

Annual Report 2006

Buro

**Provides Appropriate Financial
Services for the Low Income Clients**

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Message from CEO

We have great pleasure in presenting Buro's annual report for 2006. The year witnessed significant program expansion in 32 districts. Currently our client outreach is 331,329 against 273,286 in 2005. The total number of branches is 173 against 110 in 2005. Our net savings have increased from BDT 465 million to BDT 679 million. The loan disbursement increased from BDT 2,368 million to BDT 3,180 million. The quality of loan portfolio continued to rise further. The portfolio at risk (PAR) is 1.73% which is very low. The on-time loan recovery is 98.17%, which is higher than the preceding year. The operational and financial sustainability are still high and above the industry benchmarks. Cost efficiency is still high and will be further increased. Commercial bank borrowing has risen further, and these loan obligations are being met comfortably and on a timely basis. Debt-service coverage ratio (DSCR) is at satisfactory level. Capital adequacy is high enough to absorb potential loan losses.

Along with mainstream microfinance we are putting in more stress on newer and challenging areas like the hard-core poor, marginal farmers and micro-enterprises. Through these initiatives, we are covering gradually these segments. We are now providing technical assistance to overseas countries.

Central to Buro's approach is to treat our customers with respect and listen to them. We try to do our utmost for the client satisfaction. Recognizing that customers have freedom of choice, we discard or amend any policy and product which the clients do not like. Our customers can largely meet their basic needs for financial services as Buro offers a range of nine loan and three savings products. We also provide insurance service to minimize the damage due to loss of life.

We have continued our efforts to strengthen our corporate governance. An important amendment has been made to our constitution this year. The CEO is no longer a member of the board but works as a member secretary. Thus the board has become more independent. This has been done to meet the current regulatory requirement in the country.

We pursue some standard practices used worldwide in the financial sector so that we do not face any difficulty as and when the new Microcredit Regulatory Authority (MRA) imposes such norms for compliance. These norms will be useful should any scope of institutional transformation arise in future. Over the past few years, we have also strengthened our internal control system that ensures accountability and transparency. As recognition, we have achieved the 'first position' award both from the Institute of Chartered Accountants, Bangladesh and South Asian Federation of Accountants for the SAARC countries in the NGO-MFI sector. As per International Accounting Standard (IAS) and Bangladesh Accounting Standard (BAS) requirement, we have brought in qualitative improvement in the audit report this year.

We are also rolling out a new IT system. All new branches are automated from their establishment, while the automation of old branches will be completed in phases. We believe automation will boost efficiency and bring in more transparency in the flow of information.

We are grateful to our present and past stakeholders for their active support and sincere cooperation. Our staff have contributed a lot to sustain the trend of program achievements. We would indeed be very happy to have your suggestions or any criticisms for improvement of our performance.

Zakir Hossain
Executive Director

Dated: March, 2007

Buro in a Glimpse

Buro-a national ‘not-for-profit’ non-government microfinance institution (NGO-MFI) was established in 1990 with an aim to work for the poor and rural people to reduce poverty, on sustainable basis. Buro is a specialized micro-finance institution and provides high quality flexible financial services to low-income people, particularly the women, who are regarded as its prime customers. They are the conduit for channeling resources into the households. The organization is responsive to diverse financial needs of the customers. To meet their ever-growing financial needs, it has launched nine loan products, three savings products and one insurance scheme. In addition, it provides stepped loans to graduate clients called “enterprise loan”. Buro has also a disaster mitigation program for the affected people in the microfinance system.

Buro was one of the first MFIs in the country to articulate a clear, unequivocal commitment to achieve financial sustainability, and establish itself as an independent institution. Since then it has been achieving milestones of success and eventually has attained financial sustainability.

Apart from these, Buro provides modicum non-financial services that include technical assistance to MFIs, quality seed production and rural piped water supply. Buro keeps on investing a considerable amount of money in developing its human resources. Staff and customers both are trained to enhance their knowledge based capacity and skills.

Customers

There are three categories of customers who are selected based on specific criteria.

Very Poor/Extreme Poor

- owning less than 10 decimals of land
- annual income equal to or less than BDT 6,000 and having assets less than BDT 12,000
- age limit between 18-60 years

Moderate Poor

- owning less than 0.50 acres of land
- annual income equal to or less than BDT 18,000 and having assets less than BDT 100,000
- age limit between 18-60 years

Vulnerable Non Poor

- owning more than 0.50 acres of land
- annual income in the range of BDT 18,000–BDT 60,000 and having assets in the range of BDT 100,000–BDT 300,000
- age limit between 18-60 years

Legal Status

Buro is registered with:

- The Department of Social Welfare, No. TA. 0489 dated 9th April 1991.
- NGO Affairs Bureau No. 610 dated 19th March 1992.

Linkages

Buro has established linkages with:

- The Federation of NGOs in Bangladesh (FNB)
- Credit and Development Forum (CDF)
- Network for Information, Response and Preparedness Activities on Disaster (NIRAPAD)
- International Association of Investors in the Social Economy (INAISE)
- International Network of Alternative Financial Institutions (INAFI)
- Campaign for Popular Education (CAMPE)
- Self-help Promotion Network

Contribution to Poverty Reduction

Buro’s financial service is helping the customers in many ways. The money that they save with the organization are used for productive purposes when it turns into a lump sum amount. On the other hand, most customers are using loans for small trade and business activities as working capital. This loan is helping the growth of the businesses and their income. Some people are also getting employment opportunities.

Stakeholder Information

Buro regularly furnishes information to a number of important agencies both national and international. These are:

- Bangladesh Economic Review, Ministry of Finance and Planning
- Credit and Development Forum (CDF) for publication of Microfinance Statistics
- Microfinance Research and Reference Unit (MRRU), Bangladesh Bank
- Microfinance Information eXchange (MIX)
- National and international organizations for Annual Report distribution

Advisory Support

Mr. Graham A.N. Wright has been Buro's international honorary advisor for a long time. He is providing valuable inputs in the development of the organization and helping the management in quality decision-making. Mr. Wright is now working as Program Director of *Microsave*.

Future Direction

Buro was originally conceived as a demonstration model, with the intention of achieving sustainability providing a range of high quality financial services to 100,000 customers. This was achieved but after some time the organization decided that it could also play an important role in rolling out its services still further. As a result, in the last few years, Buro has initiated an expansion program. But there are some critical areas where Buro is still trailing primarily due to resource constraints.

However, Buro remains committed to move ahead with its expansion programme keeping in mind the national and institutional priorities.

Strengthening Micro-enterprise (ME) Intervention

Buro is currently financing ME customers in a limited way. It believes that ME is an area where more investment should be forthcoming as this has good potential for employment and income generation. The organization will prioritise creating employment opportunities in the rural areas in non-conventional businesses. It plans to support 15,000 customers in 2007.

Working with hard-core Poor

Buro has decided to work in the *Monga* (famine) hit region of Northwest of Bangladesh and hard-core poor in other parts of the country in a massive way. Meanwhile, it has developed experience of working with this segment. It plans to address the financial needs of 6,000 households in 2007.

Plan for Full Automation

Buro has 173 branches and 42 area offices. It wants to bring about full automation in microfinance operations as early as possible. But time and the investing in automation are two important factors hindering the plan. Long-term, automation will result in reduction of costs and enhance transparency. The organization has developed a software on MIS and FIS. Field-testing on FIS has already been accomplished. The outcome is satisfactory. The organization plans to install the software initially in 73 branches in 2007. The process will be carried forward gradually.

Highlights

- Awarded first position in the NGO-MFI sector in 2005 by Institute of Chartered Accountants of Bangladesh (ICAB) for Best Published Reports and Accounts.
- Awarded first position in the NGO-MFI sector in the SAARC countries in 2005 by the South Asian Federation of Accountants (SAFA) for Best Published Reports and Accounts.
- Received Merit Award, 2006 from CGAP/The World Bank for Financial Transparency.
- Pursuing corporate governance practices.
- A rigorous internal control system is in place.
- Active clients totaled 331,329.
- 110 out of 173 branches have become operationally self-sustainable.
- Sustainability of a branch takes around 8 months with BDT 1.5 million savings and BDT 8-9 million loans outstanding with standard 12 staff.
- Working with hard-core poor in two branches with flexible approach.
- Provided micro enterprise loans for poverty graduates.
- Significantly increased investment in HRD met from Buro's own resources.
- All customers can withdraw all savings from the general account leaving BDT 10 only to keep the account active. No link with loan and savings.
- Operational expense ratio is falling and is now 15%.
- Cost per unit of money lent is BDT 0.06 signifying a low rate which is continuously declining.
- Operational self-sufficiency is 136% and financial self-sufficiency is 122%.
- Portfolio at risk (>60 days) is 1.73%.
- On-time recovery (OTR) rate is 98.17%.
- 97.85% portfolio has no payments in arrears.
- Clients' savings constitutes 43% of total revolving loan fund.
- Increased borrowing from commercial sources whereby 22% comes from commercial banks.
- 89% investment is in the loan portfolio of total assets.
- 4% investment is in the fixed assets of the total assets.
- New branch opening policy adopted.
- Paid off BDT 1.69 million as taxes in the National Exchequer.
- Debt-equity ratio is 1:1.65 signifying huge capacity to absorb loan.
- Debt Service Coverage Ratio (DSCR) is 1.62 times indicating sound solvency to pay off long-term obligations.

Microfinance Scenario

Economy of Bangladesh

The country has about 140 million populations. It is ethnically homogenous with a small tribal population of about one million people. The population growth rate is 1.47%. About 77% populations live in the rural areas; while 23% live in the urban areas.

The economy of the country is based on traditional agriculture. The technology in agriculture has gradually been modernizing though it is constrained by low level of investment and small land holdings. The economy is presently going through a process of structural adjustment and liberalization as well as deregulation. The economic growth rate is 6%. The private sector is more active now than ever before and a third sector (voluntary non-profit organization) is also highly visible. Microfinance occupies a prominent place in the voluntary run third sector of the economy.

Microfinance Status

Microfinance in Bangladesh is playing an important role in poverty alleviation and is widely credited for substantial success both nationally and internationally. The objective of microfinance is to increase the poverty reduction through increased income at household level. Microfinance programs are expected to generate the following results:

- Enhance assets through savings and providing material security to the members.
- Increase loans to raise income.
- Increase money management capacity of the MFIs and their customers.
- Create self-employment and/or wage labor employment opportunities.
- Enhance women's role in the family, community and financial decision-making, and
- Increase the economic wellbeing of the family.

Bangladesh is believed to be teeming with more than 1,500 microfinance NGOs that includes some very large organizations, the largest of

which has in excess of six million customers. Buro has been reckoned to be the fifth largest NGO-MFI in this broad spectrum with 350,000 clients. In terms of CDF Microfinance Statistics (2005) reported by 690 NGOs, the number of active clients stands at 18.79 million that includes 13.94 million outstanding borrowers. The net savings stood at BDT 20,344 million. The loan portfolio was BDT 55,681 million.

Composition of Revolving Loan Fund

About 60% loans are met from NGOs' own sources – members' savings: 30%, service charge: 26% and own fund: 4%. PKSf fund comprises 14% while local banks' financing is 17%. International donors and NGOs constitute together 9%.

Microfinance Fund Providers

PKSF has so far funded more than 200 NGOs. Its funding is continuous so long the partners will conform to the prescribed criteria. PKSf provides fund in microcredit, extreme poor programs, enterprise, poultry and livestock, marginal farmers etc. PKSf is the largest microfinance wholesaler that provides funds at a concessionary rate. PKSf model of wholesaling has been found a successful case. Some countries are replicating this model. Unlike in the past, commercial banks are now wholesaling funds to the NGOs increasingly. 28 banks and 5 non-banks have so far financed 207 NGOs. Some international NGOs including Stromme Foundation are also providing loans to the NGO-MFIs.

Microfinance Regulation

The Microcredit Regulatory Authority Act, 2006 was passed in July 2006 which has come into effect from 27 August 2006. All NGOs must obtain license for micro-credit operations. A seven-member board was constituted headed by the central bank Governor. A five-member technical committee was formed for preparing a policy guideline for monitoring micro-credit activities. Buro has duly applied for license.

What We Stand For

Vision

A happy, prosperous and pluralistic democratic society that meets the basic needs of the people in Bangladesh.

Mission

An independent, sustainable, cost-effective microfinance institution that provides diverse, appropriate and market responsive, quality financial and business development services at competitive prices along with other social development programs to very poor, poor and vulnerable non-poor customers.

Strategic Priorities

- Promotes product diversification.
- Pursues commercialization principle.
- Reaching the hard-core poor; small and micro enterprises; and small and marginal farmers.

Market Positioning

- Identify the major attributes that the customers value.
- Assess importance of different attributes in terms of quality, cost, price and delivery of service.
- Assess Buro and its competitors' performance for positioning in the market.

Our Values

Listening to Customers

- Respecting the customers as valued clients.
- The program pivots on customers' choice.
- Rules and regulations change to the wishes of customers.

Customers Empowerment

- Access to flexible and quality financial services for the poor.
- Money management capacity through savings and loan activities.
- Customer responsiveness as a key to the development of our organization.

Access to Information

- The customers have every right to tally the passbooks with branch level transaction.
- Customers have right to know what Buro is doing with their savings.

Financial Service is a right of the Poor Customers

- The customers need a safe place to keep savings.
- The customers have every right to withdraw savings whenever necessary.
- Customers have a right for loan for the development and increasing income.

Quality Financial Service

- Service that is timely.

- Service that is prompt and quick.
- Service that meets the customers' needs.
- Service that the customers can afford.

Financial Prudence

- Cost recovery principle for service delivery to the customers.
- Capacity to mobilize funds from commercial sources or market.
- Capacity for financial management, audit and control.

Good Governance

- Strategic vision/mission: A long-term perspective about what is needed by the customers, and Buro.
- Responsiveness: Serving the interests of all stakeholders.
- Transparency: A free flow of information between the organization and concerned stakeholders.
- Accountability: Decision-makers must be answerable to the stakeholders and the organization.

Social and Development Commitment

- Works with social mission to contribute poverty reduction.
- Pursues commercial objective to provide sustainable microfinance service.

Marching With Time

Timeline	Major Events
1990	The genesis of Buro is ingrained in the study “BURO: What It Is: What We Can Learn From It” conducted by USAID/PACT Inc. Initiated five “Model Branches of Sustainable Rural Financial Service” funded by USAID/PACT Inc.
1991	Conducted the first and second external evaluations to strengthen five “Model Branches”.
1992	Research Department, Bangladesh Bank conducted evaluation of its microfinance program that found financial norms maintained to operate its financial services.
1993	An external evaluation by Donors looked into overall mandate of the organization, to accept the challenge for future replication of model.
1994	Continued with its minimalist approach but gradually started putting increased emphasis on social aspects and business skill development of the customers.
1995	An external Review Team commissioned by Donors conducted Mid-Term Review which was the turning point for further innovations. Made interventions in the flood prone areas, with the landless destitute.
1996	Intervention made in social program with donor support for post disaster. Carried out financial modeling and project design through strategic planning for complete withdrawal from donor’s support for its micro-finance program between 1997 and 2001.
1997	An operational research by an external team on “New Products” was commissioned. UN General Assembly resolution 52/194 of 18 December 1997 highlighted the micro-credit operations and recognized the role of Buro, among few other MFIs.
1998	A system was developed through “Group and Kendra Reformation” for sustaining microfinance program during and at post disaster period. Shift from donors grant to borrowed fund for microfinance operation.
1999	First Microfinance Capacity Assessment was conducted by an overseas agency.
2000	For the first time entered into formal financial market for commercial funding for micro-finance program. Commissioned a review on Internal Control and Internal Audit to strengthen the MIS, FIS and overall Internal Control System.
2001	Donors conducted “Product Development Review”. The external reviewer recognized the high quality set of financial services well adapted to the needs of the poor customer. Donors’ end-term review found the achievements of all targets set for 1997-2001. Second Micro-Finance Rating Risk Assessment was conducted.
2002	A brief planning was undertaken to review and consolidate the past achievements and prepare business plan (2003-2007) for the expansion of its micro-finance program. A strategic planning exercise for 2003-07 was commissioned by a Consortium of Donors. A review of “Costing of Products” was externally conducted.
2003	Third Microfinance Rating - Risk Assessment was externally conducted. Microfinance model for the poorest of the poor in rural areas was put into implementation.
2004	Microfinance model for the poorest of the poor in urban areas was put into implementation. All-out efforts taken to strengthen the Code of Corporate Governance.
2005	Geared up access to commercial banks, non-banks and international agencies.
2006	“Char Livelihood Program” with an integrated approach began. Massive expansion of program adopted during the year. Automation of new branches started and old branches would be done in phases.

Recognition

CGAP/The World Bank Financial Transparency Award

Buro has been awarded Merit Recognition for its performance in Financial Transparency Award 2005 and 2006 by the Consultative Group to Assist the Poor (CGAP)/The World Bank. This is a significant international recognition to Buro especially for its financial transparency. Applicants for the award were judged according to their compliance with international disclosure guidelines, including industry-specific CGAP Disclosure Guidelines that are widely accepted as International Financial Reporting Standards (IFRS).

SAFA Award for Best Published Reports and Accounts

The South Asian Federation of Accountants-

SAFA, which was established in 1984 to coordinate the accounting profession from the SAARC member countries, has awarded Buro the first position for the Best Presented Accounts in the category of NGO-MFI for the year 2005.

ICAB National Award for Best Published Reports and Accounts

The Institute of Chartered Accountants of Bangladesh (ICAB) has awarded Buro the second and first position in the NGO-MFI sector for its best published Reports and Accounts for the financial year 2004 and 2005 respectively. This is a big national recognition to an NGO-MFI especially for its financial transparency.

Corporate Governance

Constitutional Aspects

Executive Committee and General Body

Buro strictly follows the 'Code of Corporate Governance for Bangladesh' prepared by the taskforce on corporate governance to develop corporate culture step by step in the organization. A seven-member Executive Committee (President, General Secretary, Finance Secretary, and four members) and a four-member implementation board of directors (Executive Director, Finance Director, Program Director and microfinance immersion and capacity building deputy director) are vested with the governance and the management of Buro. The Executive Director is not a member of the Executive Committee but works as a member secretary. The Executive Committee is elected bi-annually from a body of 15 general members, who come from different professions viz. business, banking, law, academics, journalism, and social development.

