brac

PAKISTAN

ANNUAL REPORT 2014

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 women and men to **realise their potential**.

VALUES

Integrity

Innovation

Inclusiveness

Effectiveness

integrity innovation inclusiveness effectiveness

CONTENTS

CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the annual report and the audited financial statements for the year ending 31 December 2014.

Pakistan's education emergency continues to dominate the country's development agenda with 9 million children remaining out of school. Although the overall enrolment rate in primary and secondary education has increased over the years but it still lags behind other South Asian countries. To complement the government's effort to increase enrolment rate, our primary schools provide out-of-school children with a second chance at high quality and cost effective education. This year we opened 500 new primary community-based schools which will provide enrolment opportunities to 15,000 new students. There are now 900 schools operating in both urban slums and rural areas in Sindh and 700 more in the pipeline for Punjab.

Mortality rate for children under the age of five continues to remain high. Similarly, nutrition among this group of children is a key concern. BRAC's health progamme fosters awareness, sensitises rural communities and improves access to basic health services particularly for women and children. Our community health promoters provided 16,000 children with oral polio vaccine during mass polio vaccination campaign and 12,450 children received Vitamin A drops to prevent childhood blindness and de-worming tablets during mother and child week campaign.

Our microfinance programme goes beyond simply providing financial assistance. It aims to reduce poverty by increasing access to credit for poor households, and generating self-employment opportunities. The programme is designed in such a way so that it harnesses the entrepreneurial ability of marginalised women and empowers them. This approach will significantly contribute towards reducing gender disparity. This year, under the microfinance programme, we disbursed USD 12.2 million among 58,389 borrowers.

I would like to take this opportunity to thank our team in Pakistan who contributed to the best of their abilities in achieving our targets. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has continuously been of great value. I would also like to thank the government of Pakistan and our development partners for their continued support and acknowledgement of our contribution to aid with the country's growth and development.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

BRAC INTERNATIONAL
GOVERNANCE AND MANAGEMENT

1. GOVERNANCE

1.1 THE LEGAL STATUS OF BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International 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 and legal services. BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes supporting the enterprises currently include seed production, feed mills, training centres and tissue culture lab. BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, the Philippines and Myanmar In each of these countries, it 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 amongst distinguished individuals with sound reputation in the sector of social development, businesses or professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected in the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members in 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, KCMG

Members:
Dr Mahabub Hossain
Muhammad A (Rumee) Ali
Ms Susan Davis
Ms Sylvia Borren
Dr Debapriya Bhattacharya
Ms Shabana Azmi
Mr Shafiq ul Hassan (Quais)
Ms Parveen Mahmud
Ms Irene Zubaida Khan

The composition of the present governing body of BRAC International Holdings BV is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Dr Mahabub Hossain
Muhammad A (Rumee) Ali
Ms Susan Davis
Ms Sylvia Borren
Orangefield (Netherlands) BV

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

1.3 FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

1. Dr Mahabub Hossain, Chair
2. Ms Susan Davis, Member
3. Ms Sylvia Borren, Member
4. Ms Parveen Mahmud, Vice-Chair
5. Mr Faruque Ahmed, Member
6. Mr SN Kairy, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on:

- The financial reporting and budgeting processes
- The system of internal controls and risk assessment
- The compliance with legal and regulatory requirements
- The qualifications, independence, and performance of the external auditors
- The qualifications, independence, and performance of the internal audit function

1.4 LOCAL BOARDS

Each country entities have a local board. We have aimed to pursue microfinance and development activities through separate entities in most of our countries. The local board members are appointed by 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.

1.5 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 regular 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 BV 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 the laws of relevant countries.

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. It received the first runner-up award in the same category in 2013 and 2014, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. MANAGEMENT

At all levels of BRAC International's management, there is a clear-cut policy regarding the authority of each level of staff. Staff members are equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and the Table of Authority. The staff is empowered to take decisions at the

relevant levels and areas of management, including recruitment, deployment, capacity building, transfer, leave, financial transactions, purchase and procurement. These are described in detail 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 executive director, senior directors, group chief financial officer (CFO), chief people officer (CPO) and finance director to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staff are empowered to take decisions at the area, regional, country levels and the head office. Procedural manuals and policy documents are available to the staff. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve country representatives, executive director, senior directors, group CFO, finance director and CPO, in particular cases, the executive director, the chairperson and the governing body.

2.1 FINANCIAL MANAGEMENT

Matters relating to finance and accounts from branch offices to the country head offices are supervised and controlled by the country finance and accounts department. The branch offices prepare project-wise monthly cash requisitions, which are sent to the area/regional offices. The area/ regional offices check and monitor the accuracy of the requisition and transmit them to the country office. After checking, the country office disburses funds as per the requisitions. The area and branch offices send monthly expenditure statements along with bank statements to the country office's finance and accounts department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to BRAC International's head office (herein after secretariat) and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides the finance and accounts personnel to prepare the financial statements and reports in accordance with the accounting standards. It also guides them to run the 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 secretariat. The secretariat reviews and performs analytical procedures on the project budgets of its country offices, which are recommended by the finance director and finally approved by the group CFO. The secretariat consolidates all BRAC International country financials and produces the BRAC International budget and consolidated audited financials. The budget and the consolidations are submitted to the BRAC International governing body for approval.

2.2 INFORMATION TECHNOLOGY

The country IT department provides data to the country MIS and finance teams by managing financial and programme-related information. This data is used by country and head office personnel to prepare various financial and managerial reports and to monitor project progress. The IT team based in the secretariat also provides support relating to software update, troubleshooting and Enterprise Resource Planning (ERP) development. Country IT team is reportable to the respective country management and the worldwide operations are centrally administered by the secretariat.

2.3 HUMAN RESOURCE MANAGEMENT

In 2014, the human resources management team continued to improve BRAC International's human resources capacity, visibility, and practices through strategic interventions. The focus was a consolidation of systems and processes and embedding of new initiatives. Based on the human resources value proposition, a number of new initiatives were put in motion to drive organisational change through the following:

Human Resources Policies and Procedures (HRPP) Manuals and Orientation Programme: In 2013, country-specific human resources policies and procedures (HRPP) manuals were developed. To provide all staff with a clear understanding of the new HRPP, virtual training-of-trainers workshops were conducted. An expanded country-wide rollout of these workshops, driven by the BRAC International HR team, was completed in 2014.

Performance Management System (PMS): The new performance management system received significant focus in 2014. From country management to root level, a PMS orientation workshop was given to all staff. Clear guidelines were provided for more focused performance management, to discuss performance-related rewards and help develop low performers through a new performance improvement process.

Human Resources Management Capacity: In 2014, country-level HR departments were strengthened and reorganised. BRAC South Sudan, BRAC Uganda, BRAC Tanzania, BRAC Myanmar and BRAC Afghanistan have newly recruited senior HR professionals, under which training has been centralised to provide impetus to staff learning and development. BRAC Uganda and BRAC Tanzania have new microfinance dedicated HR personnels to address the unique needs of those programmes.

Job Grading and Salary Scale Review: A database of job descriptions was developed to allow structured evaluation of each position and salary surveys were conducted in each country with a view to compensation redesign.

Enterprise Resource Planning (ERP): To streamline HR processes, enhance staff data management and provide analytic capacity, an HR module in the new ERP system has been designed and piloted in-house.

Gender Audit: The HR management team at BRAC International embarked on an analysis of gender disaggregated data across countries to assess whether any sort of discrimination existed in recruitment, performance management, or rewards.

Training and Development: A number of new plans have been devised for strategic in-country capacity development with individual development plans set in line with performance appraisals. The first diversity management workshop was rolled out in December 2014 in Dhaka to cover staff transferred overseas as a precursor to a global diversity campaign. To build local capacity, the young professionals (YP) programme was launched in 2013 to fast-track high calibre fresh graduates into management positions across BRAC International. After completion of a six-month managerial and development competency training, 17 YPs were placed in specific roles in their respective countries in June 2014. They are regularly monitored through a three-way feedback process that includes mentor, mentee, and supervisor forms, including discussions with the YP point person at BRAC International.

BRAC International places high priority on training and developing the capacity of its staff. To date, BRAC has training centres in Liberia, Uganda and Afghanistan. In other countries, BRAC hires training facilitation centres near the area offices.

With enhanced recruitment and retention practices, this year saw an overall increase in hiring national staff and reduced staff turnover in the respective countries.

EDUCATION

HIGHLIGHTS 2014

BRAC's education programme has become the largest secular and private education system in the world, reaching seven countries in total. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. BRAC primary schools are designed to give a second chance at learning to disadvantaged children who have been left out of the formal education system due to extreme poverty, violence, displacement or discrimination. Our non-formal primary schools complement the mainstream school system with innovative teaching methods and materials. At the secondary level, we provide need-based training and student mentoring to improve mainstream education.

In 2014, **500** new primary community-based schools were opened in Sindh province, ensuring the enrolment of **15,000** new students. As part of capacity-building **700** teachers were trained.

2,999 students from **100** pre-primary schools in Khyber Pakhtunkhwa (KPK) province graduated and among those students, **94** per cent children are enroled in nearby schools. **145** students from **5** primary schools in Baluchistan have completed primary education.

Total student enroled in

Delivering cost-effective education

Increased access to quality education, particularly for girls, is one of the pressing needs for the government of Pakistan. The objective of BRAC's education programme is to strengthen the government's efforts towards eradicating widespread educational inequalities in the country by developing an institutional structure with skilled key personnel and trained teachers. Our education programme model is cost-effective and a replicable intervention.

Our primary schools provide out-of-school children, particularly girls with a high quality education, easing their transition from home into a non-formal school setting. We are contributing towards the achievement of millennium development goals (MDGs) of universal primary education and gender parity. We train and build the capacity of local female teachers in our education centres and nearby local government schools as para-professional teachers. A wide range of key stakeholders including community members, local government official, local NGOs, research organisations, funding organisations are involved with our programme to ensure maximum community participation and accountability.

Case Story

Salma Bibi an inspiring teacher

I am Salma Bibi and I come from a small village in a remote area of Swabi district. I am a teacher of a BRAC community-based school (CBS). BRAC's CBS schools are widely known in my community. I visited one of the BRAC offices and spoke to a programme organiser for a job as a teacher. He enlisted my name and later selected me as a teacher.

I was given basic training on innovative teaching methods and techniques. When I received the teacher training, I was not aware that it would be a turning point in my life considering the conservative community where I come from, where girls tend to stay at home and are not given permission to go out for work.

With BRAC's assistance I became an active member of my community and gained recognition as one of the best teachers in the entire district. By the time the project ended, I had established good relations within the community. In July 2014, I decided to take BRAC's mission to the next level by establishing and running my own school on BRAC's education model.

I am thankful to BRAC's initiative for providing me and other teachers with professional training and providing children with an opportunity in education. With financial help from my family and with strong support from the community, I am managing a school of my own, and I am glad to say that my students are performing well. BRAC's assistance and technical training along with community support changed my life and now I am able to transform lives of scores of girls in my area, where earlier, education was never a priority.

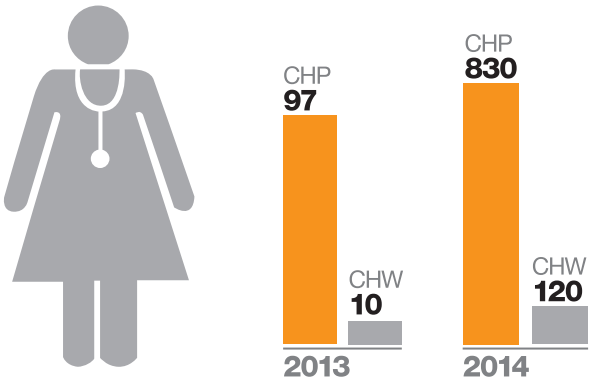
HEALTH

HIGHLIGHTS 2014

BRAC's health programme combines preventive, promotive, curative and rehabilitative services. We aim to improve reproductive, maternal, neonatal, and child healthcare services. To enhance the quality of life, we work to raise the nutritional status of children and mothers, reduce vulnerability to communicable diseases, and combat non-communicable diseases. Through our low-cost essential healthcare services, we serve the disadvantaged, socially-excluded and hard-to-reach population. BRAC's approach utilises trained frontline community health promoters that creates an effective bridge between underserved communities and formal healthcare systems. We ensure community empowerment and mobilisation to bring cost-effective basic healthcare services to the door-steps of clients. We work in collaboration with the government, NGOs, donors, private sectors and academic institutions to bring the most needed healthcare services to the communities.

