16,386,825)	(14,877,917)
	12,428,036	10,269,861
Service charge receivable	297	36,905
	12,428,333	10,306,766
<b>Less:</b> Loan loss provision	(248,561)	(206,135)
Balance as at 31 December	<b>12,179,772</b>	
<b>10,100,631</b>		



		2010 Rs	2009 Rs
<b>7. Grants received in advance</b>			
Balance as at 1st January		13,262	-
Donation received during the year	<b>7.1</b>	-	5,115,900
<b>Utilization of grants as,</b>			
Donor fund shown as income		-	(649,250)
Donor fund investment in loan		-	(4,453,388)
<b>Balance as at 31 December</b>		<b>13,262</b>	<b>13,262</b>
<b>7.1 Donation received during the year</b>			
<b>Received date</b>	<b>Name of the donor</b>		
27/02/2009	GTZ	-	2,440,900
16/03/2009	CIDA	-	2,600,000
03/09/2009	CIDA	-	75,000
		<b>-</b>	<b>5,115,900</b>
<b>8. Donor fund investment in loan to VO members</b>			
Balance as at 1st January		16,438,388	11,985,000
Transferred from grant received in advance		-	4,453,388
<b>Balance as at 31 December</b>		<b>16,438,388</b>	<b>16,438,388</b>
<b>9. Saving deposits</b>			
Balance as at 1st January		-	-
Add: Deposits during the year		802,649	-
Less: Repayment during the year		(231,814)	-
<b>Balance as at 31 December</b>		<b>570,835</b>	<b>-</b>
<b>10. Accrued expenses</b>			
Payable to GTZ		-	736,924
Audit fees payable		28,500	-
Other payables		4,793,671	4,536,520
		<b>4,822,171</b>	<b>5,273,444</b>



FINANCIAL STATEMENTS  
 BRAC SRILANKA (GUARANTEE) LIMITED  
 For the year ended December 31, 2010



## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF BRAC LANKA (GUARANTEE) LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of BRAC Lanka (Guarantee) Limited which comprise the Balance sheet as at 31st December 2010 and the Income Statement, Changes in Equity and Cash Flow for the year ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the said financial statements are free of material misstatement.

An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the said financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, evaluating the overall financial statement presentation.

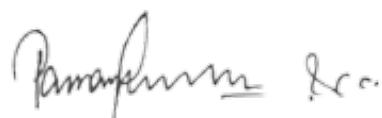
We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, proper accounting records for the year ended December 31, 2010 and the financial statements give a true and fair view of the company's state of affairs as at December 31, 2010 and its profit and cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

### Report on other legal and regulatory requirements

These financial statements also comply with the requirements of section 151(2) of the Companies Act No. 07 of 2007.



**PONNAMPERUMA & CO.**

Chartered Accountants

Colombo.

31st March 2011

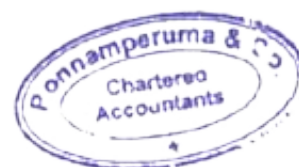




BRAC LANKA (GUARANTEE) LIMITED  
INCOME STATEMENT  
For the year ended 31 December

	Notes	2010 Rs.	2009 Rs.
Revenue	3	377,367,954	292,928,434
Direct expenses	4	(36,890,570) 340,477,384	(60,894,549) 232,033,885
Other operating income	5	37,222,977 377,700,361	7,471,491 239,505,376
Administrative expenses	6	(275,586,730)	(212,351,546)
<b>Surplus/deficit from operations</b>		<b>102,113,631</b>	<b>27,153,830</b>
Taxation		(21,501,399)	(7,103,122)
<b>Net Surplus/(deficit) for the year</b>		<b>80,612,232</b>	<b>20,050,708</b>

The notes are an integral part of the financial statements.



BRAC LANKA (GUARANTEE) LIMITED  
BALANCE SHEET  
As at 31 December

	Notes	2010 Rs.	2009 Rs.
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	7	46,657,379	36,164,975
Fixed deposits		50,000,000	5,000,000
Loans to village organization members	8	986,872,622	815,717,870
		<b>1,083,530,001</b>	<b>856,882,845</b>
<b>Current assets</b>			
Accounts receivables	9	2,161,854	1,302,152
Advance, deposits & prepayments	10	4,597,212	5,351,597
Receivable from BRAC Sri Lanka		3,784,601	3,784,601
Cash in hand & cash at bank	14	175,942,975	280,417,569
		186,486,642	290,855,919
<b>Total Assets</b>		<b>1,270,016,643</b>	<b>1,147,738,764</b>
<b>EQUITY AND LIABILITIES</b>			
Capital fund		460,599,963	460,599,963
Retained surplus		33,306,045	(47,306,187)
		<b>493,906,008</b>	<b>413,293,776</b>
<b>Non current liabilities</b>			
Donor fund investment in fixed assets	11	4,995,377	5,126,405
Term loans	12.D	149,280,799	120,410,674
VO members saving deposits		208,064,586	179,591,326
Loan security fund		68,328,588	-
		<b>430,669,350</b>	<b>305,128,405</b>
<b>Current liabilities</b>			
Term loans	12.E	142,967,414	137,447,522
Income tax payable		21,501,399	7,103,122
Accrued expenses and payables	13	180,972,472	284,765,939
		345,441,285	429,316,583
<b>Total Equity and liabilities</b>		<b>1,270,016,643</b>	<b>1,147,738,764</b>

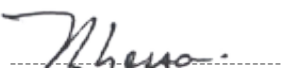
These financial statements are in compliance with the requirements of the companies Act No. 07 of 2007.



Head of Accounts-BRAC Lanka (Guarantee) Limited

The board of directors is responsible for preparing and presenting these financial statements.