Executive Committee Functioning Process

The Executive Committee (EC) performs four core responsibilities that include fiduciary, strategic, supervisory and management development. The Executive Committee performs the responsibility to safeguard the interests of all the institutions' stakeholders. The Executive Committee serves as a check and balance to provide confidence to its stakeholders (lenders, donors, savers and staff) that the management will operate in the best interests of the institution. It participates in the organization's long-term strategy by critically considering the principal tasks to which the organization is exposed and approving the plans presented by the management. The Executive Committee does not generate corporate strategy but instead reviews management's business plans and its strategies and approves it. The Executive Committee has delegated authority to the management through

the CEO. It supervises management in the execution of the approved strategic plan and evaluates the performance of management in the context of the goals and timeframe outlined in the plan. The Executive Committee also supervises the selection, evaluation and compensation of the senior management team.

Activities of EC during the Year

In 2006, six Executive Committee meetings were held. The meetings generally provided guidelines and policy directions to the management. The Implementation Board held 10 meetings. In addition, there were 77 audit settlement meetings, which were settled by the Implementation Board. The EC approved new branch opening policy during the year. To set up a branch a team consisting of senior staff is assigned. A survey is undertaken for collecting desired information. These include population in locality, geographical location, staple crops in the area, roads & communication, physical facilities and local resources, local political situation, the social and religious condition of the target people, the position of women in the locality, the particulars of MFIs working in the locality. During the year EC approved the 4th Pay Scale, 2006 for the staff of the organization and borrowing from commercial banks and non-banks. EC resolved taking licence from Microcredit Regulatory Authority (MRA) for carrying on microcredit operations.

Holding Annual General Meeting (AGM)

The ninth Annual General Meeting (AGM) was held on 30 June 2006. The AGM was attended all the general members. They approved the annual report and the audit report of 2005, the budget and the program for 2006. An extra ordinary general meeting was also held on 22 December 2006 to discuss and approve amendment of the constitution and election of a new Executive Committee. The Executive

Director is not a member of the EC as per the new amendment.

Policy and Functional Aspects

Policy and Procedures

In order to establish good governance in the organization, Buro gives significant importance on the implementation of various rules and procedures that include (i) Rules of Business for Micro-finance and Micro-enterprise (ii) Staff Service Rules (iii) Accounting and Financial Procedures and Rules (iv) Internal Audit Manual (v) Human Resource and Administrative Manual (vi) Program Implementation Manual (vii) Gender Policy and (viii) New Branch Opening Policy.

Working Committees

Seven (7) different committees are functioning with cross-functional departments to develop greater cohesion and integration towards achieving the goals of the organization. The committees are: (i) Recruitment and Promotion Committee (ii) Gender Committee (iii) Sales & Purchase Committee (iv) Land Purchase Committee (v) Disaster Management Committee (vi) Committee for Building Construction and (vii) Committee for Papers Disposal.

Programs Management

Buro operates through its branches established at different locations. A branch is managed by one Branch Manager, one Branch Organizer, one Accountant, and 10-12 Program Organizers (POs).

To develop smooth functional mechanism for program implementation, 21 area offices have been established at field level with an Area Manager for each area office. The key responsibility of the Area Manager is to monitor, supervise and facilitate 5-6 branch offices. Area Managers are supervised by Zonal Managers. One Zonal Manager supervises 4 Area Offices. The Area Manager and the Zonal Manager do not have any separate office but they sit in the offices of any Branch in a convenient location.

Staff Benefit Funds

The services of all staff are regulated with well-defined Service Rules of the organisation. These include: (i) provident fund, (ii) gratuity fund, (iii) health fund, (iv) housing fund, (v) staff family welfare fund, (vi) advance for motorbike and bicycle purchase, (vii) income tax payment for the staff, (viii) leave encashment, and (ix) advance salary payment on simple terms to facilitate buying life insurance policy.

The Provident Fund is managed by a separate Trustee Board comprising staff at different levels. The management of Buro manages four other financial benefits. The accounts of these financial benefits are maintained separately. The total amount of staff benefit fund as on December 31, 2006 stood at BDT 48.41 million, which includes BDT 28.32 million as provident fund, BDT 11.05 million as gratuity, BDT 2.19 million as health fund, BDT 5.50 million as housing fund and BDT 1.35 million as staff family welfare fund.

Income Tax Return Submission

Submission of income tax return is mandatory under government rules. Buro has been regularly submitting the returns to the government. It may be noted that the government has exempted the non-profit organizations dealing with microfinance from paying any income tax from the surplus earned. However, if there is any income from other than microfinance, it will be subject to the relevant rules of taxation. The income tax assessment has been duly completed for the year. During the year, Buro has paid an amount of BDT 1.69 million to the national exchequer.

Internal Control System

To ensure transparency, efficiency and overall effectiveness, the organization pursues a rigorous internal control system. Most international standard norms and practices are also meticulously followed. These practices reflect Buro's institutional and managerial soundness. It has, of course, taken time to develop these systems. The components of internal control system are laid down below.

Budget Formulation and Variance Analysis

The initial budget planning starts at the branch level. A yearly budget is split into monthly figures spelling out financial and program targets. All branch budgets are consolidated in the head office to formulate the organization's aggregate budget. Financial monitoring is carried out monthly based on budget variance, MIS and FIS reports.

Fair Staff Recruitment Process

Recruitments are made through fair competition and public announcements. The criteria are well defined in the service rules. Advertisements are made in the leading newspapers in the country. Generally written and viva tests are held. For senior level recruitments assistance of external experts are taken. Executive Director approves all recruitments recommended by the committee for recruitment.

Procurement and other Policies

Buro maintains an enlisted group of suppliers and signs a MoU for one year with them to supply printed materials and stationary items as per general agreement. They continue to supply unless there is any unusual price hike. In case of other printing and materials, spot quotations are asked for. Besides, the organization has other committees like sales/ procurement committee, land purchase committee, papers/documents disposal committee. All committees are approved by the executive committee.

Per Diem and Travel Policy

The organization has well defined policy for domestic and international travel as well as food and lodging for all grades. There is also a policy for per diem continent-wise for all grades.

Payments/Advances

All payments are made through crossed cheques. Advances to the staff are made with prior approval of the management.

Monthly Program Coordination Meeting

Regular meetings are held at different levels to see if progress is being made as per plan. Monthly coordination meeting is held at the

head office. All concerned officers of the respective departments, zonal managers and area managers attend the meeting. Two meetings are held every year at the head office with all branch managers. A zonal meeting is held once a year with all staff in the zone. Also, a monthly meeting is held in a branch, which is attended by the area managers. Quarterly meeting is held at zone level with all branch managers.

Clients Passbook Checking

The most critical risk in an MFI lies with collection of savings and loan repayments by the program organizer (PO) or the loan officer. Savings deposited and loan repaid by a client are recorded in the client's passbook and in the collection sheet (which is the primary record of the office). But there is always a scope of inherent risk. To ensure that the transactions have been duly recorded and that no cash remains at hand of the PO, the branch manager, the accountant and the branch organizer make 100% checking of all clients' passbooks every quarter. Such checking is done in a Kendra/Center four times a year. In case, any flaws or anomaly is detected afterwards, the respective program organizer would be solely responsible. POs also have to ensure the existence of transparent MIS that generates reports correctly. The accuracy of the reports generated by MIS is important. It is essential that there should not be any discrepancy between the accounting information system and clients' passbooks.

Effective Monitoring and Supervision

The Branch Manager performs the program monitoring based on a yearly plan split into weeks whereby the manager visits the Kendra and verifies whether things are going as per plan. The Area Manager supervises 5-6 branches based on a yearly plan split into weekly programs. He too visits the Kendra and the group meetings. The Zonal Manager supervises 20-25 branches and also visits Kendra based on a yearly plan split into weeks. The Program Director, Finance Director and the Executive Director also undertake some routine visits to the fields.

Financial Control

The fund management by Buro has been significantly strengthened by internal audit and financial control. Financial control is generally exercised at three levels: the Executive Committee (EC), the Head Office and the respective Branch. The Executive Committee monitors all financial matters quarterly through the EC meeting, the Executive Director/ Finance Director exercises financial control through internal auditors by routine visits and monthly financial statements. At branch level, the managers usually exercise the financial control on the basis of the budget and the financial projection plan. Financial transactions in the head office and branch offices are regulated with regard to following four areas: (i) field level transaction control, (ii) treasury management, (iii) budgetary control, and (iv) accurate financial reporting.

Internal Audit

There is an internal audit department with an Audit Officer. A total of 18 audit staff work in the internal audit department, and are based in the zonal offices. An internal auditor goes to a branch with a one-week visit plan along with a checklist to ensure the compliance of rules and regulations. The auditor examines different aspects on financial management, rules of business and accounts and administration. The auditor reports on 100% checking of loan portfolio. He also reports on 100% checking on loan and savings balancing (reconcile the balance with collection sheet) and program-wise reporting and reports on passbook verification of at least 100 passbooks of 10 *kendras* done by the concerned PO, etc. Besides, he reports on fund management regarding cash and bank.

The audit reports are submitted to the Executive Director. These are discussed in meetings at higher level and asked for clarifications, if there is any irregularity or anomalies. Punitive and corrective measures are taken where necessary. The findings of the auditing help the management in taking right decisions for modifying the policies, systems and procedures.

External Audit

Buro conducts annual audit regularly every year. Reputed audit firms in the country are hired for external auditing. Audit firms are appointed by the EC for a period of one year.

Standard Practices

Buro has been following some of the internationally accepted reporting and prudential requirements – even though microfinance NGOs are not required to comply. This is being done to conform to the standard norms and practices pursued world-wide and to prepare for any future regulatory requirements in the country. These practices and the relevant indicators portray a clear picture of Buro's financial and managerial soundness.

Capital Adequacy

Capital adequacy analysis is being used to measure the financial solvency of the organization and determine whether the risks that it has incurred can be adequately offset with capital and reserves to absorb potential losses. The current capital adequacy ratio is 34%.

Asset Management

Loans advanced to the customers make up the portfolio (about 89%) of the total assets and forms the biggest current asset. To determine the quality of loan portfolio, aging analysis is performed monthly. The year-end financial accounts of 2006 shows that the organization has achieved a first-rate portfolio indicating 97.85% of the portfolio with no payments in arrears.

With regard to fixed assets, the organization pursues clear policies in acquiring land and building to optimize the operation of its business. It also follows clear-cut policies to acquire necessary equipments and vehicles for building an effective infrastructure for the institution to meet the needs of both staff and the customers.

Management

Human Resource Development (HRD) is well organized in a manner that provides clear

guidance and support to operations staff - including recruitment and training of new personnel. Buro has formalized all key processes and the effectiveness with which it controls risk throughout the organization. The organization undertakes short-term and long-term financial projections and uses these to ensure fiscal and budgetary control.

Earnings

The management has been effectively using and mobilizing the available resources to ensure sustainable benefit to its customers and aiming at a modest return on the investment.

Liquidity Management

Based on experience, 6-10% all savings balance of all branches is deemed adequate to meet the liquidity reserve ratio. For the liquidity requirement, 40% has been earmarked for general savings, 30% for contractual savings, 10% for time deposits and 20% for operating and financial expenses.

Loan Loss Provisioning and Write off

Management makes provisions for loan losses every quarter in order to maintain the loan loss reserve at adequate levels for bad loans. Buro's loan loss reserve ratio is 1.48%. The adequacy of the provision is determined by applying appropriate percentages to the outstanding balances in various aging categories. The write-offs of any loans, if necessary, are charged against reserve. Loans are written off in full after one year of the loan term.

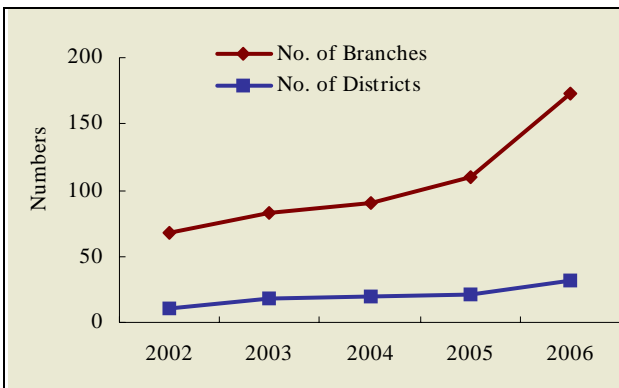
Risk Management

The organization believes that dependence on continued grants for microfinance programs may threaten the longevity of the organization. It is, therefore, pursuing a commercial principle and prefers commercial sources of funds. It manages a disaster fund to combat external risks that may occur due to natural calamity like flood.

Moderate Poor Microfinance

Geographical Coverage

As of December 31, 2006, Buro provided flexible financial services to 7,029 villages in 707 unions in 32 districts of three divisions viz. Dhaka, Rajshahi and Chittagong. The year witnessed rapid expansion of branches to 173 from 110 in 2005 showing 57% increase.



Savings Services

The objective of savings services is to provide a safe place for the rural customers to enable them to be self-reliant through augmenting savings to build up their financial assets. Buro has three savings products that include general savings, contractual savings and time deposit. It

The number of branches steadily grew over the years. But the real jump occurred since 2005 as massive program expansion plan was undertaken. The program was diversified in more districts as can be seen from the figure of 2006

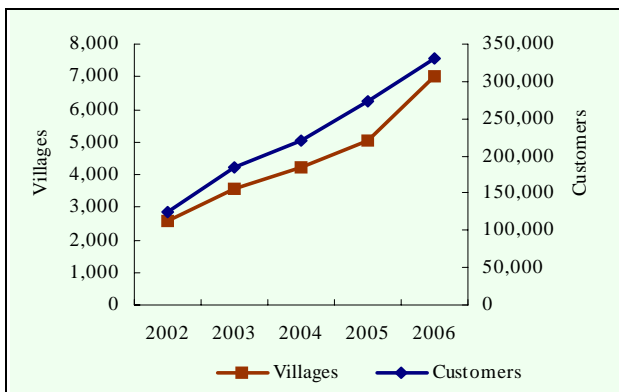
Customer Outreach

The number of active customers stood at 331,329 as on December 31, 2006 as against 273,286 in 2005. The net increase of customers during the year was 58,043, which is 21% higher than the preceding year. The women are strategic clients in microfinance. They constitute more than 99% of total customers. Customer dropout is common in the microfinance industry. They drop out for a variety of reasons that includes migration, business failure, and switching to other MFIs due to location convenience, etc. Drop out rate though increased to 5% from 2% in 2005, it is not a cause of much concern.

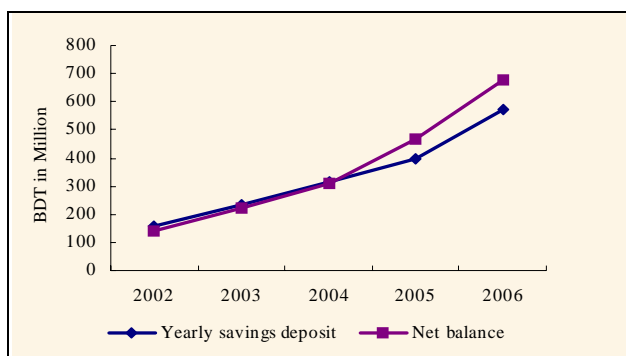
maintains open access savings where there is no bar in savings withdrawal. Buro's experience shows that voluntary and open access savings can mobilize more net savings than the compulsory locked in savings.

Savings Performance

As of December 31, 2006, the net savings balance was BDT 679 million as against BDT 465 million in the preceding year. Up to December 31, 2006, the customers had deposited a total of BDT 2,012 million and withdrawn BDT 1,333 million. The savings registered an increase of 46% during the year as opposed to 51% in 2005. The volume of savings increased with a slower growth rate during the year.



Customer's growth shows an increasing trend. The number of customers has grown from 273,286 to 331,329 in 2006 registering 21% increase. The number of villages (considered the hub of activity) also rose from 5,047 to 7,029 showing 39% increase.



Net savings balance is rising due to the provision of open access services. It is showing a steep rise from 2004 as number of customers increased dramatically. The total savings increased from BDT 465 million in 2005 to BDT 679 million in 2006 showing an increase of 46%.

Yearly savings deposit and withdrawal for the last five years is shown in table-1.

Table-1: Savings deposits, withdrawals and balance as on December 31

Year	Yearly		Net Balance	Increase %	Average Savings per Customer
	Deposits	Withdrawals			
	Million BDT				BDT
2002	154.99	106.02	138.30	55	1,112
2003	232.19	146.86	223.63	62	1,212
2004	316.28	231.61	308.30	38	1,393
2005	394.70	238.45	464.55	51	1,700
2006	574.35	359.88	679.02	46	2,049

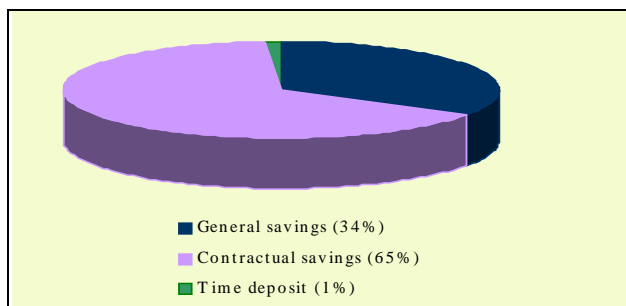
Savings by Products

In 2006, the contractual savings contributed to 65% of the total savings followed by 34% in general savings versus the corresponding savings of 66% and 33% respectively in 2005. Time deposit was, however, very small compared to the total savings. Contractual savings has emerged to be a popular product. The total savings breakdown is mapped out in table-2.

Loan Services

Taking loans from Buro is optional and is also not linked with any savings balance like most MFIs. The customers can enjoy prepayment facilities in order to qualify for new and larger loans. In addition to existing loan(s), the customers can have short-term loan for meeting any emergency needs. Buro also provides micro-enterprise (ME) loan coupled with modicum business development support. It has nine loan products with interest rates within the band 10-15% that include general loan, supplementary loan, business loan, micro-enterprise loan, line of credit, hand loan, disaster loan, sanitary latrine loan and tube-well loan.

