Pakistan

2012 Annual Report

Pakistan

BRAC launched its microfinance programme in Pakistan in 2007 and since added vital services in health, education and integrated assistance for the ultra-poor. In addition to having over 68,192 borrowers, BRAC's 147 Pakistani health volunteers have referred thousands of patients and its 50 schools have given hundreds of disadvantaged students a head start in pre-primary education.

What started out in 1972 in a remote village of Bangladesh as a limited relief operation, turned into the largest development organisation in the world. Of major non-governmental organisations, BRAC is one of the few based in the global south.

Today, BRAC is a development success story, spreading solutions born in Bangladesh to 10 other countries around the world – a global leader in creating opportunity for the world's poor. Organising the poor using communities' own human and material resources, it catalyses lasting change, creating an ecosystem in which the poor have the chance to seize control of their own lives. We do this with a holistic development approach geared toward inclusion, using tools like microfinance, education, healthcare, legal services, community empowerment and more.

Our work now touches the lives of an estimated 126 million people across the world, with staff and BRAC-trained entrepreneurs numbering in the hundreds of thousands – a global movement bringing change to 11 countries in Asia, Africa and the Caribbean.

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Vision, Mission and Values

Vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Mission

Our mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable men and women to realise their potential.

Values

Innovation

For forty years, BRAC has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

Integrity

We value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. We hold these to be the most essential elements of our work ethic.

Inclusiveness

We are committed to engaging, supporting and recognising the value of all members of the society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness

We value efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Chairperson's Statement

It gives me great pleasure to present the annual report and the audited financial statements for the year ended 31 December 2012.

Pakistan's economic growth picked up slightly this year but falling investment, high inflation, and stagnated exports thwarted by increasing insecurity are not the precursors for a quick turnaround. Combined with this, the devastating flood in 2010 had taken an immense toll on lives and livelihoods, and left an indelible mark on the country's economy. A country where twenty two per cent of the population live below the poverty line and 7 million children remain out of primary school, is struggling to meet a number of the millennium development goals.

With only 20 pre-primary schools in Khyber-Pakhtunkhwa (KPK) BRAC launched its education programme in Pakistan in 2009. We have increased our schools to 100 in three districts in Khyber-Pakhtunkhwa and one district in Balochistan. The number of current students exceeds three thousand and expects to expand our programme in Sindh by next year with 200 hundred more schools.

In Pakistan around 30 million individuals are eligible for microfinance lending but only 2.3 million is reached by all microfinance institutions together. BRAC began its microfinance programme in

Pakistan in August 2007 with twelve branches in KPK, a region that borders Afghanistan and is one of the most challenging areas for development organisations to operate. Currently, BRAC is operating ninety six branch offices with loans disbursed for the year amounting to USD 18.37 million with 68, 192 borrowers.

In 2010, BRAC started its targeting ultra-poor programme (TUP) in Pakistan supported by the Pakistan Poverty Alleviation Fund (PPAF) in the Lasbela district of Balochistan. The two-year programme reached 1,500 families with cash stipends, asset transfer, enterprise development trainings, social development, and essential healthcare. This year, PPAF has approved further funds for expansion of TUP programme to the remaining areas of Lasbela and Khuzdar districts.

BRAC's experiences have proved that the health services provided must be designed and developed in accordance to the country's generally accepted practices in health care. These include community based efficient delivery mechanisms, staff and community involvement, strong and efficient organisational management structures and operational systems, a strong capacity to generate and manage sufficient internal resources, and a very clear consistent focus on the effective needs of the clients. We are currently operating our health programme in four districts through 13 branch offices and have a total of 147 health promoters. In 2012, we conducted 8,230 health meetings with 142,251 participants and treated over 2,000 tuberculosis and malaria patients while referring 1,423 cases to hospitals.

I would like to take this opportunity to thank our team in Pakistan who have worked diligently under difficult circumstances. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has been of great value. As situation continues to evolve, BRAC will continue to re-evaluate its strategy. I thank the Pakistani government and our development partners in Pakistan for their continued support as we strive to create greater value in our services to contribute towards the progress and prosperity of Pakistan.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson
BRAC & BRAC International

BRAC International
Governance and Management

1. Governance

1.1 The legal status of BRAC International

BRAC International is registered as Stichting BRAC International, a foundation registered under the laws of The Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. Development programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights & legal services programmes. BRAC International Holdings B.V. is a wholly owned subsidiary of Stichting BRAC International. BRAC International's microfinance, programme supporting enterprises and finance company are consolidated under this wing. Programme supporting enterprises currently include seed production, feed mill, training centres and tissue culture lab.

BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia and Philippines. In each of these countries, BRAC International is legally registered with the relevant authorities.

1.2 Governing Body

BRAC International is governed by a governing body. The governing body is elected from among distinguished individuals with sound reputations in social development, business or the professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected to the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members on the governing body. The governing body usually meets four times a year, in accordance with the rules of Stichting BRAC International. The composition of the present governing body of Stichting BRAC International is as follows:

Members of the Governing Body

Chairperson	:	Sir Fazle Hasan Abed
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Barren
		Dr Debopriya Bhattacharya
		Ms Shabana Azmi
		Mr Shafiq ul Hassan
		Ms Parveen Mahmud
		Ms Irene Zubaida Khan

The composition of the present Governing body of BRAC International Holdings B.V. is as follows:

Chairperson	:	Sir Fazle Hasan Abed
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Borren
		Orangefield Trust (Netherlands) B.V.

Details about the roles of governing body are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings B.V.

1.3 Local Boards

Each country entities have a local board. We have aimed to pursue microfinance and non-microfinance activities through separate entities in most of our countries. The local board members are appointed by the Stichting BRAC International board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

1.4 Accountability and Transparency

The internal audit department normally conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of normal internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

External audit of Stichting BRAC International, BRAC International Holdings B.V. and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards (IFRS) and relevant countries' laws.

BRAC International strives for excellence and transparency in financial reporting. In Uganda, BRAC has been recognised as the Best NGO in the Financial Reporting Awards in both 2011 and 2012, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. Management

At all levels of BRAC International management, there is a clear-cut policy regarding the authority of each level of staff, and staff are adequately equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and Table of Authority. The appropriate staff are empowered to take decisions with respect to all levels and areas of management, including: recruitment, deployment, capacity-building, transfer, leave, financial transactions, purchase and procurement. These are spelled out in detail with respect to staff at the Area, regional and country office levels. The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures and payments. Every staff member receives orientation on HRPP.

The Stichting board appoints officers, namely the Senior Directors, Group CFO and Director Finance to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staffs are empowered to take decisions at area, regional, country and Head Office levels. Procedural manuals and policy documents are made available to staff; these detail organisational policies and procedures. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve Country Representatives, Senior Directors, Group CFO, Director Finance and, in particular cases, the Executive Director, the Chairperson and the governing body.

2.1 Financial Management

All matters relating to finance and accounts from branch offices to head office are supervised and controlled by the finance and accounts department. The branch offices prepare project wise monthly cash requisitions, which are sent to the area/regional office. The area/regional office checks and monitors the accuracy of the requisition and then sends it to country office. After checking, the Country Office disburses funds as per the requisition. The Area I Branch Offices send monthly Expenditure Statements along with bank statements to the Country Office Finance and Accounts Department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to the BRAC International Head Office and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides accounts personnel in preparing financial statements and reports following accounting standards, and in running other financial activities in a systematic and efficient way.

In consultation with different level of stakeholders, the country office prepares project-wise budgets, which are then sent to the Head Office. The head office checks the project-budgets of its country offices, which is recommended by the Director Finance and finally approved by the Group CFO. The head office also consolidates and prepares a country budget, prepares budget variances and submits these to the governing body in the quarterly board meetings of BRAC International's Governing Body. The budget is therefore prepared with the participation of programme and finance staff.

Further details can be found within BRAC International's accounts and finance manual.

2.2 Human Resource Management

The Human Resources Department (HRD) in both head office and within each country in which BRAC International operates is chiefly responsible for recruitment, deployment, staff appraisal, and all aspects of Human Resource Management (HRM) from head office. One of the central roles of the HRD is to establish and disseminate a clear-cut policy regarding the authority of each level of staff, in the form of the Human Resources Policies and Procedure (HRPP). The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, payments, and a detailed code of conduct etc. Every staff member receives orientation on HRPP.

2.3 Staff training and capacity-building

BRAC International places high priority on the training and capacity-building of staff. To date, there are BRAC Training Centres in Liberia, Uganda and Afghanistan. In other countries BRAC hires training facilities near the areas offices.

After recruitment and before deployment, new staff is sent for orientation training by the training division, in which they are introduced to BRAC International's programmes, its objectives and mission. After this, they are deployed in the respective programme areas in the field. According to the needs of the different programmes, staffs are then given programme specific training. Most programmes also have separate training units within the programme unit, for more specialised training. BRAC International also sends staff on short and longer-term international training courses.

In line with its commitment to investing in its staff, BRAC International is continually seeking to improve its human resource management practices, in order to deliver better services to the poor, in particular women. Recent initiatives include:

- Strengthening communication systems within and beyond the organisation, in part to improve learning mechanisms within BRAC International
- Efforts to address gender relations, anti-bribery and corruption, data protection, child protection, conflicts of interest, and culture within the organisation
- Introducing performance appraisal
- A mentoring programme to support junior staff in their personal and professional development.

Education

With education programmes in seven countries, BRAC has built the largest secular private education system in the world, with more than 38,000 schools giving disadvantaged youth a second chance at learning. Complementing mainstream school systems with innovative teaching methods and materials, BRAC opens primary schools in communities unreached by formal education systems, bringing joyful learning to millions of children, particularly those affected by extreme poverty, violence, displacement or discrimination. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. At the secondary level, we provide need based trainings, student mentoring initiatives, and e-learning materials to improve the mainstream secondary education system.

Eradicating educational inequality

Although Pakistan has made significant efforts to expand access to education, working towards education for all, it is still not on track to achieve the Millennium Development Goal of universal primary education. A large number of children remain out of school, deprived of proper education. Gender discrimination is extensive in Pakistan, affecting girls' access to quality education. Seven million children of primary age are currently out-of-school in Pakistan of which 60 per cent are girls. A recent report highlights that male children attend an average of 3.8 years of school in Pakistan, while female children attend a mere 1.3 years.

Global experiences clearly demonstrate that early childhood interventions have many benefits for cognitive and psycho-social development of children. Pre-primary education is, therefore, an important strategic intervention for promoting quality primary education. It serves as a 'school readiness programme' for children, easing their transition from home into a formal classroom setting and familiarising them with the alphabet and numbers. Creating provisions for pre-primary schooling, especially for girls, can ensure their continued participation in primary schooling, which contributes to gender equality in education. Early education is therefore a valuable intervention for success in achieving universal primary education.

The objective of BRAC's education programme is to develop an institutional structure with skilled key personnel and trained teachers to deliver a cost-effective and replicable pre-school intervention to strengthen the government of Pakistan's efforts to implement early childhood education.

Children at a BRAC pre-primary school in Haripur

Phool Nahar is a special needs child. She attends the BRAC pre-primary school Bhakka Purana of Haripur village of Nowshera district, in Khyber-Pakhtunkhwa province

Beyond 2012

BRAC is planning to expand its operation to reach the poor and marginalised areas in Pakistan through the education programme. We are aiming to scale up our operations by opening more schools, and are seeking donors to fund our education initiatives in Pakistan.

BRAC is aiming to achieve 200 non formal primary schools in Sindh province and 100 pre-primary schools in Khyber-Pakhtunkhwa province under two separate programmes in 2013, with support from DFID.

In addition, BRAC will be providing training to 240 teachers of government primary schools in 2013.

2012 Highlights

During 2012, the education programme in Pakistan expanded to two more districts of Khyber-Pakhtunkhwa. As of December 2012, the programme covered four districts in two provinces.

