

**BRAC**

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

**Independent Auditors' Report  
and  
Audited Financial Statements**

**For the year ended 31 December 2011**

**Baker Tilly Pitcher Partners**  
Chartered Accountants  
Sydney, Australia

**ACNABIN**  
Chartered Accountants  
Dhaka, Bangladesh





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## INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY OF BRAC

### Financial Statements for the Year Ended 31 December 2011

#### Report on the Financial Statements

We have audited the accompanying financial statements of BRAC (registered in Bangladesh as a society under the Societies Registration Act 1860 and operating as a non-government development organisation), which are set out on pages 01 to 38, and which comprise the balance sheet as at 31 December 2011, and the statement of income and expenditure, statement of changes in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Governing Body of BRAC's Responsibility for the Financial Statements*

The Governing Body of BRAC is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting policies as summarised in Note 2 to the financial statements, and for such internal control as the Governing Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This report is made solely to the existing Governing Body of BRAC, as a body, in accordance with Clause 37 of the Rules and Regulations of BRAC and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the applicable international auditing standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

It is important to recognise that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgement regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Audits are, therefore, subject to the limitation that material errors, fraud or non-compliance with law or regulations having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion and falsified documentation, an audit designed and executed might not detect a material fraud. Our audit should not be relied to disclose fraud and error that may exist.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respect, the financial position of BRAC as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in conformity with the accounting policies summarized in Note 2 to the financial statements.



**Baker Tilly Pitcher Partners**  
Chartered Accountants  
Sydney, Australia



**ACNABIN**  
Chartered Accountants  
Dhaka, Bangladesh

14 March 2012

**BRAC**

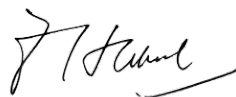
(Registered in Bangladesh under the Societies Registration Act, 1860)

**Balance Sheet**

as at 31 December 2011

	Notes	2011 Taka	2010 Taka
<b>ASSETS</b>			
Cash in hand and at banks	3	10,726,197,131	10,423,106,239
Advance, deposits and prepayments	4	2,257,580,907	2,007,050,318
Inventories	5	3,109,682,789	2,617,486,777
Grants and accounts receivable	6	1,522,043,694	1,540,876,086
Microfinance loans	7	48,399,046,115	38,946,761,741
Motorcycle loans	8	743,562,017	823,406,928
Investments in securities and others	9	235,000,000	170,550,000
Investments in related undertakings	10	7,399,808,731	6,966,792,236
Property, plant and equipment	11	7,838,616,600	7,491,768,947
<b>TOTAL ASSETS</b>		<b>82,231,537,984</b>	<b>70,987,799,272</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Liabilities for expenses and materials	12	4,029,999,595	2,666,901,064
Bank overdrafts	13	5,120,907,332	3,199,576,993
Term loans	14	11,165,623,568	13,067,575,022
Members' savings deposits	15	22,364,367,269	19,966,011,588
Members project & current account		16,695,598	15,706,367
Grants received in advance account	16	5,762,859,156	1,507,216,363
Securitized financing	17	-	645,297,797
Deferred income	18	216,957,532	254,558,723
Other long term liabilities	19	6,374,465,005	5,563,709,403
Provision for taxation	25	640,941,030	490,941,030
<b>Total Liabilities</b>		<b>55,692,816,085</b>	<b>47,377,494,350</b>
<b>Net Assets:</b>			
<b>Capital fund</b>			
-unrestricted		25,679,805,212	22,812,130,179
-temporarily restricted		858,916,687	798,174,743
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>82,231,537,984</b>	<b>70,987,799,272</b>

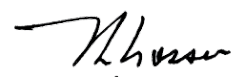
The annexed notes form an integral part of these statements.



Chairperson, Governing Body  
BRAC  
Dhaka, March 14, 2012



Group CFO  
BRAC



Executive Director  
BRAC

**BRAC**

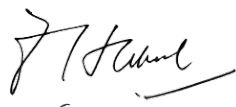
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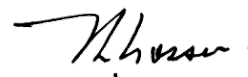
**Statement of Income and Expenditure**

for the year ended 31 December 2011

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2011 Taka
<b>Income</b>				
Donor grants	20	2,297,640	10,044,483,277	10,046,780,917
Revenue from:				
- Income Generating Projects		7,342,675,873	-	7,342,675,873
- Program Support Enterprises		3,372,806,327	-	3,372,806,327
Service charges on microfinance loans		11,851,912,448	-	11,851,912,448
Interest on bank accounts and fixed deposits	21	230,537,415	135,292,609	365,830,024
Investment income	22	545,994,809	-	545,994,809
Other income	23	517,944,253	766,834	518,711,087
Income from House Property		90,861,598	-	90,861,598
<b>Total income</b>	30, 31	23,955,030,363	10,180,542,720	34,135,573,083
<b>Expenditure</b>				
Income Generating Projects		6,353,877,329	-	6,353,877,329
Program Support Enterprises		3,157,743,553	-	3,157,743,553
House Property		80,197,303	-	80,197,303
Education Programme		73,051,304	3,360,953,720	3,434,005,024
Ultra Poor Programme		54,188,500	2,083,148,616	2,137,337,116
Community Empowerment Programme		3,681,981	157,618,323	161,300,304
Human Rights and Legal Services		-	136,546,758	136,546,758
Health Programme		94,751,304	2,646,985,983	2,741,737,287
Water, Sanitation and Hygienic Programme		-	829,577,150	829,577,150
Gender, Justice and Diversity Programme		9,776,923	90,062,688	99,839,611
Micro Finance Programme		10,497,901,219	-	10,497,901,219
Food Security and Climate Change		38,901,638	437,089,680	475,991,318
Other Development Projects		8,212,534	395,870,066	404,082,600
Grants	24	306,040,276	-	306,040,276
<b>Total expenditure</b>	30, 31	20,678,323,864	10,137,852,984	30,816,176,848
Surplus of income over expenditure before taxation		3,276,706,499	42,689,736	3,319,396,235
Taxation	25	(150,000,000)	-	(150,000,000)
<b>Net surplus for the year</b>		3,126,706,499	42,689,736	3,169,396,235

The annexed notes form an integral part of these statements.


Chairperson, Governing Body  
BRAC  
Dhaka, March 14, 2012

Group CFO  
BRAC

Executive Director  
BRAC

# BRAC

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

## Statement of Income and Expenditure

for the year ended 31 December 2010

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2010 Taka
<b>Income</b>				
Donor grants	20	3,286,265	9,794,792,077	9,798,078,342
Revenue from:				
- Income Generating Projects		6,126,566,445	-	6,126,566,445
- Program Support Enterprises		3,065,014,378	-	3,065,014,378
Service charges on microfinance loans		11,815,741,388	-	11,815,741,388
Interest on bank accounts and fixed deposits	21	582,702,295	69,209,002	651,911,297
Investment income	22	488,187,821	-	488,187,821
Other income	23	520,136,348	503,775	520,640,123
Income from House Property		83,411,607	-	83,411,607
<b>Total income</b>	30, 31	22,685,046,547	9,864,504,854	32,549,551,401
<b>Expenditure</b>				
Income Generating Projects		5,220,943,569	-	5,220,943,569
Program Support Enterprises		2,762,233,334	-	2,762,233,334
House Property		55,604,552	-	55,604,552
Education Programme		43,211,718	3,600,183,169	3,643,394,887
Ultra Poor Programme		42,575,320	1,936,897,836	1,979,473,156
Community Empowerment Programme		119,642	123,154,496	123,274,138
Human Rights and Legal Services		-	114,870,293	114,870,293
Health Programme		177,831,154	2,159,360,145	2,337,191,299
Water, Sanitation and Hygienic Programme		-	1,460,358,470	1,460,358,470
Gender, Justice and Diversity Programme		-	49,205,928	49,205,928
Micro Finance Programme		10,076,784,721	-	10,076,784,721
Food Security and Climate Change		23,857,930	219,283,641	243,141,571
Other Development Projects		199,287,736	130,146,940	329,434,676
<b>Total expenditure</b>	30, 31	18,602,449,676	9,793,460,918	28,395,910,594
Surplus of income over expenditure before taxation		4,082,596,871	71,043,936	4,153,640,807
Taxation	25	(212,000,000)	-	(212,000,000)
<b>Net surplus for the year</b>		3,870,596,871	71,043,936	3,941,640,807

The annexed notes form an integral part of these statements.

# BRAC

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

## Statement of Changes in Net Assets

for the year ended 31 December 2011

	Capital Fund		Total Net Assets Taka
	Unrestricted Taka	Temporarily Restricted Taka	
At 1 January 2010	18,670,754,955	699,110,829	19,369,865,784
Net surplus for the year	3,870,596,871	71,043,936	3,941,640,807
Transferred to relief and rehabilitation fund	(50,000,000)	-	(50,000,000)
Transferred to emergency reserve fund	(111,957,867)	-	(111,957,867)
Non-operating appreciation in Related Undertakings	432,333,757	-	432,333,757
Transferred from Motorcycle Replacement Fund	402,463	28,019,978	28,422,441
At 31 December 2010	22,812,130,179	798,174,743	23,610,304,922
At 1 January 2011	22,812,130,179	798,174,743	23,610,304,922
Net surplus for the year	3,126,706,499	42,689,736	3,169,396,235
Transferred to relief and rehabilitation fund	(50,000,000)	-	(50,000,000)
Non-operating appreciation in Related Undertakings	(209,433,929)	-	(209,433,929)
Transferred from Motorcycle Replacement Fund	402,463	18,052,208	18,454,671
At 31 December 2011	25,679,805,212	858,916,687	26,538,721,899

The annexed notes form an integral part of these statements.



# BRAC

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

## Statement of Cash Flows

for the year ended 31 December 2011

Note	2011 Taka	2010 Taka
<b>Cash flows from operating activities:</b>		
Surplus of income over expenditure before taxation	3,319,396,235	4,153,640,807
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loan loss provision	1,686,378,613	1,910,811,625
Depreciation	517,054,235	452,463,727
Gain on disposal of property, plant and equipment	(25,325,849)	(4,495,241)
Loss on disposal of property, plant and equipment	-	1,304,595
Land gifted to BRAC University	246,040,276	-
Share of results in related undertakings	(552,653,565)	(488,451,308)
Reversal of impairment in value of investment in related undertakings	6,658,756	263,487
Donor grants - amortisation of investment in property, plant and equipment	(28,638,042)	(76,368,678)
Interest on fixed deposits and bank accounts	(365,830,024)	(651,911,297)
Adjustments for other accounts:		
(Increase)/ Decrease in service charge outstanding on microfinance loans	(164,794,331)	(60,286,671)
(Increase)/ Decrease in inventories	(492,196,012)	(819,147,718)
(Increase)/ Decrease in advances, deposits and prepayments	(250,530,589)	(527,264,290)
(Increase)/ Decrease in accounts receivable, net	(174,116,604)	(7,641,292)
(Increase)/ Decrease in motorcycle loans	79,844,911	(70,713,484)
Increase/ (Decrease) in liabilities for expenses and materials	1,363,098,531	828,066,510
Increase/ (Decrease) in deferred income	9,491,522	30,952,633
Increase/ (Decrease) in Bank overdrafts	1,921,330,339	(1,170,751,164)
Net cash provided by operating activities	7,095,208,402	3,500,472,241
<b>Cash flows from investing activities:</b>		
Increase/ (Decrease) in microfinance loans	(10,973,868,656)	(1,243,038,516)
(Increase)/ Decrease in fixed deposits pledged with financial institutions	(894,395,159)	(112,149,712)
(Increase)/ Decrease in fixed deposits unpledged	(228,677,509)	(866,599,825)
(Increase)/ Decrease in short term deposits unpledged	1,510,189,181	3,207,754,617
(Increase)/ Decrease in investments in related undertakings	(215,633,107)	(1,241,071,514)
Interest received on fixed deposits and bank accounts	365,830,024	651,911,297
Purchase of property, plant and equipment	(1,176,979,162)	(2,340,880,579)
Proceeds from disposal of property, plant and equipment	92,362,847	8,527,327
Income from sales of share of related undertakings	-	800,000
Dividends received from related undertakings	119,177,492	8,650,227
(Investments in )/Realisation of investment in securities and others	(64,450,000)	(36,450,000)
Net cash used in investing activities	(11,466,444,049)	(1,962,546,678)

# BRAC

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

## Statement of Cash Flows

for the year ended 31 December 2011

### Cash flows from financing activities:

	Note	2011 Taka	2010 Taka
Grants received during the year		14,476,226,186	9,749,515,276
Grants utilised during the year for:			
-operational expenditure & micro-finance		(10,018,142,875)	(9,721,709,664)
-investment in property, plant and equipment		(6,647,522)	(12,466,233)
-motorcycle replacement funds		(2,844,000)	(18,486,400)
Net increase/(decrease) in securitised financing		(645,297,797)	182,937,489
Increase/ (Decrease) in term loans		(1,901,951,454)	(4,172,190,117)
Increase/ (Decrease) in members savings deposits		2,398,355,681	1,567,393,440
Increase/ (Decrease) in other long term liabilities		760,755,602	864,729,290
Increase/(Decrease) in members project and current accounts		989,231	581,040
Net cash (used in)/ provided by financing activities		5,061,443,052	(1,559,695,879)
Net (decrease)/increase in cash and cash equivalents		690,207,405	(21,770,316)
Cash in hand and at bank, beginning of the year		3,691,228,298	3,712,998,614
Cash in hand and at bank, end of the year	3.1	4,381,435,703	3,691,228,298

The annexed notes form an integral part of these statements.

