

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****(b) Classification and subsequent measurement**

The classification of financial assets and liabilities for purposes of measurement subsequent to initial recognition in accordance with IAS 39 are made in the following manner:

**(i) Financial assets at fair value through profit or loss (held for trading assets)**

Foreign currency accounts are classified as financial assets held for trading. At each balance sheet date, these are measured at fair value.

**(ii) Held-to-maturity investments**

Short term investments with overseas commercial banks, investments in foreign bonds, US dollar and Euro treasury bills and investment in debentures of the Bangladesh House Building Finance Corporation (HBFC) are classified as held-to-maturity investments. At each balance sheet date, these are measured at amortized cost using the effective interest method.

**(iii) Loans and receivables**

Loans to other foreign banks, Government of Bangladesh overdraft, loans and advance to government and loans and advance to banks, financial institutions and staff are classified as loans and receivables. At each balance sheet date, these are measured at amortized cost using the effective interest method.

**(iv) Available-for-sale financial assets**

Assets held with IMF, Swift shares and short-term money market investment are classified as available-for-sale financial assets. Assets held with IMF and short-term money market investment are measured at fair value. Swift shares are measured at cost as there is no quoted market price for these shares and their fair value cannot be reliably measured.

**(v) Financial liabilities at fair value through profit or loss.**

Foreign liabilities are classified as financial liabilities at fair value through profit or loss. These are measured at fair value at each balance sheet date.

**(vi) Financial liabilities carried at amortized cost**

Short-term borrowings (reverse repo), notes in circulation, deposits from banks and financial institutions are financial liabilities which are carried at amortized cost at the balance sheet date.

**(c) Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortized costs of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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## (d) Fair value measurement principles

The fair value of financial assets and liabilities that are traded in an active market is based on their quoted market price at the balance sheet date without any deduction for transaction costs.

## (e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity. When the financial assets are sold, collected or otherwise disposed of the cumulative gain or loss recognized in equity is transferred to the income statement.

Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognized in the income statement.

## (f) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets held for trading that are de-recognized when sold and corresponding receivables from the buyer for the payment are recognized when the asset is delivered to the buyer.

Held-to-maturity instruments and loans and receivables are de-recognized on the day they are repaid in full by the debtor or are deemed to be completely uncollectible.

## (g) Identification and measurement of impairment

Financial assets not carried at fair value through profit and loss are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has an impact on the future cash flows that can be estimated reliably.

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

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If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

**(h) Off-setting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

**3.4 Gold and silver**

Gold and silver comprise gold and silver held as stock at the Motijheel branch of the Bank and balance held with gold set aside account. Gold and silver are revalued at market prices at the balance sheet date. Gains and losses arising from revaluation are recognized in the income statement. Gains are transferred from retained earnings to revaluation reserve. Bangladesh Bank lends gold to financial institutions participating in the gold market. Interest on gold set aside account is accounted for on an accrual basis.

**3.5 Foreign currency accounts**

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. The purpose of maintaining these accounts is to utilize them as assets backing to the notes in circulations (note 17). These are measured at each balance sheet date by translating to the functional currency at the exchange rate at that date and recognising in the Income Statement. Gains on translation at the balance sheet date are transferred from retained earning to revaluation reserve.

**3.6 Foreign investments**

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, US dollar and Euro treasury bills purchased at a discount and interest bearing foreign bonds. These are measured each balance sheet date by translating the value of amortized costs in foreign currency to the functional currency at the exchange rate at that date and recognising in the Income Statement. Gains on translation at the balance sheet date are transferred from retained earnings to revaluation reserve.

**3.7 Assets and liabilities held with International Monetary Fund (IMF)****(a) Transactions with IMF**

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as an agent for the Government of Bangladesh. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

**(b) Assets held with IMF**

Assets held with IMF comprise the value of membership quota and balance held with IMF in SDRs and accrued interest thereon. These are measured at each balance sheet date by translating the SDRs to the functional currency at the exchange rate at that date. Gains on translation at the balance sheet date are first recognised in Income Statement and are then transferred from retained earnings to revaluation reserve.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****(c) Liabilities with IMF**

Liabilities with IMF comprise the amount payable to the IMF for quota, SDR allocation and interest thereon and loans received under the Poverty Reduction and Growth Facility (PRGF). These are measured at each balance sheet date by translating the SDRs to the functional currency at the exchange rate at that date. Gains on translation at the balance sheet date are first recognised in Income Statement and are then transferred from retained earnings to revaluation reserve.