A total of 100 new schools, reaching 3,030 students, were established in Khyber-Pakhtunkhwa, and trained 100 new teachers.

Sumair is a bright student who is eager to learn. He hopes to continue his education with BRAC

SUMAIR: Learning to live a normal life

"I am so happy I can go to school like the other children. I love going to school and seeing my friends."

Seven-year-old Sumair is a special child victimised by polio. He comes from a poor family of Haripur district. His father is a constructor by profession, but is currently unemployed.

Due to the disability, Sumair's parents were initially worried that their son may not be able to complete his education. But when BRAC started its education programme in the area, Sumair's parents met his teacher several times and their hearts were filled with joy to know that BRAC will enroll Sumair in their programme.

Sumair eventually started attending Sikandarpur BRAC School in Haripur district. He is a regular student now and comes to school in his wheel chair. Friendly peers and his supportive teacher further encourage him to continue his education, and seeing this Sumair's mother feels relieved as she can now hope for a better future for her son.

Health

Working in eight countries, BRAC's health programmes promote sustainable and accessible healthcare for the poor in collaboration with both the state and private healthcare sector. Working in their own slums and villages, BRAC's army of self-employed community health promoters helps the entire community in staying healthy, with a groundbreaking door-to-door approach. These promoters create a cost-effective bridge between the under-served poor communities and formal healthcare systems. BRAC also organises health meetings to encourage an exchange of knowledge, thus empowering people to take care of themselves, their families and neighbours.

Improving the health sector in Pakistan

BRAC initiated its health programme in Pakistan with the aim to improve access to health care, and consequently improving the health status of the poor, particularly women and children. We provide basic primary health care services as well as maternal, neonatal, and child health care services to the local communities.

Keeping cultural sensitivity in mind, we provide health and nutrition education through separate health forums for men and women at the community level. We also have alternative methods to deliver health messages through the *Imams* (local religious spokes person) during prayers in the mosques. A greater need has been identified regarding family planning as the population of Pakistan is increasing at an alarming rate.

BRAC's community health promoters (CHPs) provide door-to-door family planning service, including supplying temporary birth control methods. The CHPs also provide follow-up services on under-five children during their regular household visits, keeping a record of their immunisation and Vitamin A intake status in a family card. They also provide health and nutrition education to these families. We target the immunisation of infants less than one year, as well as women of childbearing age and pregnant women. The CHPs also provide antenatal and postnatal care, promote breast feeding, encourage family planning, advise to use a trained birth attendant in case of normal delivery, and refer mothers to hospital if complications arise. The CHPs are trained to provide basic curative services by diagnosing and treating 10 common diseases and refering patients with serious complications to the nearest government facility.

Activities under the water and sanitation intervention are regularly conducted by raising awareness among community people about the importance of using safe water and sanitary latrines as well as through household visits and group health education.

At a health meeting, a BRAC community health promoter is raising awareness on health education to a group of women in Midhalivillage of Sahiwal district, in Punjab province

Beyond 2012

With an aim to expand our health programme in the remotest area of Pakistan, we are actively seeking funding.

We plan to open four new health clinics in Lasbela district of Baluchistan with the financial assistance of Pakistan Poverty Alleviation Fund.

2012 Highlights

We are currently operating our health programme in four districts through 13 branch offices and have a total of 147 health promoters.

In 2012, we conducted 8,230 health meetings with attendance from 142,251 participants.

We treated 1,128 TB and 1,247 malaria patients while referring 1,423 cases to hospitals.

We also provided 3,308 pregnant women with ante-natal care services and 2,108 mothers with post-natal care. 1,429 children received immunisation and 3,893 families were provided with oral rehydration solutions, while 1,747 couples received family-planning products from us.

A BRAC community health promoter is examining a local girl in her village as part of her daily door-to-door visit in Kachiabadi village of Sahiwal district, in Punjab province

CASE STUDY

Ghazala providing health services at health forum in Naiki Midhali Village

GHAZALA: A proud changemaker

"When I see a rise in the level of family planning practices and that 90 per cent of babies in my area are fully immunised, I feel proud to have been a part of this positive change."

Ghazala, 44, had her heart set on making a difference by becoming a community health promoter. With an education from a middle standard school, She served as a councilor of the 47th union council at Naiki Midhali village.

Ghazala says, "Poor people lack access to basic health services and receive low-quality care. Especially at Naiki Midhali village, there are no dispensary or health centres. People have to travel a long distance to the cities for health services".

Ghazala always desired to serve her community, especially the rural women. She came to know about BRAC's health programme in Sahiwal through a BRAC-trained health promoter. Encouraged by learning that BRAC provides opportunities to rural women to serve their communities. Ghazala took the contact details of the nearby BRAC branch office and went to meet the branch officers who in turn, "have been really kind and scheduled me to get trained to work as a volunteer and I signed the agreement", said Ghazala.

As part of a cadre of self-employed community health promoters, Ghazala's daily round of monitoring begins by providing awareness on safe water, sanitation and good hygiene practices, holding discussions with families on family planning and immunisation, and educating them on health and nutrition. An added incentive for Ghazala has been the small income stream she has been able to establish. Ghazala says, "To make a living, I provide health commodities such as sanitary napkins, soap, iodised salt, diapers, and fortified food to the families at a fair price."

Microfinance

Innovative, client-focused and sustainable, BRAC's microfinance programme is a critical component of our holistic approach to support livelihoods. Over the course of the last four decades, we have grown to become one of the world's largest providers of financial services to the poor, providing tools that millions can use to better manage their lives.

Empowering the poor financially

Microfinance is a powerful tool which can be used by the marginalised to pave their way out of poverty by financing their own entreprenural ventures. Social intermediation, which is embedded in the microfinance programme in the form of village organisation groups, helps to build social capital among the poor. Combined with financial capital, it has the potential to be a powerful synthesis in the fight against poverty. The formation of such social capital through the process of microfinance provisions can also be used as an entry point to challenge other structures which promulgate poverty. This holistic vision of possibilities defines BRAC's microfinance programme's mission.

BRAC's microfinance programme has three main components: microloans, small enterprises programme (SEP), and agriculture programme. The objectives of the microfinance programme are to significantly contribute to the reduction of poverty, create self-employment opportunities, enhance household income level, and reduce vulnerabilities of the rural poor in Pakistan, especially women. In order to accomplish these goals, BRAC emphasises on the following goals:

- To help poor households by increasing their access to credit, and subsequently offering savings services through a regulated microfinance bank
- To provide more opportunities for income generating activities to the marginalised, especially women, so that they have a voice and decision making power both within their household and beyond and
- To alleviate poverty in rural Pakistan, by achieving the Millennium Development Goals of eradicating extreme poverty and hunger

Parveen Javed runs a small cloth shop for women on the ground floor of a three-story building in Makkah Colony in south Lahore

During a weekly collection at a village organisation meeting, Shifa Kiran, a credit officer, is collecting the loan passbooks from the members of BRAC's microfinance programme in Sutri Watt of Multan district, in Punjab province

Beyond 2012

Due to security issues, low microfinance potentiality and better administration, several of our branches will be merged or closed during 2013. We are aiming to cover 15,000 borrowers from five districts through the agriculture programme.

2012 Highlights

Microloans

Under the microloans component, we currently have 96 branch offices and 19 area offices in operation, covering 23 districts of all four provinces in Pakistan. In January 2012, there were 99 branch offices, but due to security issues, low microfinance potentiality and, better administration and supervision, four branches have been merged. This year, a total of 80,901 loans have been disbursed, with an average loan size increasing from USD 191 to USD 209.

Agriculture programme

The agriculture component is operating in three districts of Punjab province, covering 30,000 people through eight branch offices. A total of 27 model farmers and 4,000 general farmers have been trained through this programme.

Small Enterprise programme

BRAC is successfully running this programme through 30 branch offices and 12 area offices in Pakistan. So far, 13 districts of Punjab, Khyber-Pakhtunkhwa and Sindh provinces have been targeted. This year, the number of borrowers increased from 13 to 286, and 277 new loans has been disbursed in 2012. The disbursed amount totals to USD 296,809, with an average loan size of USD 1,023.

CASE STUDY

Taking out a microloan from BRAC has helped Munawar in building a small, but stable flow of income

MUNAWAR: Seizing opportunities of a better life

"I am grateful for the opportunity that BRAC has created for me so that I can seize control of my life."

Munawar lived poorly with her husband and two daughters. A day labourer by profession, her husband's income was not enough to fulfil the basic necessities of life. In 2009, the family faced a severe financial crisis when her husband could not get work and they had no savings to fall back on.

With two daughters, it was difficult for Munawar to work outside. She started to look for an opportunity that would enable her to work from home. Eventually Munawar came to know about BRAC's microfinance programme which gave her a micro loan of PKR 15,000 (USD 153). With this loan, she purchased clothes and started selling them to her neighbours. This created a small but steady stream of income for her and she applied for a second loan from BRAC. Soon her business expanded as she invested more and engaged her daughters in the business.

She recently received her fifth loan of PKR 40,000 (USD 407) from BRAC, and her family is now financially independent. She was able to provide for all the expenses of her daughters' marriages and enjoys a great social life.

The story of her financial empowerment has gained her appreciation from many. She is grateful for the opportunity that BRAC created for her so she could seize control of her life.

Livelihood Enhancement and Protection-Institutional Development

BRAC's ground breaking ultra-poor programme focuses on improving the economic and social situation of those at the base of the economic pyramid. Living in extreme poverty, this group struggles to meet its minimal dietary requirements, and has proven difficult to reach with more mainstream antipoverty programmes like microfinance. To help this population reach the bottom rung of the economic ladder, our process includes a deliberate sequencing of interventions including asset grants, skills development and personalised healthcare support. About 95 per cent of those in the programme "graduate" from extreme poverty – and have stayed out, six years after the programme ends. Most go on to take advantage of more mainstream opportunities like microfinance. The programme is now being adapted by other organisations in countries around the world.

Reducing extreme poverty in Pakistan

In the Balochistan province of Pakistan, the most vulnerable people suffer severely from seasonal income crisis, acute food insecurity, severe malnutrition, scarcity of water and sanitation. Due to unfavourable weather and under-utilisation of resources, most of these people survive on low purchasing power. To address the needs of the marginalised population in Balochistan, BRAC initiated the livelihood enhancement and protection institutional development (LEP-ID) programme in two districts, Lasbela and Khuzdar. We modelled the programme based on our ultra-poor programme in Bangladesh, although necessary modifications have been made to adjust to the Pakistani context.

The objective of the LEP-ID programme is to develop capacity, improve opportunities, provide assets, and increase productivity of the community members to reduce their vulnerability to climate change, develop their livelihood initiatives, and strengthen their business operations.

2012 Highlights

The LEP-ID programme operates in two districts of Balochistan, including 197 new villages. A total of 15,022 households were surveyed for the programme, and 456 new village assistance committees were formed.

Beyond 2012

We plan to expand the LEP-ID programme in Pakistan to reach the poor in remote areas of Balochistan. We are currently negotiating with a number of donors, including the Pakistan Poverty Alleviation Fund, for scaling up our operations.

An LEP-ID village organisation meeting at Baradgoth Sakran, Lasbela district, Balochistan

School children at Safar Abu village in Winder, Lasbela district

A village organisation: Strengthened by love for the 'mother'

"We are very happy and thankful to the *Maa* forum, as it has allowed our children to attend school."

With 208 people, Safar Abu is a small village in Winder union council of Tehsil Sonmiyani district in Lasbela. The majority of the people are woodcutters and tenant farmers. There is only one government primary school in the village with few students due to lack of awareness amongst the parents about the importance of education.

With an aim to improve the socio-economic condition of the village, BRAC sent a team to meet the village's senior citizens and activists. Subsequently, in January 2012, the village formed a small community organisation called "*Maa*" (Urdu for mother), in order to create awareness regarding education among other issues. Soon the village started to experience a transformation, starting with more children attending the government school.