## **BRAC**

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

### **Notes to Financial Statements**

as at and for the year ended 31 December 2011

#### **1 Introduction:**

BRAC, a development organization, was formed in 1972 under the Societies Registration Act 1860. Although it was first set up to resettle refugees in post-war Bangladesh, BRAC later redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor. At present, BRAC has a large number of development programs that cover the areas of health, education, credit, employment and training for the poor people of Bangladesh. BRAC carries out licensed banking activities through the BRAC Bank Ltd. and also earns from various income generating projects such as Aarong Rural Craft Centre, BRAC Printers and Printing Pack, BRAC Dairy and Food project, BRAC Tea Estates, and various programme support enterprises such as poultry farms, feedmills, seedmills and prawn hatcheries.

#### **2 Summary of Significant Accounting Policies:**

BRAC prepares its financial statements on a going concern basis, under the historical cost convention, except for investments in shares in listed companies classified within investment in related undertakings (Note 10), which are valued under equity method. BRAC generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items. The financial statements have been prepared in accordance with comprehensive guidelines and policies as disclosed in the forthcoming paragraphs. The financial statements are expressed in Bangladesh Taka.

The accounting policies have been materially consistent over the years as applied and followed in the preparation and presentation of these financial statements are summarized below:

##### **2.1 Basis of preparation of financial statements**

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

These financial statements include the financial statements of BRAC and, on an equity accounted basis, those of the related undertakings set out in Note 10 in which BRAC has equity interests through which it exercises control or significant influence. As stated in Note 2.4, BRAC, being a society under the Societies Registration Act, 1860, is not subject to any requirement to prepare consolidated financial statements.

In contrast to the ownership of equity interest in related undertakings, BRAC also extends gratuitous grants or provides donor liaison assistance to certain organisations that, in some instances may bear names with resemblance to BRAC, viz BRAC University, BRAC Afghanistan, BRAC Sri Lanka, BRAC Tanzania, BRAC Uganda, BRAC Southern Sudan, BRAC Pakistan, BRAC Liberia and BRAC Sierra Leone. However, no equity is held in these entities, and BRAC's financial statements therefore do not include the financial information of these entities.

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

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

## 2 Summary of Significant Accounting Policies (contd.):

### 2.1 Basis of preparation of financial statements (contd.):

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

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

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

### 2.2 Functional and presentation currency

These financial information are presented in Taka in the financial statements, which is BRAC's functional currency. Except as indicated, financial information have been rounded off to the nearest Taka.

### 2.3 Foreign currency transactions and translations

Foreign currency transactions are converted into equivalent Taka at the ruling exchange rates on the respective dates of such transactions as per BAS-21 "The effect of Changes in Foreign Exchange Rates".

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2011 have been converted into taka at the exchange rates prevailing at that date.

#### Translation gains and losses

Monetary assets and liabilities denominated in foreign currencies as at 31 December 2011 have been converted into taka at the exchange rates prevailing at that date.

The resulting exchange translation gains and losses are recognised in the statement of income and expenditure.

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

	Dec. 2011 Taka	Dec. 2010 Taka
United States Dollars	81.25	70.35
Euro	104.88	91.65
Great Britain Pound	124.55	106.88
Australian Dollars	81.2	-

BRAC's foreign currency denominated assets and liabilities are disclosed in Note 27.

### 2.4 Non-consolidation

BRAC, being a society registered under the Societies Registration Act, 1860 is not subject to any requirement on the preparation of consolidated financial statements. Accordingly, BRAC's investments in related undertakings wherein the effective equity interests are more than 50% are accounted for by the equity method as explained in Note 2.14, together with related undertakings in which the effective equity interests are between 20% and 50%.

## **2 Summary of Significant Accounting Policies (contd.):**

### **2.5 Donor Grants**

Income from donor grants is recognized when conditions on which they depend have been met. Substantially, BRAC's donor grants are for the funding of projects and programmes, and for these grants, income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned. For donor grants provided to purchase motorcycles for specific projects, the related accounting treatment given as per policies stated in Note 2.18.

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

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

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

### **2.6 Revenue Recognition**

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

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

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discount and VAT. Revenue is recognised at the time when significant risks and rewards of ownership have been transferred to the buyer and recovery of consideration is probable. Transfer of risks and rewards occur for the sale of goods, when the product is delivered to the distributor/customers along with dispatch documents and invoices.

Micro finance program- Service charge on microfinance loans

Service charges on microfinance loans are recognized on an accrual basis as income. The recognition of service charge ceases when a loan is transferred to non-interest bearing loan as described in Note 2.11. Service charge is included in income thereafter only when it is realized.

Investment income

Interest on bank accounts, fixed deposits, debentures

Interest income on bank accounts, fixed deposits and debentures are recognised on accrual basis.

House Property Income

House Property Income is recognised on accrual basis whether cash received or not. In case of advance rent, it is adjusted with the monthly rent received from tenants.

Dividend income

Dividend income from shares is recognised when BRAC's right to receive the payment is established.

Other income

Other income is recognized when BRAC's right to receive such income has been reasonably determined.

## 2 Summary of Significant Accounting Policies (contd.):

### 2.7 Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BRAC's Head Office overhead expenses are allocated to various projects and programmes at a range of 7% to 10% of their costs, based on agreement with donors or management's judgement.

### 2.8 Property, plant and equipment

An asset which meets the following criteria is recognised as property, plant and equipment:

- i) Its expected useful life is more than three years;
- ii) Its cost exceeds Tk. 2,000.
- iii) It is tangible; and
- iv) Economic benefit is generated from it.

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

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

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

Repair and maintenance costs are expensed in the period of occurrence.

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the organization and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognized in the statement of income and expenditure as incurred.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and expenditure, when the asset is derecognized.

### 2.9 Microfinance loans

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

## 2 Summary of Significant Accounting Policies (contd.):

### 2.10 Provision for Loan Losses

Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio and calculates the required provision for loan losses based on the loan classification and following provisioning methodology which is shown below .

Loan Classification	Days in Arrears	Provision required
Standard	Current (no arrears)	2%
Watchlist	1 - 30	5%
Substandard	31 - 180	25%
Doubtful	181 - 350	75%
Loss	Over 350	100%

### 2.11 Loans written off

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

### 2.12 Securitisation of Micro Finance Loans

BRAC has entered into an asset securitization financing arrangement involving the sale of a designated pool of micro finance loan receivables ("Designated Loans") originating from its micro finance programme, in return for financing through a trust formed for this purpose, known as the BRAC Micro Credit Securitisation Trust ("the Trust"). Eastern Bank Limited (EBL) is working as Trustee in the securitization arrangement. The investors are FMO, Citi Bank N.A., The City Bank Ltd. and Pubali Bank Ltd.

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

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

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

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

Funds received from the sale of the Designated Loans are recorded as a liability in the Securitised Financing Account, as stated in Note 17. Upon collection from members, BRAC is required to remit the collections based on the agreed terms to the Trustee, and this is accounted for through the Securitised Financing Account. Any prepayment of loans are separately accounted for, and applied as payments against the Securitised Financing Account as the loans mature.

### 2.13 Provision for Liabilities

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

## **2 Summary of Significant Accounting Policies (contd.):**

### **2.14 Investment in Related Undertakings**

Related undertakings refer to separately-established undertakings in which BRAC has effective equity interests of more than 20%. Details of these undertakings are disclosed in Note 10.

BRAC's investments in these undertakings are accounted for by the equity method whereby the investments are initially recorded at cost and subsequently adjusted to reflect BRAC's share of results for each period added to or deducted from the respective investment costs, from the dates of their acquisition and to the dates of their disposal. On disposal, gains or losses representing the difference between the proceeds on disposal and the carrying value of the undertakings at the date of disposal are recognised in the statement of income and expenditure. Gains or losses on dilution of interest in related undertakings, representing the difference in BRAC's share of net assets before and after the dilution concerned is also recognised in the statement of income and expenditure. Any changes in the net assets in the related undertakings other than by the effect of operating results are directly accounted for as a separate item in the equity with corresponding increase/ decrease in the investment. Provision is also made for any impairment if the carrying amount of an investment exceeds its recoverable amount.

### **2.15 Investment in Securities and Others**

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

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

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

### **2.16 Accounts Receivable**

Accounts receivable arise principally from BRAC's income generating activities and programme support enterprises, and are stated net of provision for doubtful debts. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Bad debts are written off when identified.

### **2.17 Inventories**

Retail inventories are stated at cost based on selling price less average mark-up, and other inventories are stated at cost. Cost is determined using the weighted average basis. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

Expenditure is recognized at the moment when such inventory delivered or consumed; obsolete inventories are written off.

In case of write off of inventories, such amount is recognized as an expense in the period.

### **2.18 Motorcycle Replacement Fund**

Applicable donor funds are utilized for providing motorcycles to project or programme staffs and these funds are held in a replacement fund. The cost of providing motorcycles to staff is recovered through monthly salary deductions. Donor funds received and utilized for the purchase of motorcycles are transferred to Motorcycle Replacement Fund, and then to Capital Fund over a period of five years, being the average estimated useful life of the motorcycles.



## **2 Summary of Significant Accounting Policies (contd.):**

### **2.19 Self - Insurance Funds**

BRAC has created a self-insurance fund to cover the risks of cyclone and fire on its properties and motorcycles. This self-insurance fund is based on estimates by the Governing Body, and as from 2001, by reference to external actuarial valuations. It is held as a provision within 'Other long term liabilities', as depicted in Note 19, and is not externally funded.

BRAC also sets aside monthly amounts equivalent to 1% of the basic salary of employees, to constitute the group self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by the employees. The terms of employment provide for payment in the event of death or permanent injury, of amounts ranging from 12 months' equivalent of basic salary in the first year of employment, to 50 months' equivalent of basic salary in the 10th year of employment onwards. The self-insurance fund for employees is held as a provision, also within 'Other long term liabilities' and is not externally funded. It is based on estimates by the Governing Body, and as from 2001, by reference to external actuarial valuations.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediate following financial periods have been determined based on actuarial valuations carried out in 2011 in respect of the funds, and are disclosed in Note 19 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provisions in respect of these funds.

### **2.20 Employee Gratuity and Redundancy Fund**

BRAC makes provisions for an Employee Gratuity and Redundancy fund, on the basis of two months' basic salary for each completed year's service for each permanent employee (based on basic salary of the last month). The fund is held as a provision within 'Other long term liabilities', as depicted in Note 19, and is not externally funded. Gratuity is to be disbursed upon retirement of employees whilst redundancy disbursements are to be made as a one-time termination benefit in the event of cessation of service from BRAC on grounds of redundancy.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediate following financial periods have been determined based on actuarial valuation carried out in 2011, and are disclosed in Note 19 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provision in respect of the fund.

### **2.21 Employee Provident Fund**

BRAC maintains recognised contributory provident fund for its eligible permanent employees. The fund is operated by the Board of Trustees. All confirmed employees are contributing 10% of their basic salary as subscription of the fund. BRAC also contributes equal amount of the employees' contribution to the fund.

### **2.22 Taxation**

Under the Income Tax Ordinance (ITO), 1984, BRAC is subject to taxation for some of its projects and keeps their provision for taxation for its various projects i.e. Aarong, Printers & Printing Pack, Non agro Support Program, Self financing Social Development Program and House Property as referred in Note 25. As per Sixth Schedule, Part- A, Para- 1A of ITO 1984, income from Microfinance activities are tax exempted.

BRAC submits its Return for Tax for the organization as a whole. BRAC generally shows its provision for taxation under self financing social development project head in the segmental financial information.

### **2.23 Borrowing Costs**

Borrowing costs are interest and other costs that BRAC incurs in connection with the borrowing of funds.

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

## **2 Summary of Significant Accounting Policies (contd.):**

### **2.24 Impairment of Assets**

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

An impairment loss is recognised as an expense in the statement of income and expenditure immediately. Impairment losses recognized previous year should be revised in the statement of income and expenditure in case of impairment gain.