The essential healthcare (EHC) service is provided to **15,000** families in Sahiwal and Pakpattan districts in Punjab and Sukkur district in Sindh province. The EHC programme received new funding to expand its coverage to reach **350,000** women of child bearing age and create awareness on maternal neonatal and child health.

Number of community health promoters and community health workers trained



Our community health promoters in Sahiwal provided **16,000** children with oral polio vaccine during the mass polio vaccination campaign. **12,450** children received Vitamin A drops and Mebandazole during Mother and Child Week. As part of capacity-building, **850** CHPs and **120** community health workers received training.

Improving essential healthcare

The level of progress towards the millennium development goals (MDGs) to reduce child mortality and improve maternal health is the slowest in the most remote areas of Pakistan. BRAC's health programme in Pakistan has been developed to demonstrate BRAC's commitment to support the Government of Pakistan to achieve the MDGs.

BRAC's health progamme is fostering awareness, sensitising rural communities and improving access to basic health services particularly for women and children. We are delivering culturally sensitive health education lessons, along with basic curative services while linking patients to the nearest government health facilities through a network of trained community health promoters (CHPs).

CHPs visit door-to-door to provide counseling facilities on family planning. They keep track of immunisation status of children, vitamin A intake and treat common diseases while raising awareness on safe water and sanitation. They also provide antenatal and postnatal care, identify danger signs during pregnancy and educate community members about skilled attendance during birth in case of normal delivery. CHPs refer mothers to nearby health facilities in case of complications.

Case Story

Rehana a determined health volunteer

I am Rehana and I am a community health volunteer. I live with my husband and three children in Takar Muhalla Rohri in Sukkur district where culturally women are not allowed to work outside their homes. My husband is a mechanic and he barely earns PKR 200 to 300 (USD 2 to 3).

A few years ago, my best friend's daughter died of pneumonia and we could not save her due to our lack of understanding and limited access to health facilities. That incident changed my life. I realised I needed to play an effective role in promoting healthcare services in my community. One day, Salma Javed, a BRAC community health worker and also my neighbour, visited and informed me about BRAC's health programme. She encouraged me to become a health volunteer. I immediately took the opportunity to fulfil my dream of serving my community and joined BRAC as a volunteer.

I initially faced many challenges. During household visits, many of the members were not open to share their family details and as a result only few women participated in the health forums. I openly spoke to the household members and over time they started to understand the importance of health and participated in the health forums. I visit 6 to 8 houses regularly in different communities and collect data on tuberculosis, malaria, antenatal care, post natal care, and immunisation. I inform the community members about the tetanus and immunisation schedule of new born babies.

I serve 150 households in my community and have convinced families to send the women to hospitals for child birth. I referred over 17 TB patients to hospitals and 65 pregnant women received antenatal care as a result of my referrals. I am happy with the monthly incentive that I receive from BRAC. BRAC's assistance fulfiled my dream of helping the community people. The feeling of joy in serving the community people is priceless.

MICROFINANCE

HIGHLIGHTS 2014

Over the last four decades, **BRAC microfinance** has grown to become one of the world's largest providers of financial services to the poor, providing tools that enable the financial inclusion of millions of people, across seven countries. Through its innovative, client-focused and sustainable approach, BRAC continues to show that microfinance can have a powerful impact on the lives of the poor. The BRAC microfinance programme is a critical component of our holistic approach to supporting livelihoods.

Under microfinance programme, USD **21** million has been disbursed and the portfolio outstanding has increased by **32** per cent.

In small enterprise programme, USD **1.85** million has been disbursed and the portfolio outstanding has increased by **87** per cent. The number of borrowers increased by **36** per cent and the total number of branches has increased from **30** to **46**.

This year agriculture loan is disbursed through **16** branch offices. We disbursed USD **667,159** to **1,819** farmers with the average loan disbursement of USD **324**.

Principle outstanding

2013	USD 8.84 million
2014	USD 12.24 million

Total number of borrowers

2013	56,359
2014	58,389

Financial assistance for the poor

Microfinance programme in Pakistan aims to significantly contribute to the reduction of poverty by increasing access to credit for poor households, and creating self-employment opportunities. The programme focuses on harnessing the entrepreneurial ability of marginalised women, and empowering them socially and economically. Our microfinance programme has three main components: microloans, small enterprises programme (SEP), and agriculture microloans, which are exclusively for women participating in the village organisations (VO). SEP loans are available to individual small entrepreneurs both male and female to enable them to expand their existing businesses.

Microloans

BRAC provides microloans to women, to help them boost their incomes and mobilise them to earn their own living. The loans provide easy access to credit, that is used to initiate or invest in small or medium income-generating activities. As businesses expand, some members of the microloan programme become eligible for loans from our small enterprise programme. In 2014, we served 67,773 borrowers with loans that totaled to USD 21 million. Our microloans are available from 68 branch offices, of which 47 are located in urban areas and 21 in rural areas.

Small enterprise programme

BRAC provides small enterprise loans to enable the business owners to expand their enterprises, and create new employment opportunities. Loans are available to both women and men, and follow a monthly repayment scheme. So far, we have disbursed over USD 1.85 million to 1,132 borrowers, with the average loan disbursement being USD 1,642. Small enterprise loans are available from 46 branch offices, and 14 area offices in Pakistan.

Agriculture loan

BRAC's agriculture loans seek to support the efforts of the Pakistan government to promote sustained and stable rural development. By investing in small and marginal farmers with customised microfinance, BRAC is helping to increase food security, and rural employment.

Case Story

Shobana standing up for her community

My name is Shobana Rasheed and I am an entrepreneur. I run a medium-scale business in Mumtazabad, a rural area in Multan.

I used to be a domestic help before starting my own business. I struggled to make ends meet. I kept looking for income-generating opportunities and I dreamt of running my own business one day. I heard about BRAC's microfinance programme from my neighbour. I went to the branch office in my area to know more about the loan products where I immediately joined as a member. I started attending the village organisation meetings regularly and learned about various income-generating businesses.

I started my business in 2011, receiving my first loan of PKR 120,000 (USD 1,185). I installed a water purification plant in my home and employed seven women. Gradually my business grew as did the demand for purified water. I was provided training on integrated capacity-building by BRAC for promoting sustainable small and medium-sized enterprises.

With the second loan, I started selling homemade fresh juice. I employed a few women to help me prepare them, offering them flexible working hours. I plan to set up my own bottle manufacturing plant in order to minimise the cost and invest more in my business.

It has been a wonderful learning experience for me. Now I am running the water plant independently. With determination and hard work, I know I can go further. I feel happy to learn that many women in my community see me as an inspiration. My neighbours followed my lead and have joined the microfinance programme to bring financial stability in their lives.

I am grateful to BRAC for showing me the way. I am saving money for a more secure future for my family. I am glad that I can provide employment opportunities for other marginalised women.

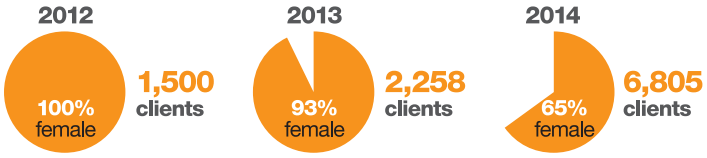
LIVELIHOOD ENHANCEMENT AND PROTECTION-INSTITUTIONAL DEVELOPMENT

HIGHLIGHTS 2014

BRAC's ultra poor programme focuses on improving the socioeconomic situation of those at the base of the economic pyramid. Living in extreme poverty, this group struggles to meet the minimal dietary requirements and faces difficulty to reach mainstream anti-poverty programmes like microfinance. To help this population at least get on the bottom rung of the economic ladder, our process includes a deliberate sequencing of interventions including asset grants, skill development and personalised healthcare support.

In **2014** the LEP-ID programme was successfully implemented in Lasbela and Khuzdar districts of Balochistan Province. During the reporting period **130** assets were transferred and **6,805** skill development training provided and **70** common interest groups formed.

Under institutional development we formed **77** community organisations in Lasbela, **10** village organisations and five local support organisations at union council level.



Skills development trainings provided and percentage of females

Reducing extreme poverty in Pakistan

In Balochistan province of Pakistan, the poorest people severely suffer from seasonal income crisis, acute food insecurity, severe malnutrition, scarcity of water and sanitation. The ultra poor are the worst victims in all kinds of unfavourable social and demographic conditions prevailing in the region. To address the particular need of the extreme poor population in Balochistan, BRAC Pakistan initiated livelihood enhancement and protection- institutional development (LEP-ID) programme in the districts of Lasbela and Khuzdar with support from the Pakistan poverty alleviation fund (PPAF).

The programme support package includes asset transfer, enterprise development training, technical and vocational training and community institute formation. Clients receive economic, social and technical support to graduate out of extreme poverty. Under the programme, ultra poor community members are provided with assets, livelihood and capacity development initiatives to enhance their productivity and reduce their vulnerability to seasonal changes.

Case Story

A mother with ambitions

My name is Taj Bibi and I live in Sabzal Goth, UC Sakran, a village comprising of 200 households. I live with my three daughters and a son. My husband passed away five years ago. As a single mother, I was facing extreme difficulty in providing adequate food and meeting my family's basic needs. At one point when I found out that my six-year-old son, Lal Baksh was suffering from a kidney disorder, I was overwhelmed with anxiety and depression.

I had no financial support to provide for his treatment. With my husband's meagre savings, I bought few cutleries and started selling them door-to-door. I used to earn approximately PKR 50 to 100 (USD 1) per day which was insufficient to cover the basic necessities of my family and my son's treatment.

One day, a BRAC official visited my home and inquired about my condition. After a discussion, they enlisted my name in their livelihood programme. As BRAC's poverty reduction initiative places special emphasis on widows, I was selected to receive livelihood assistance. Since I had previous experience of selling goods, I decided to set up a shop. With a grant of PKR 50,000 (USD 494), BRAC helped me establish a shop next to my house.

I am running my shop smoothly in my village. I sell essential household goods. I am making a profit of PKR 200-300 (USD 2 to 3) per month and this stable flow of income is not only sufficient to serve my family's basic needs but also pays for my son's treatment. I am also saving money for my elder daughter's wedding. I am hopeful about the future of my family. I am looking forward to expanding my business further.

SUPPORT PROGRAMMES

Finance and accounts unit

The finance and accounts unit of BRAC Pakistan is playing a crucial role in improving programme efficiency, enhancing decision making capability of the management and promoting transparency and accountability. The unit produces periodic progress reports for donors and coordinates with external statutory auditors for the annual audit under local and international regulations. The unit maintains tax records and issues tax certificates to suppliers as per statutory requirements.

In 2014, the unit resolved tax penalty issues raised during past years along with successful completion of statuary audit 2013 within the agreed timeline. The unit also marked improved relations with donors and financial institutions.

Internal audit department

Internal audit department (IAD) is an independent support programme designed for objective assurance and consulting services to add value and improve BRAC International's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal audit is a catalyst for improving the effectiveness and efficiency of our programmes by providing insight and recommendations based on data analysis. With a 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 management by providing risk-based audit reports for efficiency and effectiveness based on the internal audit charter, the terms of reference for the audit review committee and the internal audit manual approved by the finance and audit committee.

This year the internal audit manual has been implemented in BRAC Pakistan. In 2015, internal assessment will be done through ongoing monitoring of the performance of internal audit activity from the performance of internal audit activity from head office and periodic assessments by peer review to evaluate conformance with the definition of internal auditing, the code of ethics, and standards. Additionally, implementation of BRAC Internal Audit Management System (BIAMS) software will be done in BRAC Pakistan for data management, report writing and archiving.

Monitoring department

BRAC's monitoring department in Pakistan is an internal mechanism, to ensure quality, accountability and transparency of the programmes. It ensures regular collection and analysis of information to assist timely decision making and provide the basis for evaluation and learning.

