

BRAC BANK LIMITED

**Auditors' Report and Audited Accounts
For the year ended 31 December, 2001**



ACNABIN & Co.

Chartered Accountants

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Auditors' Report

To the shareholders of BRAC Bank Ltd.

We have audited the accompanying Balance Sheet of the BRAC Bank Ltd. as of 31 December, 2001 and the related Profit & Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards including Bangladesh Accounting Standard-30, as notified by Bangladesh Bank in official gazette, give a true and fair view of the state of the Bank's affairs as of 31 December, 2001 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Company Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

We further report that :

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of accounts as required by law have been kept by the bank so far as it appeared from our examination of those books and returns adequate for the purposes of our audit have been received;



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- iii) the bank's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of accounts and returns;
- iv) the expenditure incurred was for the purposes of the company's business;
- v) the financial position of the company at 31 December 2001 and the loss for the year then ended have been properly reflected in the financial statements; and the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements have been drawn up in conformity with the Bank Company Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii) adequate provisions have been made for advances which are in our opinion, doubtful of recovery.
- viii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branch have been properly maintained and consolidated in the financial statements; and
- x) the information and explanations required by us have been received and found satisfactory.

Dhaka,
13 February, 2002

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BRAC BANK LIMITED

Balance Sheet As of 31 December, 2001

(Amount in Taka)			
	Note	31-12-2001	31-12-2000
PROPERTY AND ASSETS			
Cash:	3	8,015,862	-
Cash in hand		725,636	-
(Including foreign currencies)			-
Balance with Bangladesh Bank and Sonali Bank		7,290,226	-
(Including foreign currencies)			-
Balance with other bank and financial institutions:	4	161,752,801	200,060,000
In Bangladesh		161,752,801	200,060,000
Outside Bangladesh		-	-
Money at call and short notice	5	50,000,000	-
Investment:	6	40,000,000	-
Government		10,000,000	-
Others		30,000,000	-
Loans and advances:			
Loans, cash credit, overdrafts etc.	7	69,891,865	-
(Including Bills purchased & discounted)			
Other assets	8	31,162,204	9,675,049
Total assets		360,822,732	209,735,049
LIABILITIES AND CAPITAL			
Liabilities:			
Deposits and other accounts:	9	110,377,950	-
Fixed deposits		51,611,093	-
Short Term Deposits		17,462,004	-
Saving bank deposits		17,271,810	-
Current Deposits		24,029,238	-
Bills Payable		3,805	-
Other Liabilities	10	1,251,840	9,675,049
Total Liabilities		111,629,790	9,675,049
Capital and Shareholders' Equity			
Paid up capital	11	250,000,000	200,000,000
Other reserves	12	700,000	-
Deposit for shares		-	60,000
Surplus of profit and loss account		(1,507,058)	-
Total shareholders' equity		249,192,942	200,060,000
Total Liabilities and Shareholders' Equity		360,822,732	209,735,049

The annexed notes form an integral part of the Balance Sheet


Managing Director


Director


Director

This is the Balance Sheet referred to in our report of same date.

Dhaka,
13 February, 2002


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BRAC BANK LIMITED

Profit and Loss Account For the year ended 31 December, 2001

INCOME AND EXPENDITURE	Note	Taka
Interest income	13	235,262
Interest paid on deposits and borrowing etc.	14	7,491,976
Net interest income/(Expense)		(7,256,714)
Investment income	15	19,642,805
Commission, exchange and brokerage	16	157,249
Other income		7,605
Total operating income		12,550,945
Salaries and allowances	17	5,895,284
Rent, taxes, insurance, lighting etc.	18	1,528,052
Legal expenses		40,000
Postage, stamps, telegram, telephone etc.		254,194
Auditors' fee		50,000
Stationery, printing, advertisement etc.		437,884
Preliminary expenses written off		100,536
Pre-operating expenses written off		2,459,036
Managing directors' salary		540,000
Directors' fees		38,550
Repairs & maintenance of fixed assets	19	951,028
Other expenses	20	1,063,439
Total operating expenses		13,358,003
Profit/(loss) before provisions		(807,058)
Provisions for loans and advances		
Other provisions	21	700,000
Total provisions		700,000
Total profit/(loss) before income taxes		(1,507,058)
Provision for income taxes		
Net profit/(loss) after taxation		(1,507,058)
Earning per share (EPS)		(0.60)

The annexed notes form an integral part of the Profit and Loss Account


Managing Director


Director


Director

This is the Profit and Loss Account referred to in our report of same date.