Buro's experience shows that the customers prefer flexible quality financial service. They want larger loans and business development support services (BDS). Customers want Buro to carry on micro banking services. But it is difficult in our legal perspective. Buro continues to modify its policies and plans to stay competitive and retain the customers.



In 2006, the contractual savings occupies 65% share of total savings, the general savings 34% and time deposits 1%. Contractual savings attract more customers as this product offers more interest with various time-periods suitable to the customers.

Table-2: Savings balance by product as on December 31

Products	2002	2003	2004	2005	2006	%
General Savings	50.87	80.17	100.28	153.69	234.80	34
Contractual Savings	86.56	140.15	201.79	306.52	439.75	65
Time Deposit	0.87	3.31	6.23	4.34	4.47	1
Total	138.30	223.63	308.30	464.55	679.02	100

"Amount in Million BDT"

Loan Performance

Up to December 31, 2006, all branches have disbursed a total amount of BDT 10,404 million as against BDT 7,224 million in 2005 resulting in 44% increase. Of this, BDT 8,839 million has been recovered leaving the net outstanding loan balance at BDT 1,565 million. The average loan size based on disbursement was BDT 7,421 as against BDT 6,375 in 2005. The size is showing a rising trend, which effectively indicates the demand for stepped up loans. The on-time loan recovery rate was 98.17% compared to 98.07% in 2005. The yearly and cumulative loan disbursement and loan outstanding positions are shown in the table-3.

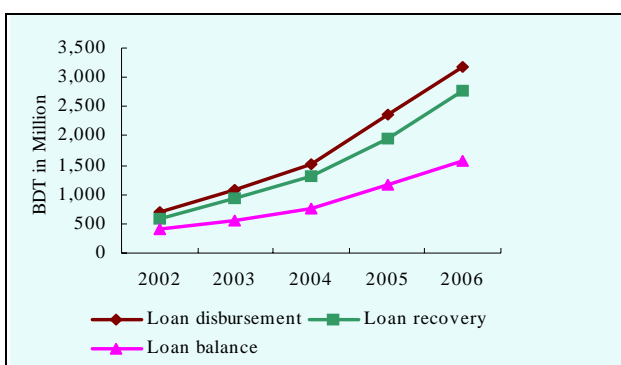
outreach of 1,500 with savings of BDT 1.0-1.5 million and loan outstanding of BDT 8-9 million. A standard branch has 12 staff that includes 10 Program Organizers (PO), one Accountant and one Manager.

Client Expectation

The Gala Branch was set up in December 1999 in Tangail district. A small group of five customers were interviewed to know their aspirations. They have been with this branch for about 10 years. The average loan size of these clients is about BDT 25,000 with average savings exceeding BDT 5,000. They say the

Table-3: Yearly loan disbursement and balance as on December 31

Year	Yearly Disbursement		Cumulative Disbursement		Outstanding Balance		Average Loan Size	
	Number of loans	Million BDT	Number of loans	Million BDT	Number of loans	Million BDT	On Cumulative Disbursement	On Yearly Disbursement
2002	117,169	695.70	404,274	2,244.63	110,792	402.94	5,555	5,937
2003	196,174	1,082.67	600,448	3,327.30	154,448	547.79	5,542	5,519
2004	279,893	1,528.04	880,341	4,855.34	199,822	750.60	5,515	5,459
2005	371,498	2,368.41	1,251,839	7,223.75	250,083	1,159.04	5,770	6,375
2006	428,566	3,180.27	1,680,405	10,404.02	306,313	1,564.85	6,191	7,421



Loan disbursement and recovery are showing symmetrical rising trend. The disbursement continues to increase every year. The disbursement was BDT 3,180 million in 2006 compared to BDT 2,368 million in 2005 showing a 34% rise.

Branch's Sustainability

Currently, Buro has altogether 173 branches. Of these, 110 branches (64%) that are more than one year old are operationally sustainable. This excludes 63 branches which are 2-3 months old and are yet to be sustainable. Buro's experience shows that normally a branch achieves sustainability in 7-8 months time. The sustainability occurs with an average client

financial services have benefited them. They however crave for still bigger loans for business purpose. They also want housing loan and education loan for their children. They maintain that the service charge of loan is high and feel that it should be reduced. They also want employment opportunities for the women clients in the locality.

The Pathorail Branch was set up in 1991 in Tangail district. A group of five customers were

interviewed. They have been associated with the branch for almost 8 years. They have accumulated average savings of about BDT 20,000 and each of them has taken an average loan of BDT 20,000. They want enhancement of the emergency loan and introduction of education loan for children. They want assistance of Buro in setting up hospitals, schools, sewing training center, low cost fuel for cooking purpose etc.. The low income clients are involved in handloom activities and want assistance in marketing their products. They consider the lending rates high and think that these should be brought down.

The Mogra Branch was set up in 1991. A group of five customers in Mogra Branch in Tangail

district was interviewed. They have been with branch for 5-7 years. Their current average loan size is more than BDT 22,000 and average savings is more than BDT 4,000. They want higher interest on savings and lower lending rates. They want larger loans for doing business. They also want creation of facilities so that their children can find employment opportunities. They want education loan for their children. Some underscore loans for medical treatment and for enabling their kindred going abroad for better employment. Livestock loan was also asked to be introduced. They feel that the organization should be established as a permanent institution for providing sustained financial services.

Hardcore Poor Microfinance

Microfinance program for hardcore poor in the country is gaining ground recently. Some interventions are underway that includes Char Livelihood Program (CLP), BRAC's Challenging the Frontiers of Poverty Reduction, USAID/CARE SHOUHARDO Program and programs run by PKSF. Apart from this progress, no foolproof approach is in sight. It is worth noting that the characteristics of hardcore poor seem to vary in terms of local geographical regions and culture of the people. Then again, the approach differs in terms of urban versus rural hardcore people. The hardcore poor are mostly found dispersed unlike the mainstream microfinance programs. This leads to higher cost of administration as opposed to normal microfinance.

Buro piloted two projects viz. (i) Improved Living Standard of the Poorest of the Poor in Tangail rural area with the financial support from UNESCO/Stichting Gilles Foundation and (ii) Economic and Social Empowerment of the Hardcore Poor in Uttara, Dhaka urban area assisted by Stromme Foundation. The ultimate goal was assessing the viability of hardcore poor financing by providing certain financial and non financial services. The hardcore clients of Buro's action research project indicate that they have a variety of needs. These include housing, health and nutrition, education for children, safe water and sanitation. The housing condition of the clients is so fragile and ramshackle that it is not fit for human living. The housing environment may be partly responsible for overall sickness of the dwellers. More than 90% households are not suitable for living. It emerged from observations that every five household (20%) has a sick man languishing in illness for months together. In most cases, they are male household heads. Many cannot go to doctor for monetary reasons. Besides, the children frequently suffer from different kinds

of diarrhoea and respiratory problems. Health issue is so critical that it is one of the prime factors leading to deepening their poverty, as it drains off considerable resources. Buro finds the hardcore issue very challenging. The operation is very costly in view of small loan of absorption capacity and dispersed populace. They also desperately need non-financial services.

Both these pilot schemes were reviewed by external agencies, the outcomes of which were positive and encouraging for replication. Following the pragmatic results, Buro is expanding the schemes and intend to undertake such programs if more assistance is forthcoming.

The financial results of the pilot programs in terms of balance sheet and income statement of two branches are shown in the table-4 and table-5.

Table-4: Summarized balance sheet as of 31 December 2006

Particulars	"Amount in BDT"	
	Rural (Opened on Jul. 2002)	Urban (Opened on Jan. 2004)
Property & Assets		
Fixed Assets	65,300	159,231
Loans net of Loan Loss Reserve	4,843,042	9,900,700
Current Assets	23,900	130,014
Cash and Bank Balance	106,873	645,082
Total Assets	5,039,115	10,835,027
Fund and Liabilities		
Customers' Savings	2,732,187	3,395,945
Buro's Fund	1,556,132	127,316
UNESCO/Gilles Grants Fund	2,147,712	-
Borrowing from Stromme Foundation (SF)	-	6,812,500
Accumulated Profit/(Loss)	(1,396,916)	(507,734)
Grants Operating Expenses (SF)	-	1,007,000
Total Funds & Liabilities	5,039,115	10,835,027

Table-5: Summarized Income & Expenditure Statement for the year ended 31 December 2006

Particulars	“Amount in BDT”	
	Hardcore Poor Branch	
	Rural (Opened on Jul. 2002)	Urban (Opened on Jan. 2004)
Income		
Interest on Loan	1,355,753	1,933,401
Other Income	98,469	155,272
Total Income	1,454,222	2,088,673
Expenditures		
Interest on Savings	155,485	75,113
Interest on Borrowings	479,428	454,435
Salary & Allowances	795,604	905,463
Rental Cost	-	165,000
Loan Loss Provision	77,500	228,000
Other Expenses	166,703	195,831
Total Expenditure	1,674,720	2,023,842
Net Profit/(Loss)	(220,498)	64,831

The current package of non-financial services in the Dhaka urban branch include child and adult education, health services, basic life management training for the customers, nutrition training, water & sanitation awareness and support. The performance of providing non-financial services with Stromme Foundation support in the last three years is exhibited in the table-6:

Table-6: Performance of hardcore poor branches

Non-financial services	2004	2005	2006
School			
- Children	750	750	1,250
- Adult	500	1,000	500
Health Service			
- Counseling	230	1,151	734
- Referral services	6	86	31
Nutrition Awareness	500	1,481	817
Water & Sanitation			
- Posters produced	2,000	4,500	3,000
- Awareness	548	1,100	1,650
- Free distribution of tube-well	-	5	-

SHOUHARDO Program

The program is designed for the *char* hardcore poor people. Despite the fact that some gains

have been achieved during the last decade in food security and recent pronouncements in food grain self-sufficiency, the imbalance between rise in population and food production together with other factors, such as, declining employment opportunity in non-farm sector in rural areas etc. has increased tremendous pressure on agriculture.

Food security in Bangladesh, though agriculture is the supplier of food and fundamental to all occupations, is still in critical stages in its cycle: availability, accessibility and utilization, due to natural shocks, economic, social, health, and governance related issues. Chronic vulnerability to food insecurity can be increased through economic entitlement failure, social exploitation and discrimination backed by the influence of political power.

Buro is a partner of SHOUHARDO (Strengthened Household Abilities to Respond to Development Opportunities) Program of CARE Bangladesh funded by USAID to promote food security of vulnerable households in Bangladesh. The objectives the program are:

- Improved availability and economic access to food for targeted vulnerable households through strengthening livelihoods, securing entitlements and enhancing accountability of service providers.
- Sustainable improvement in the health and nutrition of project participants.
- Enhanced empowerment of women and girls from targeted vulnerable households.
- Targeted communities and institutions are better able to prepare for, mitigate and respond to natural disasters.
- Encouraged the participation of community stakeholders and community target groups in different disciplines that affect food security issue of the target groups.

The implementation of any project concerning food security for the poor and disadvantaged requires certain pre-requisite to achieve that will be manifested in the outcome to result from the implementation of the activities. The achievements of certain conditions that

primarily will bank the involvement of the community stakeholders and community target groups will obviously sensitize the food security issue. The sensitization of the issue is imbibed in the increased awareness of the community people and community target groups that will generate a sense of belongingness toward their responsibilities to address the causes of food security that will bring changes in their living conditions.

SHOUHARDO program is being carried out by Buro in Tangail district. The area of operations covers 68 villages in 17 unions in four upazilas (sub-districts). The total beneficiaries include 19,097 very poor households. The program is being implemented with 40 staff and 136 volunteers. The program has five components that include capacity building of village development center (VDC), income generation activities, agriculture technology development, health & nutrition activities and humanitarian assistance. The performance of Buro in the program is shown in table-7.

Table-7: Performance of the SHOUHARDO Project

SHOUHARDO Project: Basic Information	Coverage
District	Tangail
Number of Upazilla	4
Number of Union	17
Number of Villages	68
Total Beneficiaries Households	19,097
Total Staffs	40
Total Volunteer	136

SHOUHARDO Program Performance	Coverage	Cost (BDT)
Capacity Building of Village Development Centre (VDC)	7,561	301,349
Income Generation Activities	2,156	8,370,805
Agriculture Technology Development	10,738	1,504,292
Health & Nutrition Activities	536	440,270
Humanitarian Assistance	4,623	2,876,960
Total	25,614	13,493,676

Micro Enterprise Financing

Microenterprise financing is a relatively new phenomenon for the MFI sector (apart from a few large MFIs). Generally, MFI staffs do not have the necessary knowledge and experience to evaluate and manage loans to graduate and microenterprises. Various research studies show that there has been a growing demand from microcredit borrowers for micro enterprise loans. There are several reasons for this increase: (i) MFIs generally provide small initial loan amounts (that is, some sort of credit rationing takes place); this limits opportunities to generate income and employment; (ii) as borrowers gradually learn how to manage larger loans they wish to initiate new or multiple projects that require additional funding; (iii) a certain percentage of enterprising, high-performing microcredit borrowers (the so-called “graduates” of microcredit programs) engage in ventures that require relatively larger loans than those normally disbursed by MFIs; (iv) small businesses participating in microcredit or microenterprise programs form another group of potential customers for larger loans.

The micro-enterprise (ME) development is being recognized by Buro as an important means of economic empowerment of the poor. Buro is also providing Business Development Services (BDS) support to entrepreneurs. Assistance include areas ranging from the basics of money-management, bookkeeping and basic accounting, through the development of market linkages to fuel the growth of microenterprises. Buro considers that:

- Inadequate non-financial services are the barriers that often restrict effective participation of the target groups in the potential markets.
- Support to the local MEs (those who are not the registered customers) will facilitate BDS to the grassroots.
- A sustainable BDS market will be created through following a dualistic growth approach.

Microenterprise loans are relatively large that range between BDT 50,000-300,000. The loans carry the same rate of interest as that of microcredit and are subject to generally the same working methodology. So far, 1,747 clients were disbursed loan of BDT 86.12 million. The rate of on-time recovery was 96.88%. The enterprises financed included paddy stock, fisheries, agriculture, land rent, beef fattening, poultry & livestock, weaving, mechanical workshop, stationery, grocery shop, carpentry, etc. Buro has sixteen years of experience in microfinance. It has been found that 10% of the total clients could graduate at SME level in eight years. Stromme Foundation – an international NGO is financing Buro’s micro enterprise program. All these enterprises generated 2,800 waged employments. The details are shown in the table: 8.

Table-8: Performance of Micro Enterprise Financing

“Amount in Million BDT”

Sub-Sectors	Borrowers	Amount Disbursed
Grocery	893	44.53
Poultry firm	35	1.70
Medicine shop	49	2.30
Shoe shop	32	1.68
Cow rearing	27	1.31
Tailoring	135	6.30
Electric shop	22	1.20
Hardware business	11	0.58
Rickshaw garage	81	3.90
Mobile phone shop	6	0.32
Hotel business	85	4.20
Spice grinding mill	11	0.50
Mini garments	55	2.70
Fisheries	155	7.50
Furniture shop	105	5.10
Rice stock business	45	2.30
Total	1,747	86.12

Micro-Insurance

Insurance is a mechanism for reducing vulnerability. Insurance protects households against those risks that they are unable to protect themselves through informal mechanisms, savings or credit.

Buro's micro-insurance (customers' security fund) has been promoted with two objectives. These are: (i) the social objective, and (ii) the commercial objective. The social objective is the recognition of social protection of the customers reducing the vulnerability of households toward income and consumption shocks that increases the ability to take advantage of economic opportunities and reduces the impact of household losses. The commercial objective assumes the stability and profitability of poor households through reducing the impact of customer risk on loan and savings portfolios, generating additional revenue, supporting risk management and reducing customers' vulnerability to economic stresses.

The poor and vulnerable non-poor customers have to pay premium of BDT 50 and BDT 100, while the very poor customers are required to pay BDT 30. The premiums are one-time payment in a year. The insurance yields three benefits after the death of the customer. First the premiums amounting BDT 30, BDT 50 and BDT 100 will yield BDT 3,000, BDT 5,000 and BDT 10,000 cash benefit respectively. Second, the entire outstanding loan of the clients will be completely waived and third, after the death of

the principal loan guarantor, the family of the guarantor will also receive half of the cash benefits.

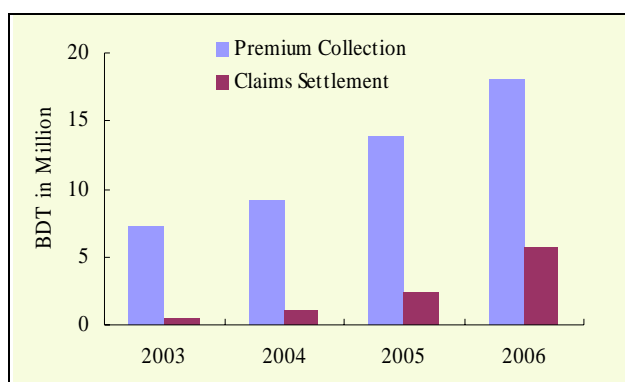
During the year, 290,374 insurance holders were registered against 233,492 in 2005 resulting in 24% increase. Premiums were collected to the tune of BDT 18 million compared to BDT 14 million in 2005 showing 29% rise. During the year, 1,267 claims were settled amounting BDT 5.70 million compared to 547 claims in the preceding year that involved BDT 2.44 million. The details are exhibited in the table-9.

It may be noted that a portion of this fund is used in the development of Kendra/Centre. So far, BDT 7.31 million was spent for the development of Kendra activities, which is 12% higher than the preceding year. The *Kendra* activities include buying sitting mats, signboards, attendance registers and *Kendra* house repairing/renovations, etc.

Table-9: Yearly premium collection and claims settlement

"Amount in Million BDT"

Year	Premium Collection		Claims Settlement		Kendra Expenditure BDT
	Nos.	BDT	Nos.	BDT	
2003	129,756	7.23	68	0.39	0.49
2004	161,917	9.16	199	1.12	0.91
2005	233,492	13.83	547	2.44	6.55
2006	290,374	18.03	1,267	5.70	7.31



Premium collection and claims settlement figures have registered a rising trend. The ratio of claims settlement against premium collection is also significantly growing up.