Some of the parents, however, could not afford sending their children to schools. The *Maa* forum immediately stepped in and took the responsibility to bear the expenses for these children with the contribution received from forum members.

The members of the organisation believe that this is just the beginning of positive changes that are yet to take place in their village. They are hopeful for a better future for their children who will continue to bring in the waves of transformation. The villagers are now focusing on addressing the next big challenge using *Maa*'s platform.

Support Programmes

Finance and Accounts Unit

The finance and accounts unit performs a vital role within the organisation in improving programme efficiency, enhancing management decision making capability, and promoting transparency and accountability. The unit produces periodic progress reports for donors. In addition, it coordinates with external statutory auditors for the annual audit under local and international regulations. As per its responsibilities, the unit maintains tax records and issues tax certificates to suppliers as per statutory requirements.

New initiatives

This year a comprehensive Finance and Accounts Manual was launched in the finance and accounts convention held in Bangladesh.

Internal Audit Department

Internal audit department (IAD) is an independent, objective assurance and consulting support designed to add value and improve BRAC International's operations. It helps BRAC International to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal auditing is a catalyst for improving BRAC International's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, the internal audit department provides value to governing bodies and executive management as an objective source of independent advice. The department also assists the management by providing Risk Based Audit for efficiency and effectiveness.

In 2012, in Pakistan seven auditors (three expatriate and four local) audited 161 cost centres and highlighted several issues for management support.

New initiatives

In 2013, the department will conduct surprise audit and produce quarterly report on non-responded internal audit report; provide support for professional development (CPD) for IAD staffs, and draft a staff development plan.

Monitoring and Investigation

The monitoring and investigation (M&I) department assists BRAC management in Pakistan to improve the implementation of its programmes by providing them with weekly and monthly reports on the performance of programmes/projects on a regular basis.

The M&I team, which is comprised of the country representative and nine associate monitoring officers, assists and provides information to the head of the M&I department every week. The associates work in their respective areas of Nowshera, Rawalpindi, Gujrat, Lahore, Multan and Karachi. In 2012, the M&I department extended its monitoring services to the new programmes, including the livelihood enhancement and protection-institutional development programme, small enterprises programme, and agriculture programme.

Human Resources

The human resource management (HRM) has been working in Pakistan with the goal to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees. HRM provides extensive effort to ensure that the staff are appraised properly and are also provided with due services and entitlements in time. HRM is also working to build the capacity of the national staff so that the staffs can gradually take up management position.

The HRM department is responsible for recruiting and managing BRAC staff. The department oversees compensation, performance management, benefits, employee motivation, communication, administration and training. The department receives a yearly assessment for reporting and processing employee promotions.

Training and Capacity Building

BRAC's training and capacity building department in Pakistan trains employees to increase their efficiency, build their skill sets, and motivates them to work towards their individual goals. Since its inception, the department has been supporting primarily BRAC Pakistan's microfinance programme. The department conducted the human resource policy procedure orientation for employees at different levels. It also organised a number of refreshers' courses for microfinance staff.

Risk Management

Risk management relates to how BRAC International sets its objectives, then identifies, analyses, and responds to those risks which could potentially impact the organisation's ability to realise its objectives. The concept of managing risk is an integral part of the accountability requirements at all levels in the organisation. An effective risk management system will safeguard BRAC International's interests and ensure the best use of its resources. Recognition of risk management as a central element of good corporate governance, and as a tool to assist in strategic and operational planning, has many potential benefits in the context of the changing operating environment of BRAC International's core business. BRAC International provided extensive training and workshops on risk management policy to BRAC Pakistan staff and facilitated the preparation of risk registers in all programmes.

Information Technology Section

The information and technology (IT) works to improve BRAC's section to provide an effective and efficient IT infrastructure and possible level of automation, meeting the needs for both internal and external purposes.

New initiatives

The IT section is in the process of implementing a real time enterprise resource planning (ERP) solution in Pakistan. The ERP solution will incorporate credit programmes, finance and accounts, human resources management system, procurement system, and other departments and programmes. The IT infrastructure will be upgraded and interactive training will be given to the end users of ERP solution.

2012 Highlights

The IT section underwent several changes with automation, data processing and collaboration with various programmes of BRAC in Pakistan, in addition to reporting to internal and external stakeholders. The section established and upgraded internet connectivity at the country office, regional offices and area offices. In 2012, auto reconciliation system of software was introduced.

Procurement Unit

BRAC's procurement unit in Pakistan identifies the needs of acquisition of goods and services, and works to deliver them in a timely manner. The unit is managed by the procurement committee. The unit operationalised its revised guidelines and procedures in 2012. The unit successfully implemented its procurement guideline and procedures for the education programme under DFID/GPAP in Khyber Pakhtunkhwa, as well as for the LEP-ID programme.

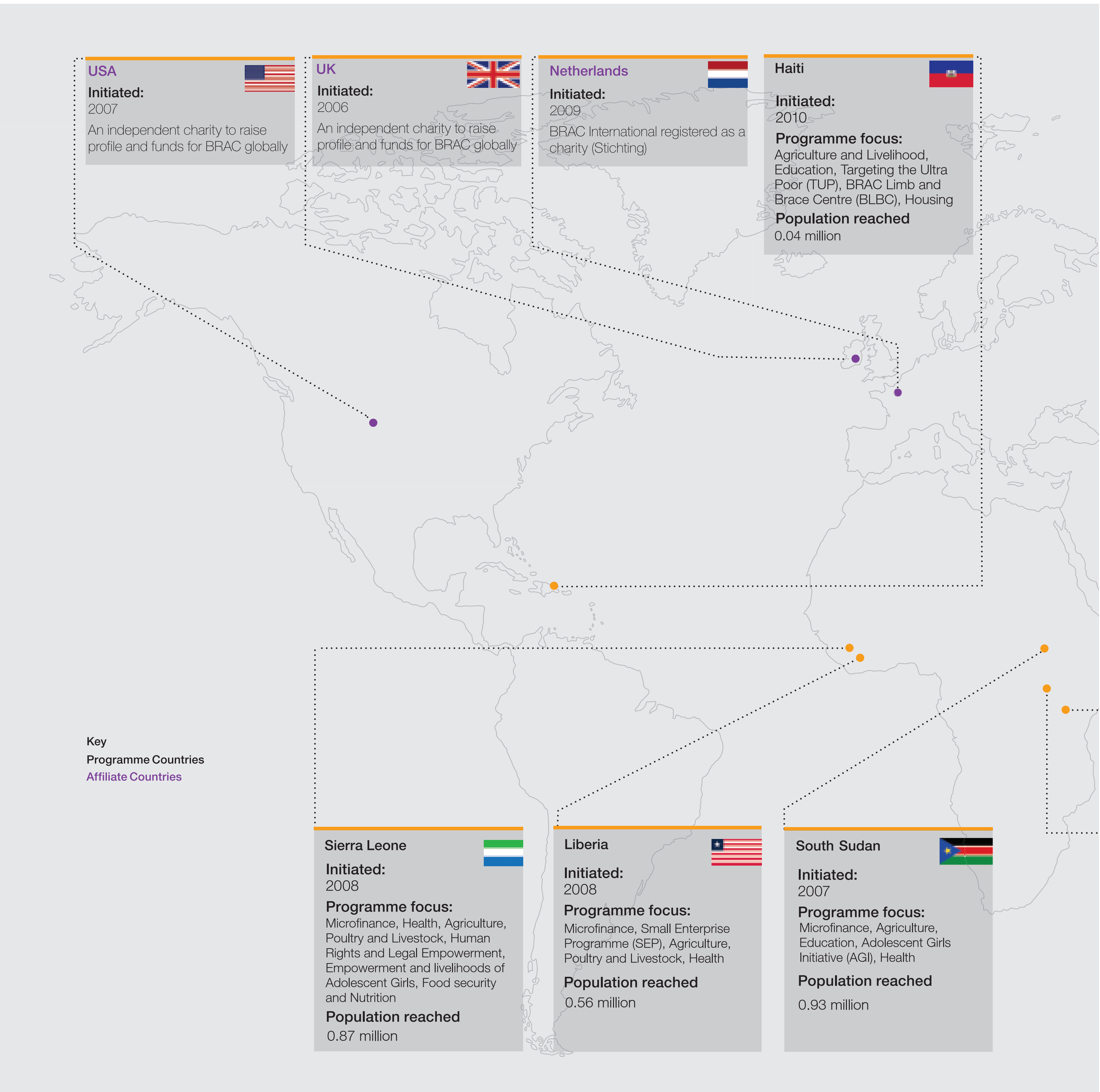
BRAC IN PAKISTAN

BRANCH LOCATIONS

Branch Programmes

- **MF** Microfinance
- **LEP-ID** Livelihood Enhancement and Protection-Institutional Development
- Health
- Education

BRAC across the world



Afghanistan

Initiated:
2002

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Adolescents Reading Centres (ARCs), Health, National Solidarity Programme (NSP), Targeting the Ultra Poor (TUP)

Population reached
4.72 million

Bangladesh

Initiated:
1972

Programme focus:
Microfinance, Education, Health, Nutrition and Population Ultra Poor, Integrated Development, Water Sanitation and Hygiene, Human Rights and Legal Services, Community Empowerment, Agriculture and Food Security, Disaster Management and Climate Change, Gender Justice and Diversity, Migration

Population reached
Over 120 million

Sri Lanka

Initiated:
2005

Programme focus:
Microfinance

Population reached
0.59 million

Uganda

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Health, Agriculture and Food Security, Community Connector, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA), Karamoja Initiative

Population reached
4.04 million

Tanzania

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA)

Population reached
1.6 million

Philippines

Initiated:
2012

Programme focus:
Education

Population reached
11,868 learners

Pakistan

Initiated:
2007

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Educatior Targeting the Ultra Poor (TUP)/LEP-ID, Health, Agriculture

Population reached:
2.16 million

68,192	borrowers
USD 64	million loans disbursed (Cumulative)
1,128	TB patients treated (Cumulative)
7,916	women served with ante-natal care (Cumulative)
4,126	children immunized (Cumulative)
172	community health promoters trained (Cumulative)
1,454	graduated students (Cumulative)

Governance

BRAC PAKISTAN

COMPANY LIMITED BY GUARANTEE

Dr A M R Chowdhury	Chairperson
Faruque Ahmed	Member
S N Kairy	Member

Management

Md Zinnur Rahman	Programme Manager Microfinance/ Country Representative (Acting)
Salma Alam	Country Accountant
Ulfat Mehmood Khan	Project Manager, Education
Dr Muhammad Umar Farooqui	Project Manager, Health
Md Nazrul Islam Talukdar	Country Head of Monitoring and Investigation
Md Golam Sorwaor	Country Head of Internal Audit

Development Partners

PPAF پی پی اے ایف

Conrad N. Hilton FOUNDATION

NoVo Foundation create. change.

OPEN SOCIETY INSTITUTE

AMERICAN PAKISTAN FOUNDATION

UKaid from the British people

Canadian International Development Agency

BRAC USA

Oxfam Novib

KIVA Loans that change lives

Operational and Financial highlights of BRAC Pakistan

Net Income

BRAC Pakistan completed another challenging year in 2012 by registering loss of USD 929,816 as against loss of USD 909,042 in 2011. Service charge income increased by 10.52% in 2012.

Operating expenses

Total operating expense for the year was USD 4,817,244 as against USD 4,733,169 in 2011 showing an increase of 1.8%.

Provisions for Impairment losses

This year amount charged for impairment on loans was USD 369,252 as against USD 404,025 in 2011, with a decrement of 8.6%.Total reserve as against impairment in 2012 was USD 651,373 as against USD 711,136 in 2011, representing 7.7% of Gross portfolio. Portfolio At Risk (PAR>30) is 8.31% as against 5.33% in 2011.