Dhaka,
13 February, 2002


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Cash Flow Statement For the year ended 31 December, 2001

	Note	2001 Taka	2000 Taka
A. Cash flow from operating activities			
Interest and commission received		392,511	-
Interest paid		(7,491,976)	-
Receipts from other operating activities		7,605	-
Cash paid to Employees		(6,435,284)	-
Cash paid to suppliers		(692,078)	-
Paid for other activities		(6,230,641)	-
Operating profit before changes in current assets and liabilities	22	(20,449,863)	-
(Increase)/decrease in current assets:			
Treasury bills		(10,000,000)	-
Loans and advances		(69,891,865)	-
Other current assets		(30,126,376)	(8,440,084)
Increase/(decrease) in current liabilities:			
Deposits from customers		110,377,950	-
Current liabilities		1,251,840	8,440,084
Net cash from operating activities before income tax		(18,838,314)	-
Income tax paid		(1,035,828)	-
Net cash flow from operating activities		(19,874,142)	-
B. Cash flow from investing activities			
Interest received		19,642,805	-
Investment in shares		(30,000,000)	-
Net cash used in investing activities		(10,357,195)	-
C. Cash flow from financing activities:			
Proceeds from issue of share capital		49,940,000	-
Net cash from financing activities		49,940,000	-
Net increase in cash and bank balance (A+B+C)		19,708,663	-
Cash and bank balance at beginning of the year		200,060,000	200,060,000
Cash and bank balance at end of the year		219,768,663	200,060,000



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Statement of Changes in Equity For the year ended 31 December, 2001

(Amount in Taka)

Particulars	Paid-up Capital	Statutory Reserve	Other Reserve	Profit/ (loss)	Total
Balance at 01 January, 2001	200,000,000	-	-	-	200,000,000
Addition during the year	50,000,000	-	700,000	(1,507,058)	49,192,942
Balance at 31 December, 2001	250,000,000	-	700,000	(1,507,058)	249,192,942



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CONTRA ITEMS

As at 31 December, 2001

OFF-BALANCE SHEET ITEMS	Taka
Contingent Liabilities:	
Acceptances and Endorsements	-
Letter of Guarantees	3,200,000
Irrevocable Letter of Credits	-
Bills for Collection	-
Other Contingent Liabilities	-
Total Contingent Liabilities	3,200,000
Other Commitments:	
Undrawn notes issuance and revolving underwriting	-
Total Off-Balance Sheet Items	3,200,000



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BRAC BANK LIMITED **Notes to the Accounts** **For the year ended 31 December, 2001**

1.0 Formation and Status of the Bank

BRAC Bank Limited is a scheduled commercial bank established under the Bank Company Act, 1991 and incorporated as a public company limited by shares on 20 May, 1999 under the Companies Act, 1994 in Bangladesh. The primary objective is to carry on all kinds of banking businesses. The Bank had not started its operations till 3 June, 2001 since the activity of the Bank was suspended by the High Court of Bangladesh. Subsequently, the judgement of the High Court was set aside and dismissed by the Appellate Division of the Supreme Court on 4 June, 2001 and accordingly, the Bank has started operations from 04 July, 2001.

2.0 Significant Accounting policies

2.1 Basis of Accounts

The accounts of the Bank have been prepared on a going concern basis under the historical cost convention in accordance with Bangladesh Accounting Standards and prescribed format of Bangladesh Bank.

2.2 Loans and Advances

- a) Interest is calculated on a daily product basis but charged and accounted for quarterly on accrual basis.
- b) Provision for loans and advances is made on the basis of period and review by the management and instruction contained in Bangladesh Bank BCD circular No. 34, 20 and 12 dated 16 November 1989, 27 December 1994 and 4 September 1995 respectively and BRPD circular No. 16 & 09 dated 06 December 1998 and 14 May 2001 respectively.

2.3 Preliminary Expenses

Preliminary expenses represent expenses incurred prior to incorporation of the bank and will be written off over a period of three years upon start of operations. Accordingly one-sixth of these expenses has been written off in the accounts of this year.

2.4 Pre-operating Expenses

These represent expenses incurred after incorporation and will be amortized within years after commencement of the operations of the Bank. Accordingly one-sixth of these expenses has been written off in the accounts of this year.

2.5 General

Figures appearing in these accounts have been rounded up to the nearest Taka.