### **2.25 Goodwill**

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

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

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.24 above except that an impairment loss for goodwill is not reversed unless the specific external events that caused the impairment loss is reversed by a subsequent external event. Goodwill arising on the acquisition of related undertakings is included within the respective carrying amounts of the related undertakings concerned.

### **2.26 Financial Instruments**

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

- a) **Investments in Related Undertakings**  
Investments in related undertakings are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.24.
- b) **Receivables**  
Receivables are carried at anticipated realisable values. Bad debts are written off when identified and an estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.
- c) **Payables**  
Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.
- d) **Interest-Bearing Borrowings**  
Interest-bearing bank loans, overdrafts and securitised financing are recorded at the amount of proceeds received, net of transactions costs. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investments of funds drawdown from that borrowing facility.

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

### **2.27 Cash in hand and at banks**

Cash in hand and at banks comprise cash in hand and at banks and various term deposits at the end of the year. Included in cash and bank balances are donations which are received through donor grants. By virtue of donor agreements, the manner in which such donations are to be applied may be restricted to specific projects and/or assets.

## **2 Summary of Significant Accounting Policies (contd.):**

### **2.28 Related parties**

The loans provided to the related parties are unsecured and settlement occurs through bank transfer. There have been no guarantees provided or received for any related party receivables or payables.

Disclosures relating to Related Parties are stated in Note 10 and Note 26.

### **2.29 Contingent liability**

Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization; or

Any present obligation that arises from past events but is not recognized because:

- \* it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- \* the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognized in the financial statements as this may result in the recognition of income which may never be realized.

### **2.30 Events after the balance sheet date**

Events after the balance sheet date that provide additional information about the organization's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed.

### **2.31 Implementation of MRA Regulations 2010**

MRA Regulation 2010 has been put into implementation at all level of operations. Hence the effect of this regulation has been materially reflected in figures relating to microfinance activities of the organization

### **2.32 Comparative Figures**

From 2011 we have changed presentation of line items on the face of statement of income and expenditure. This has been done to meet the requirement of strategic Partnership Arrangement (SPA). The 2010 comparatives have been restated to conform to current year's presentation.

	2011 Taka	2010 Taka
<b>3. Cash in hand and at banks</b>		
Cash in hand and at banks (Note 3.1)	4,381,435,703	3,691,228,298
Deposits (Note 3.2)	6,344,761,428	6,731,877,941
	<u>10,726,197,131</u>	<u>10,423,106,239</u>
 3.1 Cash in hand and at bank		
Cash in hand	269,683,303	170,260,697
Cash at banks	4,111,752,400	3,520,967,601
	<u>4,381,435,703</u>	<u>3,691,228,298</u>
 3.2 Deposits		
Fixed deposits pledged with financial institutions (Notes 13 and 14)	3,223,775,256	2,329,380,097
Fixed deposits unpledged	1,729,256,459	1,500,578,950
Short term deposit unpledged	1,391,729,713	2,901,918,894
	<u>6,344,761,428</u>	<u>6,731,877,941</u>
 <b>4. Advance, deposits and prepayments</b>		
Advances:		
Employees	383,815,393	231,979,277
Suppliers	700,295,041	485,789,450
Advance for tax	774,388,509	594,294,683
	<u>1,858,498,943</u>	<u>1,312,063,410</u>
Deposits:		
Deposits for facilities and utilities	8,994,318	3,706,863
Debt service reserve for securitised financing	128,341,644	352,580,661
Prepayments	261,746,002	338,699,384
	<u>2,257,580,907</u>	<u>2,007,050,318</u>
 <b>5. Inventories</b>		
Seeds and feed	513,470,947	452,640,450
Medical supplies and consumables	58,279,398	24,080,154
Printing and stationery	183,837,616	190,037,022
Handicraft goods	2,021,898,485	1,742,557,863
Dairy products	148,059,102	100,208,677
Programme materials	184,137,241	107,962,611
	<u>3,109,682,789</u>	<u>2,617,486,777</u>
 <b>6. Grants and accounts receivable</b>		
Grants receivable (Note 16)	462,967,538	655,916,534
Interest receivable on fixed deposits and bank accounts	457,705,147	346,207,739
Other accounts receivable	634,636,109	571,715,444
	<u>1,555,308,794</u>	<u>1,573,839,717</u>
Provision for doubtful debts	<u>(33,265,100)</u>	<u>(32,963,631)</u>
	<u>1,522,043,694</u>	<u>1,540,876,086</u>

Included in interest receivable on fixed deposits is Tk. 167,989,433 (2010: Tk. 105,567,896) receivable after 12 months.

## 7. Microfinance loans

	Principal outstanding Taka	Service charge receivable Taka	Loan loss provision Taka	Total Taka
At January 1, 2011	43,640,642,907	200,403,449	(4,894,284,615)	38,946,761,741
Additions	86,267,527,000	11,427,470,781	(1,686,378,613)	96,008,619,168
Realisation	(75,293,658,344)	(11,262,676,450)	-	(86,556,334,794)
Write-off	(1,978,930,413)	(163,200,499)	2,142,130,912	-
At December 31, 2011	52,635,581,150	201,997,281	(4,438,532,316)	48,399,046,115

Loans to members bear annual service charges 20% to 27% (declining balance method). Repayments are made in weekly/monthly installments.

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

Loan Classification	Days in Arrears	Rate of Provision for 2011	Loan Outstanding 2011 Taka	Loan loss Provision 2011 Taka	Loan Principal 2010 Taka	Loan loss Provision 2010 Taka
Standard	Current (no arrears)	2%	47,461,369,150	949,227,383	36,857,200,789	1,105,716,024
Watchlist	1 - 30	5%	998,687,552	49,934,378	3,498,083,720	174,904,186
Substandard	31 - 180	25%	959,179,375	239,794,844	252,887,442	50,577,488
Doubtful	181 - 350	75%	67,077,446	50,308,085	1,059,279,943	794,459,957
Loss	Over 350	100%	3,149,267,627	3,149,267,627	2,173,594,462	2,173,594,462
Additional provision for AILA			-	-	-	164,152,898
Additional 1% provision on DABI				-	-	430,879,600
			52,635,581,150	4,438,532,316	43,841,046,356	4,894,284,615

Microfinance loans include certain securitised loan receivables as follows :

	2011 Taka		
	Principal	Interest	Total
Securitised Microfinance Loans	5,093,625,382	781,908,706	5,875,534,088
Less : Collections from members in respect of securitised loans	5,093,625,382	781,908,706	5,875,534,088
	-	-	-

## 7. Microfinance loans (contd.)

In July 2006, BRAC entered into an asset securitization financing arrangement involving the sale of a designated pool of micro finance loan receivables ("Designated Loans") to Eastern Bank Limited ("EBL" or "Trustee"), to raise funds of up to an aggregate of USD 180 million (approximately Taka 12.6 billion) over a period of 6.5 years. Under the arrangement, 12 tranches will be drawn, out of which 7 tranches had already been drawn.

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

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

Apart from the sale of the Designated Loans, BRAC is also obligated to ensure that collateral represented by other microfinance loan receivables ("Collateral Loans") valued at not less than 50% of the Designated Loan outstanding balance is maintained as additional security for the financing arrangement. In addition, BRAC is required to make a security deposit to the Trustee which may be applied towards payments for any amounts due to the Trustee in the event of insufficient funds. At 31 December 2011, total Collateral and Designated Loans have been settled down against securitization transaction.

## 8. Motorcycle Loans

Opening balance  
Addition during the year  
Realization during the year

2011 Taka	2010 Taka
823,406,928	752,693,444
2,343,000	144,206,000
(82,187,911)	(73,492,516)
<u>743,562,017</u>	<u>823,406,928</u>

## 9. Investments in securities and others

DBH 1st Mutual Fund  
Bangladesh Bank Bonds

2011 Taka	2010 Taka
60,000,000	60,000,000
<u>175,000,000</u>	<u>110,550,000</u>
<u>235,000,000</u>	<u>170,550,000</u>

The Bangladesh Bank Bonds earned interest at 8.5% (2010: 8.5%) per annum respectively during the year.

Market value of DBH 1st Mutual Fund at 31 December 2011 was Tk.8.30 per unit (2010: Tk.16.10) and Tk.8.30 per unit (2010: Tk.16.40) on the Dhaka "DSE" and Chittagonj "CSE" stock exchanges respectively.

## 10 Investments in related undertakings

Related undertakings	2011				
	Shares Taka	Share of Reserves Taka	Loans Taka	Provision for impairment in value Taka	Total Taka
BRAC Bank Ltd.	2,669,595,296	2,967,277,024	-	-	5,636,872,320
BRAC Industries Ltd.	24,999,900	3,888,441	-	-	28,888,341
BRAC BD Mail Network Ltd.	186,161,000	(96,763,884)	-	-	89,397,116
Documenta TM Ltd.	2,300,000	3,949,160	-	-	6,249,160
BRAC Services Ltd.	10,000,000	(67,169,523)	75,380,762	(18,211,239)	-
Delta BRAC Housing Finance Corp. Ltd.	40,000,000	220,457,982	-	-	260,457,982
BRAC Kamafuli Tea Company Ltd.	243,908,025	3,093,621	332,359,105	-	579,360,751
BRAC Kaiyachara Tea Company Ltd.	63,300,695	29,516,587	76,813,530	-	169,630,812
BRAC Banshkhali Tea Company Ltd.	27,719,870	(58,229,502)	280,300,033	-	249,790,401
BRAC Kodala Tea Company Ltd.	81,680,954	53,803,666	150,584,295	-	286,068,915
Bangladesh Netting Factory Ltd.	17,071,429	34,359,340	28,080,118	-	79,510,887
BRAC Assets Management Company Ltd.	13,000,000	582,046	-	-	13,582,046
	3,379,737,169	3,094,764,958	943,517,843	(18,211,239)	7,399,808,731

Related undertakings	2010				
	Shares Taka	Share of Reserves Taka	Loans Taka	Provision for impairment in value Taka	Total Taka
BRAC Bank Ltd.	2,669,595,296	2,754,066,669	-	-	5,423,661,965
BRAC Industries Ltd.	24,999,900	2,560,180	-	-	27,560,080
BRAC BD Mail Network Ltd.	186,161,000	(97,442,344)	-	-	88,718,656
Documenta TM Ltd.	2,300,000	3,809,350	-	-	6,109,350
BRAC Services Ltd.	10,000,000	(63,320,025)	64,872,510	(11,552,485)	-
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	206,295,375	-	-	256,295,375
BRAC Kamafuli Tea Company Ltd.	243,908,025	2,875,273	263,604,192	-	510,387,490
BRAC Kaiyachara Tea Company Ltd.	63,300,695	15,570,007	47,701,292	-	126,571,994
BRAC Banshkhali Tea Company Ltd.	27,719,870	(49,427,101)	186,527,298	-	164,820,067
BRAC Kodala Tea Company Ltd.	81,680,954	60,818,040	124,913,703	-	267,412,697
Bangladesh Netting Factory Ltd.	17,071,429	34,917,392	30,265,741	-	82,254,562
BRAC Assets Management Company Ltd.	13,000,000	-	-	-	13,000,000
	3,389,737,169	2,870,722,816	717,884,736	(11,552,485)	6,966,792,236

Represented by:

Share of net tangible assets

Goodwill on acquisition

Loans

2011	2010
6,277,333,061	6,069,949,673
178,957,827	178,957,827
943,517,843	717,884,736
7,399,808,731	6,966,792,236

## 10 Investments in related undertakings (contd)

Related undertakings (All Incorporated in Bangladesh)	2011	2010	Principal activities
BRAC Bank Ltd.	43.77	43.77	Banking business, listed on the Dhaka and Chittagong Stock Exchanges
BRAC Industries Ltd.	99.9	99.9	Cold storage
BRAC BD Mail Network Ltd.	20.0	20.0	Internet service provider
BRAC Services Ltd.	100.0	100.0	Hospitality
Delta BRAC Housing Finance Corp.Ltd.	18.39	20.37	Housing finance, listed on the Dhaka and Chittagong Stock Exchanges
Documenta TM Ltd.	70.0	70.0	Software development
BRAC Kamafuli Tea Company Ltd.	99.9	99.9	Tea plantation
BRAC Kaiyachara Tea Company Ltd.	99.9	99.9	Tea plantation
BRAC Banshkhali Tea Company Ltd.	99.9	99.9	Tea plantation
BRAC Kodala Tea Company Ltd.	99.1	99.1	Tea plantation
Bangladesh Netting Factory Ltd.	94.0	94.0	Poultry Processing
BRAC Assets Management Company Ltd.	26.0	26.0	Management of Assets and Portfolio Investment

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

Loans represent finance provided for working capital and earn 12% (2010: 12%) interest per annum. These loans have no fixed repayment terms.