BRAC use its monitoring and evaluation activities as a programme management tool. The department undertakes monitoring activities on key inputs and outputs. Monitoring is also responsible for reporting on the progress of projects and quality of inputs delivered. The objective is to facilitate better project implementation and achieving greater impact.

The monitoring team investigates administrative issues, abuse of discretion, corruption, financial misappropriation and discrimination as per the requirement of the programme and management.

Human resource department

The human resource department (HRD) in BRAC Pakistan oversees 751 local and expatriate staff dispersed across the country. With the goal to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees, a country-specific human resource policies and procedures (HRPP) manual was developed in 2013. A country-wide rollout of workshops was completed to operationalise the HRPP in 2014. The aim was to provide all field level employees with an understanding of new policies, due benefits and the processes required to fulfil them.

From country management to grassroots level, orientation sessions on a new performance management system were also conducted. Clear guidelines were provided for more focused performance management. Performance-related rewards were discuss to help develop low performers through a new performance improvement process while consistently upholding the values of BRAC. The team further ensures employees' commitment to BRAC International's 15 policies under the code of conduct, particularly in regards to child protection and gender equality.

To streamline operations, a database is maintained with up-to-date records of local and expatriate staff. It ensures smoother local and international transfers, contract renewals and leave management.

Risk management services

This year had shown significant progress in advancing the maturity of our organisation's risk management processes. There has been continuous strengthening of the risk management framework at both operational and at strategic levels. The goal is to identify risks and put control measures in place to mitigate their impact.

At the operational level, the country risk management committee monitors and improves the embedding and strengthening of risk management culture at the branch level, oversee the management of handling/ commissioning of key risks and the overall management of closure of incidents impacting the programmes' activities.

At the strategic level, the finance and audit committee receives bi-annual risk management reports on progress against the framework, emerging risks, performance against the key risks and reporting of the risk register review. Next year, risk management services will continue refinement of the organisational metrics and top risks with dashboards to ease monitoring with primary effort focused on analysis and mitigation of key areas of concern. We will also help to support efforts towards achieving BRAC Pakistan's strategies and objectives using data to measure progress.

Information technology unit

The information technology (IT) unit works to provide an effective and efficient IT infrastructure and level of automation, meeting the needs for both internal and external purposes through management information system (MIS) and financial information system (FIS) reporting. The unit maintains and updates in-house software of credit and savings management system. The credit and savings management system identifies future trends of the business and maintains liaison with all programmes in gathering and compiling business-related information to the trend system. The unit is also working to establish credit information bureau's reporting requirements on loan disbursement of different borrowers and their repayment behaviour.

Procurement unit

BRAC's procurement unit in Pakistan identifies the needs of acquisition of goods and services, and works to deliver them within the expected time. The unit is managed by the procurement committee and has successfully implemented its procurement guideline and procedures in education programme and Livelihood Enhancement and Protection-Intuitional Development (LEP-ID) programme.

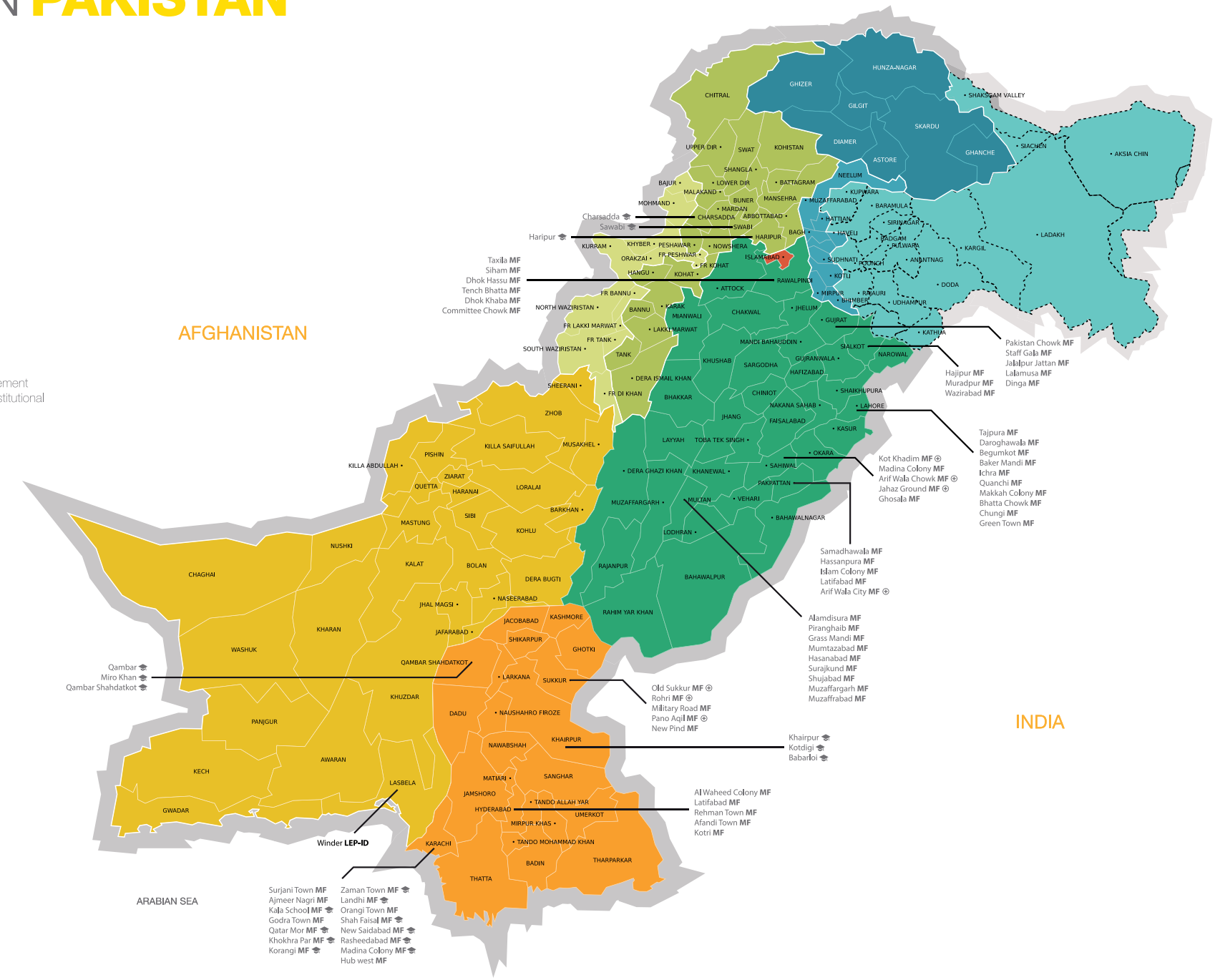
Communications department

BRAC Pakistan communications department is primarily focused on raising its profile through effective positioning by using diverse mediums, channels and platforms. With such efforts, we are establishing comprehensive and integrated communications process with all BRAC Pakistan's donors, stakeholders and partners by being aligned to BRAC's goal and vision.

Compliance services

Our integrated compliance services are focused on internal, regulatory and donor's compliance. It continues to evolve with a commitment to excellence and expansion of compliance culture, and instilment of a sense of compliance within individual job responsibilities. This year, compliance has been strengthened in two key areas. First, frontline managers of all branches of all programme components have been brought under the umbrella of internal control questionnaire. Second, all the project proposals made and approved in this year were reviewed and verified in compliance with the specific projects requirements. Compliance related to regulatory affairs were also reviewed and reported bi-annually.

BRAC IN **PAKISTAN**



BRANCH PROGRAM

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

BRAC ACROSS THE WORLD

USA
Initiated: 2007

An independent charity to raise profile and funds for BRAC globally

UK
Initiated: 2006

An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE
Initiated: 2008

Programme Focus:
MF, EHC, Ag, P&L, HRLE, ELA and FSN

Population reached:
1.1 million

SOUTH SUDAN
Initiated: 2007

Programme Focus:
MF, Ag, BEP, AGI, EHC, MLP, NP, YLP and TUP

Population reached:
1.3 million

HAITI
Initiated: 2010

Programme Focus:
BLBC

NETHERLANDS
Initiated: 2009

BRAC International registered as a charity (Stichting)

LIBERIA
Initiated: 2008

Programme Focus:
MF, SEP, Ag, P&L and EHC

Population reached:
0.56 million

UGANDA
Initiated: 2006

Programme Focus:
MF, SEP, BEP, SP, EHC, Ag, P&L, ELA and KI

Population reached:
4 million

TANZANIA
Initiated: 2006

Programme Focus:
MF, SEP, Ag, P&L, BEP and ELA

Population reached:
2.64 million

AFSP - Agriculture and Food Security Programme **Ag** - Agriculture Programme **AGI** - Adolescent Girls Initiative **ARCs** - Adolescent Reading Centres
DECC - Disaster, Environment and Climate Change **EHC** - Essential Health Care **ELA** - Empowerment and Livelihood for Adolescents **FSN** - Food Security and Nutrition
HRLS - Human Rights and Legal Aid Services **IDP** - Integrated Development Programme **KI** - Karamoja Initiative
P&L - Poultry and Livestock **RS** - Road Safety **SEP** - Small Enterprise Programme **SP** - Scholarship Programme

AFGHANISTAN

Initiated: 2002

Programme Focus:
MF, SEP, BEP, ARCs, EHC, NSP and TUP

Population reached:
4.72 million

PAKISTAN

Initiated: 2007

Programme Focus:
MF, SEP, BEP, TUP, EHC and Ag

Population reached:
2.77 million

MYANMAR

Initiated: 2013

Programme Focus:
MF

Population reached
2,483 borrowers

PHILIPPINES

Initiated: 2012

Programme Focus:
BEP

Population reached:
38,084 learners

BANGLADESH

Initiated: 1972

Programme Focus:
MF, BEP, HNPP, TUP, IDP, WASH, HRLS, CEP, AFSP, DECC, GJD, RS, MGP and Enterprises

Population reached:
120 million

BEP - BRAC Education Programme **BLBC** - BRAC Limb and Brace Centre **CEP** - Community Empowerment Programme
GJD - Gender Justice and Diversity **HNPP** - Health, Nutrition and Population Programme **HRLE** - Human Rights and Legal Empowerment
MF - Microfinance **MGP** - Migration Programme **MLP** - Malaria Programme **NP** - Nutrition Programme **NSP** - National Solidarity Programme
TUP - Targeting the Ultra Poor **WASH** - Water, Sanitation and Hygiene **YLP** - Youth Lead Programme

GOVERNANCE

BRAC Pakistan

BRAC PAKISTAN COMPANY LIMITED BY GUARANTEE
Local Board Members
Dr AMR Chowdhury
Mr Faruque Ahmed
Mr SN Kairy

MANAGEMENT

Muzaffar Uddin	Country Representative BRAC Pakistan
Md Zinnur Rahman	Programme Manager, Microfinance
Salma Alam	Served as County Head of Accounts from 2012 - 2015
Umad Akhter	Acting County Head of Accounts
Ulfat Mehmood Khan	Project Manager, Education
Dr Safia Baigum	Country Coordinator Health
MD Nazrul Islam Talukdar	Country Head of Monitoring and Investigation
Ghulam Sorwor	Country Head of Internal Audit
Major Retd Syed Muhammad Feroz Shah	Country Head of Administration and Security

DEVELOPMENT PARTNERS

Foreign Affairs, Trade and Development Canada

Affaires étrangères, Commerce et Développement Canada

BRAC USA

FINANCIALS

1 Net Income

BRAC Pakistan completed year 2014 by registering pretax-profit of USD 356,853 against USD 49,845 in 2013. Service charge income increased by 25% in 2014.

2 Operating expenses

Total operating expense for the year was USD 7,656,823 as against USD 6,126,087 in 2013 showing an increase of 25%. The increase is due to incremental salary and program expenses.

3 Provisions for Impairment losses

This year amount charged for impairment on loans was USD 254,481 as against USD 500,063 in 2013, with a decrement of 49%.Total reserve as against impairment in 2014 was USD 432,536 as against USD 516,270 in 2013, representing 3.55% of Gross portfolio. Portfolio At Risk (PAR>30) is decreased to 2.19% as against 5.52% in 2013.