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3.0 Cash: Tk. 8,015,862

Cash in hand:
Local Currency
Foreign Currency

Balance with Bangladesh Bank and Sonali Bank:
Local Currency
Foreign Currency

31-12-2001 Taka	31-12-2000 Taka
725,636	-
-	-
725,636	-
7,290,226	-
-	-
7,290,226	-
8,015,862	-

4.0 Balance with other bank and financial institutions: Tk. 161,752,801

South East Bank Ltd- Current Account
South East Bank Ltd- STD Account
South East Bank Ltd- FDRs
City Bank Ltd. - FDRs
Phoenix Leasing - FDRs

3,352	-
1,689,449	-
30,060,000	200,060,000
80,000,000	-
50,000,000	-
161,752,801	200,060,000

5.0 Money at call and short notice: Tk. 50,000,000

	Int. Rate	Tenor
IPDC	5%	Overnight
IDLC	5%	Overnight

40,000,000	-
10,000,000	-
50,000,000	-

6.0 Investment: Tk. 40,000,000

Government Securities:
Treasury Bills

10,000,000	-
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Other Investments:

Shares

IIDFCL

(100,000 ordinary shares of Tk. 100 each)

30,000,000	-
10,000,000	-
20,000,000	-

United Cement Company Ltd.
(200 preference shares of Tk. 100 each at a premium of Tk. 999,900
per share at a fixed dividend of Tk. 120,000 per share redeemable
after 5 years)

40,000,000	-
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7.0 Loans and Advances: Tk. 69,891,865

	31-12-2001 Taka	31-12-2000 Taka
Secured Overdrafts	46,293,416	-
Term Loans	20,520,435	-
Loan to SME's (SESDF)	506,208	-
Staff Loans	2,571,806	-
	69,891,865	-

7.1 Maturity wise Grouping

On demand	46,293,416	-
Up to 3 months	-	-
More than 3 months to 12 months	20,044,943	-
More than 1 year to 5 years	3,553,506	-
More than 5 years	-	-
	69,891,865	-

7.2 Geographical Location Wise Grouping

Inside Bangladesh:		
Loans	23,598,449	-
Cash Credits	-	-
Overdrafts	46,293,416	-
	69,891,865	-
Outside Bangladesh:		
Loans	-	-
Cash Credits	-	-
Overdrafts	-	-
	69,891,865	-

7.3 Significant Concentration wise Grouping

Directors & Others	-	-
MD	-	-
Customers	67,320,059	-
Industries	-	-
Other Advances	2,571,806	-
	69,891,865	-

7.4 Grouping as per classification rules

Unclassified	69,891,865	-
Sub Standard	-	-
Doubtful	-	-
Bad Loss	-	-
	69,891,865	-



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31-12-2001
Taka

31-12-2000
Taka

7.5 Particulars of loans and advances

i) Debts considered good in respect of which Bank is fully secured	69,373,631	-
ii) Debts considered good for which Bank holds no other security than the debtor's personal security	518,234	-
iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the	-	-
iv) Debts considered doubtful or bad, not provided for	-	-
	69,891,865	-
v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons.	2,571,806	-
vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in case of private companies, as members.	2,578,281	-
vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other person.	-	-
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in case of private companies, as members.	-	-
ix) Due from banking companies	-	-
x) Classified debts on which interest are not accounted for.	-	-

8.0 Other Assets : Tk. 31,162,204

Preliminary expenses	(Note-8.1)	502,681	603,217
Pre-operating expenses	(Note-8.2)	12,295,179	9,071,832
Stock of stamps		8,526	-
Interest receivables		1,471,957	-
Other receivables		44,900	-
Stock of petty stationery		59,312	-
Stock of security stationery		1,423,342	-
Prepaid expenses		683,368	-
Advance income tax		1,035,828	-
Advance against salary		150,000	-
Advance against fixed assets		8,449,840	-
Advance against rent (office)		5,017,271	-
Advance security deposit		20,000	-
		31,162,204	9,675,049



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8.1 Preliminary Expenses Tk. 502,681

Opening Balance
Less: Written off during the year

31-12-2001 Taka	31-12-2000 Taka
603,217	603,217
100,536	-
<u>502,681</u>	<u>603,217</u>

8.2 Pre-operating Expenses : Tk. 12,295,179

Opening Balance
Add: Incurred during the year

Less: Written off during the year

9,071,832	1,234,965
5,682,383	8,440,084
<u>14,754,215</u>	<u>9,675,049</u>
2,459,036	-
<u>12,295,179</u>	<u>9,675,049</u>

9.0 Deposit and other accounts: Tk. 110,377,950

On Demand:

From Bank Companies
Other than Bank Companies

-	-
43,222,228	-
<u>43,222,228</u>	<u>-</u>

Other deposit :

From Bank Companies
Other than Bank Companies

-	-
67,155,722	-
<u>67,155,722</u>	<u>-</u>
<u>110,377,950</u>	<u>-</u>

10.0 Other liabilities: Tk. 1,251,840

Withholding tax payable- interest
Withholding tax payable- salaries
Interest payable
Accrued expenses
Excise duty
Interbranch account
Margin on L/G
Payable to BRAC