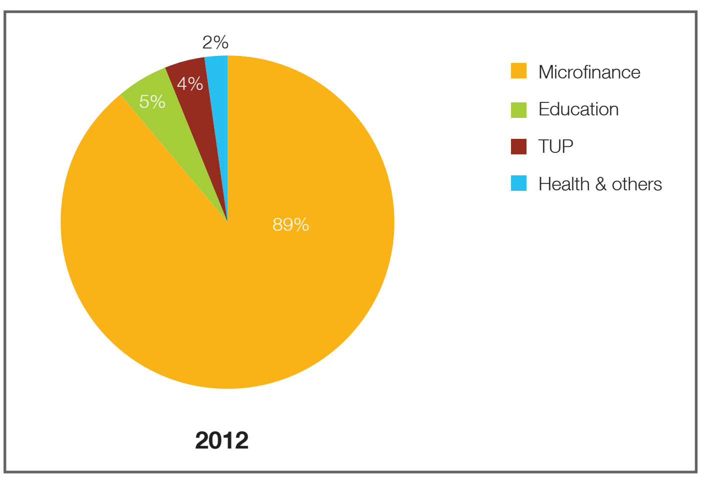
Financial Position

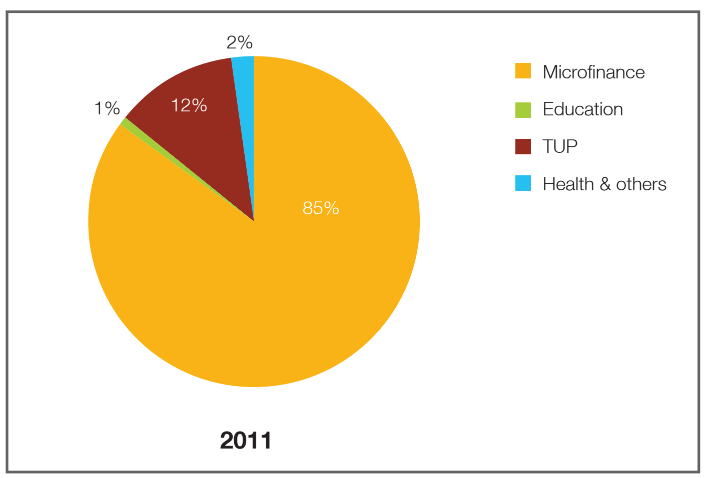
In 2012, BRAC Pakistan's total assets decreased by 0.5% to USD 10,698,833.
Loans and advances to customers decreased by 24% and is now 60% of total assets.

Grants and Utilization

Grants received amounting to USD 1,428,998 as against USD 1,072,375 in 2011. Grant utilized in projects for the year were USD 703,330 (USD 1,243,276 in 2011). Out of the total expenses majority is expensed in Education sector with support from PPAF, BRAC USA and DFID. All most 86% of total expenditure is being used for program service with only 14% as admin expenses.

Programme Cost by nature of Programme



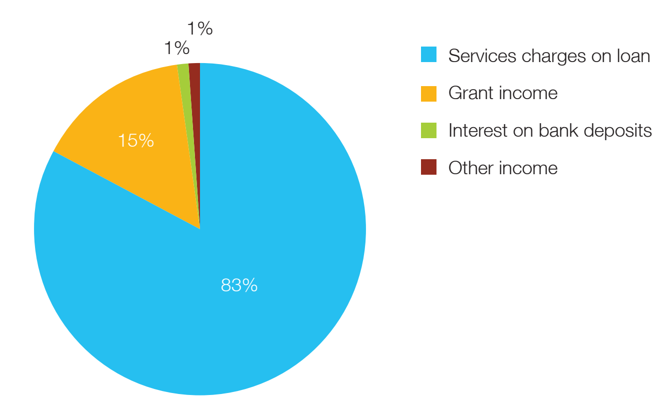


Value Added Statements

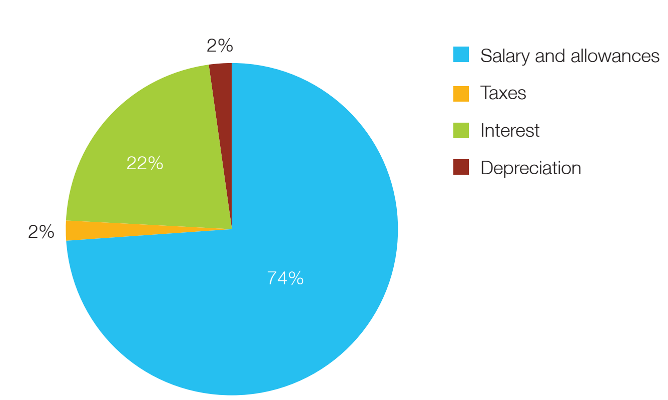
A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Pakistan contributes positively to overall economic development by empowering the poor people (specially female) through micro-credit, employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes and of course keeping in mind of organization's growth.

Figures in USD	**2012**		**2011**	
	Amount	**%**	**Amount**	**%**
Value added:				
Services charges on loans	4,015,968	135%	3,633,602	143%
Grant income	722,372	24%	1,167,398	46%
Interest on bank deposits	23,079	1%	93,261	4%
Other income	68,144	2%	52,921	2%
Operating exp.	(1,483,744)	-50%	(1,995,844)	-78%
Loan prov. (doubtful losses)	(369,252)	-12%	(404,025)	-16%
Total value added	**2,976,567**	**100%**	**2,547,313**	**100%**

Figures in USD	**2012**		**2011**	
	Amount	**%**	**Amount**	**%**
Value Distributed:				
Employees				
Salary and allowances	2,872,512	97%	2,264,280	89%
Local Authorities				
Taxes	87,816	3%	-	0%
Creditors				
Interest	854,319	29%	1,123,055	44%
Growth				
Retained income	(929,816)	-31%	(909,042)	-36%
Depreciation	91,736	3%	69,020	3%
Total value distributed	**2,976,567**	**100%**	**2,547,313**	**100%**



Value added



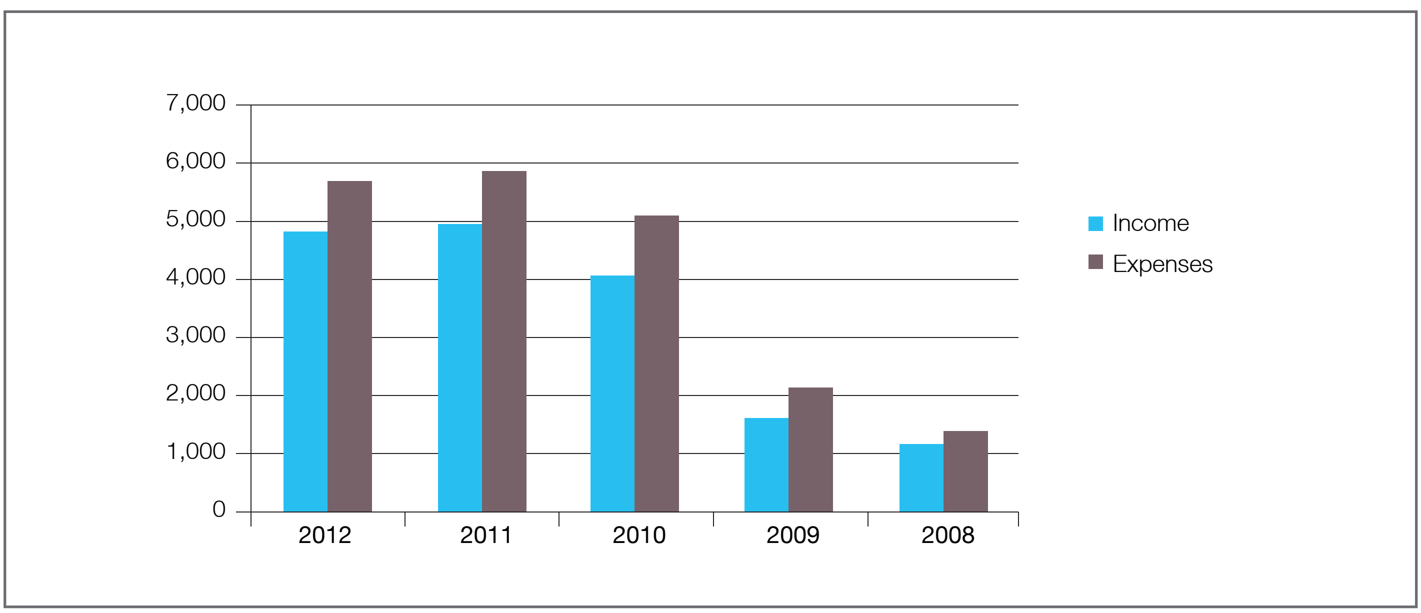
Value Distributed

Five Year Performance Review

Figures in USD

	2012	2011	2010	2009	2008
Income Statement					
Operating Income	4,829,563	4,947,182	4,061,866	1,613,781	1,169,616
Net (Loss) before tax	(842,000)	(909,042)	(1,024,152)	(523,416)	(227,168)
Financial Position					
Total Asset	10,698,883	10,746,864	13,490,077	10,221,449	4,160,553
Loans to Customers (net)	6,322,014	8,357,434	7,987,342	4,153,752	2,817,443
Cash at Bank	3,817,206	1,748,786	5,022,144	5,599,459	343,933
Returns and ratio					
Return on Asset	-7.8%	-8.5%	-7.6%	-5%	-5.5%
Cost to Income	117%	118%	125%	132%	119%
Operational Statistics					
Total borrowers	68,192	97,547	83,797	45,011	29,200
Cost per Loan					
PAR>30	8.31%	5.33%	4.19%	1.79%	-

Last five years Income Vs Expenses (In '000 USD)



BRAC Pakistan
Financial Statements

For the year ended 31 December
2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

Auditors' Report to the Members of BRAC Pakistan

We have audited the annexed balance sheet of BRAC Pakistan ("the Company") as at 31 December 2012 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in reserves and funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies 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 and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

  i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the year were inaccordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in reserves and funds together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the deficit, its cash flows and changes in reserves and funds for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 17 April 2013
ISLAMABAD

KPMG Taseer Hadi & Co.
Chartered Accountants
Audit Engagement Partner
Syed Bakhtiyar Kazmi

BRAC Pakistan
Balance Sheet
As at 31 December 2012

	Note	2012 PKR	2012 USD (Note 2.5)	2011 PKR	2011 USD (Note 2.5)
NON-CURRENT ASSETS					
Property and equipment	4	36,692,654	377,691	42,867,547	476,571
CURRENT ASSETS					
Stock in trade		491,335	5,057	880,497	9,789
Microcredit receivables, secured - net	5	614,183,641	6,322,014	751,751,032	8,357,434
Advances	6	1,766,810	18,187	877,729	9,758
Deposits and short term prepayments	7	4,775,218	49,153	4,812,545	53,502
Accrued interest and service charges	8	10,645,182	109,575	5,730,481	63,707
Tax deducted at source		-	-	2,457,260	27,317
Cash and bank balances	9	370,841,584	3,817,206	157,303,360	1,748,786
Total current assets		1,002,703,770	10,321,192	923,812,904	10,270,293
TOTAL ASSETS		1,039,396,424	10,698,883	966,680,451	10,746,864
RESERVES AND LIABILITIES					
FUNDS AND RESERVES					
Accumulated deficit		(306,090,919)	(3,613,594)	(219,022,871)	(2,683,778)
Fund balances	10	170,643,000	2,033,886	170,643,000	2,033,886
Convenience translation reserve	2.5	-	185,494	-	112,039
Total funds and reserves		(135,447,919)	(1,394,214)	(48,379,871)	(537,853)
NON-CURRENT LIABILITIES					
Long term loans	11	157,500,000	1,621,205	-	-
Deferred grant	12	11,318,727	116,508	13,101,749	145,656
Deferred liabilities	13	26,965,688	277,568	-	-
Total non-current liabilities		195,784,415	2,015,281	13,101,749	145,656
CURRENT LIABILITIES					
Payable to related parties	14	193,505,597	1,991,823	159,136,002	1,769,161
Accrued and other liabilities	15	55,488,743	571,166	51,309,181	570,419
Restricted grant	16	76,548,122	787,937	10,321,439	114,745
Short term loans	17	280,616,548	2,888,487	744,557,000	8,277,455
Current portion of long term loans	11	332,500,000	3,422,542	-	-
Interest accrued on loans		36,435,412	375,043	36,634,951	407,281
Taxation	21	3,965,506	40,818	-	-
		979,059,928	10,077,816	1,001,958,573	11,139,061
TOTAL FUNDS AND RESERVES AND LIABILITIES		1,039,396,424	10,698,883	966,680,451	10,746,864
CONTENGENCIES AND COMMITMENTS	18				