4 Financial Position

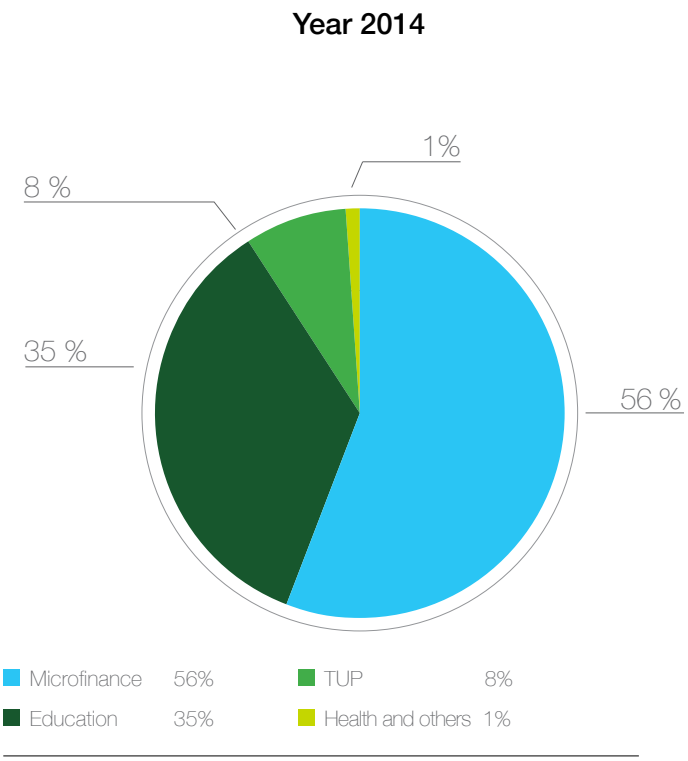
In 2014, BRAC Pakistan's total assets increased by 7.81% to USD 12,322,682.

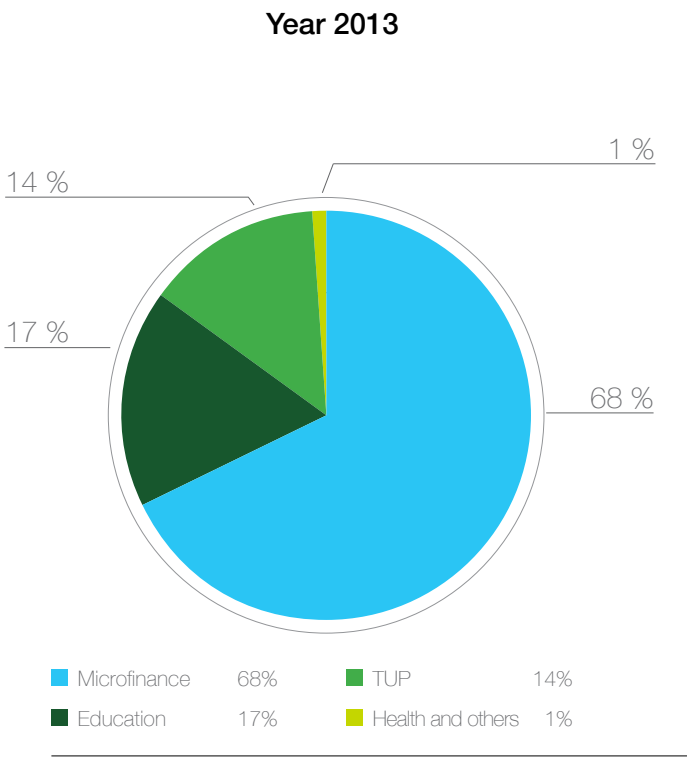
5 Grants and Utilization

Grants received amounting to USD 2,292,487 as against USD 1,987,282 in 2013. Grant utilized in projects for the year were USD 3,545,409 (USD 2,113,671 in 2013). Out of the total expenses majority is expensed in Education sector with support from DFID and EFS. All most 86% of total expenditure is being used for program services with only 14% as admin expenses.

Programme Cost by Nature of Programme

Expenses	2014		2013	
	USD	%	USD	%
Microfinance	4,314,875	56%	4,139,238	68%
Education	2,663,272	35%	1,059,167	17%
TUP	589,559	8%	850,422	14%
Health and others	88,717	1%	77,260	1%
Total	**7,656,423**	**100.0%**	**6,126,087**	**100.0%**





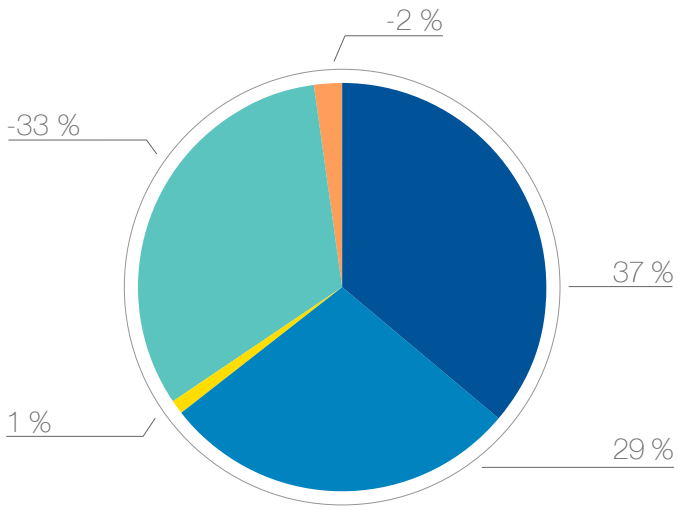
Value Added Statement

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	2014		2013	
	USD	%	USD	%
Value added:				
Services charges on loans	4,426,955	112%	3,490,050	110%
Grant income	3,515,476	89%	2,403,173	76%
Interest on bank deposits	338	0%	1,173	0%
Other income	70,507	2%	281,536	9%
Operating expenses	(3,816,515)	-97%	(2,502,203)	-79%
Loan provision (doubtful losses)	(254,481)	-6%	(500,063)	-16%
Total value added	**3,942,280**	**100%**	3,173,666	**100%**

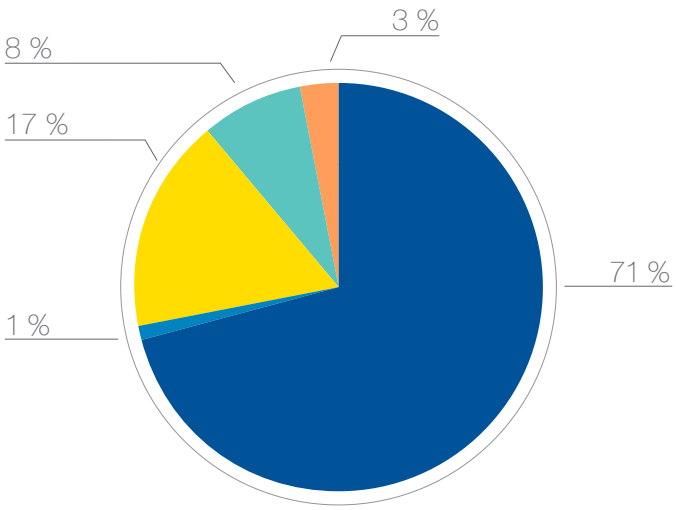
Figures in USD	2014		2013	
	USD	%	USD	%
Value Distributed:				
Employees				
Salary and allowances	2,766,904	71%	2,384,281	75%
Local Authorities				
Taxes	46,495	1%	26,479	1%
Creditors				
Interest	663,608	17%	641,783	20%
Growth				
Retained income	310,358	8%	23,366	1%
Depreciation	108,741	3%	100,188	3%
Total value distributed	**3,942,280**	**100%**	**3,173,666**	**100%**

Value Added



- Services charges on loans
- Other income
- Grant income
- Operating expenses
- Interest on bank deposits
- Loan provision

Value Distributed



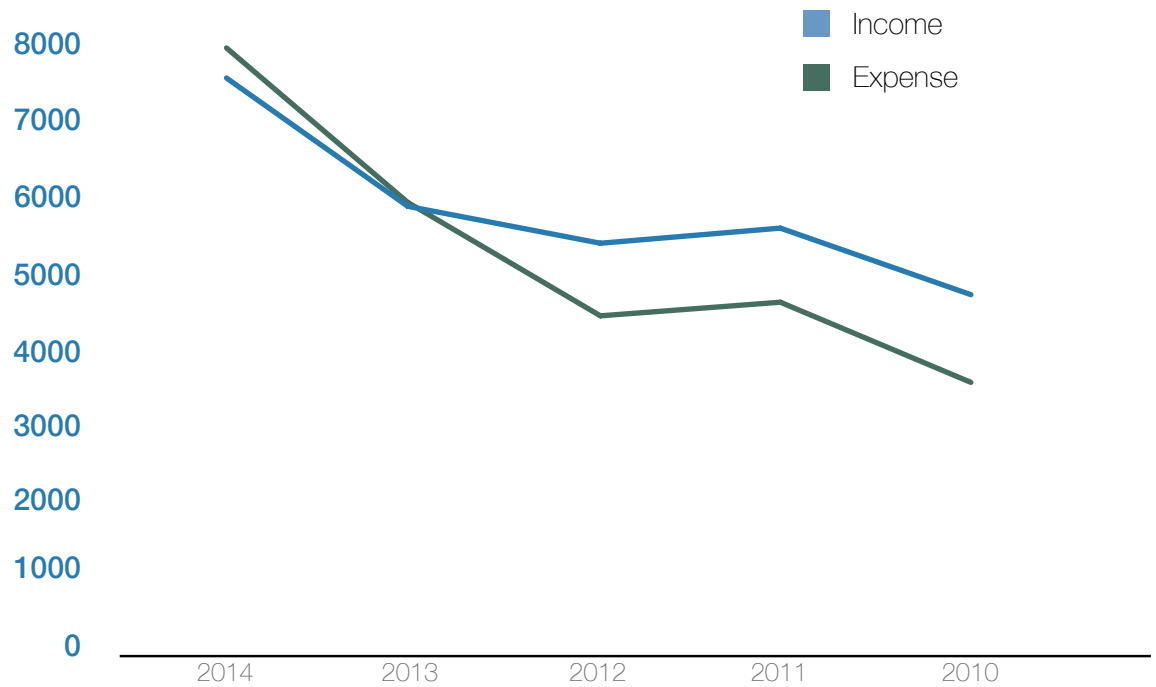
- Salary and allowances
- Retained income
- Taxes
- Depreciation
- Interest

Five Year Performance Review

Figures in USD	2014	2013	2012	2011	2010
Income statement					
Operating Income	8,013,276	6,175,932	4,829,563	4,947,182	4,061,866
Net Profit/(Loss) before tax	356,853	49,845	(854,336)	(909,042)	(227,168)
Financial Position					
Total Asset	12,322,682	11,430,107	10,698,883	10,746,864	13,490,077
Loans to Customers (net)	9,941,283	6,546,049	6,322,014	8,357,434	7,987,342
Cash at Bank	1,528,918	3,852,342	3,817,206	1,748,786	5,022,144
Returns and ratio					
Return on Asset	2.90%	0%	-7.80%	-8.50%	-7.60%
Cost to Income	95%	99%	117%	118%	125%
Operational Statistics					
Total borrowers	58,389	56,359	68,192	97,547	83,797
PAR>30	2.19%	5.52%	8.31%	5.33%	4.19%

Last Five Years Income vs Expenses

In '000 USD



Last Five Years Income vs. Expenses

BRAC Pakistan
FINANCIAL STATEMENTS

For the year ended 31 December 2014

KPMG Taseer Hadi & Co.
Chartered Acountants
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
Website: 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 2014 and the related income and expenditure statement, statement of comprehensive income, statement of changes in reserves and funds and cash flow statement 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 purpose 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 Ordicance, 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 out audit provides a reasonable basis for our opinion and, after due verification, we reprot 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 statement together with the notes thereon have been drawn up in conformity with the Comapines Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.1 with which we concur;

   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 in accordance 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 statement, 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 2014 and of the surplus, its cash flows and changes in reserves and funds for the year then ended; and

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

KPMG TASEER HADI & CO.
Chartered Accoutants
Audit Engagement Partner
Syed Bakhtiyar Kazmi