All other charges and interest pertaining to balances with the IMF are recorded immediately in the Income Statement.

**3.8 Other foreign assets**

Other foreign assets comprise interest bearing loans to foreign banks, Swift shares and accrued interest and dividend thereof. Loans to foreign banks are measured at each balance sheet date by translating the value at amortized costs in foreign currency to the functional currency at the exchange rate at that date. Swift shares and equity instruments that do not have any quoted market price, are measured at cost.

**3.9 Cash and cash equivalents**

Cash and cash equivalents comprise unissued one and two taka coins and notes purchased from the Government and held by the Bank, the balance of taka notes held by the Banking Department of the Bank and cash and bank balances held by its subsidiary. Such unissued coins and notes are measured at their face values.

**3.10 Government of Bangladesh-treasury bills and overdrafts**

These represent government overdraft (block and current) in excess of loans to the government, government treasury bills and bonds. In case of any recovery or surplus realized by the Bank from government, the government overdraft -block account is adjusted first and there after government overdraft current account is adjusted before any adjustment of the loans to government (note 12).

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase them from the government. These are measured at amortized cost at each balance sheet date.

**3.11 Investment in shares and debentures**

These comprise investment in debenture of House Building Finance Corporation (HBFC) and in shares of The Security Printing Corporation (Bangladesh) Ltd. Investment in debentures is measured at amortized costs. Investment in shares of Security Printing Corporation is measured at cost in the separate financial statements. Such investment is eliminated with the parents (Bangladesh Bank) portion of equity in subsidiary on the date of acquisition for the purpose preparation and presentation of consolidated financial statements in compliance with IAS 27.

**3.12 Loans to the government**

These represent "Ways and Means" advance given to Government of Bangladesh with a limit not exceeding Tk 10,000 million with an interest thereon at the rate of Reverse Repo. When government payments total exceeds total government deposits, the said excess amount is treated as "Ways and Means". Any recovery from government is treated as adjust after settlement as loans to government after the adjustment of loan to government overdraft in full.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****3.13 Loans to banks, financial institutions and employees**

These comprise loans to nationalized commercial and specialized banks, other scheduled banks and financial institutions and loans to Bangladesh Bank employees. These are reported net of allowances for un-collectables or losses to reject the estimated recoverable amount.

**3.14 Securities borrowing and lending business and repurchase transactions**

In course of its financial market operations, the Bangladesh Bank engages in repurchase agreements involving domestic government treasury bills.

Securities sold and contracted for purchase under purchase agreements are reported in the Balance Sheet within the relevant investment portfolio and are valued at market prices.

**3.15 Property, plant and equipment****(a) Recognition and measurement**

Items of property, plant and equipment are carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and subsequent impairment losses.

Land and buildings, appearing as items of property, plant and equipment are the Bank's owner-occupied property and used for its operating, administrative and staff's residence purposes.

**(b) Revaluation**

The Bank revalued its property, plant and equipment at 30 June 2004 by an independent valuer, M/s Ahmed & Ahmed, Chartered Accountants.

Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

- (i) Land was revalued on the basis of location-wise prices observed in land sales in the relevant period.
- (ii) Buildings, capital work in progress and electrical installation and gas installation were revalued on the basis of fair values of materials, labor and direct overheads used in construction and installation.
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued at based on replacement costs.

**(c) Subsequent costs**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****(d) Depreciation**

Depreciation is recognized in profit or loss, on a diminishing balance basis on building, mechanical equipment, fixture and fittings used at office premises and gas installation and, on a straight-line basis on motor vehicles, fixture and fitting used at staff quarters and electrical installation over their estimated useful lives. Land and capital work in progress are not depreciated. The rates used for depreciation are as follows:

	<b>Bank</b>	<b>Subsidiary (₳)</b>
Buildings	5%	2.5% - 5%
Mechanical equipment/office equipment	10%-20%	20%
Machinery	-	5% - 7%
Furniture, fixtures and fittings	10%	10%
Other constructions		5% - 20%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-

**3.16 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by an employee. Employees benefit is recognized as:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

**3.17 Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans and charged as expenses in the income statement.

**3.18 Post employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. It comprises defined contribution plans and defined benefit plans.