Approved on behalf of the board by;

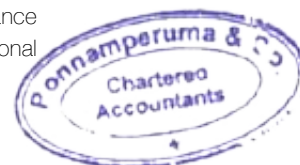


Executive Director  
BRAC International



Director Finance  
BRAC International

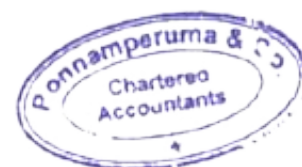
The notes are an integral part of the financial statements.



BRAC LANKA (GUARANTEE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 december 2010

	<b>Capital Fund Rs.</b>	<b>Retained Surplus Rs.</b>	<b>Total Equity Rs.</b>
Balance as at 1st January 2009	-	(67,356,895)	(67,356,895)
Net deficit for the year	-	20,050,708	20,050,708
Transferred from Liabilities (Donor Fund Investment)	460,599,963	-	460,599,963
<b>Balance as at 31st December 2009</b>	<b>460,599,963</b>	<b>(47,306,187)</b>	<b>413,293,776</b>
Balance as at 1st January 2010	460,599,963	(47,306,187)	413,293,776
Net surplus for the year	-	80,612,232	80,612,232
<b>Balance as at 31st December 2010</b>	<b>460,599,963</b>	<b>33,306,045</b>	<b>493,906,008</b>

The notes are an integral part of the financial statements.



BRAC LANKA (GUARANTEE) LIMITED  
STATEMENT OF CASH FLOW  
For the year ended 31 December

	2010 Rs	2009 Rs.
<b>Cash flow from operating activities.</b>		
Net profit before taxation	102,113,631	27,153,830
Adjustment for,		
Depreciation	5,954,701	4,644,373
Loan loss provision	10,669,012	4,005,823
Internal audit & review fees provision	-	3,286,300
Donor grants - amortization of investment on fixed assets	-	(1,145,759)
Exchange rate adjustment to loan liability	-	220,800
Bad debts written off	10,912,989	18,162,096
Interest expenses	36,890,570	60,894,549
Donor fund amortization	(131,028)	-
<b>Operating profit before working capital changes</b>	<b>166,409,875</b>	<b>117,222,012</b>
(Increase)/decrease in accounts receivable	(859,702)	(4,736,732)
Increase/(decrease) in accrued expenses and payables	(104,135,715)	233,848,567
(Increase)/decrease in advance, deposits & prepayments	754,385	(462,798)
(Increase)/decrease in service charge on loan receivable	24,835,974	(23,573,890)
<b>Cash flow generated from operations</b>	<b>87,004,817</b>	<b>322,297,159</b>
Tax Paid	(7,103,122)	-
Interest paid	(36,890,570)	(60,894,549)
<b>Net cash flow from operating activities</b>	<b>43,011,125</b>	<b>261,402,610</b>
<b>Cash flow from investing activities</b>		
Loan granted to VO members	(1,855,782,000)	(1,605,203,000)
Loan recovered from VO members	1,638,551,521	1,358,349,469
Investment in fixed deposits	(45,000,000)	-
Uplift of fixed deposits	-	20,000,000
Purchase of fixed assets	(16,447,105)	(25,942,295)
<b>Net cash used in investing activities</b>	<b>(278,677,584)</b>	<b>(252,795,826)</b>
<b>Cash flow from financing activities</b>		
Grants utilized during the year for		
Operational expenditure	-	(18,354,843)
Term loan obtained	171,837,539	234,660,613
Term loan repayment	(137,447,522)	(104,494,089)
VO members saving deposits	28,473,260	90,742,300
Loan security fund	68,328,588	-
<b>Net cash flow from financing activities</b>	<b>131,191,865</b>	<b>202,553,981</b>
Net increase / (decrease) in cash and cash equivalent	(104,474,594)	211,160,765
Cash and cash equivalent at the beginning of the year	280,417,569	69,256,804
<b>Net cash and cash equivalent at the end of the year</b>	<b>175,942,975</b>	<b>280,417,569</b>
Cash and cash equivalent comprise of,		
Cash in hand	2,221,782	3,024,150
Cash at banks	173,721,193	277,393,419
	<b>175,942,975</b>	<b>280,417,569</b>

The notes are an integral part of the financial statements.





BRAC LANKA (GUARANTEE) LIMITED  
NOTES TO THE ACCOUNTS  
For The Year Ended 31 December 2010.

**1. CORPORATE INFORMATION**

**1.1** BRAC Lanka (Guarantee) Limited is a social services organization incorporated and domiciled in Sri Lanka. The registered office is located in the district of Colombo.

The organization is engaged in,

- a.** To engage, support and contribute to any charitable and welfare activities or take over and manage any organization engaged in similar activities.
- b.** To promote and assist in the welfare and well being among communities and people in Sri Lanka and abroad.
- c.** To grant credit and monetary assistance to deserving individuals and institutions for the promotion of the activities of the company.

**1.2** The notes to the Financial Statements from pages 6 to 15 form an integral part of the financial statements.

**1.3** All values presented in the financial statements are in Sri Lankan Rupees unless otherwise indicated.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Balance Sheet, Statement of Income, Changes in Equity, and Cash Flows together with Accounting Policies and Notes ("Financial Statements") of the company as at 31 December 2010 for the year then ended complied with Sri Lanka Accounting Standards.

The financial statements of the company are prepared under the historical cost Convention in accordance with Generally Accepted Accounting Principles and The Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting these accounts.

**2.2 Foreign currencies.**

All foreign currency transactions are accounted at the exchange rates prevailing at the date of the transactions. Gain and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement. Assets and liabilities in foreign currencies have been translated at the rates of exchange prevailing at the Balance sheet date.