The market value of BRAC Bank Ltd. shares at 31 December 2011 was Tk. 45.7 per share (2010: Tk 85.63) and Tk.46.0 per share (2010: Tk.85.85 on the Dhaka ("DSE") and Chittagong ("CSE") Stock Exchanges respectively.

The market value of Delta BRAC Housing Finance Corporation Ltd. shares at 31 December 2011 was Tk. 91.60 per share (2010: Tk.249.80) and Tk. 88.0 per share (2010: Tk.254.0) on the DSE and CSE respectively.

Significant events during the year:

### BRAC Bank Ltd.

On December 01, 2011 the face value of each share has changed from Tk.100 per share to Tk.10 per share and market lot of shares from 50 shares to 500 shares in each lot.

### Delta BRAC Housing Finance Corp.Ltd.

On December 01, 2011 the face value of each share has changed from Tk. 100 per share to Tk. 10 per share.



# 11. Property, plant and equipment

Group of fixed assets	Amount in Taka										
	Cost			Depreciation		Written down value	Written down value				
	Opening balance 01-01-2011	Additions during the year	Transferred during the year	Disposals and written offs during the year	Closing balance 31-12-2011	Operating balance 01-01-2011	Charged during the year	Adjustment/ disposals and written offs during the year	Closing Balance 31-12-2011	31-12-2011	31-12-2010
Freehold land	4,073,852,475	302,548,665	-	(257,631,076)	4,118,770,064	-	-	-	-	4,118,770,064	4,073,852,475
Buildings	3,243,405,787	-	232,501,088	(55,446,198)	3,420,460,677	1,116,577,097	163,634,270	-	1,280,211,367	2,140,249,310	2,126,828,690
Furniture & fixtures	715,000,837	151,604,027	-	(12,916,244)	853,688,620	487,777,563	61,319,371	(12,916,244)	536,180,690	317,507,930	227,223,274
Equipment	1,204,469,227	132,527,252	-	(2,986,491)	1,334,009,988	903,368,719	82,195,097	(2,986,491)	982,577,325	351,432,663	301,100,508
Computer	292,191,273	59,675,468	-	(9,196,471)	342,670,270	254,242,872	34,953,295	(9,196,471)	279,999,696	62,670,574	37,948,401
Vehicles	480,634,841	81,133,567	-	(11,872,236)	549,896,172	354,387,725	51,374,402	(11,872,236)	393,889,891	156,006,281	126,247,116
Bicycles	33,722,822	533,777	-	(1,034,909)	33,221,690	23,779,279	2,252,645	(1,034,909)	24,997,015	8,224,675	9,943,543
Machineries	901,125,623	44,036,120	-	(10,194,251)	934,967,492	572,915,436	68,310,681	(10,194,251)	631,031,866	303,935,626	328,210,187
Deep tubewells and tanks	16,777,308	2,596,481	-	-	19,373,789	12,505,031	1,431,702	-	13,936,733	5,437,056	4,272,277
Hatcheries	12,277,691	748,101	-	-	13,025,792	11,151,430	1,874,362	-	13,025,792	-	1,126,261
Camp/Poultry/Livestock sheds	213,805,940	66,046,006	-	-	279,851,946	102,130,481	18,023,706	-	120,154,187	159,697,759	111,675,459
Motorcycles	1,466,495	81,250	-	-	1,547,745	1,466,494	-	-	1,466,494	81,251	1
Construction work-in-progress	97,640,380	235,790,683	(232,501,088)	-	100,929,975	-	-	-	-	100,929,975	97,640,380
Crates/Mannequins/Samples/Antiques	141,878,837	99,657,765	-	-	241,536,602	96,178,462	31,684,704	-	127,863,166	113,673,436	45,700,375
Total 2011	11,428,249,536	1,176,979,162	-	(361,277,876)	12,243,950,822	3,936,480,589	517,054,235	(48,200,602)	4,405,334,222	7,838,616,600	7,491,768,947
Total 2010	9,124,648,893	2,340,880,579	-	(37,279,936)	11,428,249,536	3,515,960,117	452,463,727	(31,943,255)	3,936,480,589	7,491,768,947	

## Allocation of depreciation:

- i) included in cost of sales of commercial projects
- ii) included in programme related expenses

Dec. 2011	Dec. 2010
78,915,250	20,912,913
438,138,985	431,550,814
<b>517,054,235</b>	<b>452,463,727</b>

An amount of Tk. 28,638,042 (2010: 76,368,678) has been transferred to the statement of income and expenditure from Deferred income - investment in fixed assets to cover the depreciation charge for donor funded fixed assets as disclosed in Notes 18 & 20.

Landed properties with an aggregate net book value of Tk. 1,136,850,570 (2010: 1,024,045,904) have been pledged to secure overdraft facilities and term loans as disclosed in Notes 13 and 14 to the financial statements.

**12. Liabilities for expenses and materials**

Liabilities for expenses  
 Liabilities for goods  
 Advances received for training, publications, supplies etc.

2011 Taka	2010 Taka
2,717,731,595	1,577,772,259
406,267,962	414,963,214
906,000,038	674,165,591
<u>4,029,999,595</u>	<u>2,666,901,064</u>

**13. Bank overdrafts**

	2011 Taka	2010 Taka
AB Bank Ltd.	29,547,466	182,822,348
* Agrani Bank Ltd.	25,229,525	141,636,178
* Bangladesh Krishi Bank (BKB)	234,356,307	42,872,603
Bank Alfalah Ltd.	16,851,418	55,339,922
Bank Asia Ltd.	4,760,839	123,515,632
Dhaka Bank Ltd.	139,891	200,840,411
Dutch Bangla Bank Ltd.	9,668,094	14,923,031
Eastern Bank Ltd.	21,530,133	55,483,086
HSBC Bank Ltd.	48,254	-
IFIC Bank Ltd.	351,448	279,076,744
Janata Bank Ltd.	16,471,629	133,583,135
National Bank Ltd.	-	114,530,337
Premier Bank Ltd.	3,335,451	47,405,853
Prime Bank Ltd.	963,316,518	280,518,600
* Pubali Bank Ltd.	2,897,403,458	955,504,978
Rupali Bank Ltd.	178,584,082	118,838,954
Sonali Bank Ltd.	227,682,743	-
South East Bank Ltd.	2,183,458	29,042,538
Standard Bank Ltd.	2,016,958	10,754,804
State Bank of India	169,809	50,965,780
The Trust Bank Ltd.	482,730,946	163,492,253
United Commercial Bank Ltd.	4,528,905	113,065,678
Uttara Bank Ltd.	-	85,364,128
	<u>5,120,907,332</u>	<u>3,199,576,993</u>

\* The bank overdrafts are secured by fixed deposits amounting to Tk. 2,026,607,549 (2010: Tk 1,262,129,251) and properties amounting in aggregate to Tk. 570,271,197 (2010: 551,547,348).

The bank overdrafts were obtained for BRAC's micro-finance programme and to finance working capital requirements. The bank overdrafts bear interest at 11% -16% (2010: 11% -13%) per annum, and are repayable within 12 months.

#### 14. Term loans

	2011 Taka	2010 Taka
AB Bank Ltd.	11,791,844	246,926,183
Agrani Bank Ltd.	52,400,000	368,400,000
Bangladesh Bank	1,885,465,000	1,385,947,000
Bangladesh Commerce Bank (BCB) Ltd.	-	68,578,751
Bangladesh Krishi Bank (BKB)	90,843,614	100,000,000
Bank Asia Ltd.	400,000,000	50,435,972
BASIC Bank Ltd.	227,499,357	261,487,349
Citi Bank NA [guaranted by OPIC & IFC]	543,750,000	1,268,750,000
Citi Bank NA [local currency syndication]	190,000,000	342,000,000
Dutch Bangla Bank Ltd.	74,231,260	215,408,417
Eastern Bank Ltd.	299,785,929	355,072,194
Export Import Bank of Bangladesh (EXIM) Ltd.	-	89,391,804
FMO, Netherlands	733,607,144	978,142,857
* HSBC Bank Ltd.	1,200,000,000	390,000,000
Islamic Development Bank (IDB)	343,450,000	343,450,000
Jamuna Bank Ltd.	11,980,299	33,538,733
Janata Bank Ltd.	39,854,545	176,805,298
Mutual Trust Bank Ltd.	-	84,317,272
National Bank Ltd.	-	252,885,345
Norfund, Norwegian	293,442,856	391,257,143
Palli Karma Shahayak Foundation (PKSF)	-	180,000,000
Pubali Bank Ltd. (PBL)	57,728,118	47,291,391
* Rajshahi Krishi Unnyon Bank (RAKUB)	260,000,000	424,508,500
* Rupali Bank Ltd.	100,000,000	280,000,000
Shahjalal Islami Bank Ltd.	42,044,973	216,444,159
Sonali Bank Ltd.	220,862,915	457,332,103
Southeast Bank Ltd.	-	79,146,458
* Standard Chartered Bank (SCB)	4,086,885,714	3,862,514,284
State Bank of India	-	30,000,000
The City Bank Ltd.	-	62,500,000
Uttara Bank Ltd.	-	25,043,809
	<u>11,165,623,568</u>	<u>13,067,575,022</u>

Term Loans are analysed as follows:

Amount repayable within 12 months

7,008,824,533      7,728,476,538

Amount repayable after 12 months:

- Repayable after 12 months and within 24 months
- Repayable after 24 months and within 36 months
- Repayable after 36 months and within 48 months
- Repayable after 48 months and within 60 months

2,867,577,676	3,616,333,634
771,958,362	741,848,832
492,636,217	969,084,656
24,626,780	11,831,362
<u>4,156,799,035</u>	<u>5,339,098,484</u>
<u>11,165,623,568</u>	<u>13,067,575,022</u>

#### 14. Term loans (contd.)

All repayment obligations in respect of the term loans were met and no amounts were in arrears as at 31 December 2011.

\* Secured by fixed deposits amounting to Tk. 1,197,167,707 (2010: Tk.1,067,250,846) and properties amounting in aggregate to Tk. 566,579,373 (2010: Tk 472,498,556)

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

	2011	2010
PKSF	7%	7%
Other financial institutions	6%-16%	6%-15%

#### 15. Members' savings deposits

	2011 Taka	2010 Taka
Opening balance	19,966,011,588	18,398,618,148
Deposits during the year	13,744,922,600	11,454,102,166
Withdrawals during the year	(11,346,566,919)	(9,886,708,726)
Closing balance	22,364,367,269	19,966,011,588
Compulsory savings	16,510,035,153	15,558,564,949
Voluntary savings	2,246,329,535	1,692,741,587
Term deposits	3,608,002,581	2,714,705,052
	22,364,367,269	19,966,011,588

The rate of interest paid in respect of savings deposits by members was 6% - 10% (2010: 5%-10%) per annum.

BRAC has three types of savings deposits initiatives, namely (a) Compulsory savings (b) Voluntary savings and (c) Term deposits, with a view to facilitating and encouraging savings by members in rural areas.

**(a) Compulsory savings:** Each member deposits a minimum amount of Tk. 10 in a weekly meeting. The amount to be deposited weekly is fixed by the member at the inaugural meeting of the year. The interest rate is 6% per annum from 1st June 2011.

**(b) Voluntary savings:** Each member can save for 3 years, 5 years, 8 years and 10 years on a monthly basis. The voluntary savings varies between Tk.100 to Tk.1,000. The interest rate is 7% for 3 years, 7.45% for 5 years, 8.5% for 8 years and 9.02% for 10 years.

**(c) Term deposits:** Each member can save 1 to 10 years for a fixed time period. The amount will be between Tk. 10,000 to 100,000. Interest rate for maturity period 1 year is 7%, 3 years is 8% and 5 years is 9%

## 15. Members' savings deposits (contd.)

### Rules for Savings withdrawals:

- (a) A member can withdraw his/her entire amount of savings after fully repaid of loan outstanding balance including service charges on loan.
- (b) Any member can withdraw his/her savings by giving a seven (7) days written notice
- (c) BRAC can adjust the amount of bad loan balance with the savings balance of the respective defaulter loanee.

## 16. Grants received in advance account

	Note	2011 Taka	2010 Taka
At 1 January		1,507,216,363	1,436,507,867
Receivables as at 1 January		(655,916,534)	(582,061,017)
		851,299,829	854,446,850
Donations received during the year	28	14,476,226,186	9,749,515,276
Transferred to deferred income:			
- Investment in fixed assets	18	(6,647,522)	(12,466,233)
- Motorcycle replacement fund	18	(2,844,000)	(18,486,400)
Transfer to Statement of Income and			
Expenditure for expenditure during the year	20	(10,018,142,875)	(9,721,709,664)
		5,299,891,618	851,299,829
Receivables as at 31 December	6	462,967,538	655,916,534
At 31 December		5,762,859,156	1,507,216,363

## 17. Securitised financing

Financing for securitised receivables	645,297,796	1,573,914,708
Interest Charge	17,419,665	26,360,682
	662,717,461	1,600,275,390
Less: Repayments	662,717,461	954,977,593
	-	645,297,797

The amounts financed are in return for the sale of an identified pool of microfinance loan receivables ("Designated Loans") and in addition BRAC is also obligated to ensure that collateral represented by other microfinance loan receivables ("Collateral Loans") valued at not less than 50% of the Designated Loan balance is maintained as additional security. At 31 December 2011, total Collateral and Designated Loans have been settled down against securitization transaction.