Financial Ratio Analysis

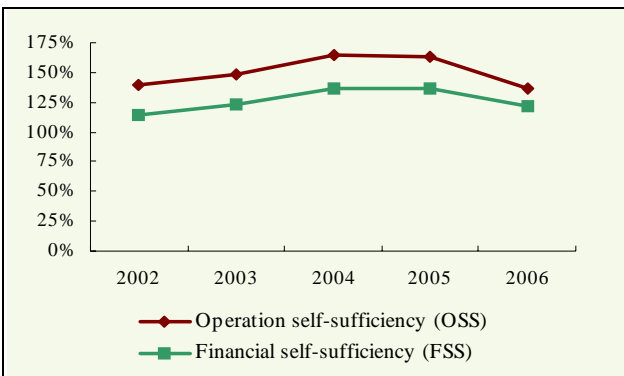
Sustainability and Profitability

Buro has been operating as a sustainable and profitable organization since 1998. This means Buro has established its ability to cover all costs through internally generated revenue by efficient use of performing assets and the capital fund. During the year, the operational self-sufficiency (OSS) has decreased to 136% from 163% in 2005 while the financial self-sufficiency (FSS) has decreased to 122% from 136% in 2005. The fall has occurred due to significant increase of commercial capital.

microfinance program expansion in 63 branches. These involved massive cost in hiring staff, providing training, meeting branch establishment cost and organizing customer groups in the field.

Portfolio Quality

The loan portfolio is the greatest asset of an MFI. Its quality is characterized by low portfolio risk and high loan recovery rate. Buro has been maintaining a high quality portfolio of loans. The on-time loan recovery rate in 2006 was registered at 98.17% versus 98.07% in 2005.

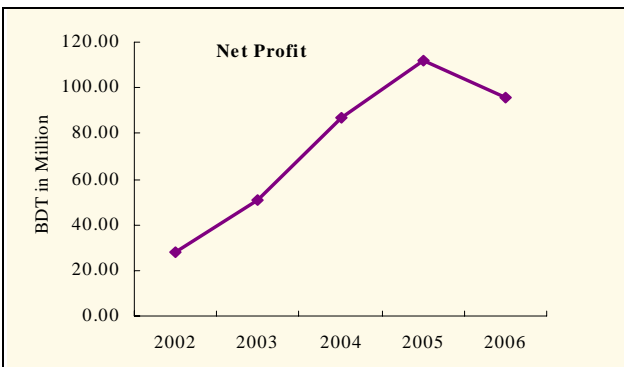


Theoretically operational self-sufficiency (OSS) is always higher than financial self-sufficiency (FSS) as the later includes one more cost element called imputed cost. 100% is ideal for both the cases. However, the higher the ratio away from the ideal figure, the better its performance. The figures show an upward trend of the ratios. During the year, the operational self-sufficiency (OSS) has decreased to 136% from 163% in 2005 while the financial self-sufficiency (FSS) has decreased to 122% from 136% in 2005 due to increase of commercial capital.

Net profit of BDT 96 million has been posted in 2006 compared to BDT 112 million in 2005. The decrease of net profit was 14% over the preceding year. The fall in the net profit has affected all profitability ratios. The return on performing assets was 29% compared to 31% in 2006. The return on equity (ROE) has stood at 18% compared to 25% in 2005.

As on December 31, 2006, 97.85% of the portfolio has no payments in arrears at all, 0.84% is in arrears by 1-25 weeks and 1.31% by more than 26 weeks. Portfolio at risk (>60 days) was at 1.73% at the end of 2006, compared to 1.69% in 2005. Loan loss reserve ratio was worked out at 1.48% compared to 1.32% in the preceding year. The reserve contains adequate fund to absorb any potential risks or capital losses. Loan write-off was made by 0.24% compared to 0.14% in 2005. Efforts to collect

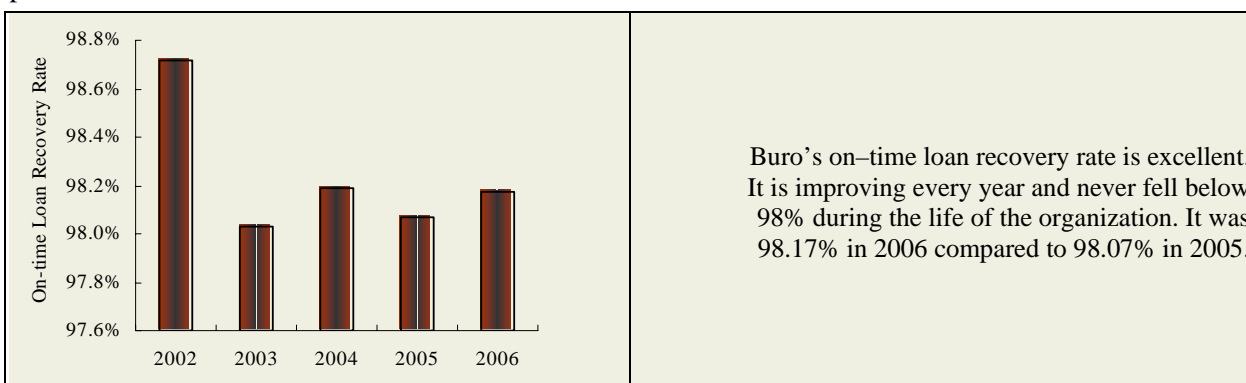
The resultant fall in the sustainability and profitability has occurred due to rapid



Net profit shows a rising trend. However, net profit of BDT 96 million has been posted in 2006 compared to BDT 112 million in 2005. The decrease of net profit was 14% over the preceding year. This is due to initial cost of program expansion. The fall in the net profit has affected all profitability ratios.

bad loans continued during the year. As per policy, the loan loss reserve required has been worked out at BDT 19 million while provision has been made at BDT 23 million. The ageing of portfolio is shown in table-10.

its equity. In 2006, the debt-equity ratio has been worked out at 1:1.65, the equity to total assets at 34% and DSCR being 1.62 times. The ratios are favorable enough to encourage the lenders and the savers to have confidence in Buro.



Buro's on-time loan recovery rate is excellent. It is improving every year and never fell below 98% during the life of the organization. It was 98.17% in 2006 compared to 98.07% in 2005.

Table-10: Ageing of Portfolio as on December 31, 2006

#	Number of payments in arrears by weeks	Ageing of Portfolio		
		%	No. of Loans	BDT in Million
1	Current loan	97.85%	296,461	1,531.14
2	1-4 payment past due	0.24%	975	3.85
3	5-8 payment past due	0.18%	644	2.77
4	9-16 payment past due	0.26%	844	4.04
5	17-25 payment past due	0.16%	461	2.52
6	26-50 payment past due	0.19%	569	2.96
7	>50 payment past due	1.12%	6,359	17.57
	Total	100%	306,313	1,564.85

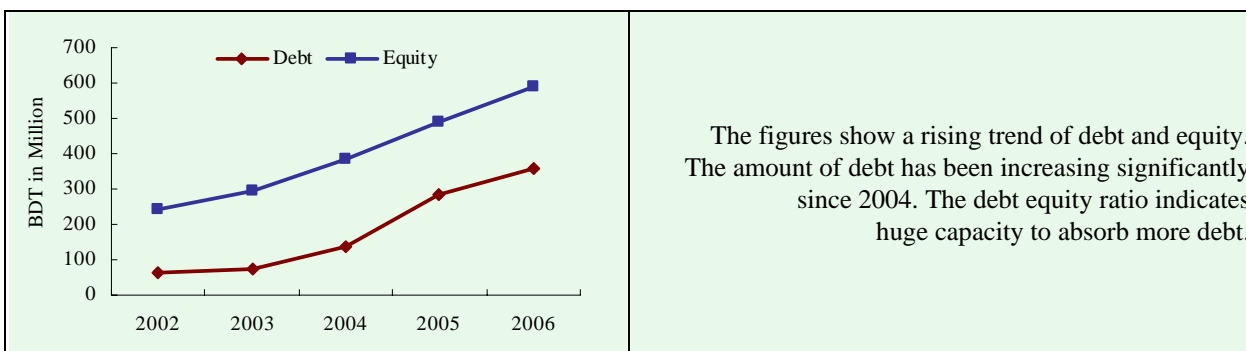
Efficiency and Productivity

Efficiency and productivity ratios provide information about the rate at which MFIs generate revenue to cover their expenses. These ratios indicate whether MFIs are maximizing the use of resources. Productivity refers to the volume of business that is generated (output) for a given resource or asset (input), while efficiency refers to the cost per unit of output.

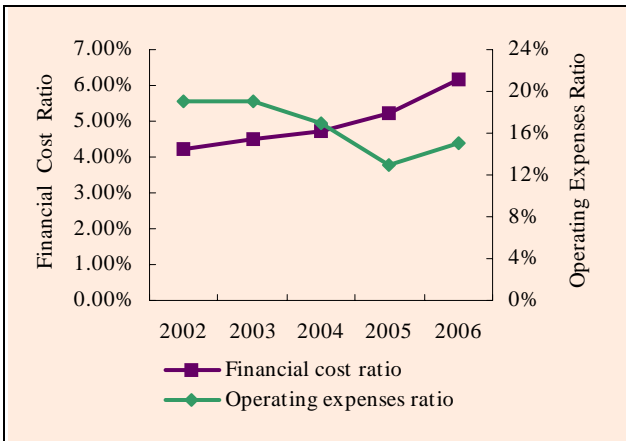
Leverage

In the financial market, capital is considered as a base for borrowing. Before an MFI can borrow commercially it is imperative that the organization is financially viable and that it will continue to be viable in the long term. Leverage refers to the borrowed fund of an MFI relative to

The operating cost ratio has increased to 15% from 13% in 2005. The cost per unit of money lent has also increased slightly to BDT 0.06 from BDT 0.05 in 2005. The cost increase is mainly due to program expansion. The financial cost ratio increased to 6.15%, compared to 5.20% in the preceding year. The increase has been largely due to payment of more interest on the increased volume of savings and loan interest to the lenders against increased borrowing capital.



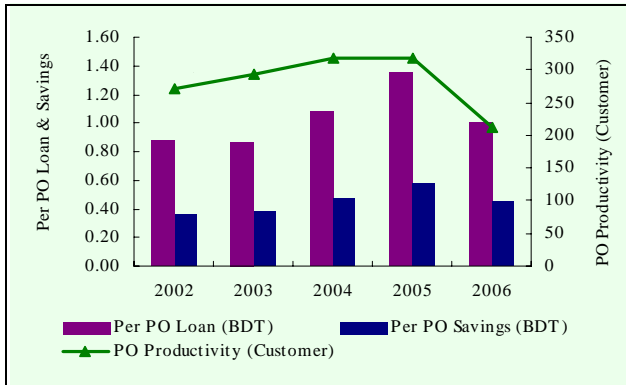
The figures show a rising trend of debt and equity. The amount of debt has been increasing significantly since 2004. The debt equity ratio indicates huge capacity to absorb more debt.



Financial cost ratio is showing a rising trend. This has occurred due to increased commercial borrowing as well as customers' savings. The ratio was 6.15% compared to 5.20% in 2005. The operating cost ratio which is a measure of efficiency has registered a continual fall until 2005. It has gone up slightly in 2006. This is due to microfinance program expansion following enrollment of new customers, normal loan disbursement and savings mobilization. The overhead expenditure had been incurred but the program could not yet fully generate income. The operating cost ratio was 15% in 2006 compared to 13% in 2005. Next year the ratio will decline due to increased loan outstanding.

The customer/Program Organizer (Loan Officer) ratio has temporarily fallen to 213 from 318 in 2005. Unlike most MF-NGOs, a Program

expansion that is yet to take off following enrollment of new customers, normal loan disbursement and saving mobilization.

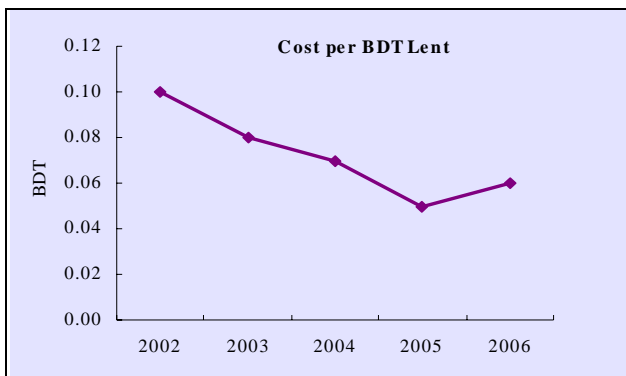


PO productivity in terms of customers handling shows a rising trend over the years except for 2006, where it has fallen as the staff were hired but the targeted customers were not enrolled. The PO productivity in terms of savings and loan outstanding is also showing an increasing trend except for 2006 for similar reasons as stated above.

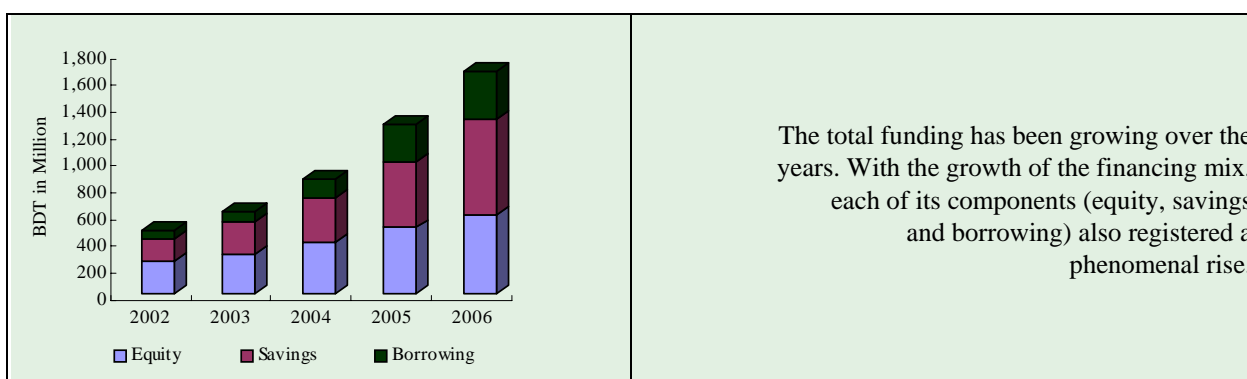
Organizer (PO) of Buro performs more than three types of financial transactions with a single customer. Thus this performance clearly outstripped the average performance of a typical Loan Officer in the industry. The loan outstanding per PO has fallen to BDT 1,006,335 from BDT 1,347,714 in 2005. The savings balance per PO stood at BDT 456,317 from BDT 572,599 in 2005. This decreased performance is due to microfinance program

Financing Mix

The overall capital has been growing steadily in the last couple of years with the infusion of borrowed funds, client savings and retained earnings. The financial resources deployed stood at BDT 1,657.38 million as opposed to BDT 1,267.41 million in 2005 showing a significant increase of 31%. Of the total resources employed 35% is contributed by equity/own fund, 22% by borrowing and 43% by client savings. The average revolving loan fund (RLF)



Cost per taka lent is an indicator of efficiency of an MFI. A lower cost is a positive indicator. Buro's cost is falling continually over the years. The lowest cost was attained at BDT 0.05 in 2005. This cost has risen to BDT 0.06 in 2006 due to increased program development costs against low disbursement.



The total funding has been growing over the years. With the growth of the financing mix, each of its components (equity, savings and borrowing) also registered a phenomenal rise.

was used 2.17 times. The details of financing mix are shown in table-11.

amounted to 4% as against 5% in the preceding year. The nature of fixed assets mostly included

Table-11: Yearly RLF as on December 31

Financial Resources Employed in RLF	2004		2005		2006	
	Taka	%	Taka	%	Taka	%
Equity/Net Worth	386.71	45%	490.43	39%	590.50	35%
Client Savings	331.34	39%	492.44	39%	709.57	43%
Borrowing	138.78	16%	284.55	22%	357.31	22%
Total	856.83	100%	1,267.42	100%	1,657.38	100%
Growth rate	39%		48%		31%	

“Amount in Million BDT”

Asset Composition

The asset structure shows that 89% of the total assets was held in terms of loan portfolio compared to 87% in 2005. The fixed assets

purchased plots of lands for office premises for head office and some branch offices. The long-term investments stood at 3%, while other current assets at 2% and the cash and bank balance at 2%. The details are shown in table-12.

Table-12: Asset composition as on December 31

Assets Composition	2004		2005		2006	
	Taka	%	Taka	%	Taka	%
Fixed assets-net of accumulated depreciation	63.47	7%	62.61	5%	76.08	4%
Loan portfolio-net of loan loss reserve	739.78	82%	1,143.72	87%	1,541.70	89%
Investment	45.50	5%	55.18	4%	60.01	3%
Other current assets	14.34	2%	18.48	1%	32.67	2%
Cash and bank balance	38.65	4%	37.85	3%	27.32	2%
Total	901.74	100%	1,317.84	100%	1,737.78	100%
Growth rate	35%		46%		32%	

“Amount in Million BDT”

Disaster Management

Bangladesh is a disaster prone country. People become victims of cyclone, tornadoes and flood every now and then, which exacerbate their poverty. Disaster management is therefore one of the vital programs of Buro. The program is primarily intended to deliver software services stressing on preventive measures that improves the knowledge of the community on comprehensive risk reduction culture. The disaster management from the organization is the use of continuously increased institutional capacity of the customers with the technical assistance from the organization.

Working with UN Country Team

In 2006, Buro has been selected as a pre-qualified NGO to work with the UN Country Team in responding to disaster emergency in Bangladesh. Buro has been providing training to the disaster management committee members at different administrative units of Rajshahi district under Comprehensive Disaster Management Program (CDMP) funded by DFID and UNDP under Ministry of the Food and Disaster Management, Government of Bangladesh.