**2.3 Taxation**

**(a) Current taxes**

The computation of income tax is based on the elements of income and expenditure as reported in financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

**(b) Deferred taxation**

No provision has been made for deferred tax.

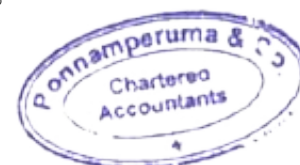
**2.4 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment are the cost of purchase or construction together with any incidental expenses thereon.

The provision for depreciation is calculated on cost of the assets and annual rates of depreciation are as follows.

Motor vehicles	20%
Motor cycle	20%
Bicycle	20%
Equipments	15%
Furniture and Fixtures	10%

Provision of depreciation is charged, by considering the date of purchases of the assets.



## 2.5 Advance and other receivables

Advance receivables and dues from related parties are stated at the amounts they are estimated to realize.

## 2.6 Cash and cash equivalents

For the statement of cash flow, cash and cash equivalent consists of cash in hand and deposits in banks.

## 2.7 Liabilities and provisions

All material liabilities as at the balance sheet date have been included in the accounts.

## 2.8 Defined benefit plans

Terminal benefits have not been provided to employees of the organization.

## 2.9 Defined contribution plans

### Employees Provident Fund (EPF) and Employees Trust Fund (ETF)

All local employees are eligible for EPF contribution and ETF contribution in line with respective status and regulations. Above contributions have not been made for expatriate.

## 2.10 Income statement

### Donor Grants

Income from donor grants is recognized when condition on which they depend have been met. Substantially BRAC Sri Lanka's donor grants are for the funding of projects/programs and for these grants income is recognized to equate to expenditure incurred on projects and programs. For donor grants, which involve for fixed assets grant income is recognized as the amount equivalent to depreciation expense charged on the fixed assets concerned.

## 2.11 Expenditure recognition

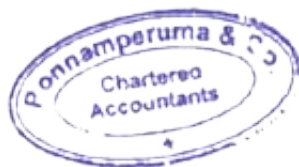
Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the property, plant and equipment in state of efficiency has been charged to income arriving at the profit for the year.

## 2.12 Provision for loan losses

BRAC Lanka (Guarantee) Ltd provides for a general loan loss provision based on 2% of the loan outstanding.

## 2.13 Borrowing Cost

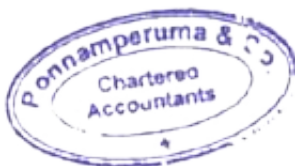
Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent when borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready or its intended use or sale is capitalized as part of that assets.



		<b>2010 Rs.</b>	<b>2009 Rs.</b>
<b>3. Revenue</b>			
Service charge on advances to VO members		377,367,954	292,928,434
		<b>377,367,954</b>	<b>292,928,434</b>
<b>4. Direct expenses</b>			
Finance expenses (Loan interest)	<b>4.1</b>	24,763,020	35,095,436
Interest paid on savings		12,127,550	25,799,113
		<b>36,890,570</b>	<b>60,894,549</b>
<b>4.1 Finance expenses (Stromme funded)</b>		10,719,660	9,438,978
Finance expenses (Deutsch bank funded)		164,397	226,068
Finance expenses (Peoples' bank funded)		704,359	1,234,127
Finance expenses (Etimos funded)		13,174,604	2,784,119
Interest on overdraft		-	820,863
Interest on inter-company loan		-	20,591,281
		<b>24,763,020</b>	<b>35,095,436</b>
<b>5. Other operating income</b>			
Interest on fixed deposits		5,440,539	3,218,437
Membership fees		8,815,985	-
Other income		22,835,425	4,253,054
Deferred income		131,028	-
		<b>37,222,977</b>	<b>7,471,491</b>
<b>6. Administration expenses</b>			
Staff salaries	<b>6.1</b>	133,370,680	99,000,888
Office Rent utilities & stationeries	<b>6.2</b>	22,971,603	18,039,205
Maintenance & general	<b>6.3</b>	18,095,226	11,287,222
HO logistic & management support (25%)		49,605,026	37,820,611
Traveling & transportation	<b>6.4</b>	20,137,962	13,927,159
Audit fees and expenses		379,500	360,000
Training & capacity building	<b>6.5</b>	3,064,981	1,597,069
Depreciation		5,954,701	4,644,373
Loan loss provision	<b>6.6</b>	10,669,012	4,005,823
Bad debts written off		10,912,989	18,162,096
Program Supplies		425,050	-
Internal audit & review fees		-	3,286,300
Foreign exchange loss		-	220,800
		<b>275,586,730</b>	<b>212,351,546</b>
<b>6.1. Staff Salaries</b>			
Expatriate staff		23,486,755	21,738,042
Local staff - Country office		3,185,981	1,595,586
Service staff		8,110,804	4,523,789
Regional manager		1,437,716	2,982,667
Branch managers		22,802,306	14,981,300
Program organizers		60,727,014	43,223,343
Regional accountants		12,255,277	8,290,400
PAYE tax (boned by the company)		1,364,827	1,665,761
		<b>133,370,680</b>	<b>99,000,888</b>