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Executive Officer | Director Finance | Director

BRAC Pakistan

Income and Expenditure Statement

For the year ended 31 December 2012

	Note	2012 PKR	2012 USD (Note 2.5)	2011 PKR	2011 USD (Note 2.5)
INCOME					
Service charges on microcredit receivables		**376,055,250**	**4,015,968**	314,052,242	3,633,602
Transfer from restricted grant	**16**	**64,748,092**	**691,457**	97,443,800	1,127,432
Deferred grant recognised as income	**12**	**2,894,835**	**30,915**	3,454,243	39,966
Admission fee from group members		**2,740,162**	**29,263**	3,441,201	39,815
Sale of passbooks		**-**	**-**	567,723	6,569
Interest on bank deposits		**2,161,159**	**23,079**	8,060,545	93,261
Other income		**3,640,835**	**38,881**	564,957	6,537
		452,240,333	**4,829,563**	427,584,711	4,947,182
EXPENDITURE					
Administrative and program expenses	**19**	**(407,316,553)**	**(4,349,812)**	(364,288,596)	(4,214,842)
Provision against microcredit receivables	**5.2**	**(34,576,761)**	**(369,252)**	(34,909,033)	(404,025)
Service charges written off		**(6,159,430)**	**(65,778)**	(278,734)	(3,099)
Exchange loss		**(3,034,142)**	**(32,402)**	(9,611,239)	(111,203)
Financial charges	**20**	**(79,998,435)**	**(854,319)**	(97,065,655)	(1,123,055)
		(531,085,321)	**(5,671,563)**	(506,153,257)	(5,856,224)
Deficit of income over expenditure for the year before taxation		**(78,844,988)**	**(842,000)**	(78,568,546)	(909,042)
Provision for taxation - current	**21**	**(2,450,150)**	**(26,166)**	-	-
- prior	**21**	**(5,772,910)**	**(61,650)**	-	-
		(8,223,060)	**(87,816)**	-	-
Deficit of income over expenditure for the year after taxation		**(87,068,048)**	**(929,816)**	(78,568,546)	(909,042)

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director Finance

Director

BRAC Pakistan

Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 PKR	2012 USD (Note 2.5)	2011 PKR	2011 USD (Note 2.5)
Deficit of income over expenditure for the year		**(87,068,048)**	**(929,816)**	(78,568,546)	(909,042)
Effect of convenience translation	**2.5**	**-**	**73,455**	-	18,706
Total comprehensive income for the year		**(87,068,048)**	**(856,361)**	(78,568,546)	(890,336)

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director Finance

Director

BRAC Pakistan

Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 PKR	2012 USD (Note 2.5)	2011 PKR	2011 USD (Note 2.5)
CASH FLOWS FROM OPERATING ACTIVITIES					
Deficit of income over expenditure for the year before taxation		**(78,844,988)**	**(842,000)**	(78,568,546)	(909,042)
Adjustments for:					
Depreciation charge for the year	**4**	**8,590,178**	**91,736**	5,965,360	69,020
Provision against microcredit receivables	**5.2**	**34,576,761**	**369,252**	34,909,033	404,025
Provision adjusted against principal charges written off	**5.1**	**(35,262,601)**	**(376,576)**	(3,325,424)	(38,475)
Staff retirement gratuity scheme		**29,527,879**	**315,334**	-	-
Staff self insurance scheme		**1,098,933**	**11,736**	-	-
Service charges from microcredit receivables		**(376,055,250)**	**(4,015,968)**	(314,052,242)	(3,633,602)
Interest income on bank deposits		**(2,161,159)**	**(23,079)**	(8,060,545)	(93,261)
Items of property and equipment written off		**238,394**	**2,546**	-	-
Interest on short term loans	**20**	**79,623,136**	**850,311**	95,556,240	1,105,591
Deficit before working capital changes		**(338,668,717)**	**(3,616,708)**	(267,576,124)	(3,095,744)
Working capital changes:					
Decrease / (increase) in current assets					
Stock in trade		**389,162**	**4,732**	(209,183)	(1,788)
Microcredit receivables - net		**138,253,231**	**2,095,183**	(233,492,682)	(2,129,051)
Advances		**(889,081)**	**(8,429)**	(291,741)	(2,773)
Deposits and prepayments		**37,327**	**4,349**	611,365	11,145
		137,790,639	**2,095,835**	(233,382,241)	(2,122,473)
Increase in current liabilities					
Accrued and other liabilities		**4,179,562**	**747**	43,472,908	477,016
Payable to related parties		**34,369,595**	**222,662**	61,638,880	607,098
		38,549,157	**223,409**	105,111,788	1,084,114
		(162,328,921)	**(1,297,464)**	(395,846,577)	(4,134,103)
Interest paid		**(79,822,675)**	**(882,549)**	(80,803,341)	(959,121)
Payment in respect of staff gratuity scheme		**(3,661,124)**	**(39,098)**	-	-
Interest and service charges received		**373,301,708**	**3,993,179**	319,202,971	3,696,776
Taxes paid		**(1,800,294)**	**(19,681)**	(712,029)	(6,516)
Net cash generated from / (used in) operating activities		**125,688,694**	**1,754,387**	(158,158,976)	(1,402,964)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash used in investing activities:					
Purchase of property and equipment - net of deferred grant		**(4,436,701)**	**(78,472)**	(13,200,328)	(81,876)
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in restricted grant		**66,226,683**	**673,192**	(55,167,335)	(670,359)
Long term loans received during the year		**490,000,000**	**5,043,747**	-	-
Short term loans received during the year	**17**	**278,041,630**	**2,969,261**	916,800,000	10,607,429
Short term loans repaid during the year	**17**	**(741,982,082)**	**(7,923,773)**	(954,327,800)	(11,041,627)
Net cash generated from / (used in) financing activities		**92,286,231**	**762,427**	(92,695,135)	(1,104,557)
Net increase / (decrease) in cash and cash equivalents		**213,538,224**	**2,438,342**	(264,054,439)	(2,589,397)
Cash and cash equivalent at beginning of the year		**157,303,360**	**1,748,786**	421,357,799	5,022,144
Effect of convenience translation		**-**	**(369,922)**	-	(683,961)
Cash and cash equivalent at end of the year	**9**	**370,841,584**	**3,817,206**	157,303,360	1,748,786

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director Finance

Director

BRAC Pakistan

Statement of Changes in Reserves a nd Funds

For the year ended 31 December 2012

	Note	Accumulated deficit		Fund balance		Convenience translation reserve	Total	
		PKR	USD (Note 2.5)	PKR	USD (Note 2.5)	USD (Note 2.5)	PKR	USD (Note 2.5)
Opening balance		(140,454,325)	(1,774,736)	170,643,000	2,033,886	93,333	30,188,675	352,483
Deficit of income over expenditure for the year		(78,568,546)	(909,042)	-	-	-	(78,568,546)	(909,042)
Effect of convenience translation	2.5	-	-	-	-	18,706	-	18,706
Total comprehensive income for the year		(78,568,546)	(909,042)	-	-	18,706	(78,568,546)	(890,336)
As at 31 December 2011		(219,022,871)	(2,683,778)	170,643,000	2,033,886	112,039	(48,379,871)	(537,853)
Deficit of income over expenditure for the year		**(87,068,048)**	**(929,816)**	**-**	**-**	**-**	**(87,068,048)**	**(929,816)**
Effect of convenience translation	2.5	**-**	**-**	**-**	**-**	**73,455**	**-**	**73,455**
Total comprehensive income for the year		**(87,068,048)**	**(929,816)**	**-**	**-**	**73,455**	**(87,068,048)**	**(856,361)**
As at 31 December 2012		**(306,090,919)**	**(3,613,594)**	**170,643,000**	**2,033,886**	**185,494**	**(135,447,919)**	**(1,394,214)**

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director Finance

Director

BRAC Pakistan

Notes to the Financial Statements

For the year ended 31 December 2012

1. STATUS AND OPERATIONS

BRAC Pakistan ("the Company") was registered in Pakistan on 4 February 2008 as a public company with liability limited by guarantee, under section 42 of the Companies Ordinance, 1984. The registered office of the Company is situated in Islamabad, Pakistan. Prior to its registration, the Company was operating as a branch of BRAC Bangladesh in Pakistan. Upon conversion, the net liabilities of the Pakistan Branch of BRAC International (Bangladesh) were transferred to the Company on 04 February 2008.

The principal activity of the Company is to undertake programmes associated with socio-economic development in Pakistan, particularly in the field of micro-financing, health, education and poverty alleviation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for staff retirement gratuity and staff self insurance which are carried at present value of defined benefit obligations.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presentation currency. Amounts presented have been rounded off to the nearest Rupees.

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant area requiring the use of management estimates in these financial statements and that may have significant affect in the future years are as follows:

2.4.1 Property and equipment

The Company reviews the useful lives and residual value of property and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, and equipment with a corresponding effect on the depreciation charge and the impairment.

2.4.2 Provisions

The Company reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

2.4.3 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

2.4.4 Staff gratuity scheme

Staff gratuity is provided for all eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

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2.4.5 Staff insurance scheme

Staff self insurance scheme is provided for all eligible local employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.5 Convenience translation reserve

For the purpose of convenience translation:

The exchange rate of US$ 1 = PKR 97.15 (2011: PKR 89.95) is used for balance sheet items. This represents the selling rate of US Dollar at the end of the year as quoted by the State Bank of Pakistan.

The average conversion rate is used for the items of income and expenditure statement, cash flow statement and statement of comprehensive income. The average conversion rate is the monthly average of the selling rate as quoted by the State Bank of Pakistan. The difference between average and year end exchange rates is recognized in reserves as convenience translation foreign currency reserve.

Amounts presented in foreign currencies are for the purpose of convenience only and do not necessarily represent amounts at which assets and liabilities could be realised.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Deferred grant

Grant received and utilized for capital expenditure is accounted for as deferred grant in the balance sheet. An amount equal to the annual charge for depreciation on assets so acquired is recognized as income in the income and expenditure statement.

3.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. Initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is charged to income applying the straight-line basis using the rates as mentioned in note 4.

Maintenance and normal repairs are charged off as these are incurred. Major repairs are capitalised.

Gains and losses on disposal of assets are recognized in the year in which the asset is disposed off.

3.3 Microcredit receivables

Loans originated by the Company by providing finance directly to borrowers are categorized as microcredit receivables and are carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans and subsequently measured at the original effective interest rate at reporting date. All microcredit receivables are recognized when cash is advanced to borrowers.

Management regularly assess the adequacy of allowance for impairment. The Company calculates the required provision for doubtful microcredit receivables based on classification and provisioning methodology.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks.

3.5 Revenue recognition

Revenue is recognized on accruals basis.

Service charges on microcredit receivables

Service charges on microcredit receivables are recognised on accrual basis. The recognition ceases when a loan is transferred to Non Interest Bearing Loan (NIBL). Service charge is recognised thereafter only when it is received.

Membership fees and other charges

Membership fees and other charges are recognized as and when the money is received.