Output of Disaster Management Program

Over the period, the disaster program has emerged as an integral entity of the organization in its poverty reduction for the hardcore poor, poor and vulnerable non-poor. The outputs of Disaster Management Program (DMP) can be grouped into three categories: (i) human

development through education (training) in the internal and external environment of the organization, (ii) identification and mobilization of locally available resources, and (iii) sensitization of the issue in its working area. Buro responds to the disaster affected people in terms of the following:

- Distribution of emergency relief in kinds
- Quick disbursement of loans to affected customers of Buro
- Rehabilitation support e.g. new house building/repair, road construction/repair, ground raising of flood shelter, water & sanitation facilities etc.
- Other economic activities e.g. seeds distribution, fertilizer distribution etc.
- Participate actively in Strengthening the Network of Information, Response and Preparedness Activities in Disaster

Managing the Disaster Fund

There is no scope of charitable work in microfinance. However, during any natural calamity Buro comes forward to the aid of its affected customers. In this context, Buro has set up a disaster fund. The affected customers can take loans at a cheaper rate to recuperate their damaged business activities. The fund is placed with a bank that earns interest. Three donors viz. SIDA, SDC and DFID provided grants of BDT 30.24 million, so far, which now stands at BDT 47.37 million resulting in an increase of 57%.

Non Financial Development Services

Buro has been providing a number of non-financial development services in addition to financial services. These include technical assistance in promoting microfinance, rural water supply and quality seed production.

Technical Assistance Microfinance

This program has been initiated to assist local and international partners and practitioners from abroad who come to Bangladesh to learn Buro systems. During the year, one program officer of Buro was hired by Stormme Foundation to provide training and help design its projects in Sri Lanka.

Rural Water Supply

The Rural Water Supply project has been launched in Puran Bausia village (Gazaria Upazilas, Munshigonj district) in mid 2004. The objective is to combat arsenic contamination of ground water. This initiative has been undertaken with the financial support of Social Development Foundation (SDF)/The World Bank.

The project aims at supplying water free from arsenic, iron and other harmful elements to 796 households, which include 269 poor and 36 very poor households, through a piped network at commercial terms, i.e. at a price that is

affordable for the targeted population and making the project commercially viable. The number of households that were connected has stood at 153 currently. 5% households are covered from hardcore poor community.

The total cost of the project is BDT 5.52 million. The community contribution is BDT 0.55 million (10%). Buro will chip in BDT 2.21 million (40%) while SDF/The World Bank will provide BDT 2.76 million (50%).

Quality Seed Production Program

The project on 'Promoting farmers' group seed promotion program' was launched by the government of Bangladesh supported by Denmark. The main objective of the program was to ensure increased production and supply of quality seeds through formation of seed producing farmers' groups in different places of the country on a sustainable basis. Buro implemented this project in Tangail and Gazipur districts.

During the year, Buro formed 10 seed producing farmer groups where a total of 250 farmers were given 520 kgs quality paddy seeds. They finally produced 50 tons of seeds. Farmers are being immensely benefited financially as their crop production is significantly going up.

Human Resource Development (HRD)

The objective of human resource development is to orient, train and develop the employees of any organization by improving the skills, knowledge, abilities and competencies. The objective is also to maximize the return on investment from the organization's human capital. In fact, it aims to improve the productive contribution of individuals while simultaneously attempting to attain other societal and individual employee objectives. Buro has taken major initiatives since 1995 in regard to HRD with the strategy to increase the productive efficiency of the organization through creating human capital at organization and grassroots level. The formation of human capital will lower the costs of the services to the organization.

Buro organizes training both for its customers and staff. Staff training is very rigorous that is used to build their capacity. Capacity building enhanced the ability of the institution to materialize its action plans and achieve the stated mission. It is being accomplished in three ways viz. increasing the knowledge based capacity of the staff, formalizing systems & procedures as well as strengthening the existing systems in the organization and learning from trial and errors over time. The core areas which Buro considers for capacity building include: loan portfolio management improvement, loan balancing, consolidation of on-time recovery, aging of overdue, monitoring tools development, MIS tracking, product costing, etc.

Customer Development Training

Basic Life Management (BLM)

The BLM training is imparted when the customers meet regularly to carry out financial transactions and discuss the basic issues of their lives.

Awareness Raising

The training addresses a variety of social and human issues that encompasses group mobilisation, literacy, afforestation, family

planning, health and sanitation, income generation, saving, and human rights.

Enterprise Development Training

Buro recognizes the micro-enterprise development initiatives as an important means of economic empowerment. It provides financial and technical assistance services to its entrepreneurial clients that include a series of training courses for them e.g. new business creation, quality product development, simple bookkeeping and accounting, business planning and management, trade based skill development, etc.

Annual Kendra Chief Workshop

To continue information and experience sharing at regular intervals among the Kendra Chiefs, Buro has initiated an annual Kendra Chief Workshop in 1992. This type of workshop enables experience sharing among all the Kendra Chiefs of a particular branch that results into more productive program management.

Staff Development Training

The staff training program has produced clear impact in improving the professional capacity of staff, particularly the operational staff. Buro has decentralized its functions, authority and responsibility down to the branches. It is now fairly satisfied with the managerial and operational skills of the branch managers, which outperform the usual norms in the industry. The staff training has four components, which include the following:

Foundation

Once recruitment of new staff is finalized for head office and branch offices, the staff are provided with a 12-day foundation training that gives an overview of Buro and its operations.

On-the-Job

The training is intended to enhance the skill and set the attitude of staff by filling in the gaps in

their professional understanding, and updating them with appropriate knowledge.

Development Management Program

The program is a major priority for the organization to support the objective to create and develop awareness, capacity and skills in order to enable managers to think, analyze and act positively.

Microfinance Accreditation Program

The Citigroup and the Asian Institute of Management (AIM), Philippines entered into a partnership to develop a pool of qualified microfinance trainers in Asian countries who can effectively deliver Citigroup's microfinance courses using participatory training methodology towards enhancing the technical and management capacity of participating MFIs on a cost-effective and sustainable basis. Buro sent four participants for two training courses: (i) Microfinance Management Development Program and (ii) Quality Training for MFIs.

Buro rolled out six batches of training for its 187 mid and senior level managers in 2006. In addition, this training was implemented in Bangladesh jointly by PKSF, CDF and Buro that was attended by 24 participants from 12 MFIs.

The Director (Program) attended a training on microfinance held in Nairobi organized by School of Applied Microfinance (SAM).

HRD Impacted Positively

The organization gives stress on the development of efficiency of staff at all levels. It always earmarks an adequate fund for staff development. The investment in human resource development has impacted positively. Effective

leadership has been created at different levels. Productivity of staff has risen considerably and this has resulted in scaling up efficiency of operations. Cost of lending operations has been remarkably falling. The branches are becoming sustainable units within a shortest timeframe.

HRD Performance

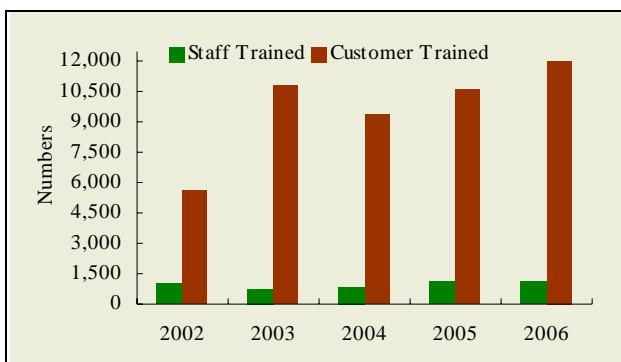
During the year, 1,145 staff received training (both internal and external) as against 1,103 in 2005 indicating a 4% increase. On the other hand, 12,025 customers were trained as against 10,600 in 2005 resulting in 13% increase. These training were, however, organized as per target and needs of the customers. The detail statistics of training and the incurred costs during the last two years appear in table-13.

Table-13: HRD recipients: participants and costs as on December 31

Particulars	Participants		Cost (BDT Million)	
	2005	2006	2005	2006
Internal Staff Training				
Foundation	285	681	1.16	3.09
On-the-Job	175	-	0.28	-
Refresher	225	142	0.20	0.75
Development	399	269	0.14	1.11
External Staff Training				
MDP	19	53	1.31	2.38
Sub-Total	1,103	1,145	3.09	7.33
Customers Training				
Annual Workshop	10,600	12,025	2.66	3.88
Total	11,703	13,170	5.75	11.21

Training Cost

All training programs were financed from the organizations' own fund. During the year, a total



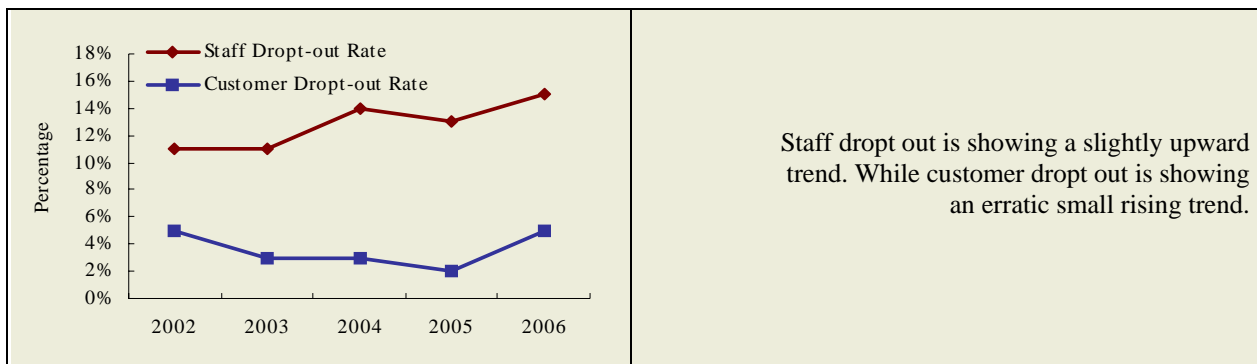
Staff training is increasing over the years. Field level staff are trained more and get multiple training. Customers training also show a gradual rising trend.

of BDT 11.21 million was incurred compared to BDT 5.75 million in 2005 resulting in 1.95 times.

The cost of staff training involved BDT 7.33 million and that of customers BDT 3.88 million in 2006 compared to BDT 3.09 million and BDT 2.66 million respectively in 2005. Staff development cost per participant was worked out at BDT 6,396 as opposed to BDT 2,800 in 2005. The client development cost was BDT 323 per client as opposed to BDT 251 in 2005.

Staff Position and Recruitment

The organization has a total of 2,069 staff that includes 1,594 male (77%) and 475 (23%) female. The head office maintains a thin staff size of 48. In 2006, 1,172 staff were recruited mostly at the entry level to fill up the opening positions at branch level. The staff dropout rate has gone slightly higher to 15% in 2006 from 13% in the preceding year. This is due to the highly professionalized skill of Buro staff in the industry, who mostly get positions elsewhere two to three rungs above in the career ladder.



S. F. AHMED & CO
Chartered Accountants

Auditors' report on financial statements of BURO
for the year ended 31 December 2006

We have audited the accompanying financial statements of BURO, namely, Balance Sheet as of 31 December 2006 and related Income and Expenditures Statement, Receipts and Payments Statement, Cash Flow Statement and notes thereto for the year ended on that date. The preparation of these financial statements is the responsibility of BURO'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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the financial values of transactions and their disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

We accordingly report that:

- (a) we have obtained all the documents, 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;
- (b) in our opinion, proper books of account and other requisite records as required by law were maintained by BURO so far as it appeared from our examination of those books and records; and
- (c) the said financial statements dealt with by this report are in agreement with the books of account maintained by BURO.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 31 March 2007

S. F. AHMED & CO
Chartered Accountants

BURO**Balance Sheet at 31 December 2006**

	Notes	Amounts in BDT	
		At 31 Dec 2006	At 31 Dec 2005
PROPERTY AND ASSETS			
Current Assets			
Cash and bank balances	3	27,319,709	37,854,041
Investments	4	60,007,222	55,178,855
Other current assets	5	32,671,913	18,477,802
Loan portfolio - net of loan loss reserve	6	1,541,702,795	1,143,721,526
Total Current Assets		1,661,701,639	1,255,232,224
Long - Term Assets			
Fixed assets - net of accumulated depreciation	7	76,082,670	62,610,735
Total Long - Term Assets		76,082,670	62,610,735
Total Assets		1,737,784,309	1,317,842,959
LIABILITIES AND FUNDS			
Current Liabilities			
Employees' security deposits	8	16,232,053	8,369,513
Customers' general savings deposits	9	234,798,242	153,692,988
Bank overdraft	10	62,860,010	37,684,335
Other liabilities	11	302,991	507,885
Total Current Liabilities		314,193,296	200,254,721
Long - Term Liabilities			
Customers' time deposits	12	4,470,426	4,330,969
Customers' contractual savings	13	439,751,124	306,523,299
Customers' emergency fund	14	6,255,419	9,555,184
Customers' security fund	15	24,297,577	18,332,939
Borrowing from specialised institutions	16	99,437,500	100,678,374
Borrowing from commercial banks	17	220,085,357	173,875,000
Borrowing from non-banking financial institution	18	37,782,762	10,000,000
Loans for purchase of office vehicles	19	1,010,830	3,490,830
Total Long - Term Liabilities		833,090,995	626,786,595
Funds and Surplus			
Revolving loan fund (donors' grant)	20	138,815,884	138,815,884
Emergency disaster fund (donors' grant)	21	47,372,888	43,198,689
Fixed assets fund (donors' grant)	22	-	375,814
Accumulated surplus	23	404,311,246	308,411,256
Total Net Worth		590,500,018	490,801,643
Total Liabilities and Net Worth		1,737,784,309	1,317,842,959

for BURO

(S K Sarkar)
President**(Zakir Hossain)**
Executive Director**(M. Mosharrof Hossain)**
Finance Director

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 31 March 2007S. F. AHMED & CO
Chartered Accountants

BURO**Income and Expenditures Statement for the year ended 31 December 2006**

	Notes	Amounts in BDT	
		Year ended 31 Dec 2006	Year ended 31 Dec 2005
A Financial and Micro-Credit Income			
Interest on loan (Service charge)		381,546,399	287,577,369
Interest on bank deposits		860,599	587,299
Sale of forms		14,289,612	11,971,870
Admission fee		3,169,980	2,329,065
Others		2,526,532	448,779
Total Financial and Micro-Credit Income (A)		402,393,122	302,914,382
B Financial Costs			
Interest on borrowings from banks, etc	24	47,852,804	23,768,856
Interest on members' savings	25	38,318,547	27,778,013
Total Financial Costs (B)		86,171,351	51,546,869
C Gross Financial Margin (A-B)		316,221,771	251,367,513
D Provision for loan losses	6	11,044,000	5,835,000
E Net Financial Margin (C-D)		305,177,771	245,532,513
F Operating Expenses			
Salary and allowances	26	142,289,760	91,712,698
Rental-office		9,950,013	6,291,100
Payment to national exchequer	27	1,688,648	1,241,581
Transportation	28	10,741,835	6,250,045
Training and research	29	11,060,849	5,988,894
Office supplies		7,298,253	4,570,490
Depreciation	7	7,134,026	5,867,239
Audit fees	30	145,000	124,500
Other professional fees	31	1,656,000	732,800
Disaster expenses		-	1,220,276
Other direct cost	32	17,313,397	10,054,374
Total Operating Expenses (F)		209,277,781	134,053,997
G Net Income from Operations (E-F)		95,899,990	111,478,516
H Foreign donations	33	-	180,000
Net Surplus (G + H)		95,899,990	111,658,516

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BURO**Cash Flow Statement for the year ended 31 December 2006**

	Amounts in BDT	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Cash Flows from Operating Activities		
Net operational income	95,899,990	111,478,516
Adjustments to determine net cash from operating activities:		
Depreciation on fixed assets	7,134,026	5,867,239
Loan loss provision	11,044,000	5,835,000
Increase in other current assets	(14,194,111)	(4,142,427)
Increase/(Decrease) in current liabilities	30,353,321	6,037,342
Net cash from operating activities	130,237,226	125,075,670
Cash Flows from Investing Activities		
Net increase in loan portfolio	(409,025,269)	(409,774,119)
Increase in investment	(4,828,367)	(9,678,544)
Purchase of fixed assets	(20,981,851)	(5,529,213)
Disposal of fixed assets	76	2
Net cash used in investment activities	(434,835,411)	(424,981,874)
Cash Flows from Financing Activities		
Increase in clients' savings	211,172,771	156,245,155
Increase in borrowing	72,752,245	145,777,878
Increase in customers' security fund	5,964,638	4,847,430
Receipt of donation and grants	-	180,000
Increase in emergency disaster fund	4,174,199	(7,941,482)
Net cash from financing activities	294,063,853	299,108,981
Net Increase/(Decrease) in Cash	(10,534,332)	(797,223)
Opening Cash and Bank Balances	37,854,041	38,651,264
Closing Cash and Bank Balances	27,319,709	37,854,041

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BURO**Statement of Changes in Equity for the year ended 31 December 2006**

Amounts in BDT

Particulars	Donors' Grant			Accumulated Surplus	Total
	Revolving loan fund	Emergency disaster fund	Fixed assets fund		

For the year 2006

Balance at 01 January 2006	138,815,884	43,198,689	375,814	308,411,256	490,801,643
Addition during the year	-	4,174,199	-	95,899,990	100,074,189
Adjustment/transfer during the year	-	-	(375,814)	-	(375,814)
Balance at 31 December 2006	<u>138,815,884</u>	<u>47,372,888</u>	<u>-</u>	<u>404,311,246</u>	<u>590,500,018</u>

For the year 2005

Balance at 01 January 2005	138,815,884	42,015,034	901,070	205,877,877	387,609,865
Addition during the year	-	1,183,655	-	111,658,516	112,842,171
Adjustment/transfer during the year	-	-	(525,256)	(9,125,137)	(9,650,393)
Balance at 31 December 2005	<u>138,815,884</u>	<u>43,198,689</u>	<u>375,814</u>	<u>308,411,256</u>	<u>490,801,643</u>

for BURO

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BURO

Statement of Liquidity Analysis (Maturity of Assets and Liabilities) at 31 December 2006

Particulars	Up to 1 month's maturity	1-3 months' maturity	3 -12 months' maturity	1 -5 years' maturity	More than 5 years' maturity	Total
Assets						
Cash	12,059,990	-	-	-	-	12,059,990
Bank Balance	11,444,789	3,814,930	-	-	-	15,259,719
Investment	-	-	60,007,222	-	-	60,007,222
Other Current Assets	2,669,983	5,339,967	24,029,850	632,113	-	32,671,913
Loan Portfolio	128,423,843	256,847,686	1,155,814,585	616,681	-	1,541,702,795
Fixed Assets	-	-	-	11,533,128	64,549,542	76,082,670
Total Assets:	154,598,605	266,002,583	1,239,851,657	12,781,922	64,549,542	1,737,784,309
Liabilities						
Borrowings	5,399,390	40,587,405	144,881,201	167,448,457	-	358,316,453
Deposits	30,737,468	61,474,937	312,369,217	164,270,807	140,720,359	709,572,788
Other Liabilities	231,980	189,374	63,762,890	4,544,975	10,665,831	79,395,050
Total Liabilities :	36,368,838	102,251,716	521,013,308	336,264,239	151,386,190	1,147,284,291
Net Liquidity Excess/ (Shortage)	118,229,767	163,750,867	718,838,349	(323,482,317)	(86,836,648)	590,500,018
Percentage of Net Liquidity Difference	76.48	61.56	57.98	(2,530.78)	(134.53)	33.98

Assumptions applied in the preparation of the maturity analysis are as under:

- i) Investments are on the basis of their respective maturity.
- ii) Other current assets are on the basis of their realisation.
- iii) Loan portfolio is on the basis of realisation/recovery.
- iv) Fixed assets are on the basis of their useful lives.
- vi) Borrowings are on the basis of their repayments.
- vii) Deposits and other liabilities are on the basis of their maturity and repayments.

for BURO

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President

(Zakir Hossain)
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(M. Mosharrof Hossain)
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House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 31 March 2007

S. F. AHMED & CO
Chartered Accountants

BURO

Notes to financial statements for the year ended 31 December 2006

General

1. Organisation

BURO, a national micro-finance institution, also termed as an "Institution" hereafter, has a clear and transparent mission to run and accordingly has been described as: 'An independent, sustainable, cost-effective micro-finance institution that provides diverse, appropriate and market responsive quality financial and business development services at competitive prices along with other social development programs to the very poor, poor, and vulnerable non-poor customers.'