	2010 Rs.	2009 Rs.
<b>6.2. Office Rent utilities &amp; stationeries</b>		
Rent - Country office	1,200,000	946,000
Rent - Regional office	1,825,400	2,163,100
Rent - Branch office	7,971,798	4,125,101
Utilities - Country office	1,525,117	1,902,106
Utilities - Regional office	763,240	855,662
Utilities - Branch office	2,307,228	1,293,625
Stationery - Country office	1,832,229	3,207,786
Stationery - Regional office	465,098	466,535
Stationery - Branch office	5,081,493	2,338,136
Visa extension, processing & renewal charges	-	741,154
	<b>22,971,603</b>	<b>18,039,205</b>
<b>6.3. Maintenance &amp; general</b>		
Country office	4,373,253	675,114
Regional office	1,886,796	2,479,725
Branch office	9,532,527	7,961,527
Group members death benefits	1,380,000	-
Advertising country office	267,812	170,856
Visa extension, Processing and Renewal expenses	654,838	-
	<b>18,095,226</b>	<b>11,287,222</b>
<b>6.4 Traveling &amp; transportation</b>		
Expatriate staff	9,545,921	4,826,857
Local staff - Country office	1,925,599	1,160,541
Local staff - Regional office	856,986	2,855,386
Local staff - Branch office	7,363,776	4,733,019
Vehicle running expenses	445,680	351,356
	<b>20,137,962</b>	<b>13,927,159</b>
<b>6.5 Training &amp; capacity building</b>		
Orientation training of staff	3,064,981	1,597,069
	<b>3,064,981</b>	<b>1,597,069</b>
<b>6.6 Loan loss provision</b>		
The Company has made 2% general provision for outstanding loan as at the balance sheet date after deducting specific provision.		





## 7. Property, Plant and Equipment

	Balance as at 01-01-2010 Rs.	Addition / (Disposal) Rs.	Balance as at 31-12-2010 Rs.
<b>Cost</b>			
Land	15,000,000	-	15,000,000
Office furniture & fittings	9,437,263	1,827,639	11,264,902
Equipment	8,297,437	2,067,558	10,364,995
Motor vehicle	16,449,918	12,551,908	29,001,826
<b>Total</b>	<b>49,184,618</b>	<b>16,447,105</b>	<b>65,631,723</b>
	Balance as at 01-01-2010 Rs.	Charge for the year Rs.	Balance as at 31-12-2010 Rs.
<b>Depreciation</b>			
Office furniture & fittings	2,163,654	1,035,110	3,198,764
Equipment	2,392,779	1,399,682	3,792,461
Motor vehicle	8,463,210	3,519,909	11,983,119
<b>Total</b>	<b>13,019,643</b>	<b>5,954,701</b>	<b>18,974,344</b>
<b>Net book value</b>	<b>36,164,975</b>		<b>46,657,379</b>

## 8. Loans to village organization members

### Principal outstanding

As at 01st January	807,087,001	578,395,566
Addition for the year	1,855,782,000	1,605,203,000
Realization for the year	(1,638,551,521)	(1,358,349,469)
	1,024,317,480	825,249,097
Bad debts written off	(10,912,989)	(18,162,096)
	1,013,404,491	807,087,001
<b>Add: Service Charge Receivable</b>	442,198	25,278,172
	1,013,846,689	832,365,173
<b>Less: Loan loss provision</b>	(26,974,067)	(16,647,303)
	<b>986,872,622</b>	<b>815,717,870</b>

## 9. Accounts receivables

Advance to suppliers	-	1,109,048
Interest Receivables	1,986,837	193,104
WHT Receivables	175,017	-
	<b>2,161,854</b>	<b>1,302,152</b>

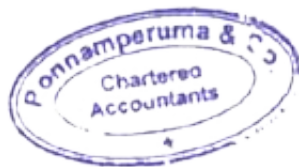
## 10. Advance, Deposits & prepayments

Current account in transit	1,452,494	2,179,028
Rent deposits and advances	3,144,718	3,172,569
	<b>4,597,212</b>	<b>5,351,597</b>

10.1



	2010 Rs.	2009 Rs.
<b>10.1. Rent deposits and advances</b>		
Addalaichanai	33,500	-
Sammanthurai	5,000	-
Sainthamaruthu	28,000	-
Karaitivu	20,000	-
Trincomalee	10,000	-
Kanthale	18,600	-
Matale	60,906	-
Gampaha	238,000	-
Kandy	192,500	-
Polonnaruwa	179,000	-
Ampara	30,000	-
Thirotekkovil	18,000	-
Eravur town	-	14,500
Balapitiya	-	40,000
Batticaloa area office	199,500	143,500
Belliatta	-	40,000
Chenkalady	7,000	63,000
Neelavanai	-	20,000
Akuressa	-	32,000
Akkaripattu	-	22,000
Addalaichenai	-	26,000
Ampara area office	60,000	100,000
Kalmunai south	-	4,000
Samanthurai	-	5,000
Naula	10,000	-
Rattota	19,000	-
Matara branch	100,000	24,000
Anuradapura	30,000	-
Matara area office	-	2,000
Mulliputtani	-	6,000
Galle branch	-	94,325
Telijuwela	36,000	36,000
Ambalangoda	45,000	-
Karapitiya	-	46,400
Galle area office	90,000	-
Dambulla	60,000	60,000
Ibbagamuwa	70,000	20,000
Kaluthara	249,000	135,000
Kegalle	12,000	20,000
Kinniya	-	38,208
Kurunagala	146,227	176,000
Periyathumunai	8,000	-
Polgahawela	8,000	8,000
Dodangoda	-	24,000
Medawachchiya	36,000	-
Colombo Area	391,500	-
Horana	36,000	10,000
Jaffna	68,001	-
Beruwela	-	48,000
Country office Sri lank	629,984	1,914,636
	<b>3,144,718</b>	<b>3,172,569</b>