Islamabad
31 March 2015

BRAC Pakistan
Balance Sheet
As at 31 December 2014

	Note	2014 PKR	2014 USD (Note 2.5)	2013 PKR	2013 USD (Note 2.5)
NON-CURRENT ASSETS					
Property and equipment	4	**36,380,784**	**362,070**	38,928,250	369,619
CURRENT ASSETS					
Stock of pass book		**279,431**	**2,781**	233,176	2,213
Microcredit receivables, secured - net	5	**998,900,176**	**9,941,283**	689,429,816	6,546,049
Advances	6	**299,874**	**2,288**	4,755,716	45,155
Deposits, short term prepayments and other receivables	7	**37,888,297**	**377,073**	54,705,795	519,425
Accrued interest and service charges	8	**10,878,884**	**108,269**	10,037,340	95,303
Cash and bank balances	9	**153,625,649**	**1,528,918**	405,728,635	3,852,342
Total current assets		**1,201,802,311**	**11,960,612**	1,164,890,478	11,060,487
TOTAL ASSETS		**1,238,183,095**	**12,322,682**	1,203,818,728	11,430,106
RESERVES AND LIABILITIES					
FUNDS AND RESERVES					
Accumulated deficit		**(267,952,768)**	**(3,236,569)**	(305,138,930)	(3,604,313)
General fund balances	10	**381,263,000**	**4,089,251**	278,883,000	3,089,251
Convenience translation reserve	2.5	**-**	**275,007**	-	265,765
Total funds and reserves		**113,310,232**	**1,127,689**	(26,255,930)	(249,297)
NON-CURRENT LIABILITIES					
Long term loans	11	**144,300,000**	**1,436,107**	241,900,000	2,296,810
Deferred grant	12	**24,356,901**	**242,405**	21,330,077	202,526
Deferred liabilities	13	**38,656,880**	**384,722**	34,381,775	326,451
Total non-current liabilities		**207,313,781**	**2,063,234**	297,611,852	2,825,787
CURRENT LIABILITIES					
Payable to related parties	14	**110,863,304**	**1,103,337**	89,167,134	846,631
Accrued and other liabilities	15	**10,607,411**	**105,567**	14,125,082	134,116
Restricted grant	16	**21,372,408**	**212,703**	117,128,574	1,112,121
Short term loans	17	**313,574,755**	**3,120,769**	259,168,059	2,460,768
Current portion of long term loans	11	**440,600,000**	**4,384,952**	432,350,000	4,105,108
Interest accrued on loans		**20,392,940**	**202,955**	16,377,667	155,504
Taxation	24	**148,264**	**1,476**	4,146,290	39,368
Total current liabilities		**917,559,082**	**9,131,759**	932,462,806	8,853,616
TOTAL FUNDS AND RESERVES AND LIABILITIES		**1,238,183,095**	**12,322,682**	1,203,818,728	11,430,106
CONTENGENCIES AND COMMITMENTS	18				

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director Finance

Chief Executive Officer

Director

BRAC Pakistan

Income and Expenditure Statement

For the year ended 31 December 2014

	Note	2014 PKR	2014 USD (Note 2.5)	2013 PKR	2013 USD (Note 2.5)
INCOME					
Service charges on microcredit receivables		**447,653,661**	**4,426,955**	357,945,303	3,490,050
Grant income	19	**350,161,054**	**3,462,827**	243,477,789	2,373,964
Deferred grant recognized as income	12	**5,323,864**	**52,649**	2,995,687	29,209
Admission fee from group members		**4,427,340**	**43,783**	4,145,690	40,421
Interest on bank deposits		**34,192**	**338**	120,263	1,173
Other income	20	**2,702,313**	**26,724**	24,729,141	241,115
		810,302,424	**8,013,276**	633,413,873	6,175,932
EXPENDITURE					
Administrative and program expenses	21	**(673,505,991)**	**(6,660,461)**	(507,418,088)	(4,947,444)
Provision against microcredit receivables	5.2	**(25,733,098)**	**(254,481)**	(51,287,260)	(500,063)
Service charges - written off		**(3,205,425)**	**(31,699)**	(4,023,294)	(39,228)
Exchange (loss) / gain		**(4,222,014)**	**(41,753)**	640,202	6,242
Financial charges	22	**(67,551,051)**	**(668,029)**	(66,213,194)	(645,594)
		(774,217,579)	**(7,656,423)**	(628,301,634)	(6,126,087)
Surplus / (deficit) of income over expenditure for the year before taxation		**36,084,845**	**356,853**	5,112,239	49,845
Provision for taxation - current	*23*	**(4,520,810)**	**(44,707)**	(2,715,682)	(26,479)
- prior		**(180,784)**	**(1,788)**	-	-
		(4,701,594)	**(46,495)**	(2,715,682)	(26,479)
Surplus/ (deficit) of income over expenditure for the year after taxation		**31,383,251**	**310,358**	2,396,557	23,366

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director Finance

Director

Chief Executive Officer

BRAC Pakistan

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014		2013	
		PKR	**USD**	PKR	USD
			(Note 2.5)		*(Note 2.5)*
Surplus of income over expenditure for the year		**31,383,251**	**310,358**	2,396,557	23,366
Items that will not be reclassified to income and expenditure statement					
Experience adjustments on staff retirement benefits		**5,802,911**	**57,386**	(1,444,568)	(14,085)
Effect of convenience translation	*2.5*	**-**	**9242**	-	80,271
Other Comprehensive income for the year		**5,802,911**	**66,628**	(1,444,568)	66,186
Total comprehensive income for the year		**37,186,162**	**376,986**	951,989	89,552

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director Finance

Chief Executive Officer

Director

BRAC Pakistan

Statement of Changes in Reserves and Funds

For the year ended 31 December 2014

	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		(306,090,919)	(3,613,594)	170,643,000	2,033,886	185,494	(135,447,919)	(1,394,214)
Surplus of income over expenditure for the year		2,396,557	23,366	-	-	-	2,396,557	23,366
Experience adjustments on staff retirement benefits		(1,444,568)	(14,085)	-	-	-	(1,444,568)	(14,085)
Effect of convenience translation	2.5	-	-	-	-	80,271	-	80,271
Total comprehensive income for the year		951,989	9,281	-	-	80,271	951,989	89,552
Other changes in fund								
Transfer from payable to related parties		-	-	108,240,000	1,055,365	-	108,240,000	1,055,365
As at 31 December 2013		(305,138,930)	(3,604,313)	278,883,000	3,089,251	265,765	(26,255,930)	(249,297)
Surplus of income over expenditure for the year		**31,383,251**	**310,358**	**-**	**-**	**-**	**31,383,251**	**310,358**
Experience adjustments on staff retirement benefits		**5,802,911**	**57,386**	**-**	**-**	**-**	**5,802,911**	**57,386**
Effect of convenience translation		**-**	**-**	**-**	**-**	**9,242**	**-**	**9,242**
Total comprehensive income for the year		**37,186,162**	**367,744**	**-**	**-**	**9,242**	**37,186,162**	**376,986**
Other changes in fund								
Capital receipts from BRAC Bangladesh	*10*	**-**	**-**	**102,380,000**	**1,000,000**	**-**	**102,380,000**	**1,000,000**
As at 31 December 2014		**(267,952,768)**	**(3,236,569)**	**381,263,000**	**4,089,251**	**275,007**	**113,310,232**	**1,127,689**

The annexed notes from 1 to 29 form an integral part of these financial statements.

Director Finance

Chief Executive Officer

Director

BRAC Pakistan

Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 PKR	2014 USD (Note 2.5)	2013 PKR	2013 USD (Note 2.5)
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus / (Deficit) of income over expenditure for the year before taxation		**36,084,845**	**356,853**	5,112,239	49,845
Adjustments for:					
Depreciation charge for the year	*4*	**10,995,901**	**108,741**	10,275,400	100,188
Provision against microcredit receivables	*5.2*	**25,733,098**	**254,481**	51,287,260	500,063
Provision adjusted against principal charges written off	*5.1*	**(36,645,483)**	**(362,396)**	(60,194,537)	(586,911)
Staff retirement gratuity scheme		**16,102,879**	**159,245**	14,040,043	136,894
Staff self insurance scheme		**1,476,211**	**14,599**	429,026	4,183
Service charges from microcredit receivables		**(447,653,661)**	**(4,426,955)**	(357,945,303)	(3,490,050)
Interest income on bank deposits		**(34,192)**	**(338)**	(120,263)	(1,173)
Exchange loss/(gain) on foreign currency bank accounts		**1,057,892**	**10,462**	**(1,585,823)**	**(15,462)**
Items of property and equipment written off		**2,198,955**	**21,746**	2,388,381	23,287
Accrued interest written off	*20*	**-**	**-**	(18,437,455)	(179,769)
Interest on short term loans	*22*	**67,104,044**	**663,608**	65,822,382	641,783
Deficit before working capital changes		**(323,579,511)**	**(3,199,954)**	(288,928,650)	(2,817,122)
Working capital changes:					
Decrease / (increase) in current assets					
Stock of pass book		**(46,255)**	**(568)**	258,159	2,844
Microcredit receivables - net		**(298,557,975)**	**(3,311,500)**	(66,338,898)	(88,932)
Advances		**4,525,842**	**42,867**	(2,988,906)	(26,968)
Deposits and prepayments		**16,817,498**	**142,352**	(49,930,577)	(470,272)
		(277,260,890)	**(3,126,849)**	(119,000,222)	(583,328)
Decrease / (increase) in current liabilities					
Accrued and other liabilities		**(3,517,671)**	**(28,549)**	(41,363,661)	(437,050)
Payable to related parties		**21,696,170**	**(28,549)**	3,901,537	(89,827)
		18,178,499	**(57,098)**	(37,462,124)	(526,877)
		(583,612,856)	**(6,393,306)**	(443,805,173)	(3,911,865)
Interest paid		**(63,088,771)**	**(616,157)**	(67,442,673)	(681,553)
Payment in respect of staff gratuity scheme		**(7,501,074)**	**(74,180)**	(8,497,549)	(82,853)
Interest and service charges received		**446,846,309**	**4,414,327**	358,673,408	3,505,495
Taxes paid		**(8,699,620)**	**(86,033)**	(2,534,898)	(27,929)
Net cash used in operating activities		**(216,162,950)**	**(2,755,614)**	(163,606,885)	(1,198,705)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash used in investing activities:					
Purchase of property and equipment - net of deferred grant		**(7,620,566)**	**-**	(4,888,027)	31,676
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/Increase in restricted grant		**(95,756,166)**	**324,184**	40,580,452	324,184
Equity funds received during the year		**102,380,000**	**1,000,000**	-	-
Long term loans received during the year		**250,000,000**	**3,997,595**	410,000,000	3,997,595
Long term loan repaid during the year		**(339,350,000)**	**(2,201,115)**	(225,750,000)	(2,201,115)
Short term loans received during the year	*17*	**860,298,555**	**8,507,699**	965,513,003	9,413,975
Short term loans repaid during the year	*17*	**(805,891,859)**	**(7,969,658)**	(986,961,492)	(9,623,103)
Net cash generated from financing activities		**(28,319,470)**	**3,658,705**	203,381,963	1,911,536
(Decrease)/increase in cash and cash equivalents		**(251,045,094)**	**1,052,843**	33,302,228	845,347
Cash and cash equivalent at beginning of the year		**405,728,635**	**3,852,342**	370,841,584	3,817,206
Exchange (gain)/loss on foreign currency bank accounts		**(1,057,892)**	**(10,462)**	1,585,823	15,462
Effect of convenience translation		**-**	**(3,365,805)**	-	(825,673)
Cash and cash equivalent at end of the year	*9*	**153,625,649**	**1,528,918**	405,728,635	3,852,342

the annexed notes from 1 to 29 form an integral part of these financial statements.

Director Finance | Chief Executive Officer | Director

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 located 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. The figures in USD are presented for information purpose only (refer note 2.5).

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.

Information's about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in the ensuing paragraphs :

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 impairment.

2.4.2 Provisions

The Company reviews the contingencies and other potential 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.

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 100.48 (2013: PKR 105.32) 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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 method. Full month's depreciation is charged in the month of acquisition and no depreciation is charged for the month in which asset is disposed of, using the rates as mentioned in note 4.

Normal repairs and maintenance are charged to the income and expenditure account as and when incurred whereas major improvements and modifications are capitalized.