BURO is governed by a seven-member Executive Committee (EC) and its management is vested in a four-member Implementation Board of Directors. The EC is elected by the general body of 15 members in the annual general meetings.

The Institution is registered under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961 and the Foreign Donations (Voluntary Activities) Regulation Ordinance 1978.

BURO has been operating since 1990 and is dedicated to the economic and social development of the low-income earning population of Bangladesh. It provides high quality flexible financial services that constitute multiple loans, savings and customers' security fund (micro-insurance). Larger loans for micro-enterprises are provided to eligible customers engaged in business development services. Though it takes savings from the disadvantaged groups as well as provides loans to them but there is no link between savings and loans. Any amount of savings can be withdrawn at any time. It launches promotional savings campaign and motivates the poor and landless to deposit savings. The financial needs are assessed and reviewed through continuous market research and product testing. The customers receive induction training on BURO's systems and rules prior to participating in the programs.

The recipients of micro-financial services are poor, particularly the women.

2. Significant Accounting Policies

2.1 Basis of accounting

The accounts are prepared on accrual basis, except for interest on loans which is accounted on a cash basis, under historical cost convention in conformance with generally accepted accounting principles. Wherever appropriate, such principles are explained in the succeeding notes.

2.2 Going concern assumption

The financial statements are prepared under the going concern concept where it is assumed by the management of BURO that the entity will continue with its operations in the future with no foreseeable intention of bringing about any structural changes. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

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Notes to financial statements for the year ended 31 December 2006

2.3 Accounting for grants and donation

Grants and donations related to operations (revenue) are recognised as income for the relevant period and shown in Income and Expenditures Statement below the heading 'net income from operations'. Grants and donations for periods beyond the current operating year are recorded under liabilities as deferred grant revenue.

BURO reports grants and donations for loan funds and fixed assets in the Balance Sheet under funds and surplus. An amount equal to the current year's depreciation is charged to fixed assets fund (donor's grant) over the useful lives of the assets that were acquired from donors' grant.

Donations in-kind that are received are disclosed at their estimated costs. However, no grants and donations in kind were received by BURO during the year under reporting.

2.4 Depreciation on fixed assets

Fixed assets are recorded in the books at actual cost. Depreciation on these assets, except land and land development, is charged on a straight-line method at the following rates based on the nature and estimated useful life of each asset:

<u>Asset category</u>	<u>Rate of depreciation (%)</u>
Building construction	25
Electrical equipment	25
Office equipment	20
Furniture and fixtures	20
Motor vehicles	30

Full year's depreciation is charged on fixed assets during the year of acquisition and no depreciation is charged during the year of disposal.

A portion of depreciation is charged to fixed assets fund (donors' grant), for the assets acquired from this fund, and the balance to revenue account (Income and Expenditures Statement).

2.5 Provision for loan losses and writing off policy

The adequacy of the provision for loan losses is evaluated regularly by management. Factors considered in evaluating the adequacy of the provision include size of portfolio, previous experience in loan recovery, current economic conditions and their effect on customers, financial condition of individual customers, and performance of individual loans in relation to contract terms. The provision for loan losses charged to expense is based on management's judgment of the amount necessary to maintain the provision at an adequate level to absorb possible losses.

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Notes to financial statements for the year ended 31 December 2006

Management makes provisions for loan losses every quarter in order to maintain the loan loss reserve for bad loans at adequate levels. The adequacy of the provision for loan losses is determined by applying defined percentages to the outstanding balances in various aging categories, as under:

<u>Loan overdue status (weeks)</u>	<u>Provision (%)</u>
1-4	0
5-8	10
9-25	15
26-50	25
above 50	100

The organisation's loan loss provision policy is based on management's analysis of historical performance of the overdue portfolio, aged by the overdue categories as mentioned above. The write-offs of loans, if necessary, are charged against the provision for loan losses when management believes that the loan amount is unlikely to be collected. Such doubtful loans are written off in full after one year of the loan term.

2.6 Interest on loan (Service charge)

The rate of interest for all types of loan, except disaster loan, given to customers is 15% per annum according to the policy of BURO. The rate of interest for disaster loan is 10% per annum. The interest rate for all types of loan for hardcore poor customers is 12.50%.

2.7 Asset/liability management

Asset/liability management has become an almost universally accepted approach to risk management. BURO is managing its assets/liabilities in order to provide efficient and effective services at competitive prices. It manages the sources and uses the funds, identifying balance sheet management issues like balance sheet gaps, interest rate gaps, etc and also reviews liquidity contingency plan and implements liability pricing strategy.

2.8 Preparation of Balance Sheet

The Balance Sheet of BURO has been prepared by consolidating the Balance Sheets of 173 branch offices and Head Office.

2.9 Comparative information

Comparative information is disclosed in respect of every year including all the numerical information in the financial statements, and also descriptive information is given when it is relevant to an understanding of the current year's financial statements.

2.10 Transactions in foreign currencies

There were no foreign currency transactions during the year but the policy of BURO is to translate the transactions in foreign currencies into local currency at exchange rates prevalent on the respective dates of transactions.

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Notes to financial statements for the year ended 31 December 2006

2.11 Employee benefit schemes

Provident Fund

BURO, or the Institution, operates a contributory provident fund benefits from which are given to its employees in accordance with its policies. National Board of Revenue (NBR) approved and recognised this fund for the purpose of taxation. The fund is operated by a board of trustees consisting of seven members selected from the employees of the Institution. All permanent employees of the Institution are contributing monthly to the fund an amount equal to 5% to 20% of their basic salaries. The Institution also contributes 10% of the employees' basic salary to the fund each month. Interest earned from the investment is credited to the employees' accounts on a yearly basis and this fund is audited every year by a firm of chartered accountants.

Gratuity Fund

The Institution operates a gratuity scheme for its permanent employees and maintains a separate account for this. Gratuity is payable from the fund to staff leaving the Institution at the rate of one month's basic salary last drawn for each completed year of service after completion of five years' uninterrupted service.

Health Fund

The Institution makes a provision and contributes to health fund every year and maintains a separate account for this. Every permanent employee, who completed two years of service, is entitled to receive the grant from health fund in accordance with the rules of the Institution.

Housing Fund

The Institution operates a housing fund and maintains a separate account for this. Employees are entitled to receive this benefit once they have completed at least seven years' service. The benefit from housing fund is accessible in the form of a loan bearing 5% simple interest per annum.

Staff Family Security Fund

The Institution operates a mandatory staff family security fund for its regular staff in order to reduce the future uncertainties that could affect their families. The fund is managed by a separate board as per the Institution's policy. All employees of the Institution are eligible to become members of the fund by contributing BDT 100 each as subscription per month. If a regular staff dies during his/her tenure of service, the nominee/nominees of the said staff will be entitled to receive a one-time grant of BDT 50,000. If some one leaves the Institution after two years of service, he/she will get back the money deposited so far. In case the staff leaves before completing two years of service, he/she will not be entitled to get back any amount.

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Notes to financial statements for the year ended 31 December 2006

Balance Sheet

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
3. Cash and Bank Balances		
Cash in hand	12,059,990	824,729
Cash at banks in		
Current accounts	14,731,903	32,905,582
Savings accounts	92,216	1,464,981
Term-deposit accounts	435,600	2,658,749
	15,259,719	37,029,312
	<u>27,319,709</u>	<u>37,854,041</u>
4. Investments		
Purchase of five shops (possession) in Tangail town	750,200	750,200
Fixed deposits with banks against		
Staff security deposit		
BRAC Bank Limited	7,654,168	7,000,000
Emergency disaster fund		
Sonal Bank	11,103,978	10,551,714
Jamuna Bank Limited	1,602,717	1,476,941
BRAC Bank Limited	38,896,159	35,400,000
	51,602,854	47,428,655
	<u>60,007,222</u>	<u>55,178,855</u>
5. Other Current Assets		
Security deposits		
Bangladesh Telegraph and Telephone Board	66,520	66,520
Grameen Phone	239,751	239,751
GSP Finance Company (Bangladesh) Limited	124,919	268,582
Pubali Bank Limited	200,924	200,924
	632,114	775,777
Staff loans and advances		
Motorcycle loan	7,366,191	5,286,091
Bicycle loan	3,726,631	1,590,959
Mobile phone loan	94,100	175,300
	11,186,922	7,052,350
Other advances		
Zonal Office rental advance	67,500	27,500
Branch Office rental advance	6,453,141	3,364,826
Training advance	6,639,762	2,401,496
Others including advance against salary, TA, DA, etc	7,692,474	2,444,141
	20,852,877	8,237,963
Advance to Blooming Dale English School	-	2,411,712
	<u>32,671,913</u>	<u>18,477,802</u>

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Notes to financial statements for the year ended 31 December 2006

All types of loans and advances given to staff are interest-free. The period of loan for bicycle and mobile phone is one year each, and that for motorcycle is three years.

6. Loan Portfolio - net of loan loss reserve

This represents various loans outstanding with the clients in the following categories:

General loan

A traditional working capital loan repayable within a year.

Supplementary loan

The loan is disbursed after 25 weeks of issuance of the general loan. It is an additional loan to run the business where capital is inadequate that might threaten the business financed by the general loan. The loan is repayable within a year.

Business loan

A large loan for customers who have management capacity to run relatively large businesses. The loan is repayable within a period of three years.

Micro-enterprise loan

A large loan disbursed for rural and urban areas for diversification of trade and increased participation of the borrowers in the market in a given locality. It has to generate gainful employment. The loan is offered to those who can provide some equity and is repayable within a period of three years.

Hand/Emergency loan

A small loan for customers facing emergencies and suddenly requiring a very small amount of financial assistance. The loan is repayable within 3 months.

Disaster loan

Disaster loan is disbursed to customers of the Institution who are affected by natural disasters. The loan is repayable within a year.

Sanitary latrine loan

To mitigate environmental and health concerns, sanitary loan is offered to customers seeking to install sanitary latrines. The loan is repayable within a year.

Tube-well loan

Tube-well loan facilitates access to safe water for drinking and other purposes. The loan is repayable within a year.

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
The breakdown of loans, by products, is given below:		
General loan	1,444,177,473	1,050,431,634
Hand/emergency loan	88,624,485	78,865,284
Tube-well loan	12,687,465	13,664,428
Supplementary loan	6,481,584	6,204,897
Business loan	8,647,112	6,516,182
Sanitary latrine loan	3,724,395	3,309,177
Micro-enterprise loan	508,330	19,700
Disaster loan	826	22,660
	<u>1,564,851,670</u>	<u>1,159,033,962</u>
<u>Less: Loan loss reserve</u>	<u>23,148,875</u>	<u>15,312,436</u>
	<u>1,541,702,795</u>	<u>1,143,721,526</u>

BURO had 306,313 loan accounts outstanding at the end of the year 2006 compared to 250,085 at the end of the year 2005.

The loan loss reserve (LLR) has been worked out at BDT 19,573,338 at 31 December 2006 as per existing policy, as explained in note 2.5, but the actual reserve has been enhanced to BDT 23,148,875. This enhancement was made considering the last few years' recurring massive floods that affected the clients badly. Accordingly, during the year under reporting, an amount of BDT 11,044,000 has been added to loan loss provision and an amount of BDT 3,207,561 involving 4,200 loans has been written off as per existing policy. The method of calculation of LLR is shown below:

	Number of <u>payments in arrear</u>	Number of <u>loan accounts</u>	<u>Aging of portfolio</u>		<u>Loan loss reserve</u>	
			<u>%</u>	<u>BDT</u>	<u>%</u>	<u>BDT</u>
Current loan		296,461	97.85	1,531,144,694	-	-
Payment past due by weeks						
1-4		975	0.24	3,843,676	-	-
5-8		644	0.18	2,767,391	10	276,739
9-25		1,305	0.42	6,561,631	15	984,245
26-50		569	0.19	2,962,565	25	740,641
Over 50		6,359	1.12	17,571,713	100	17,571,713
Total		<u>306,313</u>	<u>100</u>	<u>1,564,851,670</u>		<u>19,573,338</u>

The Institution does not renegotiate loans under normal circumstances as well as in any other circumstances, such as, catastrophic events.

The members of the Executive Committee and those of the Implementation Board of Directors are not eligible for loans and, hence, the institution does not need to disclose any related-party (insider) loans.

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
Movement of loan loss reserve:		
Balance at 01 January	15,312,436	10,815,778
<u>Add</u> : Provision made during the year	11,044,000	5,835,000
<u>Less</u> : Amount written off during the year	3,207,561	1,338,342
Balance at 31 December	<u>23,148,875</u>	<u>15,312,436</u>

7. Fixed Assets

	Amounts in BDT		
	Head Office	Branch Offices	Total
Cost			
Balance at 01 January 2006	76,796,341	11,989,313	88,785,654
<u>Add</u> : Additions during the year	16,158,641	4,823,210	20,981,851
	92,954,982	16,812,523	109,767,505
<u>Less</u> : Disposal during the year	1,230,605	-	1,230,605
Balance at 31 December 2006 (A)	<u>91,724,377</u>	<u>16,812,523</u>	<u>108,536,900</u>
Depreciation			
Balance to 01 January 2006	19,896,763	6,278,156	26,174,919
<u>Add</u> : Charge for the year	5,616,039	1,893,801	7,509,840
	25,512,802	8,171,957	33,684,759
<u>Less</u> : Adjustment on disposal	1,230,529	-	1,230,529
Accumulated depreciation to 31 Dec 2006 (B)	<u>24,282,273</u>	<u>8,171,957</u>	<u>32,454,230</u>
Written Down Value at 31 Dec 2006 (A-B)	<u>67,442,104</u>	<u>8,640,566</u>	<u>76,082,670</u>

Allocation of depreciation charged to Fixed Assets Fund (Donors' Grant) and Income and Expenditures Statement is made on the basis of their respective cost of contribution to fixed assets as under:

	Amounts in BDT				
	<u>Own contribution</u>		<u>Donors' contribution</u>		<u>Amount</u>
<u>Cost</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
Head Office	84,220,348	91	7,504,029	9	91,724,377
Branch Offices	16,812,523	100	-	-	16,812,523
	<u>101,032,871</u>		<u>7,504,029</u>		<u>108,536,900</u>

Since donors' contribution is fully adjusted during the year, depreciation charge for the year has been allocated to Fixed Assets Fund (Donors' grant) and Income and Expenditures Statement on that basis as under:

Depreciation for the year

Head Office	5,240,225	93	375,814	7	5,616,039
Branch Offices	1,893,801	-	-	-	1,893,801
	<u>7,134,026</u>		<u>375,814</u>		<u>7,509,840</u>

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Notes to financial statements for the year ended 31 December 2006

8. Employees' Security Deposits

This represents amount received as security deposits from Branch Managers, Accountants, Assistant Accountants and Program Organisers as per policy of BURO.

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
Balance at 01 January	8,369,513	6,807,477
<u>Add</u> : Received during the year	9,006,511	2,529,395
<u>Less</u> : Paid during the year	1,143,971	967,359
Balance at 31 December	<u>16,232,053</u>	<u>8,369,513</u>

9. Customers' General Savings Deposits

Customers can deposit or withdraw their general savings at any time. Interest is paid at 4.50% per annum. The under noted figures represent the general savings transactions:

Balance at 01 January	153,692,988	100,281,126
<u>Add</u> : Deposits during the year	316,638,801	216,233,755
<u>Less</u> : Withdrawals during the year	235,533,547	162,821,893
Balance at 31 December	<u>234,798,242</u>	<u>153,692,988</u>

The number of general savings accounts was 331,329 at the end of the year 2006 compared to 273,286 at the end of the year 2005.

10. Bank Overdraft

The overdraft facilities were taken from BRAC Bank Limited and Jamuna Bank Limited against lien of fixed deposits of BURO with the same banks. The rate of interest is 1.50% higher than the interest rate of fixed deposits given to the organisation by the respective banks.

Balance at 01 January	37,684,335	20,852,087
Addition during the year	74,910,010	58,378,050
<u>Less</u> : Repayment during the year	49,734,335	41,545,802
Balance at 31 December	<u>62,860,010</u>	<u>37,684,335</u>

The break-up of the closing balance is given below:

BRAC Bank Limited	41,990,277	34,684,335
Jamuna Bank Limited	20,869,733	3,000,000
Balance at 31 December	<u>62,860,010</u>	<u>37,684,335</u>

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Notes to financial statements for the year ended 31 December 2006

11. Other Liabilities	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
The break-up is given below:		
BURO Staff Family Security Fund	137,293	100,200
Security deposit from shops	115,000	115,000
Loan from staff funds	50,698	50,698
BURO Employees' Provident Fund	-	241,987
	<u>302,991</u>	<u>507,885</u>

Loan from staff funds bears 10% interest per annum and is repayable on demand.