The financing bears interest at effective rates ranging between 6.55% to 8.60% per annum.

All repayment obligations in respect of the loan have been met and no amounts were in arrears as at 31 December 2011.

2011 Taka	2010 Taka
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## 18. Deferred income

Investment in Fixed assets (Note-18.1)	182,171,246	204,161,766
Motorcycle Replacement Fund (Note-18.2)	34,786,286	50,396,957
	<u>216,957,532</u>	<u>254,558,723</u>

### 18.1 Investment in Fixed assets

At 1 January 2011	204,161,766	268,064,212
Transfer from Grant received in advance	16 6,647,522	12,466,233
Transfer to Income and Expenditure (unrestricted)	20 (2,297,640)	(3,286,265)
Transfer to Income and Expenditure (temporarily restricted)	20 (26,340,402)	(73,082,413)
	<u>182,171,246</u>	<u>204,161,766</u>

### 18.2 Motorcycle Replacement Fund

At 1 January 2011	50,396,957	60,332,999
Transfer from Grant received in advance	16 2,844,000	18,486,400
Transfer to Capital Fund (unrestricted)	(402,463)	(402,463)
Transfer to Capital Fund (temporarily restricted)	(18,052,208)	(28,019,978)
	<u>34,786,286</u>	<u>50,396,957</u>

2011 Taka	2010 Taka
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## 19. Other long term liabilities

Employee gratuity and redundancy fund	4,989,404,275	4,292,564,823
Self-insurance fund		
- Employees	271,915,188	256,524,974
- BRAC properties and motorcycles	522,324,332	466,712,932
	<u>794,239,520</u>	<u>723,237,906</u>
Other funds		
- Special fund for scholarship	4,683,811	4,627,427
- Relief and rehabilitation fund	535,310,616	487,385,674
- Staff welfare fund	50,826,783	55,893,573
	<u>6,374,465,005</u>	<u>5,563,709,403</u>

## 19. Other long term liabilities (contd.)

An actuarial valuation of the employee gratuity and redundancy fund as at 31 December 2011 was performed by an independent professional actuary. Based the valuation, there was an excess provision of Tk 166,933,000. The principal assumptions applied in the actuarial valuation, which were consistent with a similar valuation carried out in 2008, included official mortality tables in Bangladesh, an interest rate of 8% which is the average rate of interest expected to be realised over the applicable period and a rate of salary increase of 7% per annum.

An actuarial valuation of the self-insurance fund for employees as at 31 December 2011 was performed by an independent professional actuary. Based on the valuation, there was an excess provision of Tk 41,173,000. The principal assumptions applied in the actuarial valuation, which were consistent with a similar valuation carried out in 2008, included official mortality rates in Bangladesh.

The indicative excess provisions in respect of the self-insurance fund for employees and the employee gratuity and redundancy fund, amounting to an aggregate of Tk 208,106,000. have not been written back, but will be considered in determining future provisions.

BRAC also commissioned an investigation report by an independent professional actuary on the properties and motorcycles self-insurance fund as at 31 December 2011. Similar to the valuation carried out in 2008, the investigation report addressed BRAC's properties and motor cycles within and outside the Dhaka City Corporation areas. The investigation report set out a recommendation that to attain a satisfactory financial position required for the self-insurance fund, an additional provision of Tk 50,000,000 would be required. BRAC intends to accrete its properties and motorcycle self-insurance fund provision to attain the recommended additional Tk 50,000,000 over a period of two years commencing 2011. Accordingly, Tk 25,000,000 has been accreted in the financial year 2011.

The Special fund for scholarship represents the Catherine H. Lovel memorial fund which will subsequently be utilized for a scholarship programme for poor girls. It is represented by specific fixed deposits, from which interest is added to the fund.

The Relief and Rehabilitation fund for disaster and climate change represents recoveries from prior disbursements of grants for rehabilitation, and is held as a liability. In 2011, additional amount of Tk.50,000,000 has been accreted from net surplus of income generating projects. This fund will be utilized to meet outgoings during natural disasters and climate change.

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

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

## 20. Donor grants

Donor grants recognised in the Statement of Income and Expenditure:

Transferred from grants received in advance	16	10,018,142,875	9,721,709,664
Transferred from deferred income:			
amortisation of investment in fixed assets			
- unrestricted	18	2,297,640	3,286,265
- temporarily restricted	18	26,340,402	73,082,413
		28,638,042	76,368,678
		<u>10,046,780,917</u>	<u>9,798,078,342</u>

	2011 Taka	2010 Taka
<b>21. Interest on bank accounts and fixed deposits</b>		
Microfinance Program	178,049,516	151,544,741
Other Programmes	187,780,508	500,366,556
	<u>365,830,024</u>	<u>651,911,297</u>
<b>22. Investment income</b>		
In respect of investments in related undertakings:		
- Share of profits less losses	552,653,565	488,451,308
- (Increase)/ Decrease of Provision for impairment losses	(6,658,756)	(263,487)
	<u>545,994,809</u>	<u>488,187,821</u>
<b>23. Other income</b>		
Gain on disposal of property, plant and equipment	25,325,849	4,495,241
Partial reimbursements on cost of programme supplies	31,980,849	85,803,573
Training income	198,564,325	315,595,714
Sale of waste materials	81,121,504	60,800,030
Interest received on loans and advances	97,097,363	44,019,659
Foreign exchange gain - unrealised	84,621,197	9,925,906
	<u>518,711,087</u>	<u>520,640,123</u>
<b>24. Grants</b>		
Grants to Aminul Alam Trust Fund	50,000,000	-
Grants to BRAC University	246,040,276	-
Grants to BRAC Foundation	10,000,000	-
	<u>306,040,276</u>	<u>-</u>

(a) BRAC has donated Tk.50,000,000 for the establishment of the Aminul Alam Trust Fund. This donation amount will be invested in bank account by the Trust to receive interest that will be used for giving stipend to poor but meritorious students

(b) BRAC has gifted 277 decimal of land to BRAC University which will be used for establishing the permanent campus of BRAC University.

(c) BRAC has donated 100,000 shares of Delta BRAC Housing Finance Corporation Ltd. to BRAC Foundation at Cost price Tk.100 per share.



**25 Taxation**

At 1 January  
Add: Provision for the year  
At December 31

2011 Taka	2010 Taka
490,941,030	278,941,030
150,000,000	212,000,000
640,941,030	490,941,030

Although some of the income of BRAC is taxable under Income Tax Ordinance 1984, the tax authority has been exercising their discretionary power over the years in assessing BRAC's income and tax thereon. On this process BRAC has always been charged with an arbitrary and exorbitant amount of tax every year from the assessment year 1991-92. Being aggrieved, BRAC has naturally preferred legal process against the order of the authority. Respective files have been awaiting verdict at different levels of legal jurisdictions. As a result there has been created a large amount contingent liabilities (liabilities of uncertainties) of Tk. 4,619,653,694 against tax liability for the assessment years from 1991-92 to 2009-10. BRAC have obtained stay orders from High Court Division of Supreme Court against the settlement of such liabilities. It is pertinent to mention that BRAC has an amount of Tk. 827,719,850 paid as advance tax over the years. BRAC is of the view that the basis of taxation is inappropriate and therefore, BRAC will not be liable to taxation as demanded by the tax authority. Accordingly, the amount have been provided for in the financial statements 31 December 2011 might not match the arbitrary demand of the authority

**26. Related Party Disclosures**

In addition to Note 9, other transactions regarding to related parties are stated below:

Sl.#	Name of Related Party	Nature of Transactions	2011 Taka	2010 Taka
1.	BRAC Bank Ltd.	Fixed deposits	1,081,747,855	784,818,757
		Short term deposits	1,391,729,713	2,901,918,894
		34 Bank Accounts (2010: 34)	2,742,239,584	1,514,813,353
2.	Delta BRAC Housing Finance Corp.Ltd.	Fixed deposits	540,573,446	576,851,447

**27. Foreign currency denominated monetary assets and liabilities**

	2011 Taka	2010 Taka
Resident Foreign Currency Deposits (in US\$)	663,475,774	465,003,435
Resident Foreign Currency Deposits (Euro)	19,868,009	17,298,724
Resident Foreign Currency Deposits (in GBP)	19,570,191	16,742,280
Cash at bank (in US\$)	12,683,395	24,074,388
Cash at bank (in Euro)	1,216,793	1,118,598
Cash at bank (AUD)	96,956	-
Cash at bank (in GBP)	340,425	223,210

## **28. Financial Instruments**

### **a) Financial Risk Management Objectives and Policies**

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

### **b) Interest Rate Risk**

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

### **c) Foreign Exchange Risk**

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

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

### **d) Liquidity Risk**

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

### **e) Credit Risk**

The credit policy of BRAC requires all credit exposures to be measured, monitored and managed proactively. Exposure to credit risk is monitored on an ongoing basis by the commercial ventures' respective management teams. BRAC does not have any significant exposure to any individual customer or counterparty.

## 29. Schedule of donation received

Name of the projects	Donor	2011 Taka	2010 Taka
BRAC Education Program (BEP-II)	EKN	523,512,500	660,000,000
	NOVIB	-	39,864,990
	DFID	1,168,358,000	862,703,250
	AusAID	1,143,833,045	459,518,851
	CIDA	647,000,490	-
	Sub total	3,482,704,035	2,022,087,091
Non-Formal Primary Education Program (NFPE Phase-III)	EC	-	264,738,970
Challenging the Frontiers of Poverty Reduction Programme (Phase-II)	NOVIB	-	54,892,380
	AusAID	775,912,850	635,340,000
	DFID	1,813,062,248	2,138,994,200
	Sub Total	2,588,975,098	2,829,226,580
BRAC University Institute of Education Development	EKN	116,266,228	64,830,877
	SDC	1,227,157	25,168,000
	Sub Total	117,493,385	89,998,877
BRAC University Institute of Education	Plan Bangladesh	-	1,204,810
	Institute of Dev. Studies-Sussex	(2,048,046)	2,048,046
	Sub Total	(2,048,046)	3,252,856
Improving Maternal Neonatal & Child Survival Program (MNCS-Rural)	AusAID	349,298,850	28,230,370
	EKN	93,044,859	154,672,000
	DFID	260,335,411	244,161,821
	Sub Total	702,679,120	427,064,191
BRAC New Initiative of HRLS	GIZ	1,920,591	957,207
	UNHCR	216,890	-
	Australian High Commission	-	1,200,000
	Sub Total	2,137,481	2,157,207
Vision Bangladesh Project	Sight Saver-UK	46,295,224	-
	BRAC-USA	279,326	-
	BRAC-UK	3,366,505	-
	Sub Total	49,941,055	-
m.Health for improving Maternal, Neonatal & Child Health project	Rockefeller Foundation	-	14,025,118
	Engender Health-USA	14,000,644	-
	Sub total	14,000,644	14,025,118
Community Based Maternal, Newborn and Child Health (MNCH) -Program for Urban Bangladesh	Bill and Melinda Gates Foundation	74,448,511	392,799,732
	AusAID	173,428,850	-
	Sub total	247,877,361	392,799,732
Char Development and Settlement Program	EKN	3,123,282	8,033,978
	Euroconsult Mott Mac Donald	3,068,434	-
	Sub total	6,191,716	8,033,978
MA in Governance and Development Program	EKN	9,919,579	-
Early Childhood Development Support Program	AKF	6,653,244	4,000,000
Atta Fortification Program	WFP	18,824,133	54,778,954
TB Control Program	The Global Fund	852,132,369	757,939,115
Social Protection Package for Retrenched State Owned -Enterprise Workers	DFID	12,105,745	-
Tree Improvement project	Inter Co-operation Bangladesh	1,788,372	4,826,362
Improving Sexual and Reproductive Health	Institute of Dev. Studies-Sussex	-	3,839,953
Pathway of Women Empowerment of research project	Institute of Dev. Studies-Sussex	1,099,366	17,961,648
BRAC Water, Sanitation and Hygiene Program (WASH-I & II)	EKN	1,208,946,480	1,495,938,740
Strategic Partnership Arrangement (SPA)	DFID	3,335,205,500	-