Gains and losses on disposals of property, plant and equipment are taken to the income and expenditure account.

3.3 Microcredit receivables

Loans and advances are initially measured and recognized at fair value plus incremental direct transaction costs, on the date that they are originated and subsequently measured at their amortised cost using the effective interest method at repayment 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) upon default. 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 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.

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 3.2 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 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 income and expenditure account 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

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in income and expenditure account.

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in statement of comprehensive income and reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

3.10 Stock of pass book

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 of pass book on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

3.11 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a 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 obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

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 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.

3.15 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 valuation by using the Projected Unit Credit Method. Latest valuation was conducted as at 31 December 2014.

Actuarial gains / losses are recognised directly to equity through statement of Other Comprehensive Income (OCI) and are not reclassified to profit or loss in subsequent period. The amount recognised in the balance sheet represents the present value of defined benefit obligations adjusted for actuarial gains and losses, past service cost and interest cost.

3.16 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/dependents 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 accounts.

3.17 Standards, interpretations and amendments to published approved accounting standards 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 2015:

Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not like to have an impact on Company's financial statements.

IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The requirement is not likely to have an impact on the Company's financial statements.

IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments are not likely to have an impact on the Company's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on the Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

3.17 Standards, interpretations and amendments to published approved accounting standards that are not yet effective (continued)

IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 PROPERTY AND EQUIPMENT

	Note	Motor vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
				PKR		
Cost						
As at 1 January 2013		25,318,704	10,303,699	6,586,830	14,119,141	56,328,374
Additions during the year		9,159,328	2,709,204	707,936	2,322,909	14,899,377
Written off during the year		(619,295)	(1,444,666)	(1,249,651)	(1,080,025)	(4,393,637)
As at 31 December 2013		33,858,737	11,568,237	6,045,115	15,362,025	66,834,114
As at 1 January 2014		**33,858,737**	**11,568,237**	**6,045,115**	**15,362,025**	**66,834,114**
Additions during the year		**4,091,956**	**2,818,676**	**1,102,979**	**2,633,779**	**10,647,390**
Written off during the year		**(156,689)**	**(1,358,665)**	**(1,143,518)**	**(1,830,831)**	**(4,489,703)**
As at 31 December 2014		**37,794,004**	**13,028,248**	**6,004,576**	**16,164,973**	**72,991,801**
Depreciation						
As at 1 January 2013		9,878,130	3,162,618	2,392,916	4,202,056	19,635,720
Charge for the year		5,857,811	1,124,001	1,155,626	2,137,962	10,275,400
Written off during the year		(245,106)	(659,535)	(592,056)	(508,559)	(2,005,256)
As at 31 December 2013		15,490,835	3,627,084	2,956,486	5,831,459	27,905,864
As at 1 January 2014		**15,490,835**	**3,627,084**	**2,956,486**	**5,831,459**	**27,905,864**
Charge for the year	*21*	**6,420,870**	**1,230,840**	**1,048,301**	**2,295,890**	**10,995,901**
Written off during the year		**(80,855)**	**(550,073)**	**(606,175)**	**(1,053,645)**	**(2,290,748)**
As at 31 December 2014		**21,830,850**	**4,307,851**	**3,398,612**	**7,073,704**	**36,611,017**
Written down value						
31 December 2014 - PKR		**15,963,154**	**8,720,397**	**2,605,964**	**9,091,269**	**36,380,784**
31 December 2014 - USD		**158,869**	**86,787**	**25,935**	**90,478**	**362,070**
31 December 2013 - PKR		18,367,902	7,941,153	3,088,629	9,530,566	38,928,250
31 December 2013 - USD		174,401	75,400	29,326	90,492	369,619
Rates of depreciation		**20%**	**10%**	**15%**	**15%**	

5 MICROCREDIT RECEIVABLES, secured - net

	Note	2014 PKR	2014 USD	2013 PKR	2013 USD
Microcredit receivables:					
- considered good		**1,181,322,924**	**11,756,796**	829,921,564	7,880,000
- considered doubtful		**43,461,204**	**432,536**	54,373,589	516,270
	5.1	**1,224,784,128**	**12,189,332**	884,295,153	8,396,270
Provision against doubtful receivables	*5.2*	**(43,461,204)**	**(432,536)**	(54,373,589)	(516,270)
Amounts withheld for settlement against last installment	*5.5*	**(182,422,748)**	**(1,815,513)**	(140,491,748)	(1,333,951)
		998,900,176	**9,941,283**	689,429,816	6,546,049

5.1 Movement in microcredit receivables is as follows :

		2014 PKR	2014 USD	2013 PKR	2013 USD
Opening balance		**884,295,153**	**8,396,270**	820,199,232	8,442,607
Disbursements during the year	*5.3*	**2,365,275,000**	**23,390,773**	1,764,301,000	17,202,343
Recoveries made during the year		**(1,988,140,542)**	**(19,661,200)**	(1,640,010,542)	(15,990,483)
Principal written off during the year		**(36,645,483)**	**(362,396)**	(60,194,537)	(586,911)
Effect of convenience translation		**-**	**425,885**	-	(671,286)
		1,224,784,128	**12,189,332**	884,295,153	8,396,270

5.2 Particulars of provision are as follows:

Opening balance	**54,373,589**	**516,270**	63,280,866	651,373
Provision made during the year	**25,733,098**	**254,481**	51,287,260	500,063
Provision adjusted against principal written off	**(36,645,483)**	**(362,396)**	(60,194,537)	(586,911)
Effect of convenience translation	**-**	**24,181**	-	(48,255)
	43,461,204	**432,536**	54,373,589	516,270

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 carried service charges at flat rate of 22% (2013: 20% per annum till April 2013 and 22% onwards). 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.

	2014 - Gross		2013 - Gross	
	PKR	USD	PKR	USD
5.4 Age analysis of microcredit receivables				
No past due	1,192,030,328	11,863,359	830,822,702	7,888,556
Over due by: - 30 days	5,894,755	58,666	4,674,007	44,379
31-180 days	9,116,367	90,728	12,059,456	114,503
181-350 days	960,367	9,558	6,509,777	61,810
351 days and above past due	16,782,311	167,021	30,229,211	287,022
	1,224,784,128	12,189,332	884,295,153	8,396,270

At the balance sheet date, management has recorded a provision of PKR 43.461 million (USD 0.432 million) (2013: PKR 54.37 million, USD 0.51 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.

	2014		2013	
	PKR	USD	PKR	USD
6 ADVANCES - unsecured, considered good				
Employees	-	-	166,950	1,585
Suppliers	229,874	2,288	3,952,892	37,532
Others	-	-	635,874	6,038
	229,874	2,288	4,755,716	45,155

7 DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014		2013	
		PKR	USD	PKR	USD
Security deposits		8,269,200	82,297	5,216,350	49,529
Prepaid rent		805,834	8,020	764,091	7,255
Account receivables		619,452	6,165	-	-
Receivable from donor	7.1 & 16	28,193,811	280,591	48,725,354	462,641
		37,888,297	377,073	54,705,795	519,425

7.1 This represents amount receivable in relation to overspent balance of projects in progress.

8 ACCRUED INTEREST AND SERVICE CHARGES

	2014		2013	
	PKR	USD	PKR	USD
On microcredit receivables	14,084,309	139,283	14,060,634	133,504
Service charges written off	(3,205,425)	(31,699)	(4,023,294)	(39,228)
Effect of translation	-	685	-	1,027
	10,878,884	108,269	10,037,340	95,303

		Note	2014		2013	
			PKR	USD	PKR	USD
9	**CASH AND BANK BALANCES**					
	Cash in hand					
	- Local currency	*9.1*	**625,853**	**6,229**	1,204,438	11,436
	- Foreign currency		**-**	**-**	70,143	666
			625,853	6,229	1,274,581	12,102
	Cash at banks					
	- Local currency - current accounts		31,740,332	315,887	317,154,397	3,011,341
	- Local currency - saving accounts		13,005	129	1,483,236	14,083
	- Foreign currency - current accounts	*9.2*	69,885,605	695,518	50,804,683	482,384
	- Foreign currency - saving accounts		51,360,854	511,155	35,011,738	332,432
			152,999,796	1,522,689	404,454,054	3,840,240
			153,625,649	1,528,918	405,728,635	3,852,342

9.1 This is net of Rs. 2,642,243 (2013: 1,370,848) written off consequent to theft.

9.2 This includes Rs. 50,240,000 (USD 500,000) placed with Habib Bank Limited as lien against running finance facility (Note 17.2)

			2014		2013	
			PKR	USD	PKR	USD
10	**GENERAL FUND BALANCES**					
	BRAC USA	*10.1*	**125,850,000**	**1,500,000**	125,850,000	1,500,000
	BRAC Bangladesh	*10.1*	**255,413,000**	**2,589,251**	153,033,000	1,589,251
			381,263,000	**4,089,251**	278,883,000	3,089,251

10.1 These represent contributions for the purpose of microfinance activity and self sustainability of the Company. Pursuant to approval from BRAC Bangladesh vide letter reference Grant No. 2013-001 dated 18 June 2013, amount of PKR 108.240 million (USD 1,098 million) payable to BRAC Bangladesh has been transferred to fund balance.

		Note	2014		2013	
			PKR	USD	PKR	USD
11	**LONG TERM LOANS, secured**					
	From Pakistan Poverty Alleviation Fund (PPAF)					
	PPAF III Phase V	*17.1 & 17.2*	**72,500,000**	**721,537**	104,975,000	996,724
	PPAF Phase V	*17.1 & 17.2*	**42,400,000**	**421,975**	56,525,000	536,698
	PPAF Phase V reflows	*17.1 & 17.2*	**220,000,000**	**2,189,490**	512,750,000	4,868,496
	PPAF III Phase VI	*17.1 & 17.2*	**250,000,000**	**2,488,057**	-	-
			584,900,000	**5,821,059**	674,250,000	6,401,918
	Less: Transferred to current portion		**(440,600,000)**	**(4,384,952)**	(432,350,000)	(4,105,108)
			144,300,000	**1,436,107**	241,900,000	2,296,810
12	**DEFERRED GRANT**					
	Opening balance		**21,330,077**	**202,526**	11,318,727	116,508
	Property and equipment purchased during the year	*16*	**8,350,688**	**82,582**	13,007,037	(126,822)
	Recognition of deferred grant as income		**(5,323,864)**	**(52,649)**	(2,995,687)	(29,209)
	Effect of translation		**-**	**9,946**	-	242,049
			24,356,901	**242,405**	21,330,077	202,526

	Note	2014 PKR	2014 USD	2013 PKR	2013 USD
13 DEFERRED LIABILITIES					
Staff gratuity scheme	*13.1*	**35,652,711**	**354,824**	32,853,817	311,943
Staff self insurance scheme	*13.2*	**3,004,169**	**29,898**	1,527,958	14,508
		38,656,880	**384,722**	34,381,775	326,451

13.1 Staff gratituity scheme

a) Movement in present value of defined benefit obligation recognized in balance sheet

Opening balance		**32,853,817**	**311,943**	25,866,755	266,256
Expense recognized for the year	*21*	**16,102,879**	**159,245**	14,040,043	136,894
Actuarial loss / (gain) recognized during the year		**(5,802,911)**	**(57,386)**	1,444,568	14,085
Benefits paid during the year		**(7,501,074)**	**(74,180)**	(8,497,549)	(82,853)
Effect of translation		**-**	**(42,184)**	-	(22,439)
Present value of defined benefit obligation at end of the year		**35,652,711**	**354,824**	32,853,817	311,943

b) Movement of actuarial gains

Actuarial gain on obligations during the year	**4,909,617**	**48,552**	(1,444,568)	(14,085)
Actuarial (gain) / loss recognised during the year to other comprehensive income	**(4,909,617)**	**(48,552)**	1,444,568	14,085
Unrecognized actuarial gain at end of the year	**-**	**-**	-	-

c) Particulars of expense for the year

Current service cost		**12,464,969**	**123,269**	11,553,975	112,654
Interest cost		**3,637,910**	**35,976**	2,486,068	24,240
Total charge for the year	*21*	**16,102,879**	**159,245**	14,040,043	136,894