**3.19 Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**3.20 Contributory provident fund**

The Bank and employees contribute to the fund. The Bank's obligations for contributions to the above Fund are recognized as an expense in the income statement as incurred.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****3.21 Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

**3.22 General provident fund**

The employees contribute at various rates of their basic salaries to the fund. No contributions are made by the bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 12.5%. Any shortfall in the return from investments is funded by the Bank by charging its income statement.

**3.23 Pension scheme**

The Bank actuarially valued its pension liabilities in the year 2006. The defined benefit liability arising thereof is recognized in the income statement as an expense.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

**3.24 Gratuity scheme**

On retirement the employees are entitled to two months of final basic salary for every year of service.

The Bank actuarially valued its Gratuity Scheme in the year 2006. The liability arising thereof is recognized in the income statement as an expense.

**3.25 Other Long-term employee benefits**

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

Unutilized leave is encashable on retirement and provided for in full in the accounts for 2006. Medical allowance is payable for each employee and accounted for on a cash basis.

**3.26 Provisions**

Provisions are recognized in respect of restructuring, redundancy and legal claims arising from past events where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

- (i) A provision shall be recognized in the balance sheet when the bank has a legal or constructive obligation as a result of past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation;
- (ii) A legal obligation is an obligation that derives from a contract, legislation or other operation of law. A constructive obligation is an obligation that derives from an entity's actions such as by an established pattern of past practice published policies etc.
- (iii) The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.
- (iv) Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**

- (v) Provision shall be reviewed at each balance sheet date and adjusted to reflect the current best estimate.
- (vi) Provision shall be used for expenditures for which the provision was originally recognized.

**3.27 Currency in circulation**

Currency issued by Bangladesh Bank represents a claim on the bank in favor of the holder. The liability for currency in circulation is recorded at face value in the statement of financial position.

**3.28 Off-balance sheet items**

Profits and losses arising from off-balance sheet instruments are recognised and treated in a similar manner to on-balance sheet instruments.

**3.29 Interest income and expense**

Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

**3.30 Commission and discounts - fee and commission income**

Commission income arises on instruments issued by the Bank, long outstanding entries of the sundry accounts, sale proceeds of sundry items, car and bus fares realized from the staff etc.

**3.31 Dividend income**

Dividend income is recognized in the separate financial statements of the Bank when the right to receive income is established. Usually this is taken to be the date that the dividend is declared.

**3.32 Income tax****(a) Bangladesh Bank**

The Bank is not subject to income taxes, stamp duties, or customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government nor on any of its income.

**(b) Subsidiary**

Income tax on the profit or loss for the year comprises current tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.



**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****3.33 Segment reporting**

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The bank has provided segmental information based on its foreign and domestic currency operations.

**3.34 Subsequent events**

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the balance sheet date which are not adjusting events are disclosed in the notes when material in compliance with IAS 10.

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****4. Gold and silver**

	<u>2007</u>	<u>2006</u>
	<i>Taka '000</i>	<i>Taka '000</i>
Gold	2,640,414	2,523,966
Gold loans	2,390,003	2,284,600
Silver	159,391	142,113
	<u><b>5,189,808</b></u>	<u><b>4,950,679</b></u>

- 4.1** Gold loans represent the amount of gold invested in the Bank of Novascotia, London. As per Bangladesh Bank Order,1972 seventeen- twentieths of the gold is required to hold in the custody of the Bank. But considering the interest of the Bank a portion of the gold (more than limit) is invested as per decision of the investment committee of the Bank.

**5. Foreign currency accounts**

	<u><b>38,994,590</b></u>	<u><b>40,796,168</b></u>
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The amount represents the equivalent accumulated value of different foreign currencies held with other Central Banks and balances on overnight deposits with commercial banks.