Name of the projects	Donor	2011 Taka	2010 Taka
Malaria Control Program	The Global Fund	214,164,501	205,638,005
Safe Migration Facilities	Manusher Jonno Foundation	11,466,577	8,225,030
BRAC Non-formal Primary Education Program	EC	77,533,092	155,839,221
Revealing the Challenges of Urban Bangladesh DOTS Program	University of Leeds	-	831,847
Vitamin A Captul Supplementation (VAS)for -Unreached Children in Hard to Reach areas	Micro-Nutrient Initiative	223,642	6,154,130
Early Learning for Child Development Project (ELCDP)	UNICEF	194,961,580	209,418,653
Community Based Postnatal Care Study in Bangladesh	Save the Children-USA	-	1,042,750
Indoor Air Polution and Health in Developing Countries Survey	Yale/Stanford University	-	968,459
Improving Recognition Prolonged Labor and Birth with Unsile Academic	Emory University	-	1,911,964
Community Safety Pilot project	Safer World	1,000,000	1,000,000
Maternal Perinatal Depressive Symptom on Infant Dev.	Karolinska University-Sweden	-	628,984
Post SDR Livelihood Rehabilitation Program	EC	(6,743,436)	84,107,199
Pro-Poor Growth for South Africa and Asia	Oxford University	1,268,892	4,168,327
Adolescent Development Program	UNICEF	2,616,448	79,801,636
Promoting Child Sensitive Disaster Risk and Cyclone & Flood Pron Area	Save the Children-UK	-	623,275
VCT Services BRAC TB Centre	Family Health International	3,990,000	3,115,000
TQI-SEP Innovation and Development	GOB	1,729,892	2,389,000
Alive and Thrive Project	Applied Research & Technical Services(AED ARTS)	-	105,853,103
Social and Financial Empowerment of Adolescents (SoFEA)	BRAC-USA	2,403,492	54,106,056
Active Citizen and Accountable Local Government Project	United Nations Democracy Fund (UNDEF)	17,544,222	4,122,420
Advocacy for Safe Migration and Abating Labour Trafficing	Winrock International-USA	721,131	527,000
Bangladesh Sprinkles Program	The Global Alliance for Improved Nutrition (GAIN)	27,054,156	20,523,193
Crop Intensification for Achieving Food Self-Sufficiency Program	EC	178,146,114	240,520,031
Developing BRAC's Emergency Response Capacity	BRAC-USA	6,604,207	67,922,998
Technology Dissemination of Acuaculture for Poverty Reduction	AIDA-Spain	8,305,514	13,673,761
The effect of micronutrient powder and hand hygiene on linear -growth faltering and treating iron deficiency anemia and -preventing calcium deficiency among Bangladesh infants	Hospital For Sick Children	3,590,299	4,354,314
Restoring Socio-Economic Stability and Strengthening -Community in areas affected by Cyclone AILA	EC	357,006,398	88,082,042
Disaster Resilient Habitat: An Alternative to Cyclone Shelter	United Nations Development Programme (UNDP)	-	10,309,500
Situation Analysis Study on Core Issues related to Food Security and -Poverty in Bangladesh	International Union for Conservation of Nature and Natural resources (IUCN)	350,000	150,000
Challenging the Frontiers of Poverty Reduction Proqramme (Phase-I)	EC	-	(19,161,994)
Accelerating Water, Sanitation & Hygine (WASH)	UNICEF	6,250,393	-
BRAC HRLS Property Rights Program	BRAC-USA	42,703,830	-
C4D-Promoting Sustainable Behaviours and Social Development -Changes in Cox's Bazar	UNICEF	26,907,839	-
National Food Security Nutritional Surveillance Project	EC	75,733,515	-
Support to Agriculture Research for Climate Change	IRRI	1,051,500	-
Supporting Adolescent Empowerment	UNICEF	24,457,592	-
Community Sensitization on CEDAW	UN Women	1,090,116	-
Creating Awarness on RTI law for Community	World Bank	1,391,441	-
Joint Program on Gender based Violence	UNDP	6,722,862	-
Spreading Awarness to Prevent, Promote and Protect Domestic Workers - and female Migrant workers at work place from violence	International Labour Office (ILO)	1,298,638	-
Community Based Digital Fat Testing Project	Care-Bangladesh	4,244,700	-
Gendered Impact of Ultra Poor Program	International Food Policy Research Institute	1,682,651	-
BRAC Limb Centre and Brace Centre	BRAC-USA	143,491	-
BRAC International Conference on Scaling Health Innovations	BRAC-USA	1,036,992	-
Innovation in Sustainable Sanitation in Bangladesh	BRAC-USA	424,785,800	-
Coordination and Change Enabling Project	World Fish	2,225,924	-
Assessment of Patient Costs and Patient Perspectives of TB Treatment	Liverpool School of Tropical Medicine	1,100,894	-
BRAC Project Laser Beam (PLB)	Unilever-UK	40,625,000	-
Impact Assessment of Credit Program for the Tenent Farmers	Global Development Network Inc.(GDN)	21,809,880	-
Improved Rice Crop Management for Raising Productivity	IRRI	219,450	-
BRAC Health care Innovations Programme (B-HIP)	Rockefeller Foundation	30,180,320	-
<b>TOTAL</b>		<b>14,476,226,186</b>	<b>9,749,515,276</b>

### 30. Segmental financial information

Balance Sheet as at December 31, 2011

	Unrestricted								Temporarily restricted		
	Aarong Rural Craft Centre Taka	BRAC Printers & Printing Pack Taka	BRAC Dairy and Food Project Taka	Agro based Programme Support Enterprise Taka	Non-agro based Programme Support Enterprise Taka	Micro Finance Programme Taka	Self-financing Social Development Project Taka	House Property (Building) Taka	Total Unrestricted Taka	Development Projects Taka	Total 2011 Taka
<b>Assets:</b>											
Cash in hand and at banks	159,901,428	29,190,477	39,985,451	116,528,696	16,745,501	2,186,908,100	1,186,992,765	711,086,354	4,447,338,772	6,278,858,359	10,726,197,131
Advance,deposits and prepayments	81,387,866	271,641,533	41,898,290	93,819,880	235,722	370,752,280	1,290,372,068	23,896,294	2,174,003,933	83,576,974	2,257,580,907
Inventories	2,021,898,485	175,326,803	148,059,102	542,811,600	16,092,420	106,868,931	89,164,109	-	3,100,221,450	9,461,339	3,109,682,789
Grants and accounts receivable	65,833,686	58,981,137	20,863,267	270,118,752	14,286,593	271,357,330	274,698,167	4,518,617	980,657,549	541,386,145	1,522,043,694
Inter-programme current account	(603,718,077)	(358,045,429)	95,784,841	87,394,464	14,217,142	210,906,464	573,633,916	-	20,173,321	(20,173,321)	-
Microfinance loans	-	-	-	-	-	48,399,046,115	-	-	48,399,046,115	-	48,399,046,115
Motor cycle loans	312,507	-	2,458,485	7,139,473	48,368	372,245,545	7,017,916	-	389,222,294	354,339,723	743,562,017
Investments in securities and others	-	-	-	-	-	-	235,000,000	-	235,000,000	-	235,000,000
Investments in related undertakings	-	-	-	-	-	-	7,399,808,731	-	7,399,808,731	-	7,399,808,731
Property, plant and equipments	847,968,815	97,754,054	510,329,524	731,215,161	4,217,617	3,104,694,974	2,220,299,289	164,948,688	7,681,428,102	157,188,498	7,838,616,600
<b>Total Assets</b>	<b>2,573,584,710</b>	<b>274,848,575</b>	<b>859,378,960</b>	<b>1,849,028,026</b>	<b>65,843,363</b>	<b>55,022,779,739</b>	<b>13,276,986,961</b>	<b>904,449,933</b>	<b>74,826,900,267</b>	<b>7,404,637,717</b>	<b>82,231,537,984</b>
<b>Liabilities and net Assets</b>											
<b>Liabilities:</b>											
Liabilities for expenses and materials	184,167,364	26,007,273	116,898,368	268,499,425	18,126,784	2,060,736,079	682,467,356	2,689,635	3,359,592,284	670,407,311	4,029,999,595
Bank overdrafts	-	-	-	-	-	4,794,260,987	326,646,345	-	5,120,907,332	-	5,120,907,332
Term loans	57,728,118	-	-	200,000,000	-	10,707,895,450	200,000,000	-	11,165,623,568	-	11,165,623,568
Members savings deposits	-	-	-	-	-	22,364,367,269	-	-	22,364,367,269	-	22,364,367,269
Members project & current account	-	-	-	-	-	16,695,598	-	-	16,695,598	-	16,695,598
Grants received in advance account	-	-	-	-	-	-	-	-	-	5,762,859,156	5,762,859,156
Securitized financing	-	-	-	-	-	-	-	-	-	-	-
Deferred income	-	-	-	-	-	719,483	103,783,486	-	104,502,969	112,454,563	216,957,532
Other long term liabilities	216,163,776	34,600,543	-	-	-	308,050,697	5,815,649,989	-	6,374,465,005	-	6,374,465,005
Provision for taxation	-	-	-	1,901,361	-	-	639,039,669	-	640,941,030	-	640,941,030
Total Liabilities	458,059,258	60,607,816	116,898,368	470,400,786	18,126,784	40,252,725,563	7,767,586,845	2,689,635	49,147,095,055	6,545,721,030	55,692,816,085
Net assets- Capital fund	2,115,525,452	214,240,759	742,480,592	1,378,627,240	47,716,579	14,770,054,176	5,509,400,116	901,760,298	25,679,805,212	858,916,687	26,538,721,899
<b>Total Liabilities and Net assets</b>	<b>2,573,584,710</b>	<b>274,848,575</b>	<b>859,378,960</b>	<b>1,849,028,026</b>	<b>65,843,363</b>	<b>55,022,779,739</b>	<b>13,276,986,961</b>	<b>904,449,933</b>	<b>74,826,900,267</b>	<b>7,404,637,717</b>	<b>82,231,537,984</b>

### 30. Segmental financial information (cont'd.)

Balance Sheet as at December 31, 2010											
	Unrestricted									Temporarily restricted	
	Aarong Rural Craft Centre Taka	BRAC Printers & Printing Pack Taka	BRAC Dairy and Food Project Taka	Agro based Programme Support Enterprise Taka	Non-agro based Programme Support Enterprise Taka	Micro Finance Programme Taka	Self-financing Social Development Project Taka	House Property (Building) Taka	Total Unrestricted Taka	Development Projects Taka	Total 2010 Taka
<b>Assets:</b>											
Cash in hand and at banks	126,201,916	13,521,572	93,923,261	74,254,065	18,298,705	4,809,050,992	3,060,793,785	688,368,161	8,884,412,457	1,538,693,782	10,423,106,239
Advance deposits and prepayments	167,984,575	246,332,509	37,241,612	99,681,575	208,848	480,859,994	862,775,750	23,383,702	1,918,468,565	88,581,753	2,007,050,318
Inventories	1,742,557,863	180,630,233	100,208,677	464,675,394	10,347,290	78,947,742	34,950,417	-	2,612,317,616	5,169,161	2,617,486,777
Grants and accounts receivable	81,434,616	90,795,486	22,952,770	283,125,497	12,307,610	108,966,106	248,526,405	2,957,517	851,066,007	689,810,079	1,540,876,086
Inter-programme current account	(625,229,776)	(366,214,948)	78,900,095	74,608,515	6,139,868	167,878,699	663,893,142	-	(24,405)	24,405	-
Microfinance loans	-	-	-	-	-	38,946,761,741	-	-	38,946,761,741	-	38,946,761,741
Motor cycle loans	368,669	-	1,851,774	8,203,126	69,812	409,551,670	6,997,134	-	427,042,185	396,364,743	823,406,928
Investments in securities and others	-	-	-	-	-	-	170,550,000	-	170,550,000	-	170,550,000
Investments in related undertakings	-	-	-	-	-	-	6,966,792,236	-	6,966,792,236	-	6,966,792,236
Property, plant and equipments	685,488,281	114,917,373	399,857,399	667,685,599	3,959,461	3,019,669,594	2,238,321,925	182,923,558	7,312,823,190	178,945,757	7,491,768,947
<b>Total Assets</b>	<b>2,178,806,144</b>	<b>279,982,225</b>	<b>734,935,588</b>	<b>1,672,233,771</b>	<b>51,331,594</b>	<b>48,021,686,538</b>	<b>14,253,600,794</b>	<b>897,632,938</b>	<b>68,090,209,592</b>	<b>2,897,589,680</b>	<b>70,987,799,272</b>
<b>Liabilities and net Assets</b>											
<b>Liabilities:</b>											
Liabilities for expenses and materials	173,404,634	35,004,158	108,991,108	280,216,801	16,235,497	1,235,177,987	367,482,843	6,613,935	2,223,126,963	443,774,101	2,666,901,064
Bank overdrafts	-	-	-	-	-	-	3,199,576,993	-	3,199,576,993	-	3,199,576,993
Term loans	47,291,391	-	-	200,000,000	-	12,620,283,631	200,000,000	-	13,067,575,022	-	13,067,575,022
Members savings deposits	-	-	-	-	-	19,966,011,588	-	-	19,966,011,588	-	19,966,011,588
Members project & current account	-	-	-	-	-	15,706,367	-	-	15,706,367	-	15,706,367
Grants received in advance account	-	-	-	-	-	-	-	-	-	1,507,216,363	1,507,216,363
Securitised financing	-	-	-	-	-	645,297,797	-	-	645,297,797	-	645,297,797
Deferred income	-	-	-	-	-	760,167	105,374,083	-	106,134,250	148,424,473	254,558,723
Other long term liabilities	189,302,079	35,409,032	-	-	-	308,050,697	5,030,947,595	-	5,563,709,403	-	5,563,709,403
Provision for taxation	-	-	-	-	-	-	490,941,030	-	490,941,030	-	490,941,030
Total Liabilities	409,998,104	70,413,190	108,991,108	480,216,801	16,235,497	34,791,288,234	9,394,322,544	6,613,935	45,278,079,413	2,099,414,937	47,377,494,350
Net assets- Capital fund	1,768,808,040	209,569,035	625,944,480	1,192,016,970	35,096,097	13,230,398,304	4,859,278,250	891,019,003	22,812,130,179	798,174,743	23,610,304,922
<b>Total Liabilities and Net assets</b>	<b>2,178,806,144</b>	<b>279,982,225</b>	<b>734,935,588</b>	<b>1,672,233,771</b>	<b>51,331,594</b>	<b>48,021,686,538</b>	<b>14,253,600,794</b>	<b>897,632,938</b>	<b>68,090,209,592</b>	<b>2,897,589,680</b>	<b>70,987,799,272</b>