Other income

Other income comprises interest from short term deposits and includes gains from disposal of assets and foreign exchange differences. Interest income on bank deposit is earned on accruals basis at the agreed interest rate with the respective financial institution

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Grants

Grants related to income are included in income when the related conditions are satisfied. Utilized portion of grant related to a specific purpose is transferred from restricted funds at the year end to match with the extent of expenditure incurred during a particular accounting year. Grants in kind are recognized on the basis of non-commercial invoices submitted by the donors. Grants for capital assets are taken to deferred grant account. (Refer note 3.1 for details).

3.6 Foreign currency transactions

These financial statements are presented in Pak Rupees (Rupees) and US Dollars (US$). The functional currency of the Company is Pak Rupees. The figures in US$ are reported for information purposes only (refer note 2.5).

Foreign currency transactions during the year are recorded in functional currency at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the initial transaction.

3.7 Taxation

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any.

3.8 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value and amortised cost respectively, whichever is applicable. The Company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

Financial assets mainly comprise of microcredit receivables, accrued interest and service charges, deposits , other receivables and bank balances. Significant financial liabilities are long term loans, short term loans, markup on loan, payable to related parties and accrued and other liabilities.

3.9 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

3.10 Stock in trade

These are valued at the lower of cost and net realisable value. Cost represents weighted average purchase cost. Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

3.11 Provisions

Provisions are recorded when the Company has a present obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of provision.

3.12 Off setting of financial instruments

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 Restricted grant

Funds received as grants for specific purposes are classified as restricted grant. Restricted grant is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

3.14 Borrowing costs

Markup, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other markup, interest and related charges are charged to the income and expenditure statement.

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3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at their amortised cost less subsequent repayments.

3.16 Staff gratuity scheme

"The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service at the rate of one last drawn gross salary of the employee. The Company's obligation under gratuity scheme is recognized on the basis of actuarial recommendations. Gratuity charged determined by actuary for relevant year is included in respective year's income and expenditure account.

3.17 Staff self insurance scheme

The Company operates a staff self insurance scheme for all its local employees. The scheme requires the Company to make payment to employees / dependants in case of permanent disability / death of an employee during the course of service with the Company. The Company's obligation under self insurance scheme is recognized on the basis of actuarial recommendations. Charge determined by actuary for relevant year is included in respective year's income and expenditure account.

3.18 New accounting standards and IFRIC interpretations that are not yet effective

"The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

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- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.
- AS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Company.

4. PROPERTY AND EQUIPMENT

	Note	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Capital advances	Total
				PKR			
Cost							
As at 1 January 2011		15,718,235	7,752,153	4,595,851	6,351,701	-	34,417,940
Additions during the year		9,165,146	1,217,396	1,847,837	6,910,120	618,000	19,758,499
As at 31 December 2011		24,883,381	8,969,549	6,443,688	13,261,821	618,000	54,176,439
As at 1 January 2012		**24,883,381**	**8,969,549**	**6,443,688**	**13,261,821**	**618,000**	**54,176,439**
Additions / transfers during the year		**698,963**	**1,390,120**	**195,932**	**986,664**	**(618,000)**	**2,653,679**
Written off during the year		**(263,640)**	**(55,970)**	**(52,790)**	**(129,344)**	**-**	**(501,744)**
As at 31 December 2012		**25,318,704**	**10,303,699**	**6,586,830**	**14,119,141**	**-**	**56,328,374**
Depreciation							
As at 1 January 2011		1,922,620	1,351,551	949,244	1,120,117	-	5,343,532
Charge for the year	**19**	3,365,639	894,153	657,937	1,047,631	-	5,965,360
As at 31 December 2011		5,288,259	2,245,704	1,607,181	2,167,748	-	11,308,892
As at 1 January 2012		**5,288,259**	**2,245,704**	**1,607,181**	**2,167,748**	**-**	**11,308,892**
Charge for the year	**19**	**4,725,667**	**951,559**	**817,044**	**2,095,908**	**-**	**8,590,178**
Written off during the year		**(135,796)**	**(34,645)**	**(31,309)**	**(61,600)**	**-**	**(263,350)**
As at 31 December 2012		**9,878,130**	**3,162,618**	**2,392,916**	**4,202,056**	**-**	**19,635,720**
Written down value							
31 December 2012 - PKR		**15,440,574**	**7,141,081**	**4,193,914**	**9,917,085**	**-**	**36,692,654**
31 December 2012 - USD		**158,936**	**73,506**	**43,169**	**102,080**	**-**	**377,691**
31 December 2011 - PKR		19,595,122	6,723,845	4,836,507	11,094,073	618,000	42,867,547
31 December 2011 - USD		217,845	74,751	53,769	123,336	6,870	476,571
Rates of depreciation		20%	10%	15%	15%		

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	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
5. MICROCREDIT RECEIVABLES, secured - net					
Microcredit receivables:					
- considered good		**756,918,366**	**7,791,234**	915,894,186	10,182,261
- considered doubtful		**63,280,866**	**651,373**	63,966,706	711,136
	5.1	**820,199,232**	**8,442,607**	979,860,892	10,893,397
Provision against doubtful receivables	5.2	**(63,280,866)**	**(651,373)**	(63,966,706)	(711,136)
Amounts withheld for settlement against last installment	5.5	**(142,734,725)**	**(1,469,220)**	(164,143,154)	(1,824,827)
		614,183,641	**6,322,014**	751,751,032	8,357,434

5.1 Movement in microcredit receivables is as follows:

	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
Opening balance		**979,860,892**	**10,893,397**	702,521,013	8,373,315
Disbursements during the year	5.3	**1,720,131,000**	**18,369,618**	1,656,204,000	19,162,374
Recoveries made during the year		**(1,844,530,059)**	**(19,698,100)**	(1,375,538,697)	(15,915,061)
Principal written off during the year		**(35,262,601)**	**(376,576)**	(3,325,424)	(38,475)
Effect of translation		**-**	**(745,732)**	-	(688,756)
		820,199,232	**8,442,607**	979,860,892	10,893,397

5.2 Particulars of provision are as follows:

	2012 PKR	2012 USD	2011 PKR	2011 USD
Opening balance	**63,966,706**	**711,136**	32,383,097	385,973
Provision made during the year	**34,576,761**	**369,252**	34,909,033	404,025
Provision adjusted against principal written off	**(35,262,601)**	**(376,576)**	(3,325,424)	(38,475)
Effect of translation	**-**	**(52,439)**	-	(40,387)
	63,280,866	**651,373**	63,966,706	711,136

5.3 Microcredit receivables were disbursed by the Company to individuals in Punjab, Sindh, Khyber Pakhtun Khwa and Baluchistan pursuant to different financing agreements with Pakistan Poverty Alleviation Fund (PPAF). These carry service charges at the rate of 20% per annum (2011: 20% per annum). The Company does not hold any collateral against these loans, however, the Company has personal guarantees of local community members of the borrowers. Further, the Company withholds 10% of microcredit loans disbursed to the borrowers which is settled against last installments due as disclosed in note 5.5. These receivables are repayable in 40 equal weekly installments.

5.4 Age analysis of microcredit receivables

	2012 - Gross PKR	2012 - Gross USD	2011 - Gross PKR	2011 - Gross USD
No past due	**734,753,239**	**7,563,080**	920,800,528	10,236,804
Over due by: - 30 days	**17,313,556**	**178,215**	6,788,566	75,470
31-180 days	**30,528,878**	**314,245**	8,405,536	93,447
181-350 days	**8,099,440**	**83,370**	1,344,409	14,946
351 days and above past due	**29,504,119**	**303,697**	42,521,853	472,728
	820,199,232	**8,442,607**	979,860,892	10,893,395

At the balance sheet date, management has recorded a provision of PKR 63.28 million (USD 0.65 million) (2011: PKR 63.97 million, USD 0.71 million) in respect of microcredit receivables considered doubtful.

5.5 This represents amounts withheld from microcredit loans disbursed by the Company. These will be settled against last installment of microcredit due from the borrower.

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	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
6. ADVANCES - unsecured, considered good					
Employees		9,000	93	514,103	5,715
Others		1,757,810	18,094	363,626	4,043
		1,766,810	18,187	877,729	9,758
7. DEPOSITS AND SHORT TERM PREPAYMENTS					
Security deposits		4,018,650	41,365	3,908,087	43,447
Prepaid rent		756,568	7,788	904,458	10,055
		4,775,218	49,153	4,812,545	53,502
8. ACCRUED INTEREST AND SERVICE CHARGES					
On microcredit receivables		16,804,612	172,976	6,009,215	66,806
Service charges written off		(6,159,430)	(65,778)	(278,734)	(3,099)
Effect of translation		-	2,377	-	-
		10,645,182	109,575	5,730,481	63,707
9. CASH AND BANK BALANCES					
Cash in hand					
- Local currency		2,481,777	25,546	4,246,648	47,211
- Foreign currency		107,545	1,107	31,213	347
		2,589,322	26,653	4,277,861	47,558
Cash at banks					
- Local currency - current accounts		317,291,326	3,265,994	152,974,497	1,700,661
- Local currency - saving accounts		5,067,374	52,160	-	-
- Foreign currency - current accounts		45,802,921	471,466	51,002	567
- Foreign currency - saving accounts		90,641	933	-	-
		368,252,262	3,790,553	153,025,499	1,701,228
		370,841,584	3,817,206	157,303,360	1,748,786
10. FUND BALANCE					
BRAC USA		125,850,000	1,500,000	125,850,000	1,500,000
BRAC Bangladesh		44,793,000	533,886	44,793,000	533,886
		170,643,000	2,033,886	170,643,000	2,033,886

These represent contributions for the purpose of microfinance activity and self sustainability of the Company.

	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
11. LONG TERM LOAN, secured					
From PPAF					
PPAF III Phase V	17.1 & 17.2	45,500,000	468,348	-	-
PPAF Phase V	17.1 & 17.2	24,500,000	252,187	-	-
PPAF Phase V reflows	17.1 & 17.2	420,000,000	4,323,212	-	-
		490,000,000	5,043,747	-	-
Less: Transferred to current portion		(332,500,000)	(3,422,542)	-	-
		157,500,000	1,621,205	-	-
12. DEFERRED GRANT					
Opening balance		13,101,749	145,656	6,543,578	80,780
Property and equipment purchased during the year	16	1,111,813	11,873	10,012,414	115,844
Depreciation charge recognised as income		(2,894,835)	(30,915)	(3,454,243)	(39,966)
Effect of translation		-	(10,106)	-	(11,002)
		11,318,727	116,508	13,101,749	145,656

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	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
13. DEFERRED LIABILITIES					
Staff gratuity scheme	13.1	25,866,755	266,256	-	-
Staff self insurance scheme	13.2	1,098,933	11,312	-	-
		26,965,688	277,568	-	-

13.1 Staff gratuity scheme

a) Movement in the present value of defined benefit obligation

	PKR	USD
Charge for the year	29,527,879	315,334
Benefits paid during the year	(3,661,124)	(39,098)
Effect of translation	-	(9,980)
Present value of defined benefit obligation at end of the year	25,866,755	266,256

b) Movement of actuarial gains

	PKR	USD
Actuarial gain on obligations during the year	1,155,159	12,336
Actuarial gain recognised during the year	(1,155,159)	(12,336)
Unrecognized actuarial gain at end of the year	-	-

c) Movement in liability recognised in the balance sheet

	PKR	USD
Expense for the year	29,527,879	315,334
Benefits paid during the year	(3,661,124)	(39,098)
Effect of translation	-	(9,980)
Closing liability	25,866,755	266,256

d) Amount recognised in the profit and loss account

	PKR	USD
Current service cost	9,070,913	96,870
Interest cost	1,764,531	18,844
Past service cost-vested	19,847,594	211,956
Actuarial gains recognised	(1,155,159)	(12,336)
Total charge for the year	29,527,879	315,334

e) Principal actuarial assumptions used in the actuarial valuations are as follows:

	PKR	USD
Discount rate	11.50%	N/A
Expected rate of salary growth	10.00%	N/A
Mortality rate	Adjusted EFU 61-66	N/A
	mortality table	N/A

	PKR	USD
f) Expected annual charge for the next year	13,854,000	147,950

The unfunded gratuity scheme was introduced by the Company during the year for its employees. Charge and liability is determined on the basis of actuarial valuations carried out using Projected Unit Credit Method in accordance with the requirements of IAS 19 "Employee Benefits".