		<b>2010 Rs.</b>	<b>2009 Rs.</b>
<b>11. Donor fund investment in fixed assets</b>			
As at 01st January		5,126,405	6,272,164
Amortization		(131,028)	(1,145,759)
<b>Balance as at 31 December</b>		<b>4,995,377</b>	<b>5,126,405</b>
<b>12 Term Loan</b>			
Opening balance		257,858,196	127,691,672
Obtained during the year	<b>12 . B</b>	171,837,539	234,660,613
Less - Loan Repayment during the year	<b>12 . C</b>	(137,447,522)	(104,494,089)
		<b>292,248,213</b>	<b>257,858,196</b>
<b>12.A Term Loan- Lender wise</b>			
Deutsche Bank		-	22,108,800
Stromme Micro Finance Asia (Guarantee) Ltd		105,029,168	101,640,373
People's Bank Sri Lanka		4,039,905	12,373,221
Consorzio Etimos s.c.		182,554,292	121,735,802
KIVA Ltd		624,848	-
		<b>292,248,213</b>	<b>257,858,196</b>
<b>12.B Term Loan (Obtained during the year)</b>			
Deutsche Bank Americas Foundation	<b>12.1</b>	-	220,800
Stromme Micro Finance Asia (Guarantee) Ltd	<b>12.2</b>	-	104,100,000
People's Bank Sri Lanka	<b>12.3</b>	-	1,220,000
Consorzio Etimos s.c.	<b>12.4</b>	99,712,691	129,119,813
Stromme Micro Finance Asia (Guarantee) Ltd	<b>12.5</b>	8,000,000	-
Stromme Micro Finance Asia (Guarantee) Ltd	<b>12.6</b>	8,500,000	-
Stromme Micro Finance Asia (Guarantee) Ltd	<b>12.7</b>	25,000,000	-
Stromme Micro Finance Asia (Guarantee) Ltd	<b>12.8</b>	30,000,000	-
KIVA Ltd	<b>12.9</b>	624,848	-
		<b>171,837,539</b>	<b>234,660,613</b>
<b>12.C Loan Repayment during the year</b>			
Deutsche Bank Americas Foundation		22,108,800	-
Stromme Micro Finance Asia (Guarantee) Ltd		68,111,205	89,047,873
People's Bank Sri Lanka		8,333,316	8,062,205
Consorzio Etimos s.c.		38,894,201	7,384,011
		<b>137,447,522</b>	<b>104,494,089</b>
<b>12.D Term Loan payable-Non Current</b>			
Stromme Micro Finance Asia (Guarantee) Ltd		40,729,148	33,529,168
People's Bank Sri Lanka		-	4,039,905
Consorzio Etimos s.c.		108,551,651	82,841,601
		<b>149,280,799</b>	<b>120,410,674</b>
<b>12.E Term Loan payable-Current</b>			
Deutsche Bank Americas Foundation		-	22,108,800
Stromme Micro Finance Asia (Guarantee) Ltd		64,300,020	68,111,205
People's Bank Sri Lanka		4,039,905	8,333,316
Consorzio Etimos s.c.		74,002,641	38,894,201
KIVA Ltd		624,848	-
		<b>142,967,414</b>	<b>137,447,522</b>



**12.1 Deutsche Bank Americas Foundation.:**

Loans from Deutsche Bank Americas Foundation of US\$ 192,000 equivalent to Rs 22,108,800 was obtained to disburse among VO members as loans, and bears interest at 1% per annum. The loan has been fully settled during the financial year 2010.

**12.2 Stromme Micro Finance Asia (Guarantee) Ltd:**

Loans from Stromme Micro Finance Asia (Guarantee) Ltd of Rs 149,000,000 was obtained to disburse among VO members as loans, and bears interest at 9% per annum on reducing balance. The loan is to be paid as monthly installments.

**12.3 People's Bank Sri Lanka.:**

Loan from Peoples Bank Sri Lanka Rs 25,000,000 was obtained to disburse among the VO members as loans and bears interest at 7.5% per annum. The loan will be paid as monthly installment with interest on reducing method.

**12.4 Consorzio Etimos s.c.:**

Loan from ETIMOS (ITALY) Rs 129,119,813 and Rs. 99,712,691 were obtained to disburse among the VO members as loans, and bears interest at 12% and 11% per annum respectively. The loan will be paid as every six month (1/2 Year) installment with interest on reducing method.

**12.5 Stromme Micro Finance Asia (Guarantee) Ltd.:**

Loans from Stromme Micro Finance Asia (Guarantee) Ltd of Rs 8,000,000 was obtained to disburse among VO members as loans, and bears interest at 11% per annum on reducing balance. The loan is to be paid as monthly installments.

**12.6 Stromme Micro Finance Asia (Guarantee) Ltd.:**

Loans from Stromme Micro Finance Asia (Guarantee) Ltd of Rs. 8,500,000 was obtained to disburse among VO members as loans, and bears interest at 11% per annum on reducing balance. The loan is to be paid as monthly installments.

**12.7 Stromme Micro Finance Asia (Guarantee) Ltd.:**

Loans from Stromme Micro Finance Asia (Guarantee) Ltd of Rs 25,000,000 was obtained to disburse among VO members as loans, and bears interest at 11% per annum on reducing balance. The loan is to be paid as monthly installments.

**12.8 Stromme Micro Finance Asia (Guarantee) Ltd.:**

Loans from Stromme Micro Finance Asia (Guarantee) Ltd of Rs 30,000,000 was obtained to disburse among VO members as loans, and bears interest at 11% per annum on reducing balance. The loan is to be paid as monthly installments.

**12.9 KIVA Ltd.:**

Loans from KIVA Ltd of Rs 624,848/- was obtained to disburse among VO members as loans, repayment will made end of the project.