Balance Sheet as at December 31, 2010

### 30. Segmental financial information (cont'd.)

Statement of Income and Expenditure for the year ended December 31, 2011											
Unrestricted											
Temporarily restricted											
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### Statement of Income and Expenditure for the year ended December 31, 2011

### 30. Segmental financial information (cont'd.)

	Unrestricted								Temporarily restricted	Total 2010
	Aarong Rural Craft Centre Taka	BRAC Printers & Printing Pack Taka	BRAC Dairy and Food Project Taka	Agro based Programme Support Enterprise Taka	Non-agro based Programme Support Enterprise Taka	Micro Finance Programme Taka	Self-financing Social Development Projects Taka	House Property (Building) Taka	Total Unrestricted Taka	Development Projects Taka
Income										
Donor grants	-	-	-	-	-	40,683	3,245,582	-	3,286,265	9,794,792,077
Revenue from										
- Income Generating Projects	3,397,341,505	838,148,977	1,891,075,963	-	-	-	-	-	6,126,566,445	-
- Program Support Enterprises	-	-	-	2,942,972,470	122,041,908	-	-	-	3,065,014,378	-
Service charge on microfinance loans	-	-	-	-	-	11,815,741,388	-	-	11,815,741,388	-
Interest on bank accounts and fixed deposits	-	-	-	-	-	151,544,741	431,157,554	-	582,702,295	651,911,297
Investment income	-	-	-	-	-	-	488,187,821	-	488,187,821	-
Other income -internal	(31,362,089)	(8,315,137)	-	-	-	-	39,677,226	-	-	-
Other income	41,273,442	9,032,690	23,008,166	116,939,720	649,524	-	329,232,806	-	520,136,348	503,775
Income from house property	-	-	-	-	-	-	-	83,411,607	83,411,607	-
Total income	3,407,252,858	838,866,530	1,914,084,129	3,059,912,190	122,691,432	11,967,326,812	1,291,500,989	83,411,607	22,685,046,547	9,864,504,854
Expenditure										
Income generating projects	2,703,353,989	766,804,154	1,750,785,426	-	-	-	-	-	5,220,943,569	-
Program Support Enterprise	-	-	-	2,648,778,454	113,454,880	-	-	-	2,762,233,334	-
House Property	-	-	-	-	-	-	-	55,604,552	55,604,552	-
Education Programme	-	-	-	-	-	-	43,211,718	-	43,211,718	3,600,183,169
Ultra Poor Programme	-	-	-	-	-	-	42,575,320	-	42,575,320	1,979,473,156
Community Empowerment Programme	-	-	-	-	-	-	119,642	-	119,642	123,274,138
Human Rights and Legal Services	-	-	-	-	-	-	-	-	-	114,870,293
Health Programme	-	-	-	-	-	-	177,831,154	-	177,831,154	2,159,360,145
Water, Sanitation and Hygienic Programme	-	-	-	-	-	-	-	-	-	2,337,191,299
Gender, Justice and Diversity Programme	-	-	-	-	-	-	-	-	-	1,460,358,470
Micro Finance Programme	-	-	-	-	-	10,076,784,721	-	-	10,076,784,721	49,205,928
Food Security and Climate Change	-	-	-	-	-	-	23,857,930	-	23,857,930	219,283,641
Other Development Projects	-	-	-	-	-	-	199,287,736	-	199,287,736	130,146,940
Total Expenses	2,703,353,989	766,804,154	1,750,785,426	2,648,778,454	113,454,880	10,076,784,721	486,883,500	55,604,552	18,602,449,676	9,793,460,918
Surplus of income over expenditure before taxation										
Taxation	703,898,869	72,062,376	163,298,703	411,133,736	9,236,552	1,890,542,091	804,617,489	27,807,055	4,082,596,871	71,043,936
Net surplus stated in statement of income & expenditure before inter-progr. allocations										
Inter-programme allocations	703,898,869	72,062,376	163,298,703	411,133,736	9,236,552	1,890,542,091	592,617,489	27,807,055	3,870,596,871	71,043,936
Net surplus/(deficit) for the year after inter-programme allocations	(224,788,701)	(53,279,049)	(21,649,352)	(51,819,237)	-	(111,957,867)	301,536,339	-	(161,957,867)	-
	479,110,168	18,783,327	141,649,351	359,314,499	9,236,552	1,778,584,224	894,153,828	27,807,055	3,708,639,004	71,043,936

### Statement of Income and Expenditure for the year ended December 31, 2010



### 31. Statement of Functional Expenses

	Unrestricted								Temporarily restricted		Total 2011 Taka
	Aarong Rural Craft Centre Taka	BRAC Printers & Printing Pack Taka	BRAC Dairy and Food Taka	Agro based Programme Support Enterprise Taka	Non-agro based Programme Support Enterprise Taka	Micro Finance Programme Taka	Self-financing Social Development Projects Taka	House Property (Building) Taka	Total Unrestricted Taka	Development Projects Taka	
Expenditure Statement for the year ended December 31, 2011											
Salaries and benefits	425,354,776	17,351,052	89,423,817	150,128,680	4,213,965	4,849,082,353	33,944,822	-	5,569,479,465	3,920,165,394	9,489,644,859
Travelling and transportation	34,705,180	4,648,009	51,783,854	42,635,497	449,814	490,891,221	15,280,245	-	640,393,820	464,030,302	1,104,424,122
Teachers' salaries	-	-	-	-	-	-	-	-	-	680,252,524	680,252,524
Teachers' training	-	-	-	-	-	-	-	-	-	163,176,987	163,176,987
School rent and maintenance	-	-	-	-	-	-	-	-	-	142,674,819	142,674,819
Stationery, rent and utilities	105,230,272	3,923,331	12,262,349	11,080,369	964,473	171,038,788	3,281,123	1,162,911	308,943,616	290,590,773	599,534,389
Maintenance and general expenses	73,731,568	6,072,580	30,732,205	16,320,477	767,968	147,436,370	3,754,659	2,045,945	280,861,772	31,335,913	312,197,685
Members' training	-	-	-	-	-	8,108,493	9,772,251	-	17,880,744	488,076,825	505,957,569
Staff training and development	5,774,141	-	2,449,505	1,516,612	-	38,412,281	6,842,831	-	54,995,370	425,932,614	480,927,984
Programme supplies	-	-	-	1,639,328	46,382	225,567,263	30,363,081	-	257,616,054	3,450,239,254	3,707,855,308
Interest on members' savings deposits	-	-	-	-	-	1,405,709,117	-	-	1,405,709,117	-	1,405,709,117
Interest on long term loans	-	-	-	-	-	1,394,193,021	-	-	1,394,193,021	-	1,394,193,021
Bank overdraft interest and charges	30,871,601	42,884,655	-	2,056,388	-	18,668,313	26,232,862	-	120,713,819	-	120,713,819
Cost of goods sold- income generating projects	2,644,345,985	654,277,934	1,956,652,267	-	-	-	-	-	5,255,276,186	-	5,255,276,186
Cost of goods sold- program support enterprise	-	-	-	2,655,125,956	128,945,733	-	-	-	2,784,071,689	-	2,784,071,689
Publicity, advertisement and sales commissions	34,328,377	-	15,522,063	60,168,928	390,200	-	6,165,924	-	116,575,492	43,554,498	160,129,990
Loan loss provision for microfinance loans	-	-	-	-	-	1,686,378,613	-	-	1,686,378,613	-	1,686,378,613
Depreciation of property, plant and equipment	89,025,897	2,235,131	4,597,341	73,277,758	440,958	62,435,386	145,926,386	21,377,047	400,315,904	37,823,081	438,138,985
Provision for bad and doubtful debts	-	10,581,523	5,111,916	7,098,251	475,816	-	-	-	23,267,506	-	23,267,506
Allocation to self- insurance fund	-	-	-	-	-	-	-	55,611,400	55,611,400	-	55,611,400
Grants	-	-	-	-	-	-	306,040,276	-	306,040,276	-	306,040,276
	3,443,367,797	741,974,215	2,168,535,317	3,021,048,244	136,695,309	10,497,901,219	588,604,460	80,197,303	20,678,323,864	10,137,852,984	30,816,176,848

Included in cost of goods sold of (BRAC dairy, Printers and Printing Pack) is depreciation of property, plant and equipment amounting to Tk. 78,915,250

### 31. Statement of Functional Expenses (cont'd.)

	Unrestricted										Temporarily restricted	
	Aarong Rural Craft Centre Taka	BRAC Printers & Printing Pack Taka	BRAC Dairy and Food Project Taka	Agro based Programme Support Enterprise Taka	Non-agro based Programme Support Enterprise Taka	Micro Finance Programme Taka	Self-financing Social Development Projects Taka	House Property (Building) Taka	Total Unrestricted Taka	Development Projects Taka	Total 2010 Taka	
Salaries and benefits	339,878,608	16,997,737	68,253,179	129,679,120	3,905,402	4,185,710,307	60,595,633	-	4,805,019,986	3,594,677,347	8,399,697,333	
Travelling and transportation	25,828,852	3,673,758	42,783,321	39,483,848	324,253	362,363,041	13,869,388	-	488,326,460	471,443,471	959,769,931	
Teachers' salaries	-	-	-	-	-	-	-	-	-	763,627,224	763,627,224	
Teachers' training	-	-	-	-	-	-	-	-	-	155,165,406	155,165,406	
School rent and maintenance	-	-	-	-	-	-	-	-	-	162,899,531	162,899,531	
Stationery, rent and utilities	83,331,878	4,374,571	28,259,048	9,242,637	778,267	139,041,406	34,237,098	793,585	300,058,490	206,734,626	506,793,116	
Maintenance and general expenses	67,360,684	2,934,922	22,719,585	13,651,163	2,595	143,368,292	73,600,718	3,658,650	327,296,608	41,300,468	368,597,076	
Members' training	-	-	-	-	-	3,886,372	6,791,786	-	10,678,158	375,756,557	386,434,715	
Staff training and development	2,193,230	-	723,208	1,390,592	-	45,203,463	27,799,874	-	77,310,367	316,158,426	393,468,793	
Programme supplies	-	-	-	1,439,260	38,775	190,735,228	14,543,591	-	206,756,853	3,649,828,750	3,856,585,603	
Interest on members' savings deposits	-	-	-	-	-	1,204,534,627	-	-	1,204,534,627	-	1,204,534,627	
Interest on long term loans	-	-	-	28,538,119	-	1,766,072,661	-	-	1,794,610,780	-	1,794,610,780	
Bank overdraft interest and charges	24,944,612	34,087,088	-	-	-	68,334,974	119,039,624	-	246,406,298	-	246,406,298	
Cost of goods sold- income generating projects	2,083,790,545	693,748,389	1,487,600,825	-	-	-	-	-	4,265,139,759	-	4,265,139,759	
Cost of goods sold- program support enterprise	-	-	-	2,281,044,891	107,318,697	-	-	-	2,388,363,588	-	2,388,363,588	
Publicity, advertisement and sales commissions	16,602,750	-	39,244,219	66,990,731	-	-	10,739,292	-	133,576,992	14,584,755	148,161,747	
Loan loss provision for microfinance loans	-	-	-	-	-	1,910,811,625	-	-	1,910,811,625	-	1,910,811,625	
Depreciation of property, plant and equipment	59,422,830	2,193,637	54,223,956	70,949,225	434,370	56,722,725	125,666,496	20,653,217	390,266,456	41,284,358	431,550,814	
Provision for bad and doubtful debts	-	8,794,052	6,978,085	6,368,870	652,522	-	-	-	22,793,529	-	22,793,529	
Allocation to self- insurance fund	-	-	-	-	-	-	-	30,499,100	30,499,100	-	30,499,100	
	2,703,353,989	766,804,154	1,750,785,426	2,648,778,454	113,454,880	10,076,784,721	486,883,500	55,604,552	18,602,449,676	9,793,460,918	28,395,910,594	

