

BANGLADESH BANK'S ACCOUNTS FOR 2006-2007

12.1 The financial result of operations of Bangladesh Bank for FY07 prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standard Board (IASB). During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCL), a 100% owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank. The executive summary of Accounts of Bangladesh Bank (excluding SPCL) is represented below:

Income

12.2 The total income of the Bank for FY07 increased by Taka. 7.5 billion (20.7 percent) to Taka 43.7 billion compared to Taka 36.2 billion in FY06. The increase in income was mainly due to increase in income from both foreign and domestic investment. The sources of income are set out in Table 12.1.

Income from Foreign Sources

12.3 During FY07 Bank's income from the foreign sources increased by Taka 5.4 billion (73.0 percent) to Taka 12.8 billion compared to Taka 7.4 billion in FY06 due to increase in foreign investments as well as rate of interest thereon.

Income from Domestic Sources

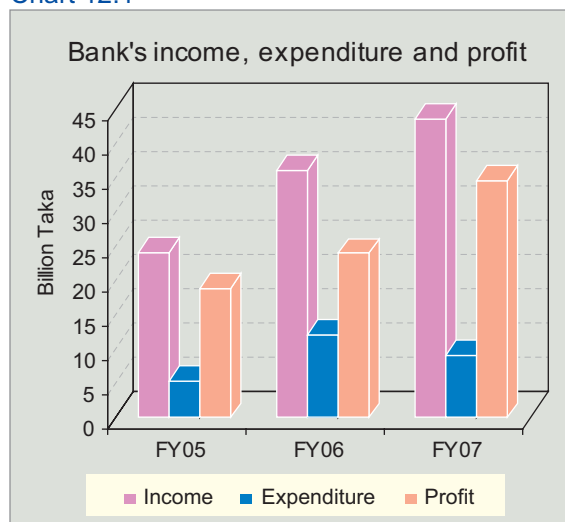
12.4 Domestic income increased by Taka 6.3 billion (37.5 percent) to Taka 23.1 billion in FY07 compared to Taka 16.8 billion in FY06. Interest income increased by Taka 5.5 billion compared to the previous year mainly due to increase in interest rate of Government overdraft account.

Table 12.1 Sources of income

(billion Taka)		
	FY07	FY06 ^R
A. Foreign sources	12.8	7.4
Interest	11.4	6.4
Commission & discounts	1.4	1.0
B. Domestic sources	23.1	16.8
Interest	22.1	16.6
Commission & discounts	0.1	0.2
Write back of impairment	0.9	
C. Revaluation gain	7.8	12.0
Foreign exchange	7.6	10.3
Gold	0.2	1.7
Total : (A+B+C)	43.7	36.2

R = Revised.

Chart 12.1



Revaluation Gain

12.5 Revaluation gain decreased by Taka 4.2 billion (35.0 percent) to Taka 7.8 billion in FY07 compared to Taka 12.0 billion in FY06. Revaluation gain decreased due to decrease in rate of appreciation of gold in the international

market compared to the previous year. Foreign exchange revaluation gain decreased due to Taka becoming relatively stronger against US Dollar in comparison to previous year.

Expenditure

12.6 Total expenditure of the Bank decreased by Taka 3.1 billion (25.4 percent) to Taka 9.1 billion in FY07 compared to Taka 12.2 billion in FY06. The decrease in expenditure was mainly due to decrease in staff cost. The sources of expenditure are shown in Table 12.2.

Financial Cost

12.7 Financial cost increased by Taka 1.9 billion (52.8 percent) to Taka 5.5 billion in FY07 compared to Taka 3.6 billion in FY06. The increase was mainly due to increase in interest payment on foreign currency clearing account.

Administrative Cost

12.8 Administrative cost decreased by Taka 3.2 billion (47.8 percent) to Taka 3.5 billion in FY07 compared to Taka 6.7 billion in FY06. Staff cost decreased by Taka 3.6 billion due to not making provisions for pension & gratuity and leave encashment fund.

Net Profit

12.9 Net profit of the Bank increased by Taka 10.6 billion (44.2 percent) to Taka 34.6 billion in FY07 compared to Taka 24.0 billion in FY06.

Profit Appropriation

12.10 Out of the net profit (34.6 billion) an amount of Taka 7.6 billion and 0.2 billion were transferred to foreign exchange revaluation reserve and gold & silver revaluation reserve respectively. Taka 3.8 billion were transferred to statutory fund, interest reserve account and other funds. An amount of Taka 1.1 billion were transferred to asset renewal and replacement reserve account. The surplus profit amount of Taka 21.9 billion was transferred to the Government account, which was 11.1 billion higher compared to the previous year.