**13. Accrued expenses and payables**

	<b>2010 Rs.</b>	<b>2009 Rs.</b>
Audit fees	379,500	360,000
Payable to BRAC Bangladesh	167,478,290	98,684,531
Expenses payable	12,980,232	142,439,026
EPF & ETF	134,450	676,589
Savings interest payable	-	25,799,113
Payable to BRAC Sri Lanka	-	16,806,680
	<b>180,972,472</b>	<b>284,765,939</b>

**14. Cash in hand & cash at bank**

Cash at bank	173,721,193	277,393,419
Cash in hand	2,221,782	3,024,150
	<b>175,942,975</b>	<b>280,417,569</b>

**14.1**

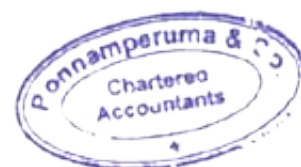


**2010**  
**Rs.**

#### 14.1 Cash at bank

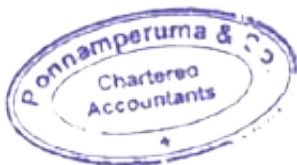
Bank name	Account No	
Hatton National Bank Plc	124444011	406,694
Hatton National Bank Plc	68-00-01-1641101-4	1,498,304
Hatton National Bank Plc	123045014	1,071,124
Hatton National Bank Plc	6700100034	836,512
Commercial bank Plc	1105016089	49,360
Commercial bank Plc	1630112001	830,216
Commercial bank Plc	1350014150	456,381
Commercial bank Plc	1140019615	183,150
Commercial bank Plc	1280014947	124,803
Commercial bank Plc	1270019978	66,218
Commercial bank Plc	1970014069	2,174,299
Commercial bank Plc	1135002544	758,076
Commercial bank Plc	1970011555	1,576,948
People's bank	1650113745	446,393
People's bank	1570087985	1,166,229
People's bank	23100197083866	251,076
People's bank	1650069508	148,792
People's bank	105003560	451,847
People's bank	1670129529	187,610
People's bank	1670056723	53,687
People's bank	1670027144	124,577
People's bank	1070042947	651,832
People's bank	165531466	413
People's bank	072-1-001-06881492	1,164,740
People's bank	244100170004204	396,536
People's bank	135-1-001-4-6152182	1,606,431
People's bank	1550023806	424,592
People's bank	1-66-003339-6	860,832
People's bank	1-55-006311-4	557,941
People's bank	1-65-0022838-5	1,524,946
People's bank	100200000657	97,456
People's bank	100390000657	191,164
People's bank	100190016492	671,971
People's bank	90100180009835	1,226,546
People's bank	39100160004647	324,869
People's bank	148100170001077	327,169
People's bank	100190001077	199,642
People's bank	311-1-001-5-0000705	384,705
People's bank	12100100001077	356,523
People's bank	207100130008310	1,302,785
People's bank	59100140001077	451,214
People's bank	138100190001077	871,517
People's bank	100190016492	125,255
People's bank	204-1-001-3-80008233	1,559,277
Bank of Ceylon	7924912	776,685
Bank of Ceylon	6836619	676,759
Bank of Ceylon	6836665	1,084,883
Bank of Ceylon	7898596	173,131
Bank of Ceylon	4441319	900,569
Seylan bank	740-01866864-001	1,100,564
Seylan bank	810-021994964-001	3,185
Seylan bank	0020-02490707-001	53,634

**32,910,062**



**2010**  
**Rs.**

<b>Bank name</b>	<b>Account No</b>	
<b>Balance b/f</b>		<b>32,910,062</b>
Seylan bank	0020-24990705-001	371,446
Seylan bank	370-02394840-001	2,308,712
Sampath bank Plc	1060000391	892,457
Standard chartered bank	01-3607526-01	38,023,045
Standard chartered bank	01-3657078-01	3,888
Standard chartered bank	01-3657078-02	4,895,232
Standard chartered bank	01-4011503-01	19,521,169
Standard chartered bank	01-3607526-02	71,331,321
Jaffna branch		24,627
People's bank	002100270020501	256,131
Hatton National Bank PLC	010010011835	3,183,103
		<b>173,721,193</b>





# BRAC Around the World

## USA



**Initiated:**  
2007

An independent charity to raise profile and funds for BRAC globally

## UK



**Initiated:**  
2006

An independent charity to raise profile and funds for BRAC globally

## Netherlands



**Initiated:**  
2009

BRAC International registered as a charity (Stichting)