Included in cost of goods sold of (Printers and Printing Pack) is depreciation of property, plant and equipment amounting to Tk. 20,912,913



**BALANCE SHEET CONVERTED TO USD**

as at December 31, 2011

(NOT PART OF AUDITED FINANCIAL STATEMENTS)

	2011		2010	
	Taka	US \$	Taka	US \$
<b>ASSETS</b>				
Cash in hand and at banks	10,726,197,131	146,934,207	10,423,106,239	151,059,511
Advance, deposits and prepayments	2,257,580,907	30,925,766	2,007,050,318	29,087,686
Inventories	3,109,682,789	42,598,394	2,617,486,777	37,934,591
Grants and accounts receivable	1,522,043,694	20,849,914	1,540,876,086	22,331,537
Microfinance loans	48,399,046,115	663,000,632	38,946,761,741	564,445,822
Motorcycle loans	743,562,017	10,185,781	823,406,928	11,933,434
Investments in securities and others	235,000,000	3,219,178	170,550,000	2,471,739
Investments in related undertakings	7,399,808,731	101,367,243	6,966,792,236	100,968,003
Property, plant and equipment	7,838,616,600	107,378,310	7,491,768,947	108,576,362
<b>TOTAL ASSETS</b>	<b>82,231,537,984</b>	<b>1,126,459,424</b>	<b>70,987,799,272</b>	<b>1,028,808,685</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities:</b>				
Liabilities for expenses and materials	4,029,999,595	55,205,474	2,666,901,064	38,650,740
Bank overdrafts	5,120,907,332	70,149,416	3,199,576,993	46,370,681
Term loans	11,165,623,568	152,953,748	13,067,575,022	189,385,145
Members' savings deposits	22,364,367,269	306,361,195	19,966,011,588	289,362,487
Members project & current account	16,695,598	228,707	15,706,367	227,629
Grants received in advance account	5,762,859,156	78,943,276	1,507,216,363	21,843,715
Securitized financing	-	-	645,297,797	9,352,142
Deferred income	216,957,532	2,972,021	254,558,723	3,689,257
Other long term liabilities	6,374,465,005	87,321,438	5,563,709,403	80,633,470
Provision for taxation	640,941,030	8,780,014	490,941,030	7,115,087
<b>Total Liabilities</b>	<b>55,692,816,085</b>	<b>762,915,288</b>	<b>47,377,494,350</b>	<b>686,630,353</b>
<b>Net Assets:</b>				
<b>Capital fund</b>				
-unrestricted	25,679,805,212	351,778,154	22,812,130,179	330,610,582
-temporarily restricted	858,916,687	11,765,982	798,174,743	11,567,750
	26,538,721,899	363,544,136	23,610,304,922	342,178,332
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>82,231,537,984</b>	<b>1,126,459,424</b>	<b>70,987,799,272</b>	<b>1,028,808,685</b>

Exchange rate: 1 US \$ = Tk.73 (2010: 1 US \$ = Tk.69)

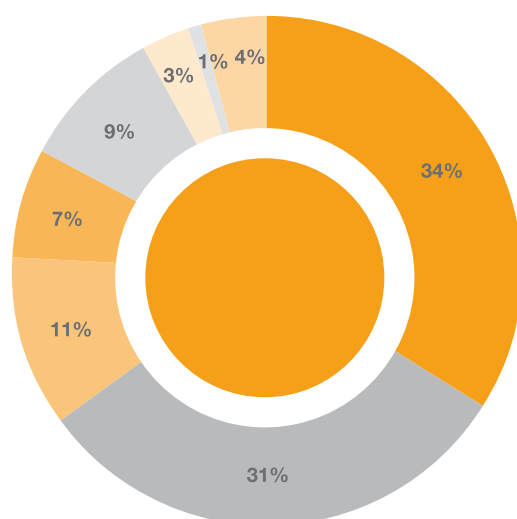
# Statement of Income and Expenditure Converted to USD

for the year ended December 31, 2011  
(NOT PART OF AUDITED FINANCIAL STATEMENTS)

	Unrestricted		Temporarily		Total 2011	
	Taka	US \$	Taka	US \$	Taka	US \$
<b>Income</b>						
Donor grants	2,297,640	31,475	10,044,483,277	137,595,661	10,046,780,917	137,627,136
Revenue from:						
- Income Generating Projects	7,342,675,873	100,584,601	-	-	7,342,675,873	100,584,601
- Program Support Enterprises	3,372,806,327	46,202,826	-	-	3,372,806,327	46,202,826
Service charges on microfinance loans	11,851,912,448	162,354,965	-	-	11,851,912,448	162,354,965
Interest on bank accounts and fixed deposits	230,537,415	3,158,047	135,292,609	1,853,323	365,830,024	5,011,370
Investment income	545,994,809	7,479,381	-	-	545,994,809	7,479,381
Other income	517,944,253	7,095,127	766,834	10,505	518,711,087	7,105,631
Income from House Property	90,861,598	1,244,679	-	-	90,861,598	1,244,679
<b>Total income</b>	<b>23,955,030,363</b>	<b>328,151,101</b>	<b>10,180,542,720</b>	<b>139,459,489</b>	<b>34,135,573,083</b>	<b>467,610,590</b>
<b>Expenditure</b>						
Income Generating Projects	6,353,877,329	87,039,415	-	-	6,353,877,329	87,039,415
Program Support Enterprises	3,157,743,553	43,256,761	-	-	3,157,743,553	43,256,761
House Property	80,197,303	1,098,593	-	-	80,197,303	1,098,593
Education Programme	73,051,304	1,000,703	3,360,953,720	46,040,462	3,434,005,024	47,041,165
Ultra Poor Programme	54,185,500	742,308	2,083,148,616	28,536,282	2,137,337,116	29,278,591
Community Empowerment Programme	3,681,981	50,438	157,618,323	2,159,155	161,300,304	2,209,593
Human Rights and Legal Services	-	-	136,546,758	1,870,504	136,546,758	1,870,504
Health Programme	94,751,304	1,297,963	2,646,985,983	36,260,082	2,741,737,287	37,558,045
Water, Sanitation and Hygienic Programme	-	-	829,577,150	11,364,071	829,577,150	11,364,071
Gender, Justice and Diversity Programme	9,776,923	133,930	90,062,688	1,233,735	99,839,611	1,367,666
Micro Finance Programme	10,497,901,219	143,806,866	-	-	10,497,901,219	143,806,866
Food Security and Climate Change	38,901,638	532,899	437,089,680	5,987,530	475,991,318	6,520,429
Other Development Projects	8,212,534	112,500	395,870,066	5,422,878	404,082,600	5,535,378
Grants	306,040,276	4,192,333	-	-	306,040,276	4,192,333
<b>Total expenditure</b>	<b>20,678,323,864</b>	<b>283,264,710</b>	<b>10,137,852,984</b>	<b>138,874,698</b>	<b>30,816,176,848</b>	<b>422,139,409</b>
Surplus of income over expenditure before taxation	<b>3,276,706,499</b>	<b>44,886,391</b>	<b>42,689,736</b>	<b>584,791</b>	<b>3,319,396,235</b>	<b>45,471,181</b>
Taxation	(150,000,000)	(2,054,795)	-	-	(150,000,000)	(2,054,795)
Net surplus for the year	<b>3,126,706,499</b>	<b>42,831,596</b>	<b>42,689,736</b>	<b>584,791</b>	<b>3,169,396,235</b>	<b>43,416,387</b>

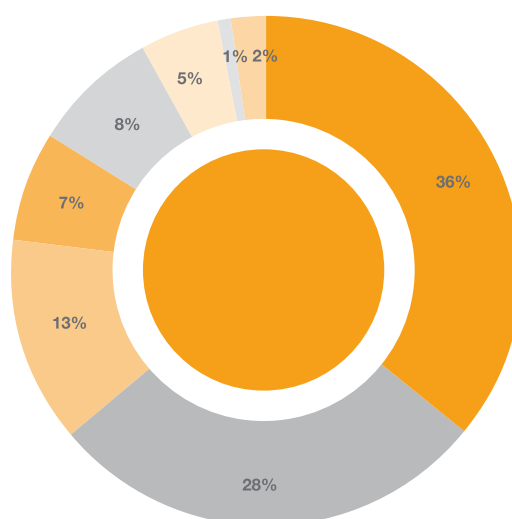
Exchange rate: 1 US \$ = Tk.73 (2010: 1 US \$ = Tk.69)

## Revenue Expenditure 2011



- Microfinance 34%
- Social Enterprises 31%
- Education 11%
- Ultra Poor 7%
- Health 9%
- Water, Sanitation and Hygienic Programme 3%
- Food Security and Climate Change 1%
- Others 4%

## Revenue Expenditure 2010



- Microfinance 36%
- Social Enterprises 28%
- Education 13%
- Ultra Poor 7%
- Health 8%
- Water, Sanitation and Hygienic Programme 5%
- Food Security and Climate Change 1%
- Others 2%

### NOTES

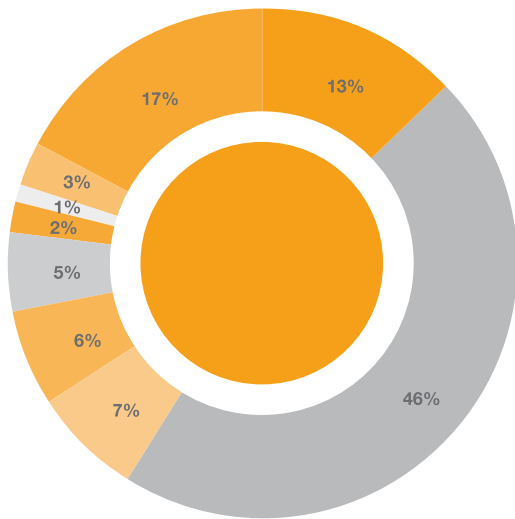
- Social Enterprises include Income Generating Projects and Program Support Enterprises
- Other includes the following: House Property, Gender, Justice and Diversity, Community Empowerment Program, Human Rights and Legal Services and other development projects

## Contribution of BRAC to Government Exchequer

Income Year	2011		2010	
	BDT	USD	BDT	USD
Income Tax deduction at source by third parties	53,732,054	736,056	55,453,375	803,672
Tax deduction at source from third parties	65,433,712	896,352	76,635,322	1,110,657
Income Tax deduction at source from Staff salary	16,674,102	228,412	12,844,413	186,151
VAT collection from customers	359,819,472	4,929,034	268,830,000	3,896,087
Import Duty paid	3,583,198	49,085	5,921,266	85,815
<b>Total</b>	<b>499,242,538</b>	<b>6,838,939</b>	<b>419,684,376</b>	<b>6,082,382</b>

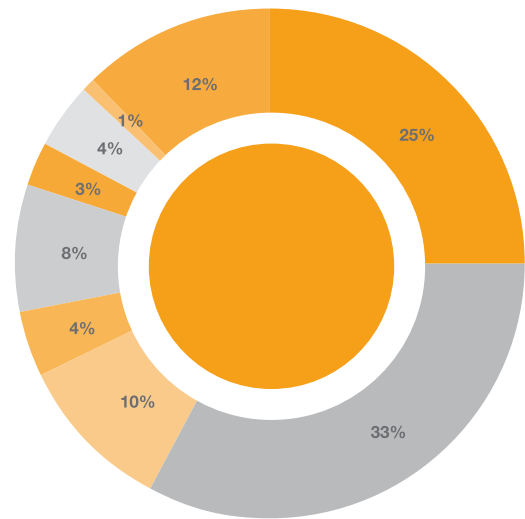
## Grant Composition 2010-2011

Grants 2011



NOVIB/EKN  
 UNICEF  
 DFID  
 Gates Foundation  
 The GlobalFund  
 BRAC USA  
 Others  
 AusAID  
 EC

Grants 2010



NOVIB/EKN  
 UNICEF  
 DFID  
 Gates Foundation  
 The GlobalFund  
 BRAC USA  
 Others  
 AusAID  
 EC

## Annual Expenditure

in Million USD