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

Discount rate	**10.50%**	**N/A**	12.50%	N/A
Expected rate of salary growth	**9.50%**	**N/A**	11.50%	N/A
Mortality rate	**Adjusted EFU 61-66**	**N/A**	Adjusted EFU 61-66	N/A
	mortality table	**N/A**	mortality table	N/A

e) Expected annual charge for the next year	**16,680,429**	**164,957**	16,130,131	157,273

f) Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. For a chanfe of 100 basis points in these assumptions, present value of defined benefit obligation as at 31 December 2014 would have been as follows;

	Defined Benefit Obligation		Defined Benefit Obligation	
	In case of 1% incerase	In case of 1% decrease	In case of 1% incerase	In case of 1% decrease
	PKR		USD	
Financials assumptions				
Discount rate	33,551,122	38,186,434	331,795	377,635
Future salary growth	38,332,720	33,390,235	379,081	330,204
Demographic assumption				
Future withdrawal	35,868,448	35,407,673	354,712	350,155

	Defined Benefit Obligation		Defined Benefit Obligation	
	In case of 01 year mortality age set back	In case of 01 year mortality age set forward	In case of 01 year mortality age set back	In case of 01 year mortality age set forward
	PKR		USD	
Mortality rate	35,659,108	35,646,275	352,641	352,515

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at 31 December 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Maturity Profile

Year 01	Year 02	Year 03	Year 04	Year 05	Year 06 to year 10	Year 11 and above
			Rupees			
5,291,495	4,532,908	3,907,749	3,385,751	2,945,056	10,543,472	100,814,984

Risks Associated with Defined Benefit Plans

i) Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

ii) Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

iii) Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

iv) Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

13.2 Staff self insurance scheme

a) The Company has funded 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 using Projected Unit Credit Method (PUC). Latest actuarial valuation was carried out as at 31 December 2014. Charge in respect of staff self insurance scheme for the year amounts to PKR 1.476 million (USD: 14,599).

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

	2014	2013
Discount rate	**10.50%**	12.50%
Expected rate of salary growth	**9.50%**	11.50%
Mortality rate and disability rate	**EFU 61-66 mortality table**	EFU 61-66 mortality table

	Note	**2014**		2013	
		PKR	**USD**	PKR	USD
c) Expected annual charge for the next year		**1,020,483**	**10,092**	754,051	7,160

14 PAYABLE TO RELATED PARTIES

	Note	**2014**		2013	
		PKR	**USD**	PKR	USD
BRAC Bangladesh - Head office	14.1	78,100,489	777,274	59,938,327	569,107
Stichting BRAC International	14.2	32,762,815	326,063	29,228,807	277,524
		110,863,304	1,103,337	89,167,134	846,631

14.1 This represents amount payable to BRAC Bangladesh on account of expenditure incurred on behalf of the Company.

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 21).

	Note	**2014**		**2013**	
		PKR	**USD**	PKR	USD
15 ACCRUED AND OTHER LIABILITIES					
Salaries payable		**1,337,791**	**13,314**	2,069,872	19,653
Withholding tax deducted at source		**364,564**	**3,628**	925,119	8,784
Transferred from restricted grant	*15.1*	**227,528**	**2,264**	2,098,081	19,921
Accrued expenses		**2,637,112**	**26,245**	6,257,278	59,412
Others		**6,040,416**	**60,116**	2,774,732	26,346
		10,607,411	**105,567**	14,125,082	134,116

15.1 This represents unspent funds transferred from restricted grant to other payables on completion of the projects. (Refer Note 16).

BRAC Pakistan

Notes to the Financial Statements

For the year ended 31 December 2014

16 RESTRICTED GRANT

	Note	Micro Finance		Non- Micro Finance								Total	Total
		Capacity Building PPAF-III	BRAC USA	Health BRAC USA	Education BRAC USA	Education EFS-200 Schools	Education Stiching BRAC/DFID (Note 16.2)	Education EFS-500 Schools	LEP & ID PPAF	Research for LEP DFATD	BSP	2014	2013
		Rupees											
Movement in restricted grant during the year is as follows:													
Opening balance		11,206,510	-	2,111,372	941,709	4,572,989	1,371,370	93,646,166	-	3,278,458	-	117,128,574	192,514,709
Received during the year		2,950,000	1,185,075	11,659,820	3,872,331	84,562,517	13,669,369	56,901,701	52,885,854	3,267,612	862,000	231,816,279	76,548,122
Company's contribution		-	-	-	-	-	2,746,311	-	-	129,000	-	2,875,311	203,818,959
Interest earned on saving bank accounts		-	-	-	-	-	-	-	13,703	84,000	-	97,703	6,429,151
Utilised during the year against:													-
- Capital expenditure	12	-	-	-	-	(1,176,495)	(8,700)	(7,165,493)	-	-	-	(8,350,688)	(13,007,037)
- Operating expenditure	16.1	(11,076,722)	(1,185,075)	(5,522,462)	(1,185,282)	(83,196,630)	(18,671,360)	(166,256,716)	(57,881,612)	(3,448,588)	(1,736,607)	(350,161,054)	(203,774,617)
Adjustment		-	-	-	-	-	-	-	-	-	-	-	(1,611,358)
Transferred to other payables	15	(227,528)	-	-	-	-	-	-	-	-	-	(227,528)	-
Transferred to other receivables	7	-	-	-	-	-	996,997	22,546,802	3,775,405	-	874,607	28,193,811	48,725,354
		2,852,260	-	8,248,730	3,628,758	4,762,381	-	-	(1,206,650)	3,310,482	-	21,372,408	117,128,574
		USD											
Opening balance		110,824	-	20,880	9,313	45,223	13,562	926,089	-	32,421	-	1,158,313	787,937
Received during the year		29,173	11,719	115,307	38,294	836,259	135,180	562,715	523,001	32,314	8,525	2,292,487	1,987,282
Company's contribution		-	-	-	-	-	27,159	-	-	1,276	-	28,435	62,685
Interest earned on saving bank accounts		-	-	-	-	-	-	-	136	831	-	967	-
Utilised during the year against:													
- Capital expenditure	12	-	-	-	-	(11,635)	(86)	(70,861)	-	-	-	(82,582)	(126,822)
- Operating expenditure	16.1	(109,540)	(11,719)	(54,613)	(11,722)	(822,751)	(184,646)	(1,644,153)	(572,405)	(34,104)	(17,174)	(3,462,827)	(1,986,849)
Adjustments		-	-	-	-	-	-	-	-	-	-	-	(31,012)
Transferred to other payables	15	(2,264)	-	-	-	-	-	-	-	-	-	(2,264)	-
Transferred to other receivables	7	-	-	-	-	-	9,922	224,391	37,574	-	8,704	280,591	462,641
Effect of translation		193	-	519	229	300	(1,091)	1,819	(315)	209	(55)	(417)	(43,741)
		28,386	-	82,093	36,114	47,396	-	-	(12,009)	32,947	-	212,703	1,112,121

BRAC Pakistan

Notes to the Financial Statements

For the year ended 31 December 2014

16.1 Expenditure charged during the year is as follows:

	Micro Finance		Non- Micro Finance								Total	Total
	Capacity Building PPAF-III	BRAC USA	Health BRAC USA	Education BRAC USA	Education EFS-200 Schools	Education Stiching BRAC/DFID (Note 16.2)	Education EFS-500 Schools	LEP & ID PPAF	Research for LEP DFATD	BSP	2014	2013
	Rupees											
Salaries and benefits	5,985,542	-	3,018,410	248,095	12,912,958	7,139,526	27,950,188	6,402,904	3,448,365	1,079,823	68,185,811	42,775,849
Rent	584,994	-	248,010	114,567	11,174,960	1,951,643	3,440,260	695,405	-	39,325	18,249,164	18,131,316
Utilities	75,107	-	100,897	-	391,847	125,664	734,087	309,365	-	8,796	1,745,763	1,308,641
Printing and stationeries	359,388	-	196,757	18,178	536,208	26,192	866,395	170,637	-	354,979	2,528,734	2,217,664
Travelling and transportation	264,016	-	414,162	66,267	2,460,856	705,512	5,678,513	54,972	-	251,714	9,896,012	4,196,981
Training and development	3,807,675	1,185,075	794,054	529,503	21,681,345	3,805,944	42,744,921	1,023,500	-	-	75,572,017	34,468,024
Program supplies and related expenses	-	-	211,922	-	30,794,824	3,281,353	78,991,569	47,312,242	-	-	160,591,910	92,315,569
Head office logistics and management fees	-	-	365,821	205,716	2,929,500	1,398,696	2,863,692	-	-	-	7,763,425	3,653,149
Maintenance and general expenses	-	-	166,574	2,392	281,392	218,251	2,604,434	1,786,424	223	58	5,059,748	4,538,357
Self Insurance	-	-	5,855	564	32,740	18,579	67,657	126,163	-	1,912	253,470	169,067
Audit fee	-	-	-	-	-		315,000	-	-	-	315,000	-
	11,076,722	1,185,075	5,522,462	1,185,282	83,196,630	18,671,360	166,256,716	57,881,612	3,448,588	1,736,607	350,161,054	203,774,617
	USD											
Salaries and benefits	59,192	-	29,850	2,453	127,699	70,604	276,406	63,320	34,102	10,679	674,306	417,074
Rent	5,785	-	2,453	1,133	110,512	19,300	34,022	6,877	-	389	180,470	176,784
Utilities	743	-	998	-	3,875	1,243	7,260	3,059	-	87	17,264	12,759
Printing and stationeries	3,554	-	1,946	180	5,303	259	8,568	1,687	-	3,510	25,007	21,622
Travelling and transportation	2,611	-	4,096	655	24,336	6,977	56,156	544	-	2,489	97,864	40,923
Training and development	37,655	11,719	7,853	5,236	214,412	37,638	422,715	10,122	-	-	747,350	336,070
Program supplies and related expenses	-	-	2,096	-	304,537	32,450	781,167	467,882	-	-	1,588,132	900,099
Head office logistics and management fees	-	-	3,618	2,034	28,971	13,832	28,320	-	-	-	76,774	35,618
Maintenance and general expenses	-	-	1,647	24	2,783	2,158	25,756	17,666	2	1	50,037	44,251
Self Insurance	-	-	58	6	324	184	669	1,248	-	19	2,507	1,649
Audit fee	-	-	-	-	-	-	3,115	-	-	-	3,115	-
	109,540	11,719	54,615	11,721	822,752	184,645	1,644,154	572,405	34,104	17,154	3,462,826	1,986,849

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 2014 under the grant agreements, is expected to be utilized in the next year.

17 SHORT TERM LOANS

These represent following loans obtained by the Company:

	Note	2014 PKR	2014 USD	2013 PKR	2013 USD
From banking companies					
Habib Bank Limited (HBL)	*17.1 & 17.2*	**241,370,019**	**2,402,170**	200,775,899	1,906,342
Standard Chartered Bank (Pakistan) Limited (SCB)	*17.1 & 17.2*	**21,823,307**	**217,191**	-	-
From others, unsecured					
KIVA Microfinancing	*17.1 & 17.2*	**50,381,429**	**501,408**	58,392,160	554,426
		313,574,755	**3,120,769**	259,168,059	2,460,768
Movement during the year is as follows:					
Opening balance		**259,168,059**	**2,460,769**	280,616,548	2,888,487
Received during the year					
KIVA Microfinancing	*17.1 & 17.2*	**24,899,820**	**246,240**	45,116,454	439,896
Standard Chartered Bank (Pakistan) Limited (SCB)	*17.1 & 17.2*	**80,923,307**	**800,270**	-	-
Habib Bank Limited	*17.1 & 17.2*	**754,475,428**	**7,461,189**	920,396,549	8,974,079
		860,298,555	**8,507,699**	965,513,003	9,413,975
Repayments during the year		**(805,891,859)**	**(7,969,658)**	(986,961,492)	(9,623,103)
Effect of translation		**-**	**121,959**	-	(218,591)
		313,574,755	**3,120,769**	259,168,059	2,460,768

17.1 Terms and conditions of these borrowings are given below:

Loan	Availability period	Total facility amount	Amount received to date under the agreement	Mark-up rate per annum as per agreement	Number of installments outstanding	Availability period*/ Date of final repayment
		PKR	PKR	(%)		
Short term loans						
Banking companies						
i) Habib Bank Limited	March 2014 to February 2016	200,000,000	199,867,184	11%	Bullet payment	28 February 2016*
ii) Standard Chartered Bank (Pakistan) Limited	April 2014 to March 2015	50,000,000	21,823,306	Average 3 Months KIBOR of last 05 working days of the last quarter (to be revised quarterly)	Bullet payment	31 March 2015*
iii) Habib Bank Limited	December 2014 to December 2015	50,000,000	41,502,255	3 Months KIBOR + 0.75%	Bullet payment	10 November 2016*
Pakistan Poverty Alleviation Fund (PPAF) and others						
iv) KIVA Microfinancing	December 2014 to December 2016	856,089,600	50,381,429	0%	Monthly installments	12 months from the date of disbursement
Long term loans from PPAF						
v) PPAF III Phase V	January 2012 to September 2013	130,000,000	130,000,000	Six months KIBOR Six months KIBOR less 500 bps	4 quarterly	15 September 2015
vi) PPAF Phase V	January 2012 to December 2013	70,000,000	70,000,000	Six months KIBOR	4 quarterly	15 September 2015
vii) PPAF Phase V reflows	January 2012 to December 2013	700,000,000	700,000,000	Six months KIBOR	4 quarterly	15 September 2015
viii) PPAF III Phase VI	April 2014 to September 2014	250,000,000	250,000,000	Six months KIBOR	6 quarterly	15 September 2016

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

17.2 Finance (i) through (iii) is obtained for operational working capital needs of the Company. (i) & (ii) is secured against assignment of lien on PPAF's term deposits with HBL & SCB respectively. Finance (iii) is secured against deposit of US 500,000. Finances (iv) through (viii) 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 (iv) which is unsecured.