**6. Foreign investments**

Short term investments with overseas commercial banks	263,292,326	165,550,730
US Dollar Treasury Bills	33,117,085	22,402,693
EURO Treasury Bills	-	439,627
Foreign Bonds	5,027,942	5,778,784
	<u><b>301,437,353</b></u>	<u><b>194,171,834</b></u>

**7. IMF related assets and liabilities****Assets**

Quota	55,607,839	55,011,136
Less: Paid by Government of Bangladesh	(1,073,134)	(1,088,734)
Share of Quota in the books of Bangladesh Bank	<u><b>54,534,705</b></u>	<u><b>53,922,402</b></u>
SDR holding	160,729	72,436
	<u><b>54,695,434</b></u>	<u><b>53,994,838</b></u>

**Liabilities**

IMF Number 1 and 2 accounts	1,060,663	1,062,433
Quota liability	54,534,705	53,922,402
SDR allocation	4,913,260	4,860,538
Loan under the Poverty Reduction and Growth Facility	33,025,822	29,198,298
	<u><b>93,534,450</b></u>	<u><b>89,043,671</b></u>

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**

Bangladesh has been a member of the IMF since 1972. Bangladesh Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorized to carry out all operations and transactions with the Fund. As depository, Bangladesh Bank maintains the Fund's currency holdings and ensures that the assets and liabilities of Fund membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favor of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the Funds account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

**8. Other assets - foreign assets**

	<u>2007</u>	<u>2006</u>
	<i>Taka '000</i>	<i>Taka '000</i>
Loans to other banks	4,095,302	3,436,626
Swift share	80	80
Interest receivable	1,772,396	752,395
	<u>5,867,778</u>	<u>4,189,101</u>
Less: Provision for loan losses	(312,437)	(312,437)
Total other assets	<u>5,555,341</u>	<u>3,876,664</u>

**9. Cash and cash equivalents**

	<u>175,413</u>	<u>438,486</u>
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The amount represents the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values and the balance of Taka notes held with the Banking Department.

**9a. Consolidated cash and cash equivalents**

	<u>1,197,578</u>	<u>989,954</u>
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**10. Government of Bangladesh treasury bills and overdraft**

The amount represents receivable from the government as overdraft (block and current) and treasury bills and bonds. Prior to this year government overdraft was known as government treasury bills. At the beginning of the year the balance of government treasury bills were transferred to overdraft block account. An amount of Tk.15,000 million was adjusted in the year 2007 against the overdraft block account. The other balances represent the government's outstanding loan onward from 1 July 2006. The amounts are stated at cost as on 30 June 2007.

Overdraft - block (government treasury bills)	223,300,000	241,177,438
Overdraft - current	5,428,700	-
Treasury bills	15,548,870	-
Treasury bonds	722,748	-
	<u>245,000,318</u>	<u>241,177,438</u>

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**

**11. Investments in shares and debentures**

	<u>2007</u>	<u>2006</u>
	<i>Taka '000</i>	<i>Taka '000</i>
Debenture - House Building Finance Corporation	8,802,500	9,245,833
Investment in subsidiary (Note 11.1)	500,000	500,000
	<u>9,302,500</u>	<u>9,745,833</u>

**11.1 Investment in subsidiary**

The Bank holds 100 Percent of the share capital of the Security Printing Corporation (Bangladesh) Ltd.

**11a. Consolidated investments in shares and debentures**

Debenture - House Building Finance Corporation	8,802,500	9,245,833
Short term money market investments	996,745	956,909
	<u>9,799,245</u>	<u>10,202,742</u>

**12. Loans to the government**

Advances to government represent Ways & Means advances provided to the government that are limited to a maximum of Taka 10,000 million. Interest is earned on this advance as per rate applied for reverse repo.

**13. Loans to banks, financial institutions and employees**

**(i) Loans to banks and financial institutions:**

Government owned banks:		
Commercial banks	156,674	189,079
Specialised banks	53,749,785	57,295,313
	53,906,459	57,484,392
Provision for impairment	<b>(4,113,848)</b>	<b>(5,000,638)</b>
	49,792,611	52,483,754
Other banks and financial institutions:		
Private banks	2,700,000	1,400,000
Other loans and advances	2,693,474	1,710,383
	<u>55,186,085</u>	<u>55,594,137</u>
Interest receivable	<u>7,074,684</u>	<u>6,210,181</u>
	62,260,769	61,804,318
Provision for loan losses	<b>(3,480,550)</b>	<b>(3,480,550)</b>
	<u>58,780,219</u>	<u>58,323,768</u>