Table 12.2 Bank's expenditure

(billion Taka)		
Particulars	FY07	FY06
A. Financial cost	5.5	3.6
Interest paid on deposits	1.9	1.4
Interest paid on ACU	0.7	0.5
Interest and commission paid to IMF	0.3	0.2
Interest paid on BB bill	0.5	-
Agency charges	0.9	0.8
Others (Commission paid on reverse repo)	1.2	0.7
B. Provision and write-off	0.1	1.9
Provision for discount on rescheduled loan	-	0.9
Write-off provision for receivables/losses	0.1	-
Provision for specific bad debts	-	1.0
C. Administrative cost	3.5	6.7
Staff cost	1.8	5.4
Note printing	0.9	0.6
Other related expenses	0.8	0.7
Total expenditure (A+B+C)	9.1	12.2

Combined Balance Sheet of Banking and Issue Department

Assets

12.11 Foreign assets increased by Taka 108.1 billion (36.3 percent) to Taka 405.9 billion in FY07 compared to Taka 297.8 billion in FY06 due to increase in foreign reserves and revaluation of foreign assets.

12.12 Domestic assets increased by Taka 11.3 billion (3.3 percent) to Taka 348.8 billion in FY07 compared to Taka 337.5 billion in FY06. The result was mainly due to increase in holding of Adhoc Treasury Bills from Taka 241.2 billion in FY06 to Taka 245.0 billion in FY07 and increase in loans to the Government.

Liabilities

12.13 On the liabilities side, foreign currency liabilities increased by Taka 19.1 billion (13.0 percent) to Taka 166.0 billion in FY07 from Taka 146.9 billion in FY06. The increase was due to revaluation of IMF securities and increase in loan under the Poverty Reduction and Growth Facility (PRGF). Deposits from banks and

financial institutions in foreign currency clearing account increased by Taka 14.6 billion (25.2 percent) to Taka 72.5 billion in FY07 from Taka 57.9 billion in FY06.

12.14 Domestic liabilities increased by Taka 89.5 billion (21.0 percent) to Taka 515.8 billion in FY07 compared to Taka 426.3 billion in FY06.

12.15 Short-term borrowing (Reverse Repo and Bangladesh Bank Bill) increased by Taka 10.3 billion (19.3 percent) to Taka 63.7 billion in FY07 compared to Taka 53.4 billion in FY06. Deposits from banks and financial institutions also increased by Taka 15.7 billion (17.3 percent) to Taka 106.3 billion in FY07 compared to Taka 90.6 billion in FY06. Surplus profit payable to the Government increased by Taka 11.0 billion (100.9 percent) to Taka 21.9 billion in FY07 compared to Taka 10.9 billion in FY06. Other liabilities increased by Taka 13.8 billion (52.1 percent) to Taka 40.3 billion in FY07 compared to Taka 26.5 billion in FY06.

Equity

12.16 Total equity of the Bank increased by Taka 10.7 billion to Taka 72.8 billion in FY07 compared to the previous year of Taka 62.1 billion. The equity of the Bank is enumerated below:

- i. Capital of the Bank remained unchanged at Taka 0.03 billion;
- ii. Appreciation on property, plant and equipment remained unchanged at Taka 7.9 billion;
- iii. Appreciation on gold and silver reserves increased from Taka 3.8 billion to Taka 4.0 billion;
- iv. Appreciation on foreign currency reserves increased from Taka 36.1 billion to Taka 43.7 billion;

- v. Balance of statutory fund increased from Taka 11.6 billion to Taka 12.2 billion;
- vi. General reserve remained unchanged at Taka 0.03 billion;
- vii. Interest reserve fund increased from Taka 2.6 billion to Taka 3.8 billion; and
- viii. Asset renewal and replacement reserve were created of an amount of Taka 1.1 billion.

Foreign currency reserve

12.17 Foreign currency reserve increased by Taka 106.4 billion (43.80 percent) to Taka 349.31 billion in FY07 compared to Taka 242.91 billion in FY06.

Notes in Circulation

12.18 Notes in circulation increased by Taka 38.6 billion to Taka 283.6 billion in FY07 compared to Taka 245.0 billion in FY06. The liabilities for notes in circulation amounting to Taka 283.6 billion were backed by gold and silver Taka 5.1 billion, foreign currencies Taka 80.0 billion, Government securities Taka 167.3 billion, Bangladesh coins Taka 0.2 billion and other domestic assets Taka 31.0 billion.