Loans from PPAF are at a slightly lower rate than other borrowings availed by the Company. Funds received from PPAF during the year are utilised in the districts as agreed as in the agreement.

18 CONTINGENCIES AND COMMITMENTS

There are certain cases outstanding as on 31 December 2014. The management assess and claim favorable outcome in these cases and the lawyers have also asserted management claims in respect of favorable outcome.

The Company has capital commitments up to the amount of restricted grant.

19 GRANT INCOME

	Note	2014 PKR	2014 USD	2013 PKR	2013 USD
Transfer from restricted grant	*16*	**350,161,054**	**3,462,827**	203,774,617	1,986,849
Transfer from other payables	*19.1*	**-**	**-**	39,703,172	387,115
		350,161,054	**3,462,827**	243,477,789	2,373,964

19.1 This mainly represented amount transferred from other payables upon approval of revised statement of expenditures (SOEs) to the donor and release of liability.

20 OTHER INCOME

	2014 PKR	2014 USD	2013 PKR	2013 USD
Accrued interest written off	**-**	**-**	18,437,455	179,769
Others	**768,753**	**7,603**	5,165,536	50,365
Loan application fee	**1,933,560**	**19,121**	1,126,150	10,980
	2,702,313	**26,724**	24,729,141	241,114

21 ADMINISTRATIVE AND PROGRAM EXPENSES

	Note	2014 PKR	2014 USD	2013 PKR	2013 USD
Salaries and benefits	*13.1*	**279,789,301**	**2,766,904**	244,535,845	2,384,281
Rent		**34,730,773**	**343,461**	34,938,381	340,657
Utilities		**7,657,350**	**75,725**	7,875,977	76,793
Printing and stationeries		**6,378,438**	**63,078**	5,748,283	56,047
Travelling and transportation		**32,425,670**	**320,665**	24,812,799	241,931
Depreciation	*4*	**10,995,901**	**108,741**	10,275,400	100,188
Training and development		**75,785,307**	**749,459**	38,926,055	379,538
Group member death benefits		**1,720,000**	**17,009**	2,220,000	21,646
Maintenance and general expenses		**16,557,931**	**163,745**	12,273,586	119,670
Head office logistics and management fees	*21.1*	**29,207,842**	**288,843**	22,986,534	224,124
Program supplies and related expenses		**160,591,910**	**1,588,132**	92,315,569	900,098
Professional charges		**1,430,150**	**14,143**	5,321,404	51,885
Staff self insurance scheme	*13.2*	**1,583,149**	**15,656**	429,026	4,183
Items of property and equipment written off		**2,198,955**	**21,746**	2,388,381	23,287
Cash written off due to theft		**2,642,243**	**26,130**	1,370,848	13,366
Security deposit written off		**228,000**	**2,255**	-	-
Payment against tax demands	*21.2*	**8,428,071**	**83,347**	-	-
Auditors' remuneration		**1,155,000**	**11,422**	1,000,000	9,750
		673,505,991	**6,660,461**	507,418,088	4,947,444

21.1 Head office logistics and management fee is based on operating cost (excluding depreciation and write off) incurred at areas, regions and branches.

21.2 This includes Rs. 6,696,624 paid on account of tax demands raised by the taxation authorities for shortfall in tax withheld on payments made during periods relevant to Tax Years 2010 and 2011 and Rs. 1,731,447 paid on account of additional tax for pelayed payment of minimum tax liability for the TAX Years 2010 to 2012.

22 EXCHANGE (LOSS)/GAIN

This has been reclassified from financial charges for better presentation.

23 FINANCIAL CHARGES

	2014		2013	
	PKR	**USD**	PKR	USD
Interest on loans	**67,104,044**	**663,608**	65,822,382	641,783
Bank charges	**447,007**	**4,421**	390,812	3,811
	67,551,051	**668,029**	66,213,194	645,594

24 TAXATION

The Company has applied to the taxation authorities for approval under section 2(36) of the Income Tax Ordinance, 2001 and expects to receive the said approval shortly. Pending decision on this application, the Company has recorded provision for minimum tax in these financial statements.

25 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 7, 10, 14, and 16 to the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 25 to the financial statements. Transactions with related parties are as follows:

	2014		2013	
	PKR	**USD**	PKR	USD
Associated company by virtue of common directorship				
BRAC USA				
- Donations received	**16,717,226**	**165,321**	**6,846,000**	**66,750**
BRAC Bangladesh				
- Expense incurred on behalf of the Company - net	**19,515,069**	**217,691**	**22,554,336**	**219,910**
- Expense incurred by company on behalf of the BRAC Bangladesh - net	**610,179**	**6,034**	**4,539,362**	**44,260**
Stichting BRAC International				
- Donations received	**13,669,369**	**135,180**	**28,585,811**	**278,718**
- Payments made	**20,936,184**	**202,870**	**33,487,441**	**344,521**
- Expense incurred on behalf of the Company	**-**	**-**	**1,813,325**	**17,680**
- Expense incurred by company on behalf of the Stichting BRAC International	**365,309**	**3,613**	**3,792,917**	**36,982**
- Head office logistic / management fees for the year	**29,207,842**	**288,843**	**22,986,534**	**224,124**
Others				
Remuneration to key management personnel (Note 26)				

26 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:

	Cheif Executive	**Directors**	Cheif Executive	Directors
	2014 - PKR		2013 - PKR	
Managerial remuneration	**7,380,000**	**-**	3,730,473	-
Bonus	**551,250**	**-**	-	-
Gratuity	**6,405,000**	**-**	2,100,000	-
	2014 - USD		2013 - USD	
Managerial remuneration	**72,983**	**-**	36,373	-
Bonus	**5,451**	**-**	-	-
Gratuity	**63,341**	**-**	20,475	-
No. of persons	**1**	**3**	1	3

27 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 analyze 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.

27.1 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 categorized under the following headings.

27.1.1 Counterparties

In relation to the Company's exposure to credit risk, microcredit borrowers 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 borrowers 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 borrowers 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 borrowers;

(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.

27.1.2 Exposure to credit risk

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

	2014		2013	
	PKR	**USD**	PKR	USD
Microcredit receivables	**998,900,176**	**9,941,283**	689,429,816	6,546,049
Security deposits	**8,269,200**	**82,297**	5,216,350	49,529
Interest accrued	**10,878,884**	**108,269**	10,037,340	95,303
Bank balances	**152,999,796**	**1,522,689**	404,454,054	3,840,240
Receivable from donor	**28,193,811**	**280,591**	48,725,354	462,641
	1,199,241,867	**11,935,129**	1,157,862,914	10,993,762

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 126,925,103 (USD: 1,263,188) (2012: 335,637,023) (USD: 3,186,831) 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.

27.2 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
	2014 - PKR			
Long term loans	**605,292,940**	**625,831,235**	**475,129,542**	**150,701,693**
Short term loans	**313,574,755**	**313,574,755**	**313,574,755**	**-**
Payable to related parties	**110,863,304**	**110,863,304**	**110,863,304**	**-**
Accrued and other liabilities	**10,607,411**	**10,607,411**	**10,607,411**	**-**
	1,040,338,410	**1,060,876,705**	**910,175,012**	**150,701,693**
	2014 - USD			
Long term loans	**6,024,014**	**6,228,416**	**4,728,598**	**1,499,818**
Short term loans	**3,120,769**	**3,120,768**	**3,120,768**	**-**
Payable to related parties	**1,103,337**	**1,103,337**	**1,103,337**	**-**
Accrued and other liabilities	**105,567**	**105,567**	**105,567**	**-**
	10,353,687	**10,558,088**	**9,058,270**	**1,499,818**

	Carrying amount	Contractual cash outflows	Within one year	Over one year
	2013 - PKR			
Long term loans	690,627,667	735,468,775	487,608,136	247,860,639
Short term loans	259,168,059	264,366,230	264,366,230	-
Payable to related parties	89,167,134	89,167,134	89,167,134	-
Accrued and other liabilities	14,125,082	14,125,082	14,125,082	-
	1,053,087,942	1,103,127,221	855,266,582	247,860,639
	2013 - USD			
Long term loans	6,557,422	6,983,182	4,629,777	2,353,405
Short term loans	2,460,768	2,510,124	2,510,124	-
Payable to related parties	846,631	846,631	846,631	-
Accrued and other liabilities	134,116	134,116	134,116	-
	9,998,937	10,474,053	8,120,648	2,353,405

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

27.3 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.

27.3.1 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.

	2014		2013	
	PKR	**USD**	PKR	USD
Bank balances	**121,246,459**	**1,206,673**	85,816,421	814,816
Payable to related parties	**(110,863,304)**	**(1,103,337)**	(89,167,134)	(846,631)
Net exposure	**10,383,155**	**103,336**	(3,350,713)	(31,815)

Following are the significant exchange rates applied during the year:

	Average rates		**Balance sheet date rate**	
	2014	2013	**2014**	2013
	PKR	PKR	**PKR**	PKR
US Dollars	**101.12**	102.56	**100.48**	105.32

Sensitivity analysis

A ten percent strengthening / (weakening) of the Pakistani Rupees against US Dollars at 31 December would have (decreased) / increased net surplus for the year by PKR 1.038 million (USD:10,333) (2013 : (increased) / decreased net deficit by PKR 0.335 million (USD: 3,181)).

27.3.2 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.

	2014		2013	
	PKR	**USD**	PKR	USD
Fixed rate instruments				
Financial assets				
Bank balances	**51,373,859**	**511,284**	36,494,974	346,515
Microcredit receivables - net	**998,900,176**	**9,941,283**	689,429,816	6,546,049
	1,050,274,035	**10,452,567**	725,924,790	6,892,564
Financial liabilities				
Loan from HBL and KIVA	**291,751,448**	**3,120,769**	(259,168,059)	(2,460,768)
Net exposure	**758,522,587**	**13,573,336**	466,756,731	4,431,796
Variable rate instruments				
Loan from PPAF	**584,900,000**	**5,821,059**	674,250,000	6,401,918

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased surplus by Rs. 5.849 million (USD : 58,211) (2013: PKR 6.74 million ; USD64,019) This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27.4 Fair value

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

27.5 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.

28 OTHER INFORMATION

	2014	2013
Number of employees		
Number of employees as at 31 December (Number)	**754**	672
Average employees during the year (Number)	**713**	824

29 DATE OF APPROVAL

These financial statements were approved by the Board of Directors of BRAC Pakistan in their meeting held on 31 March 2015.

Director Finance

Chief Executive Officer

Director

BRAC Communications/AR14/May15

Photo credit:

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