12. Customers' Time Deposits

Customers deposit a fixed amount not exceeding BDT 5,000 each for a period of 3 to 60 months with interest rate within the band of 6% to 8%. The figures below represent the time deposit transactions:

Balance at 01 January	4,330,969	6,225,036
<u>Add</u> : Deposits during the year	1,324,269	1,600,442
<u>Less</u> : Withdrawals during the year	1,184,812	3,481,978
Prior year's adjustment	-	12,531
	<u>1,184,812</u>	<u>3,494,509</u>
Balance at 31 December	<u>4,470,426</u>	<u>4,330,969</u>

The number of time deposit accounts was 202 at the end of the year 2006 compared to 143 at the end of the year 2005.

13. Customers' Contractual Savings Deposits

Contractual savings are deposited on a recurring basis for 3 years', 5 years' and 10 years' periods. A fixed amount has to be deposited on a weekly or monthly basis. The interest rates are 7%, 8%, and 10% respectively. The under noted figures represent the contractual savings transactions:

Balance at 01 January	306,523,299	201,789,670
<u>Add</u> : Deposits during the year	256,384,893	176,861,367
<u>Less</u> : Withdrawals during the year	123,157,068	72,140,269
Prior year's adjustment	-	(12,531)
	<u>123,157,068</u>	<u>72,127,738</u>
Balance at 31 December	<u>439,751,124</u>	<u>306,523,299</u>

The number of contractual savings accounts was 306,844 at the end of the year 2006 compared to 236,407 at the end of the year 2005.

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Notes to financial statements for the year ended 31 December 2006

14. Customers' Emergency Fund

The balance represents fund generated by the loanees up to 31 December 2002. The organisation, however, ceased maintaining the system of collecting emergency fund after 2002. The customers' group (as opposed to any individual customer) is the owner of customers' emergency fund. This fund is to be used for the following purposes :

- to pay off loans in the event of the loanees' death or permanent disability;
- to issue supplemental loans in the event of loss of the loanees' income earning capability through loss or damage to the assets purchased with the original loans; and
- to meet small expenses/emergencies agreed upon by the kendra (centre).

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
Balance at 01 January	9,555,184	9,561,453
<u>Add</u> : Deposits during the year	-	250
<u>Less</u> : Withdrawals during the year	3,299,765	6,519
Balance at 31 December	<u>6,255,419</u>	<u>9,555,184</u>

15. Customers' Security Fund

Customers' security fund (Micro-insurance) has two objectives, namely, meeting (1) the social objective, and (2) the commercial objective. BURO is the owner of customers' security fund instead of any individual customer.

The social objective is to protect the customers from vulnerable households' income by increasing their ability to take advantage of economic opportunities.

The commercial objective is to increase the profitability of poor households through reducing the impact of customer mortality risk on loan and savings portfolios, generating additional revenue, supporting risk management and reducing customers' vulnerability to economic stress.

The poor and vulnerable non-poor customers have to pay in the mode of BDT 50 and BDT 100, while the very poor customers are required to pay BDT 30 as subscription against micro-insurance. The subscriptions are one-time payment in a year.

Further, micro-insurance emanating from the security fund yields three benefits after the death of the customer. First: the subscriptions amounting to BDT 30, BDT 50 and BDT 100 will yield BDT 3,000, BDT 5,000 and BDT 10,000 cash benefit respectively. Second: the entire outstanding loan of the customers will be completely waived. Third: after the death of the principal loan guarantor, the family of the guarantor will also receive half of the cash benefits. The operation of this fund started from 01 January 2003. Break-up of the fund is given below:

Balance at 01 January	18,332,939	13,485,509
<u>Add</u> : Deposits during the year	18,203,030	13,834,050
<u>Less</u> : Withdrawals during the year	12,238,392	8,986,620
Balance at 31 December	<u>24,297,577</u>	<u>18,332,939</u>

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
16. Borrowing from Specialised Institutions		
Borrowing from SDC (note 16.1)	-	20,172,124
Borrowing from Stromme Foundation (note 16.2)	99,437,500	80,506,250
	<u>99,437,500</u>	<u>100,678,374</u>

16.1 Borrowing from SDC

This amount was borrowed from Swiss Agency for Development and Cooperation (SDC) for on-lending to BURO's customers. Interest rates were 4.5% for 1998 and 1999, 7% for 2000, 8% for 2001, and 10% from 2002 to March 2004. However, interest rate of 10% was reduced to 7% from April 2004 to December 2006. BURO has started repayment of loan along with accrued interest from June 2004. There is no security against the borrowing other than Institutional Guarantee given by BURO. The loan was fully repaid by December 2006. Movement of the amount of borrowing is given below:

Balance at 01 January	20,172,124	40,344,246
<u>Less : Refunded during the year</u>	<u>20,172,124</u>	<u>20,172,122</u>
Balance at 31 December	<u>-</u>	<u>20,172,124</u>

16.2 Borrowing from Stromme Foundation

A number of loans were borrowed from Stromme Foundation for on-lending to BURO's customers. Interest rate is 7% per annum. These loans have three months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of each loan along with accrued interest is being made in quarterly equal installments. No other security was given against the borrowing other than an Institutional Guarantee from BURO. Movement of the amount of the said loan is given below:

Balance at 01 January	80,506,250	43,431,250
<u>Add : Received during the year</u>	<u>77,500,000</u>	<u>69,000,000</u>
<u>Less : Refunded during the year</u>	<u>58,568,750</u>	<u>31,925,000</u>
Balance at 31 December	<u>99,437,500</u>	<u>80,506,250</u>

There is no overdue or default in respect of repayment (loan and interest) of above borrowings by BURO from their respective due dates.

17. Borrowing from Commercial Banks

	<u>Notes</u>		
Bank Asia Limited	17.1	77,770,748	-
BRAC Bank Limited	17.2	76,702,802	100,000,000
Pubali Bank Limited	17.3	31,875,000	29,375,000
Jamuna Bank Limited	17.4	10,662,887	20,000,000
NCC Bank Limited	17.5	10,000,000	-
Dhaka Bank Limited- through CDF	17.6	5,892,096	7,500,000
Sonali Bank	17.7	4,000,000	12,000,000
NCC Bank Limited- through CDF	17.8	3,181,824	5,000,000
		<u>220,085,357</u>	<u>173,875,000</u>

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Notes to financial statements for the year ended 31 December 2006

17.1 Bank Asia Limited

This loan was taken from Bank Asia Limited for on-lending to BURO's customers. The loan has a two-year and six months' term with interest at 13% with six months' moratorium. Repayment of the loan is due to be made in quarterly installments with effect from April 2006.

Securities placed against this loan are:

- (i) Hypothecation over present and future assets of BURO; and
- (ii) Personal guarantees of the members of Executive Committee and the Implementation Board of Directors.

17.2 BRAC Bank Limited

This loan was taken from BRAC Bank Limited for on-lending to BURO's customers with a three-year term with interest at 13%, subsequently increased to 14%, effective from July 2006. During the moratorium period, interest is being paid quarterly. Repayment of this loan, along with accrued interest, is due in quarterly equal installments effective from June 2006.

Securities placed against this loan are:

- (i) Registered mortgage of land of 8 katha 12 chattak along with building situated at Gulshan Model Town being Plot No. 12/A, Road No. 104, Block No. CEN(F), Dhaka presently in the name of BURO; and
- (ii) Hypothecation over present and future assets of BURO.

17.3 Pubali Bank Limited

Six loans were taken from Pubali Bank Limited for on-lending to BURO's customers. Each loan has a three-year term with interest rates varying between 10% -12% per annum and one year moratorium. During the moratorium period, interest is being paid quarterly. Repayment of each loan, along with accrued interest, is being made in quarterly equal installments from March 2005.

Securities placed against this loan are:

- (i) Personal guarantees of the members of the Executive Committee of BURO in the capacity of members as well as their personal guarantees for repayment of the loan.

17.4 Jamuna Bank Limited

This loan was taken from Jamuna Bank Limited for on-lending to BURO's customers. The loan has a two-year and six months' term with interest at 13.50%, subsequently increased to 15.50% effective from October 2006, with six months' moratorium. During the moratorium period, interest is being paid quarterly. Repayment of this loan, along with accrued interest, is due in quarterly equal installments with effect from March 2006.

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Notes to financial statements for the year ended 31 December 2006

Securities placed against this loan are:

- (i) Hypothecation of all moveable assets of BURO; and
- (ii) Personal guarantees of the members of the Executive Committee of BURO as well as in their personal capacities for repayment of the loan.

17.5 NCC Bank Limited

This loan was taken from NCC Bank Limited for on-lending to BURO's customers. The loan has a three-year term with interest at 14.25% with six months' moratorium. Repayment of the loan is due to be made in quarterly installments with effect from July 2006.

Securities placed against this loan are:

- (i) Corporate guarantee by the members of the Executive Committee and those of the Implementation Board of Directors of BURO, both in their personal capacities as well as in official capacities jointly and severally for repayment of the loan.

17.6 Dhaka Bank Limited- through Credit and Development Forum (CDF)

The loan was borrowed from Dhaka Bank Limited, through CDF, for on-lending to BURO's customers. This loan has a three-year term with interest at 13% and three months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan, along with accrued interest, is due in quarterly equal installments, with effect from June 2006.

The security for loan from Dhaka Bank Limited, through CDF, is Institutional Guarantee given by BURO.

17.7 Sonali Bank

This loan was taken from Sonali Bank for on-lending to BURO's customers. This has a three-year term with interest at 10% and six months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of this loan, along with accrued interest, is being made in quarterly equal installments from March 2005.

Securities placed against this loan are:

- (i) BDT 10 million kept in fixed deposits with Sonali Bank, Tangail Branch and pledged against this loan. The fixed deposits will earn interest at Sonali Bank's prevailing rate. Sonali Bank, however, has the right to adjust all arrears/defaults in this loan from the fixed deposits.
- (ii) Registered mortgage of 45 decimal land owned by BURO located in Tangail town.

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Notes to financial statements for the year ended 31 December 2006

17.8 NCC Bank Limited- through CDF

The loan was borrowed from NCC Bank Limited through Credit and Development Forum (CDF) for on-lending to BURO's customers. The loan has a three-year term with interest at 10% and three months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan, along with accrued interest, is due in quarterly equal installments with effect from January 2006.

The security for loan from NCC Bank Limited, through CDF, is Institutional Guarantee given by BURO.

There is no overdue or default in respect of repayment (loan and interest) of commercial borrowings by BURO from their respective due dates.

18. Borrowing from Non-Banking Financial Institution

The loan was received from GSP Finance Company (Bangladesh) Limited as loan for on-lending to BURO's customers. This loan has a three-year term with interest at 13% and six months' moratorium. During the moratorium period, interest is being paid on a quarterly basis. Repayment of the loan, along with accrued interest, is due in quarterly equal installments with effect from June 2006.

Two different types of securities are placed against this loan: (1) Institutional Guarantee, and (2) 208.50 decimal of land with daag nos. 70, 114, 105, 29, 66 and 79 and khatian nos. 237, 291, 272, 277, 95, 39 and 331 under Charpara Mouza, of Tangail Sadar.

Break-up of the loan is given below:

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
Balance at 01 January	10,000,000	-
<u>Add</u> : Received during the year	30,000,000	10,000,000
<u>Less</u> :Refunded during the year	2,217,238	-
Balance at 31 December	<u>37,782,762</u>	<u>10,000,000</u>

There is no overdue or default in respect of repayment (loan and interest) of commercial borrowings by BURO from their respective due dates.

19. Loans for Purchase of Office Vehicles

These loans were taken from various banks and financial institutions for purchase of office transport for BURO at different rates of interest. The loans have two to three-years' term and carry interest rates as below:

	Rate of interest (%)		
Pubali Bank Limited	12	666,664	1,333,332
HSBC	14	344,166	1,032,498
GSP Finance Company (Bangladesh) Limited	15	-	1,125,000
		<u>1,010,830</u>	<u>3,490,830</u>

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Notes to financial statements for the year ended 31 December 2006

20. Revolving Loan Funds (Donors' Grant)

	Amounts in BDT	
	At	At
	31 Dec 2006	31 Dec 2005
Department for International Development (DFID), UK	93,022,179	93,022,179
Swiss Agency for Development and Cooperation	23,378,560	23,378,560
Swedish International Development Agency	14,545,494	14,545,494
Australian Agency for International Development	4,274,300	4,274,300
UNESCO/ Stichting Gillès – Foundation, Belgium	2,147,712	2,147,712
Canada Fund	1,163,139	1,163,139
PACT Inc/USAID	284,500	284,500
	<u>138,815,884</u>	<u>138,815,884</u>

21. Emergency Disaster Fund (Donors' Grant)

BURO focuses its efforts on the promotion of self-help and self-reliance of disadvantaged rural communities, with particular attention to women. Normally, it is not involved in any relief or charitable activities for its customers. It does not remain nonchalant when the customers become extremely vulnerable and their existence is threatened. In such situations, disaster assistance is provided.

In order to respond to emergency relief and rehabilitation needs of BURO's customers, emergency disaster funds have been created with financial grants from the following donors:

	Amounts in BDT	
	At	At
	31 Dec 2006	31 Dec 2005
Swedish International Development Agency (SIDA)	11,374,757	11,374,757
Department for International Development (DFID), UK	9,247,243	9,247,243
Swiss Agency for Development and Cooperation (SDC)	9,000,000	9,000,000
Australian Agency for International Development (AUSAID)	651,000	651,000
	<u>30,273,000</u>	<u>30,273,000</u>
<u>Add: Interest on investment of the above funds</u>	<u>17,099,888</u>	<u>12,925,689</u>
	<u>47,372,888</u>	<u>43,198,689</u>

Of the total disaster fund, disaster loan balance stands at BDT 826. The remaining fund of BDT 47,372,062 is invested in secured instruments, with the feature that such investments can be encashed within a short period of time in case of emergency.

22. Fixed Assets Funds (Donors' Grant)

Cost of fixed assets purchased from donors' grant is being charged to this fund account. This is made up of as follows:

Balance at 01 January	375,814	901,070
<u>Less: Depreciation for the year</u>	<u>375,814</u>	<u>525,256</u>
Balance at 31 December	<u>-</u>	<u>375,814</u>

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	At 31 Dec 2006	At 31 Dec 2005
23. Accumulated Surplus		
Balance at 01 January	308,411,256	205,877,877
<u>Add: Surplus/ (deficit) for the year</u>		
Head Office	(34,023,425)	(24,749,486)
Branch Offices	129,923,415	136,408,002
	95,899,990	111,658,516
<u>Less: Adjustment during the year</u>	-	9,125,137
Balance at 31 December	<u>404,311,246</u>	<u>308,411,256</u>

Income and Expenditures Statement

	Amounts in BDT	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
24. Interest on Borrowings from Banks, etc.		
Banks		
Sonali Bank	910,552	1,721,664
Pubali Bank Limited	2,963,542	3,293,404
BRAC Bank Limited	18,169,108	5,116,834
Jamuna Bank Limited	2,281,654	1,327,500
NCC Bank Limited- through CDF	648,864	75,000
NCC Bank Limited	102,917	-
Dhaka Bank Limited- through CDF	1,080,768	-
Bank Asia Limited	2,600,000	-
	28,757,405	11,534,402
GSP Finance Company (Bangladesh) Limited	3,594,710	321,500
Swiss Agency for Development and Cooperation	1,059,036	2,471,084
Stromme Foundation	6,692,149	4,360,527
Employees' Provident Fund	13,425	582,182
Bank overdraft, from		
BRAC Bank Limited	5,212,259	285,858
United Commercial Bank Limited	-	3,693,715
Jamuna Bank Limited	2,056,919	-
	7,269,178	3,979,573
Office transport loan, from		
HSBC	158,592	158,592
Pubali Bank Limited	137,028	137,028
GSP Finance Company (Bangladesh) Limited	171,281	223,968
	466,901	519,588
	<u>47,852,804</u>	<u>23,768,856</u>
25. Interest on Members' Savings		
Interest on		
General savings	5,155,344	3,377,775
Contractual savings	32,686,094	23,666,977
Time deposits	477,109	733,261
	<u>33,163,203</u>	<u>27,778,013</u>

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
26. Salary and Allowances		
Field Offices (Branch/ Area/Zonal Offices)	129,743,072	76,404,546
Head Office	12,546,688	8,055,692
Contribution to:		
Gratuity fund	-	3,329,552
Health fund	-	3,096,908
Housing fund	-	826,000
	<u>142,289,760</u>	<u>91,712,698</u>

27. Payment to National Exchequer

It is mandatory for all NGOs and Micro-Finance Institutions (MFIs) to submit their income tax returns as per income tax laws. The income from operation of micro-credit by non-profit organisations registered with NGO Affairs Bureau is exempt from income tax as per Sixth Schedule, Part A of Income Tax Ordinance 1984. However, if there is any income other than from micro-finance, it will be subject to tax as per income tax laws.

Details of payment made to government exchequer for the year 2006 are as under:

Direct Tax

Value-added tax on supply of goods, etc	656,977	589,554
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Indirect Tax

Corporate income tax on income other than from micro-finance	120,393	406,679
Income tax on staff salary	493,454	222,235
Tax deduction at source from interest on bank deposits	81,994	16,378

Other Tax/Fees

Land tax	319,830	6,735
NGO Affairs Bureau renewal fees	16,000	-
	<u>1,688,648</u>	<u>1,241,581</u>

The income tax assessment position of BURO up to the income year ended 31 December 2005 is given below:

Income year ended 31 December	Assessment year	Income as per return filed	Taxable income	Tax paid
2001	2002-2003	1,566,225	782,354	99,520
2002	2003-2004	1,777,724	1,086,278	199,070
2003	2004-2005	9,477,932	760,101	99,520
2004	2005-2006	1,861,585	1,861,585	406,679
2005	2006-2007	983,878	983,878	120,393

Corporate tax assessment up to the income year 2005 has been duly completed.