**(ii) Loans and advances to employees**

Loans and advances to employees	14,048,951	13,441,992
Provision for loan losses	(999,943)	(999,949)
	<u>13,049,008</u>	<u>12,442,043</u>
Total loans and ( i + ii )	<u>71,829,227</u>	<u>70,765,811</u>

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007****13.1 Provision for loan losses**

	<u>2007</u> <i>Taka '000</i>	<u>2006</u> <i>Taka '000</i>
Opening balance	4,496,772	3,496,788
Provision made during the year	-	1,000,000
Amount written off during the year	(6)	(16)
<b>Closing balance</b>	<b><u>4,496,766</u></b>	<b><u>4,496,772</u></b>

Loans and advances to government owned specialised banks include an amount of Tk. 37,395 million which has become overdue but the interest on these loans was also credited to income statement as the loans are considered good because of the guarantees given by the government covering both principal and interest.

**13.2 Interest on loans to BKB and RAKUB**

Interest amounting to Tk 1,461,666 in 2004-2005 and Tk 1,134,300 in 2005-2006 on loans to Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) was incorrectly not recognised in the financial statements of the respective years. The financial statements of 2005-2006 have been restated to correct this error. The effect of the restatement on financial statements is summarised below:

	<i>Taka '000</i>
Increase in interest income - domestic operations (note 32)	1,134,300
Increase in retained earnings	1,461,666
Increase in equity	<b><u>2,595,966</u></b>
Increase in loans to banks, financial institutions and employees (note 13)	<b><u>2,595,966</u></b>

## Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007

## 14. Property, plant and equipment

Particulars	Cost and revaluation				Depreciation				Net book value	
	As at 1 July 2006	Addition during the year	Disposal/ adjustment	As at 30 June 2007	Rate	As at 1 July 2006	Charged for the year	As at 30 June 2007	As at 30 June 2007	As at 30 June 2006
	Taka '000	Taka '000	Taka '000	Taka '000	%	Taka '000	Taka '000	Taka '000	Taka '000	Taka '000
Land	7,188,215	-	-	7,188,215	-	-	-	-	7,188,215	7,188,215
Building	1,834,652	288,589	11	2,123,230	5%	167,241	88,548	255,789	1,867,441	1,667,411
Capital work in progress	288,589	220,982	288,589	220,982	-	-	-	-	220,982	288,589
Mechanical equipment	320,721	71,841	34	392,528	10%-20%	106,674	59,247	165,921	226,607	214,047
Fixture and fittings	90,383	8,376	82	98,677	10%	15,258	7,922	23,180	75,497	75,125
Motor vehicles	50,342	15,492	3,998	61,836	20%	15,899	12,038	27,937	33,899	34,443
Electrical installation	50,904	2,894	210	53,588	20%	15,972	9,095	25,067	28,521	34,932
Gas installation	639	20	-	659	20%	341	115	456	203	298
	<u>9,824,445</u>	<u>608,194</u>	<u>292,924</u>	<u>10,139,715</u>		<u>321,385</u>	<u>176,965</u>	<u>498,350</u>	<u>9,641,365</u>	<u>9,503,060</u>

The items of property, plant and equipment as at 30 June 2004 were revalued by Ahmed & Ahmed, Chartered Accountants. The net surplus/deficit arising from the valuation has been directly recognised in equity. These amounts are not available for distribution to the Government.

## Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007

## 14a. Consolidated property, plant and equipment

Particulars	Cost and revaluation				Depreciation				Net book value	
	As at 1 July 2006	Addition during the year	Disposal/ adjustment	As at 30 June 2007	Rate	As at 1 July 2006	Charged for the year	As at 30 June 2007	As at 30 June 2007	As at 30 June 2006
	Taka '000	Taka '000	Taka '000	Taka '000	%	Taka '000	Taka '000	Taka '000	Taka '000	Taka '000
Land	7,211,435			7,211,435	-	-	-	-	7,211,435	7,211,435
Building	2,099,170	288,589	11	2,387,748	5%	188,340	100,226	288,566	2,099,182	1,910,830
Capital work in progress	308,283	248,188	307,503	248,968	-	1,851	-	1,851	247,117	306,432
Mechanical equipment	492,358	72,417	34	564,741	10%-20%	162,529	86,781	249,310	315,431	329,829
Fixture and fittings	92,661	8,564	82	101,143	10%	16,145	8,280	24,425	76,718	76,516
Motor vehicles	53,859	15,497	4,778	64,578	20%	16,480	12,304	28,784	35,794	37,379
Electrical installation	50,904	2,894	210	53,588	20%	15,972	9,095	25,067	28,521	34,932
Gas installation	639	20	-	659	20%	341	115	456	203	298
	<u>10,309,309</u>	<u>636,169</u>	<u>312,618</u>	<u>10,632,860</u>		<u>401,658</u>	<u>216,801</u>	<u>618,459</u>	<u>10,014,401</u>	<u>9,907,651</u>

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**

<b>15. Other domestic assets</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
	<i>Taka '000</i>	<i>Taka '000</i>
Interest receivable	386,946	4,655,547
Prepayments and advances	2,348,440	497,854
Stock	25,416	19,581
Unutilised CBSP Fund	60,357	84,022
	<b><u>2,821,159</u></b>	<b><u>5,257,004</u></b>
<b>15a. Consolidated other domestic assets</b>		
Interest receivable	428,535	4,679,159
Prepayments and advances	2,247,730	635,059
Stock	1,018,385	871,115
Unutilised CBSP Fund	60,357	84,022
Sundry debtors	155,064	87,340
	<b><u>3,910,071</u></b>	<b><u>6,356,695</u></b>
<b>16. Deposits from banks and financial institutions - foreign liabilities</b>		
Foreign currency deposits by commercial banks	46,503,784	34,266,026
Asian Clearing Union (ACU)	25,988,194	23,595,684
	<b><u>72,491,978</u></b>	<b><u>57,861,710</u></b>

**17. Notes in circulation - domestic liability**

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2007 was as under:

<u>Value of notes</u>	<u>Number in pieces</u>	<u>Taka '000</u>
5 Taka coin	510,486,268	2,552,431
5 Taka note	239,985,656	1,199,928
10 Taka note	653,818,459	6,538,185
20 Taka note	148,738,272	2,974,765
50 Taka note	166,559,151	8,327,958
100 Taka note	414,512,673	41,451,267
500 Taka note	441,180,615	220,590,308
		<b><u>283,634,842</u></b>

**Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**

The liability for notes in circulation is recorded at its face value in the balance sheet. In accordance with the Bangladesh Bank Order 1972, these liabilities are supported by the following assets:

	<b>2007</b> <i>Taka '000</i>	<b>2006</b> <i>Taka '000</i>
Gold	5,030,417	4,808,566
Silver	159,391	142,113
Balance held outside Bangladesh	80,000,000	80,000,000
Bangladesh government securities	167,313,899	127,663,027
Bangladesh coins	170,880	429,002
Other loans and advances	<u>30,960,255</u>	<u>31,930,255</u>
	<b><u>283,634,842</u></b>	<b><u>244,972,963</u></b>
<b>18. Short term borrowing</b>		
Reverse repo	35,590,000	53,365,000
Bangladesh Bank bills	<u>28,072,719</u>	<u>-</u>
	<b><u>63,662,719</u></b>	<b><u>53,365,000</u></b>
<b>19. Deposits from banks and financial institutions</b>		
Government commercial banks	27,487,362	29,349,954
Government specialised banks	5,237,464	4,450,032
Private banks	65,575,003	48,323,060
Foreign banks	7,437,835	7,978,817
Financial institutions	<u>566,479</u>	<u>472,323</u>
	<b><u>106,304,143</u></b>	<b><u>90,574,186</u></b>
<b>20. Surplus profit payable to government</b>		
Opening balance	10,848,102	7,605,085
Adjustment against amount due to government (Note 20.1)	(4,480)	(353,323)
Payments made during the year	(10,843,622)	(7,251,762)
Share of current year's profit	<u>21,931,584</u>	<u>10,848,102</u>
	<b><u>21,931,584</u></b>	<b><u>10,848,102</u></b>

**20.1** These are recoveries made in respect of advances given on behalf of the government.