## Haiti



**Initiated:**  
2010

**Programme Focus:**  
Agriculture, Housing, Limb and Brace Centre

**Population reached:**  
Ultra Poor

## Sierra Leone



**Initiated:**  
2008

**Programme focus:**  
Microfinance, Health, Agriculture, Poultry and Livestock, Human Rights, Legal Empowerment

**Population reached:**  
527,743

## Liberia



**Initiated:**  
2008

**Programme focus:**  
Microfinance, Health, Agriculture, Poultry and Livestock

**Population reached:**  
577,598

## Southern Sudan



**Initiated:**  
2007

**Programme focus:**  
Microfinance, Education, Health and Agriculture, Empowerment of Adolescent Girls

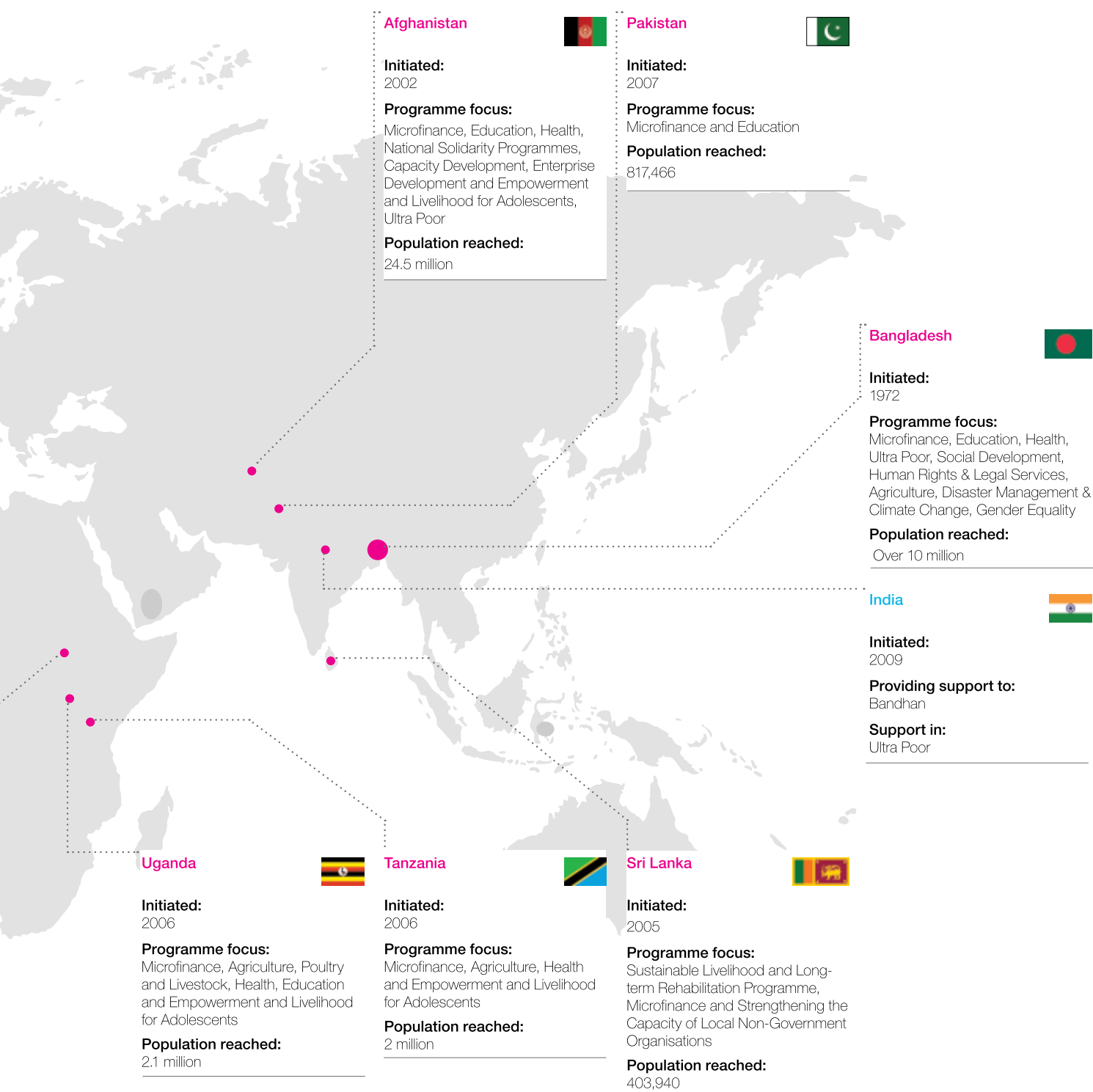
**Population reached:**  
348,359

### Key

Programme Countries

Affiliate Countries

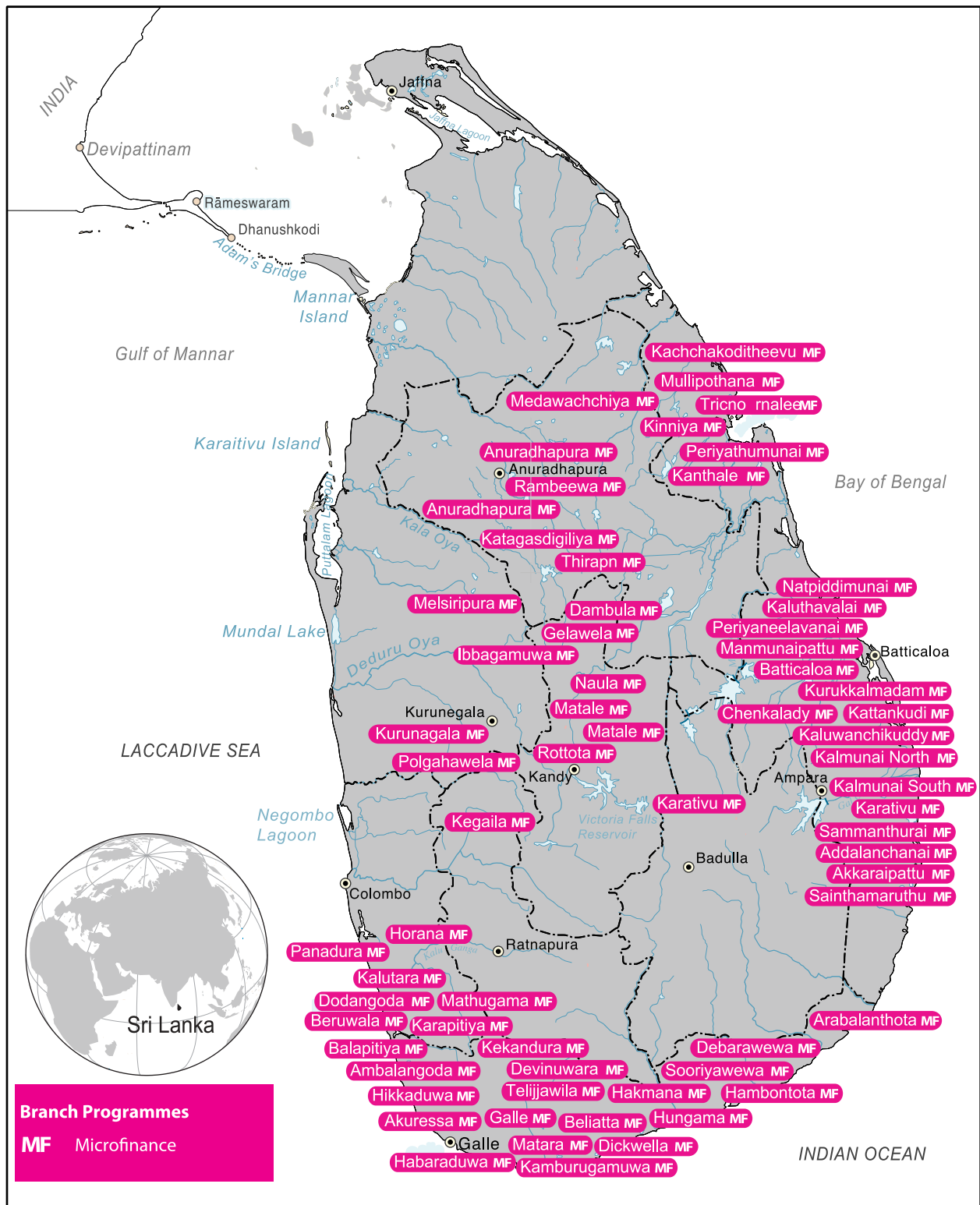
Technical Support Countries