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13.2 Staff self insurance scheme

a) During the year, the Company introduced unfunded staff insurance scheme for its employees. Under this scheme, employees will be paid compensation in accordance with pre-determined criteria in case of injuries and death. Charge and liability is determined on the basis of actuarial valuations. Charge in respect of staff self insurance scheme for the year amounts to PKR 1.1 million (USD: 0.11 million).

b) Principal actuarial assumptions used in the actuarial valuations are as follows:

	2012	2011
Discount rate	11.50%	-
Expected rate of salary growth	10.00%	-
Mortality rate and disability rate	EFU 61-66 mortality table	-

	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
c) Expected annual charge for the next year		**809,024**	**8,640**	-	-
14. PAYABLE TO RELATED PARTIES					
BRAC Bangladesh - Head office	**14.1**	**151,796,292**	**1,562,494**	129,489,670	1,439,574
Stichting BRAC International	**14.2**	**41,709,305**	**429,329**	29,646,332	329,587
		193,505,597	**1,991,823**	159,136,002	1,769,161

14.1 This represents amount payable to BRAC Bangladesh on account of expenditure incurred on behalf of the Company. This amount is unsecured, interest free and payable on demand.

14.2 This represents amount payable to Stichting BRAC International on account of head office logistic expense / management fee. This amount is unsecured, interest free and payable on demand.

	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
15. ACCRUED AND OTHER LIABILITIES					
Salaries payable		**5,394,269**	**55,525**	5,851,003	65,047
Withholding tax deducted at source		**706,838**	**7,276**	730,657	8,123
Transferred from restricted grant	**15.1 & 16**	**41,801,253**	**430,275**	40,933,180	455,067
Accrued expenses		**6,541,482**	**67,334**	3,794,341	42,182
Others		**1,044,901**	**10,756**	-	-
		55,488,743	**571,166**	51,309,181	570,419

15.1 This represents unspent funds transferred from restricted grant to other payables on completion of the projects.

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16. RESTRICTED GRANT

Movement in restricted grant during the year is as follows:

	Note	Micro Finance - Pakistan Poverty Alleviation Fund (PPAF)		Non-Micro Finance										Total	Total
				Health		Education				TUP		Flood		2012	2011
		Capacity building PPAF-III	Support to partner organizations	PPAF	BRAC USA	PPAF	BRAC USA	DFID SINDH	Stichting BRAC / DFID (Note 16.2)	PPAF	CIDA	PPAF & others	BRAC USA		
PKR															
Opening balance		-	(852,837)	919,611	4,126,014	(1,299,058)	(1,942,019)	-	-	536,712	-	2,171,288	6,661,728	10,321,439	65,488,774
Received during the year		14,607,936	-	3,813,801	-	526,520	5,925,856	36,023,098	16,999,227	50,879,715	5,035,300	-	-	133,811,453	92,685,347
Company's contribution		-	-	-	-	-	-	-	1,174,391	-	-	-	-	1,174,391	-
Utilised during the year against:															
- Capital expenditure	12	-	-	(137,160)	(56,100)	-	(17,985)	-	(402,470)	(498,098)	-	-	-	(1,111,813)	(10,012,414)
- Operating expenditure	16.1	(14,454,287)	-	(5,038,217)	(3,748,788)	(715,755)	(1,022,210)	(2,523,641)	(19,969,951)	(16,218,681)	(1,056,562)	-	-	(64,748,092)	(97,443,800)
Adjustments		-	852,837	975,364	-	1,488,293	-	-	3,003,314	-	301,000	(2,171,288)	(6,480,703)	(2,031,183)	536,712
Transferred to other payables	15	(153,649)	-	(533,399)	-	-	-	-	-	-	-	-	(181,025)	(868,073)	(40,933,180)
		-	-	-	321,126	-	2,943,642	33,499,457	804,511	34,699,648	4,279,738	-	-	76,548,122	10,321,439
USD															
Opening balance		-	(9,481)	10,223	45,869	(14,442)	(21,590)	-	-	5,967		24,139	74,060	114,745	785,104
Received during the year		156,001	-	40,728	-	5,623	63,283	384,698	181,538	543,354	53,773	-	-	1,428,998	1,072,375
Company's contribution		-	-	-	-	-	-	-	12,542	-	-	-	-	12,542	-
Utilised during the year against:															
- Capital expenditure	12	-	-	(1,465)	(599)	-	(192)	-	(4,298)	(5,319)	-	-	-	(11,873)	(115,844)
- Operating expenditure	16.1	(154,361)	-	(53,804)	(40,033)	(7,644)	(10,917)	(26,950)	(213,263)	(173,202)	(11,283)	-	-	(691,457)	(1,127,432)
Adjustments		-	9,108	10,416	-	15,894	-	-	32,073	-	3,214	(23,188)	(69,209)	(21,692)	5,967
Transferred to other payables	15	(1,582)	-	(5,490)	-	-	-	-	-	-	-	-	(1,863)	(8,935)	(455,067)
Effect of translation		(58)	373	(608)	(1,932)	569	(284)	(12,926)	(311)	(13,624)	(1,651)	(951)	(2,988)	(34,391)	(50,358)
		-	-	-	3,305	-	30,300	344,822	8,281	357,176	44,053	-	-	787,937	114,745

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16.1 Expenditure charged during the year is as follows:

	Note	Micro Finance - Pakistan Poverty Alleviation Fund (PPAF)		Non-Micro Finance										Total	Total
		Capacity building PPAF-III	Support to partner organizations	Health PPAF	Health BRAC USA	Education PPAF	Education BRAC USA	Education DFID SINDH	Education Stichting BRAC / DFID (Note 16.2)	TUP PPAF	TUP CIDA	Flood PPAF & others	Flood BRAC USA	2012	2011
		PKR													
Salaries and benefits		11,121,603	-	2,564,549	2,661,213	96,132	562,946	2,390,204	5,121,620	11,790,904	1,056,562	-	-	37,365,733	27,598,984
Rent		648,366	-	489,694	261,660	15,158	89,911	-	1,377,369	739,484	-	-	-	3,621,642	2,776,209
Utilities		258,505	-	445,113	179,917	20,255	44,271	1,400	106,420	289,046	-	-	-	1,344,927	1,483,108
Printing and stationeries		1,204,843	-	69,391	12,565	13,893	5,625	16,107	65,048	357,566	-	-	-	1,745,038	1,394,590
Travelling and transportation		700,970	-	1,171,329	359,276	21,890	57,694	109,682	1,794,730	22,935	-	-	-	4,238,506	2,775,521
Training and development		520,000	-	3,960	62,995	204,680	147,632	-	3,382,615	575,460	-	-	-	4,897,342	6,765,116
Program supplies and related expenses		-	-	43,898	57,437	335,352	11,737	-	7,858,832	-	-	-	-	8,307,256	43,646,042
Head office logistics and management fees		-	-	250,000	128,305	-	90,544	-	-	31,472	-	-	-	500,321	3,999,641
Institutional and market survey		-	-	-	-	-	-	-	-	-	-	-	-	-	4,000,000
Miscellaneous expenses		-	-	283	25,420	8,395	11,850	6,248	263,317	2,411,814	-	-	-	2,727,327	3,004,589
		14,454,287	-	5,038,217	3,748,788	715,755	1,022,210	2,523,641	19,969,951	16,218,681	1,056,562	-	-	64,748,092	97,443,800
		USD													
Salaries and benefits		118,770	-	27,387	28,420	1,027	6,012	25,525	54,695	125,917	11,283	-	-	399,036	319,323
Rent		6,924	-	5,230	2,794	162	960	-	14,709	7,897	-	-	-	38,676	32,121
Utilities		2,761	-	4,753	1,921	216	473	15	1,136	3,087	-	-	-	14,362	17,160
Printing and stationeries		12,867	-	741	134	148	60	172	695	3,819	-	-	-	18,636	16,136
Travelling and transportation		7,486	-	12,509	3,837	234	616	1,171	19,166	245	-	-	-	45,264	32,112
Training and development		5,553	-	42	673	2,186	1,577	-	36,124	6,145	-	-	-	52,300	78,272
Program supplies and related expenses		-	-	469	613	3,581	125	-	83,926	-	-	-	-	88,714	504,987
Head office logistics and management fees		-	-	2,670	1,370	-	967	-	-	336	-	-	-	5,343	46,276
Institutional and market survey		-	-	-	-	-	-	-	-	-	-	-	-	-	46,281
Miscellaneous expenses		-	-	3	271	90	127	67	2,812	25,756	-	-	-	29,126	34,764
		154,361	-	53,804	40,033	7,644	10,917	26,950	213,263	173,202	11,283	-	-	691,457	1,127,432

16.2 This represents amount received from Stichting BRAC International under grant agreement between Stichting BRAC International and Department for International Development (DFID) UK.

16.3 Grants received till 31 December 2012 under the grant agreements, is expected to be utilized in the next year.

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	Note	2012 PKR	2012 USD	2011 PKR	2011 USD
17. SHORT TERM LOANS					
These represent following loans obtained by the Company:					
From banking companies					
Habib Bank Limited	17.1 & 17.2	**233,684,285**	**2,405,397**	150,000,000	1,667,593
From PPAF and others					
Phase II reflows		**-**	**-**	9,000,000	100,056
Phase II reflows II	17.1 & 17.2	**-**	**-**	436,300,000	4,850,472
Phase III	17.1 & 17.2	**-**	**-**	2,997,000	33,319
Phase III reflows	17.1 & 17.2	**3,000,000**	**30,880**	33,000,000	366,871
MIOP II	17.1 & 17.2	**6,000,000**	**61,760**	82,500,000	917,176
Agriculture	17.1 & 17.2	**-**	**-**	25,000,000	277,932
Kiosks	17.1 & 17.2	**26,190,000**	**269,583**	5,760,000	64,036
KIVA	17.1 & 17.2	**11,742,263**	**120,867**	-	-
		46,932,263	**483,090**	594,557,000	6,609,862
		280,616,548	**2,888,487**	744,557,000	8,277,455
Movement during the year is as follows:					
Opening balance		**744,557,000**	**8,277,455**	782,084,800	9,321,631
Received during the year					
PPAF Phase II reflows II	17.1 & 17.2	**-**	**-**	596,000,000	6,895,754
PPAF III reflows	17.1 & 17.2	**-**	**-**	45,000,000	520,653
MIOP II	17.1 & 17.2	**-**	**-**	90,000,000	1,041,305
Agriculture	17.1 & 17.2	**5,250,000**	**56,066**	25,000,000	289,251
Kiosks	17.1 & 17.2	**49,200,000**	**525,416**	10,800,000	124,957
KIVA	17.1 & 17.2	**11,607,345**	**123,957**	-	-
Habib Bank Limited	17.1 & 17.2	**211,984,285**	**2,263,822**	150,000,000	1,735,509
		278,041,630	**2,969,261**	916,800,000	10,607,429
Repayments during the year		**(741,982,082)**	**(7,923,773)**	(954,327,800)	(11,041,627)
Effect of translation		**-**	**(434,456)**	-	(609,978)
		280,616,548	**2,888,487**	744,557,000	8,277,455

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17.1 Terms and conditions of these borrowings are given below:

Loan	Period of Agreement *	Total facility amount	Amount received to date under the agreement	Mark-up rate per annum as per agreement	Number of installments outstanding	Date of final repayment
		PKR	PKR	(%)		
Short term loans						
Banking companies						
i) Habib Bank Limited	March 2012 to March 2013	250,000,000	233,684,285	11.50	Bullet payment	March 31, 2013
PPAF and others						
ii) PPAF Phase II reflows	January 2010 to December 2010	750,000,000	750,000,000	-	-	-
iii) PPAF Phase II reflows II	October 2010 to September 2011	700,000,000	700,000,000	-	-	-
iv) PPAF Phase III	January 2010 to December 2010	50,000,000	50,000,000	-	-	-
v) PPAF Phase III reflows	October 2010 to September 2011	50,000,000	50,000,000	13.71	1 quarterly	January 15, 2013
vi) PPAF MIOP II	October 2010 to September 2011	100,000,000	100,000,000	13.73	1 quarterly	January 15, 2013
vii) PPAF Agriculture	July 2011 to June 2012	100,000,000	30,250,000	13.73	7 quarterly	July 15, 2014
viii) PPAF Kiosks	January 2011 to June 2013	60,000,000	60,000,000	14.19	3 quarterly	July 15, 2013
ix) KIVA	November 2011 to November 2013	349,740,000	11,607,345	-	Monthly installments	12 months from the date of disbursement
Long term loans from PPAF						
x) PPAF III Phase V	January 2012 to December 2012	130,000,000	45,500,000	12.29	8 quarterly	January 15, 2015
xi) PPAF Phase V	January 2012 to December 2012	70,000,000	24,500,000	12 .29	8 quarterly	January 15, 2015
xii) PPAF Phase V reflows	January 2012 to December 2012	700,000,000	420,000,000	12.30	8 quarterly	January 15, 2015

*Agreement period excludes the period for repayment of loan to PPAF and KIVA by the Company.

17.2 Finance (i) is obtained for operational working capital needs of the Company and is secured against assignment of lien on PPAF's term deposits with HBL. Finances (ii) through (xii) are aimed at the alleviation of poverty through credit and enterprise development. These finances are secured against assignment of rights over a portfolio of the Company's loan up to an amount received by the Company under the agreements, a demand promissory note and a first charge on all assets / capital items created out of the agreements with the exception of financing (ix) which is unsecured.

17.3 The amounts drawn under loans (ii) to (ix) at the balance sheet date, are repayable in next twelve months and accordingly have been classified as short term loans.

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18. CONTENGENCIES AND COMMITEMENTS

As at 31 December 2012, there were no contingencies or capital commitments of the Company.

19. ADMINISTRATIVE AND PROGRAM EXPENSES

		2012		2011	
	Note	PKR	USD	PKR	USD
Salaries and benefits	13.1	268,982,042	2,872,512	195,701,689	2,264,280
Rent		21,948,645	234,394	18,948,469	219,235
Utilities		8,773,084	93,689	8,078,755	93,472
Printing and stationeries		5,301,789	56,619	5,534,228	64,031
Travelling and transportation		22,887,284	244,418	22,200,994	256,867
Depreciation	4	8,590,178	91,736	5,965,360	69,020
Training and development		6,162,669	65,812	8,464,922	97,940
Group member death benefits		2,200,000	23,494	3,150,000	36,446
Maintenance and general expenses		22,200,487	237,083	16,829,393	194,717
Head office logistics and management fees		26,977,516	288,098	32,434,121	375,265
Program supplies and related expenses		8,307,256	88,715	44,938,583	519,942
Professional charges		2,654,431	28,347	1,171,366	13,553
Staff self insurance scheme	13.2	1,098,933	11,736	-	-
Items of property and equipment written off		238,394	2,546	-	-
Auditors' remuneration		993,845	10,613	870,716	10,074
		407,316,553	4,349,812	364,288,596	4,214,842

20. FINANCIAL CHARGES

	2012 PKR	2012 USD	2011 PKR	2011 USD
Interest on short term loans	79,623,136	850,311	95,556,240	1,105,591
Bank charges	375,299	4,008	1,509,415	17,464
	79,998,435	854,319	97,065,655	1,123,055

21. TAXATION

The Company has applied to the taxation authorities for grant of exemption from tax and management is confident of securing this exemption in view of its status as an 'Association Not for Profit' under the Companies Ordinance, 1984. However, on a prudent basis, the Company has recorded provision for minimum tax in these financial statements.

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22. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, key management personnel and entities over which the directors are able to exercise influence. Balances with related parties including balance relating to restricted funds are disclosed in notes 10, 14 and 16 to the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 23 to the financial statements. Transactions with related parties are as follows:

	2012		2011	
	PKR	USD	PKR	USD
Associated company by virtue of common directorship				
BRAC USA				
- Donations received	**5,925,856**	**63,283**	10,093,896	116,787
BRAC Bangladesh				
- Expense incurred on behalf of the Company - net	**21,447,249**	**229,039**	23,671,016	273,875
Stichting BRAC International				
- Donations received	**16,999,227**	**181,538**	-	-
- Payments made	**20,600,800**	**220,000**	-	-
- Expense incurred on behalf of the Company	**3,993,723**	**42,650**	-	-
- Head office logistic / management fees for the year	**26,977,516**	**288,098**	32,434,121	375,265
Others				
Remuneration to key management personnel	**3,459,228**	**36,942**	2,396,521	27,728

23. REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements for the year in respect of remuneration including benefits applicable to the Chief Executive and the Directors of the Company are given below:

	Chief Executive	Directors	Chief Executive	Directors
	2012 - PKR		2011 - PKR	
Managerial remuneration	**3,459,228**	**-**	2,396,521	-
	2012 - USD		2011 - USD	
Managerial remuneration	**36,942**	**-**	27,728	-
No. of persons	**1**	**5**	1	5

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24. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

24.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to microcredit receivables, security deposits, interest and service charges accrued, other receivables and balances at banks.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings.

24.1.1 Counterparties

In relation to the Company's exposure to credit risk, microcredit loanees and financial institutions are major counter parties and the Company's policies to manage risk in relation to these counter parties are as follows:

Microcredit receivables including service charges

Receivable from loanees with respect to microcredit receivables is diversified due to number of clients comprising the Company's customer base. The Company has credit policy that governs the management of credit risk, including the specific transaction approvals and establishment of counter party credit repayment timeline. The Company limits credit risk by limiting the loan up to a maximum amount and continuing to evaluate creditworthiness of loanees after transactions have been initiated. The Company controls its credit risk of micro credit advance by the following methods:

(i) Ascertainment of credit worthiness of loanees;
(ii) Monitoring of advance on a continuing basis;
(iii) Social and moral pressure of community and personal guarantors; and
(iv) Active follow up.

Banks

The Company maintains its bank balances and makes investment in fixed deposits with banks having high credit rating and marketable securities in reputable companies. These balances are exposed to minimal credit risk as these are with reputable financial institutions and can be redeemed upon demand.

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24.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2012		2011	
	PKR	**USD**	PKR	USD
Microcredit receivables	**614,183,641**	**6,322,014**	751,751,032	8,357,434
Deposits	**4,018,650**	**41,365**	3,908,087	43,447
Interest accrued	**10,645,182**	**109,575**	5,730,481	63,707
Bank balances	**368,252,262**	**3,790,553**	153,025,499	1,701,228
	997,099,735	**10,263,507**	914,415,099	10,165,817

The maximum exposure to credit risk by geographic region is limited to Pakistan.

As at the year end the Company's most significant receivable was from a bank from whom PKR 229,522,797 (USD: 2,362,561) (2011: PKR 89,657,158 (USD: 996,744)) was receivable.

Based on past experience, the management believes that no further impairment allowance is necessary in respect of Company's financial assets. The age analysis of Microcredit receivables and provision there against has been disclosed in notes 5.4 and 5.2 to these financial statements.

24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	Carrying amount	**Contractual cash outflows**	**Within one year**	**Over one year**
		2012 - PKR		
Long term loans	**157,500,000**	**168,665,165**	**-**	**168,665,165**
Short term loans	**649,551,960**	**698,356,190**	**698,356,190**	**-**
Payable to related parties	**193,505,597**	**193,505,597**	**193,505,597**	**-**
Accrued and other liabilities	**55,488,743**	**55,488,743**	**55,488,743**	**-**
	1,056,046,300	**1,116,015,695**	**947,350,530**	**168,665,165**
		2012 - USD		
Long term loans	**1,621,205**	**1,736,131**	**-**	**1,736,131**
Short term loans	**6,686,072**	**7,188,432**	**7,188,432**	**-**
Payable to related parties	**1,991,823**	**1,991,823**	**1,991,823**	**-**
Accrued and other liabilities	**571,166**	**571,166**	**571,166**	**-**
	10,870,266	**11,487,552**	**9,751,421**	**1,736,131**

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	Carrying amount	Contractual cash outflows	Within one year	Over one year
		2011 - PKR		
Long term loans	-	-	-	-
Short term loans	781,191,951	819,222,461	819,222,461	-
Payable to related parties	159,136,002	159,136,002	159,136,002	-
Accrued and other liabilities	51,309,181	51,309,181	51,309,181	-
	991,637,134	1,029,667,644	1,029,667,644	-
		2011 - USD		
Long term loans	-	-	-	-
Short term loans	8,684,735	9,107,532	9,107,532	-
Payable to related parties	1,769,161	1,769,161	1,769,161	-
Accrued and other liabilities	570,419	570,419	570,419	-
	11,024,315	11,447,112	11,447,112	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is not significantly exposed to market risk.

24.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on its bank balances denominated in foreign currencies, primarily US Dollars.

	2012		2011	
	PKR	USD	PKR	USD
Bank balances	45,893,562	472,399	51,002	567
Payable to related parties	(193,505,597)	(1,991,823)	(159,136,002)	(1,769,161)
Net exposure	(147,612,035)	(1,519,424)	(159,085,000)	(1,768,594)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
	PKR	PKR	PKR	PKR
US Dollars	93.64	86.43	97.15	89.95

Sensitivity analysis

A ten percent strengthening / (weakening) of the Pakistani Rupees against US Dollars at 31 December would have decreased / (increase) net deficit for the year by PKR 14.76 million (USD: 151,942) (2011: PKR 15.46 million (USD: 171,868)).

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24.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. Majority of the interest rate exposure arises from microcredit receivables, loans from PPAF and bank balances.

	2012		2011	
	PKR	**USD**	PKR	USD
Fixed rate instruments				
Financial assets				
Bank balances	**5,158,015**	**53,093**	-	-
Microcredit receivables - net	**614,183,641**	**6,322,014**	751,751,032	8,357,434
	619,341,656	**6,375,107**	751,751,032	8,357,434
Financial liabilities				
Loan from PPAF	**280,616,548**	**2,888,487**	744,557,000	8,277,455
Net exposure	**338,725,108**	**3,486,620**	7,194,032	79,979

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Company.

24.4 Fair value

The carrying value of all the financial assets and liabilities reflected in financial statements approximate their fair values.

24.5 Fund management

The Board of Directors of the Company monitors the performance along with the fund required for the sustainable operations of the Company. There were no changes to the Company's approach to the fund management during the year. The Company is not subject to externally imposed fund requirements.

25. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of BRAC Pakistan in their meeting held on 17 April 2013.

Chief Executive Officer | Director Finance | Director

Photo Credit

Client Photos: BRAC

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Design

Mahbub/Drik, Bangladesh

BRAC

BRAC Centre
75 Mohakhali
Dhaka 1212
Bangladesh

T: + 88 02 9881265
F: + 88 02 8823542
E: info@brac.net
W: www.brac.net

BRAC International

Teleportboulevard 140
1043 EJ Amsterdam
Netherlands

BRAC Pakistan

House 397, Street 13,
Sector F 10/2,
Islamabad, Pakistan
Tel: +92-51-2102879
E-mail: bracpakistan@brac.net

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www.brac.net