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
28. Transportation		
Traveling allowances	4,996,892	4,618,241
Fuel and lubricants	4,424,883	858,187
Daily allowances	434,814	431,958
Office transport maintenance	885,246	341,659
	<u>10,741,835</u>	<u>6,250,045</u>
29. Training and Research		
Operation research	519,914	239,100
Staff training	7,327,460	3,088,732
Customers' training	3,213,475	2,661,062
	<u>11,060,849</u>	<u>5,988,894</u>
30. Audit Fees		
Annual external audit	125,000	104,500
Provident Fund audit	20,000	20,000
	<u>145,000</u>	<u>124,500</u>
31. Other Professional Fees		
Consultancy fees	1,636,200	719,500
Legal advisor's fees	19,800	13,300
	<u>1,656,000</u>	<u>732,800</u>
32. Other Direct Cost		
Office maintenance, etc	9,824,849	4,628,286
E-mail, telephone and fax	2,493,631	1,416,232
Electricity, gas and water	2,075,680	1,671,455
Entertainment	1,963,141	1,429,075
Bank charges	827,969	784,340
Postage and telegram	128,127	124,986
	<u>17,313,397</u>	<u>10,054,374</u>
33. Key Micro-Finance Ratios		
33.1 Sustainability/Profitability		
Return on Equity (ROE)	18%	25%
Return on Total Assets	6%	10%
Operating Self-sufficiency (OSS)	136%	163%
Financial Self-sufficiency (FSS)	122%	136%
Financial Spread	23%	25%

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Notes to financial statements for the year ended 31 December 2006

	Amounts in BDT	
	Year ended 31 Dec 2006	Year ended 31 Dec 2005
33.2 Portfolio Quality		
On Time Recovery Rate (OTR)	98.17%	98.07%
Portfolio at Risk-PAR (>60days)	1.73%	1.69%
Risk Coverage Ratio	118%	103%
Loan Loss Reserve Ratio	1.48%	1.32%
Write-Off Ratio	0.24%	0.14%
33.3 Assets/Liability Management		
Yield on Gross Portfolio	28%	31%
Current Ratio	529%	627%
Financial Cost Ratio	6.15%	5.20%
Annual Growth to Total Assets	32%	46%
33.4 Leverage		
Debt to Equity	0.61	0.58
Debt Service Coverage Ratio by times	1.62	2.37
Equity as percent of Total Assets	34%	37%
33.5 Efficiency/Productivity		
Loan Officer (LO) Productivity	213	318
LO Productivity (Loan-BDT)	1,006,335	1,347,714
LO Productivity (Savings-BDT)	456,317	572,599
Average Disbursed Loan Size (BDT)	7,421	6,375
Average Outstanding Loan Size (BDT)	5,109	4,635
Cost of per Unit Money Lent (BDT)	0.06	0.05
Operating Expenses Ratio	15%	13%

General

34. Figures in these notes and annexed financial statements have been rounded off to the nearest BDT.
35. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
36. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, causing any impact on the net surplus as well as on the values of assets and liabilities.

for BURO

(S K Sarkar)
President

(Zakir Hossain)
Executive Director

(M. Mosharrof Hossain)
Finance Director

Dhaka, Bangladesh
Dated, 31 March 2007

Five Years At a Glance
as on December 31

Particulars		2002	2003	2004	2005	2006
A.	Institutional Profile					
	Number of Districts	11	18	20	21	32
	Number of Upazilas	35	55	67	91	148
	Number of Unions	265	312	440	521	707
	Number of Villages	2,566	3,588	4,238	5,047	7,029
	Number of Branches	67	83	90	110	173
	Total Personnel/Staff Strength	778	1,020	1,071	1,265	2,069
	Staff Dropout Rate	11%	11%	14%	13%	15%
	Number of Active Customers	124,446	184,609	221,366	273,286	331,329
	Number of Active Borrowers	91,866	128,112	155,819	209,808	263,503
	Borrower/Customers Ratio	74%	69%	70%	77%	79%
B.	Savings Portfolio (million BD Taka)					
	Yearly Savings Deposit	154.99	232.19	316.28	394.70	574.35
	Cumulative Savings Deposit	494.01	726.19	1,042.47	1,437.18	2,011.53
	Yearly Savings Withdrawals	106.02	146.86	231.61	238.44	359.88
	Cumulative Savings Withdrawals	355.71	502.56	734.17	972.63	1,332.51
	Savings Portfolio	138.30	223.63	308.30	464.55	679.02
	Savings Portfolio Growth	55%	62%	38%	51%	46%
	Savings Portfolio to Total Assets	34%	37%	37%	37%	41%
C.	Loan Portfolio (million BD Taka)					
	Yearly Loan Disbursed	695.70	1,082.67	1,528.04	2,368.40	3,180.27
	Cumulative Loan Disbursed	2,245.66	3,327.30	4,855.34	7,223.75	10,404.02
	Yearly Loan Recovered	582.55	937.82	1,325.23	1,959.97	2,774.45
	Cumulative Loan Recovered	1,842.72	2,779.51	4,104.74	6,064.71	8,839.17
	Loan Portfolio	402.94	547.79	750.60	1,159.03	1,564.85
	Loan Portfolio Growth	39%	36%	37%	54%	35%
D.	Sustainability/Profitability					
	Return on Equity (ROE)	13%	19%	25%	25%	18%
	Return on Performing Assets	32%	35%	34%	31%	29%
	Operating Self-Sufficiency	139%	149%	164%	163%	136%
	Financial Self-Sufficiency	114%	123%	136%	136%	122%
	Financial Spread	28%	30%	30%	25%	23%
E.	Portfolio Quality					
	On Time Recovery Rate (OTR)	98.72%	98.03%	98.19%	98.07%	98.17%
	Portfolio at Risk-PAR (>60days)	3.50%	1.89%	1.82%	1.69%	1.73%
	Risk Coverage Ratio	122%	130%	131%	103%	118%
	Loan Loss Reserve Ratio	4.27%	2.02%	1.44%	1.32%	1.48%
	Write-Off Ratio	0%	3%	1%	0.14%	0.24%
F.	Assets/Liability Management					
	Yield on Gross Portfolio	32%	35%	35%	31%	28%
	Current Ratio	744%	464%	608%	627%	529%
	Financial Cost Ratio	4.20%	4.52%	4.70%	5.20%	6.15%
	Annual Growth to Total Assets	28%	37%	35%	46%	32%
G.	Leverage					
	Debt to Equity	X0.27	x0.25	x0.36	x0.58	x0.61
	Debt Service Coverage Ratio by times	3.94	6.34	3.54	2.37	1.62
	Equity as Percent of Total Assets	50%	44%	43%	37%	34%
H.	Efficiency/Productivity					
	Loan Officer (LO) Productivity	271	294	318	318	213
	LO Productivity (Loan-BDT)	877,854	872,272	1,078,446	1,347,714	1,006,335
	LO Productivity (Savings-BDT)	364,413	388,603	476,067	572,599	456,317
	Average Disbursed Loan Size (BDT)	5,937	5,519	5,459	6,375	7,421
	Average Outstanding Loan Size (BDT)	3,637	3,547	3,756	4,635	5,109
	Cost of per Unit Money Lent (BDT)	0.10	0.08	0.07	0.05	0.06
	Operating Expenses Ratio	19%	19%	17%	13%	15%
	Cumulative Average Exchange Rate: US\$1=BDT	54	56	58	60	65

Five Years Balance Sheet (as on 31 December)

PARTICULARS	2002	2003	2004	2005	2006
PROPERTY AND ASSETS					
Current Assets					
Cash and bank balance	18,062,701	17,426,960	38,651,264	37,854,041	27,319,709
Investment	39,290,072	41,999,774	45,500,311	55,178,855	60,007,222
Other current assets	9,656,027	12,277,272	14,335,375	18,477,802	32,671,913
<i>Loan portfolio</i>	<i>402,935,156</i>	<i>547,786,811</i>	<i>750,598,185</i>	<i>1,159,033,962</i>	<i>1,564,851,670</i>
<i>Loan loss reserve (LLR)</i>	<i>17,209,771</i>	<i>11,090,551</i>	<i>10,815,778</i>	<i>15,312,436</i>	<i>23,148,875</i>
Loan portfolio-net of LLR	385,725,385	536,696,260	739,782,407	1,143,721,526	1,541,702,795
Total Current Assets	452,734,185	608,400,266	838,269,357	1,255,232,224	1,661,701,639
Long - Term Assets					
<i>Fixed assets at cost</i>	<i>44,838,181</i>	<i>74,656,736</i>	<i>83,522,491</i>	<i>88,785,654</i>	<i>108,536,900</i>
<i>Accumulated depreciation</i>	<i>10,781,427</i>	<i>15,324,050</i>	<i>20,048,472</i>	<i>26,174,919</i>	<i>32,454,230</i>
Fixed assets -net of accumulated depreciation	34,056,754	59,332,686	63,474,019	62,610,735	76,082,670
Total Long - Term Assets	34,056,754	59,332,686	63,474,019	62,610,735	76,082,670
Total Assets	486,790,939	667,732,952	901,743,376	1,317,842,959	1,737,784,309
LIABILITIES AND FUNDS					
Current Liabilities					
Employees' security deposits	4,669,222	5,923,136	6,807,477	8,369,513	16,232,053
Members' general savings	50,870,681	80,178,777	100,281,126	153,692,988	234,798,242
Bank overdraft	-	33,581,250	20,852,087	37,684,335	62,860,010
Other liabilities	5,287,150	11,547,988	10,009,827	507,885	302,991
Total Current Liabilities	60,827,053	131,231,151	137,950,517	200,254,721	314,193,296
Long-Term Liabilities					
Members' time deposits	869,809	3,306,707	6,225,036	4,330,969	4,470,426
Members' contractual savings	86,546,943	140,135,428	201,789,670	306,523,299	439,751,124
Members' emergency funds	28,978,049	14,066,905	9,561,453	9,555,184	6,255,419
Members' security funds	-	6,355,032	13,485,509	18,332,939	24,297,577
Borrowing from Specialized Institution	60,516,368	74,516,368	83,775,496	100,678,374	99,437,500
Borrowing from Commercial Banks	5,000,000	-	55,000,000	173,875,000	220,085,357
Borrowing from Non-Bank Financial Institution	-	-	-	10,000,000	37,782,762
Other borrowing	-	-	6,345,830	3,490,830	1,010,830
Total Long-Term Liabilities	181,911,169	238,380,440	376,182,994	626,786,595	833,090,995
Funds and Surplus					
Revolving loan fund (donors' grant)	137,168,172	138,815,884	138,815,884	138,815,884	138,815,884
Emergency disaster fund (donors' grant)	36,730,478	39,117,387	42,015,034	43,198,689	47,372,888
Fixed assets fund (donors' grant)	1,848,581	1,430,573	901,070	375,814	-
Accumulated surplus	68,305,486	118,757,517	205,877,877	308,411,256	404,311,246
Total Net Worth	244,052,717	298,121,361	387,609,865	490,801,643	590,500,018
Total Liabilities and Net Worth	486,790,939	667,732,952	901,743,376	1,317,842,959	1,737,784,309

Source: Audit Report

Five Years Income and Expenditure Account (as on 31 December)

Particulars	2002	2003	2004	2005	2006
A Financial & Micro Credit Income					
Service charges/Interest on Loans	109,365,463	167,630,843	226,536,026	287,577,369	381,546,399
Interest on bank deposit	555,278	377,488	361,585	587,299	860,599
Life member fee	3,427,100	-	-	-	-
Sale of forms	2,259,395	3,227,487	4,553,213	11,971,870	14,289,612
Admission fee	483,315	871,080	958,490	2,329,065	3,169,980
Others	2,707,538	2,220,471	2,799,650	448,779	2,526,537
Total Financial & Micro Credit Income (A)	118,798,089	174,327,369	235,208,964	302,914,382	402,393,127
B Financial Cost					
Interest on borrowings	6,802,331	8,678,953	11,937,951	23,768,856	47,852,804
Interest on members' savings	8,804,984	14,010,435	20,098,913	27,778,013	38,318,547
Total Financial Cost (B)	15,607,315	22,689,388	32,036,864	51,546,869	86,171,351
C Gross Financial Margin (A-B)	103,190,774	151,637,981	203,172,100	251,367,513	316,221,776
D Provision for loan losses	3,300,000	6,063,000	3,869,000	5,835,000	11,044,000
E Net Financial Margin (C-D)	99,890,774	145,574,981	199,303,100	245,532,513	305,177,776
F Operating Expenses					
Salary and allowances	46,872,342	63,641,116	75,988,613	91,712,698	142,289,760
New branch establishment cost	1,772,976	-	-	-	-
Rental office	3,524,985	4,712,230	5,327,150	6,291,100	9,950,013
Payment to national exchequer	729,721	516,184	966,052	1,241,581	1,688,648
Transportation	3,334,509	4,464,721	5,040,330	6,250,045	10,741,835
Training & research expenses	3,694,823	6,840,959	5,345,967	5,988,894	11,060,849
Office supplies	2,494,267	2,956,794	4,009,554	4,570,490	7,298,253
Depreciation	3,283,203	4,146,566	5,714,361	5,867,239	7,134,026
Audit & professional fees	531,000	382,613	433,425	857,300	1,801,000
Other expenses	5,564,858	7,461,768	10,197,889	11,274,650	17,313,402
Total Operating Expenses (F)	71,802,684	95,122,951	113,023,341	134,053,997	209,277,786
G Net Income/(Loss) from Operations (E-F)	28,088,090	50,452,030	86,279,759	111,478,516	95,899,990
H Foreign Donations	-	-	827,000	180,000	-
I Net Surplus/(Deficit)	28,088,090	50,452,030	87,106,759	111,658,516	95,899,990

Source: Audit Report

Executive and Management Committee

Executive Committee

President

S K Sarkar

Director (Administration and Risk Management), BRAC and Treasurer of BRAC University

General Secretary

Altaf Hossain

Senior Vice President, Kohinoor Chemical Co. (BD) Limited, Dhaka

Finance Secretary

M. Mukitul Islam

Development Trainer

Members:

Shamima Abbasy Shelly

Architect and Development Planner

Khondoker Mahafuzur Rahman,

Assistant General Manager, Grameen Bank, Dhaka

Major (Rtd) Mir Hashmat Ullah, PSC.

Retired DIG of Police and Managing Director of Watch and Watch Pvt. Limited

Kazi Mohammad Shoab Rana

Social Activist and Businessman

Member Secretary

Zakir Hossain

Executive Director

Implementation Board of Directors

Executive Director

Zakir Hossain

Finance Director

M. Mosharrof Hossain

Program Director

Md. Sirajul Islam

Microfinance Immersion and Capacity Building Deputy Director

Pranesh Chandra Banik

Adviser

Graham A.N. Wright

Program Director, *MicroSave*.

Senior and Mid Level Professionals

Implementation Board of Directors

Zakir Hossain, Executive Director
M. Mosharrof Hossain, Finance Director
Md. Sirajul Islam, Program Director
Pranesh Chandra Banik, Deputy Director,
Microfinance Immersion and Capacity Building

Assistant Coordinators

Anower Hossain, Assistant Program Co-ordinator
Munirul Islam, Assistant Program Co-ordinator

Officers

Anil Saha, Audit Officer
Sarker Hirendra Chandra, Administrative Officer
Atikuzzaman, Public Relations Officer
A.B.M. Aminul Karim Mazumder, Finance Officer
Abdur Razzak Chowdhury, Program Officer
Arif Khan, Program Officer
Sayed Ahmad Khan, Program Officer
Nazrul Islam, Training Officer
Abdul Aziz, Program Officer
Khondoker Moklasur Rahman, Program Officer
Zakir Hossain Bhuiyain, Program Officer

Assistant Officers

Enamul Kabir, Office Manager
Sajedul Haque, Assistant Accounts Officer
Abdul Halim, Assistant Accounts Officer
Tapas Kumar Sikder, Assistant Accounts Officer
Waliul Islam Chowdhury, Disaster Manager
Montashir Mamun Chowdhury, Assistant Audit Officer
S M A Rakib, Research and Publications Associate

Sub Zonal Managers

Shaheenoor Islam Khan, Pabna Sadar
Mohsin Hossain Khan, Comilla
Arshad Alam, Bogra
Motaleb Hossain Miah, Gazipur
Abdur Rahman Miah, Dhamrai
Shah Alam, Gazipur
Shajahan, Sonargaon
Istaq Ahmed, Naogaon
Aminul Islam, Dhaka Metropolitan
ANM Mostaqul Hasan, Tangail
Sarojit Kumar Mandal, Gazipur

Area Managers

SM Hafizur Rahman, Gazipur
Jafar Ahmed Jewel, Sirajdikhan
Biplab Kumar Tarafder, Mirzapur
Ashrafal Alam Khan, Moulovee Bazar
Saidur Rahman, Comilla
Shamim Kabir, Tangail 2
Reaz Uddin, Siddhirgonj
Kudrat-E-Elahi, Khilgaon
Osman Goni, Homna
Abdur Razzak, Boalia CDMP
Abdus Salam, Boalia
Haroon Or Rashid, Chandina
Bahadur Alam, Nawabgonj
Sanwar Hossain, Hajigonj
ABM Alauddin Ahmed, Bogra
Samar Ali Fakir, Tangail-1
Mukter Ali, Norsingdi
Solaiman Hossain, Pabna Sadar
Abdus Salam Sikder, Daudkandi
Rafiqul Islam, Kalihati
Ohidul Islam Khan, Modhupur
Dulal Kumar Aich, Faridpur
Mizanur Rahman, Tongi
Babul Kumar Saha, Bogra Sadar
KBM Kamrul Islam, Dhamrai
Mir Mukul Hossain, Potia
Kamruzzaman, Bhuiyanpur
Shahadat Hossain, Surma
Ahsan Habib, Kendua
Golam Mustofa, Elashin
Mazharul Haque, Sakhipur
Arich Hossain, Gobindagonj
Awlad Hossain, Ghatail
Kh. Mustak Ahmed, Laxmnipur
Al-Amin Khan, Hatikumrul
Toshirul Hoque, Naogaon
Asken Ali, Deldwer
Sk. Salauddin, Sonargaon
Biplob Kumar Saha, Gopalganj
Mustafizur Rahman, Shewrapara
Abdul Zaher, Tongi
Motaharul Islam, Ullapara
Shafiqur Rahman, Dhamrai



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