# BRAC in Sri Lanka

## BRANCH LOCATIONS



# At a glance

Programme Update as of December 2010

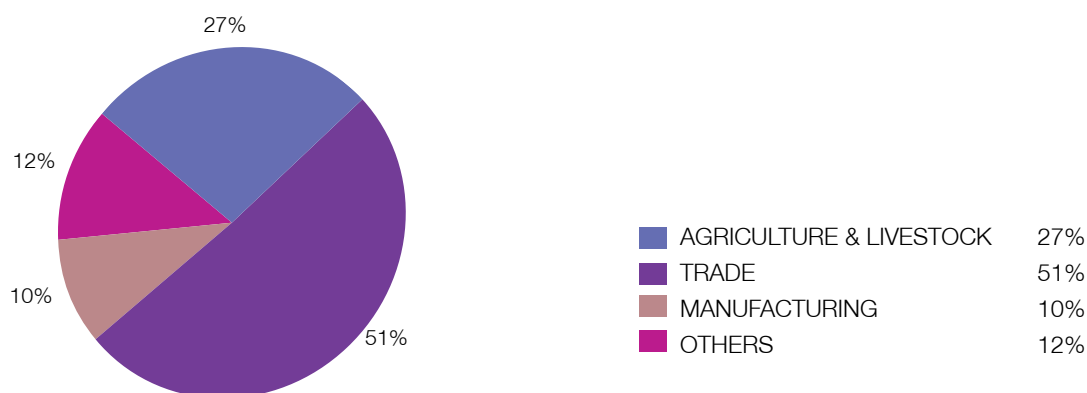
## Programme Outreach

Total number of branch offices	65
Total number of area offices	15
Sri Lankan staff (86% women)	609
Bangladeshi staff	19

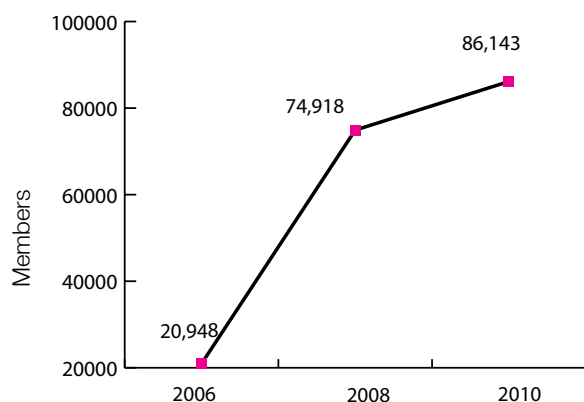
## Microfinance

Microloan groups	4,571
Microloan group members	86,143
Borrowers (current)	65,607
Microloan disbursement (cumulative)	USD 50,033,335
Microloan disbursement (Jan-Dec 2010)	USD 16,586,964
Loan outstanding	USD 9,573,199
Average loan size	USD 250

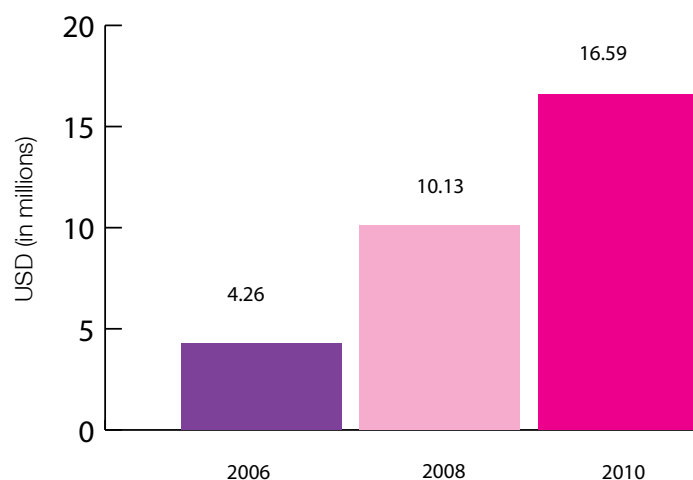
## Breakdown of borrower enterprises by sector



## Number of Microfinance Members (100% women)



## Annual Microfinance Loan Disbursement (USD)



1 USD = 113 Sri Lankan rupees (2010)