37,916	-
100	-
68,029	-
258,177	-
52,760	-
354,858	-
480,000	-
-	9,675,049
<u>1,251,840</u>	<u>9,675,049</u>

11.0 Share Capital

11.1 Authorised Capital: Tk. 1,000,000,000

10,000,000 ordinary shares of Tk. 100 each

<u>1,000,000,000</u>	<u>2,000,000,000</u>
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11.2 Issued, Subscribed and Paid up Capital: Tk. 250,000,000

2,500,000 Ordinary Share of Tk. 100/- each

<u>250,000,000</u>	<u>200,000,000</u>
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11.3 Shareholder wise Grouping

		31-12-2001 Taka	31-12-2000 Taka
	No. of Shares,		
BRAC	2,499,400	249,940,000	199,940,000
Others	600	60,000	60,000
	<u>2,500,000</u>	<u>250,000,000</u>	<u>200,000,000</u>

12.0 Other reserves : Tk. 700,000

This represents 1% general provision for loans and advances as at 31 December, 2001.

13.0 Interest Income : Tk. 235,262

Interest on loans and advances- General
Interest on loans and advances- Car purchase
Interest on loans and advances- SESDF
Interest on loans and advances- Staff

	2001 Taka	2000 Taka
	194,747	-
	13,836	-
	5,958	-
	20,721	-
	<u>235,262</u>	<u>-</u>

14.0 Interest paid on deposits and borrowing etc.: Tk. 7,491,976

Interest on savings deposits
Interest on short term deposits (STD)
Interest on fixed deposits
Interest on money at call and short notice

	265,385	-
	118,534	-
	80,355	-
	7,027,702	-
	<u>7,491,976</u>	<u>-</u>

15.0 Investment income: Tk. 19,642,805

Interest on treasury bills
Interest on money at call and short notice
Interest on fixed deposits with other banks
Interest on STD accounts with other banks

	120,755	-
	7,348,033	-
	11,857,017	-
	317,000	-
	<u>19,642,805</u>	<u>-</u>

16.0 Commission, exchange and brokerage : Tk. 157,249

Commission from sale of sanchaya patra
Commission from issue of payment orders
Commission from issue of letter of guarantee
Cheque return fees
Cheque collection fees
Loan processing fees

	103,759	-
	100	-
	32,000	-
	500	-
	315	-
	20,575	-
	<u>157,249</u>	<u>-</u>



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17.0 Salary & allowances: Tk. 5,895,284

Executives and Officers
Casual-staff
Casual-Security

2001 Taka	2000 Taka
5,721,467	-
32,300	-
141,517	-
5,895,284	-

18.0 Rents, Taxes, Insurance, Lighting, etc: Tk. 1,528,052

Rents (Office)
Rents (Residence)
Rates & Taxes
Insurance: Cash
Insurance: Office motor vehicles
Lighting
WASA & sewage

829,844	-
240,000	-
117,958	-
29,040	-
84,311	-
201,669	-
25,230	-
1,528,052	-

19.0 Repairs & Maintenance of Fixed Assets: Tk. 951,028

Maintenance of equipments
Maintenance of machinery
Maintenance of transport
Maintenance of computer
Maintenance of premises
Fuel expenses-car
Fuel expenses- generator
Cleaning expenses

7,341	-
40,291	-
39,247	-
634,515	-
35,777	-
69,024	-
15,224	-
109,609	-
951,028	-

20.0 Other Expenses: Tk. 1,063,439

Transportation & conveyance expenses
Consultancy fees
Entertainment
Branch development expense
Miscellaneous
VAT
Bank charges
Excise duty

25,982	-
788,500	-
153,534	-
34,935	-
10,758	-
31,030	-
1,200	-
17,500	-
1,063,439	-

21.0 Provision for loans and Advances: Tk. 700,000

This represents 1% general provision for loans and advances at 31 December, 2001 against required provision of Tk. 696,819.



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22.0 Operating profit/(loss) before changes in current assets and liabilities: Tk. (20,449,863)

	2001 Taka	2000 Taka
Profit/(Loss) for the year	(1,507,058)	-
Less: Income from investment	(19,642,805)	-
	(21,149,863)	-
Add: Provision for loans and advances	700,000	-
	(20,449,863)	-

23.0 Cash and cash equivalent at the end of the period: Tk. 219,768,663

Cash	725,636	-
Balance with Bangladesh Bank and Sonali Bank	7,290,226	-
Balance with other banks	161,752,801	200,060,000
Money at call and short notice	50,000,000	-
	219,768,663	200,060,000