Auditors

12.19 The financial statements of Bangladesh Bank for the year 2006-2007 were audited as per International Standards on Auditing (ISA) by Hoda Vasi Chowdhury & Co Chartered Accountants, an independent correspondent firm to Deloitte Touche Tohmatsu and Rahman Rahman Huq, Chartered Accountants, a Member firm of KPMG in Bangladesh.

BANGLADESH BANK

REPORT AND FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED
30 JUNE 2007

AUDITOR'S**REPORT TO THE PEOPLE'S
REPUBLIC OF BANGLADESH**

We have audited the accompanying balance sheet of Bangladesh Bank as at 30 June 2007 and the related income statement, statement of changes in equity and cash flow statement for the year then ended and all related consolidated financial statements, together with a summary of significant accounting policies and other explanatory notes.

The directors of the Bank are responsible for preparing and presenting these financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

- i) A general provision amounting to Taka 4,496.77 million, appearing in note 13.1 to the financial statements, was made for losses on loans to private banks and financial institutions and employees. Such general provision for loan losses is not permitted as per IAS 39, which requires specific evaluation of the receivables, including projected cash flows, for possible impairment adjustments. As a result, the carrying amounts of loans to banks, financial institutions and employees—domestic assets and retained earnings were misstated.
- ii) As per article 30 of the Bangladesh Bank Order 1972, at least 85 percent (seventeen-twentieths) of total gold coins and gold bullion should have been held in the custody of the Bank including its branches and offices of agencies, whereas at the balance sheet date, such gold coins and gold bullion represented 52 percent of the total gold bullion.
- iii) A cumulative balance of revaluation reserve - foreign currency accounts as stated in note 24 includes realized and unrealized gains/losses for Taka 43,741.37 million after incorporating current year net revaluation gain for Taka 7,600.28 million. Upon subsequent realization of such gains/losses, the realized amounts should be transferred to distributable profits. The Bank has not been able to carry out any exercise to determine the amount of realized gains/losses included in this reserve. Accordingly no amount has been transferred to distributable profits. This has led to a misstatement of distributable profits and this revaluation reserve.

In our opinion, except for the effect on the financial statements of matters discussed in paragraphs (i) to (iii) above, the balance sheet and income statement and statement of changes in equity and notes thereto give a true and fair view of the financial position of the Bank as at 30 June 2007, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Without further qualifying our opinion we draw readers' attention to note 38 Contingent

liabilities" to the financial statements which states that disclosures have been based on the representations received only from the Bank's legal division. We have not received representations from the external layers of the Bank as to the extent and status of litigation against the Bank. We are therefore unable to determine whether the financial impact or disclosures of such litigations have been completely accounted for or disclosed in the financial statements.

Rahman Rahman Huq
Chartered Accountants

Dhaka: 26 August 2007

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Bangladesh Bank
Balance Sheet as at 30 June 2007

ASSETS	Note	2007	Restated 2006
		<i>Taka '000</i>	<i>Taka '000</i>
Gold, silver and foreign assets:			
Gold and silver	4	5,189,808	4,950,679
Foreign currency accounts	5	38,994,590	40,796,168
Foreign investments	6	301,437,353	194,171,834
Assets held with the International Monetary Fund (IMF)	7	54,695,434	53,994,838
Other foreign assets	8	5,555,341	3,876,664
		<u>405,872,526</u>	<u>297,790,183</u>
Domestic assets			
Cash and cash equivalents	9	175,413	438,486
Government of Bangladesh - treasury bills and overdraft	10	245,000,318	241,177,438
Investments in shares and debentures	11	9,302,500	9,745,833
Loans to the government	12	10,000,000	640,000
Loans to banks, financial institutions and employees	13	71,829,227	70,765,811
Property, plant and equipment	14	9,641,365	9,503,060
Other domestic assets	15	2,821,159	5,257,004
		<u>348,769,982</u>	<u>337,527,632</u>
Total assets		<u>754,642,508</u>	<u>635,317,815</u>
LIABILITIES AND EQUITY			
Foreign liabilities			
Liabilities with the IMF	7	93,534,450	89,043,671
Deposits from banks and financial institutions	16	72,491,978	57,861,710
		<u>166,026,428</u>	<u>146,905,381</u>
Domestic liabilities			
Notes in circulation	17	283,634,842	244,972,963
Short term borrowing	18	63,662,719	53,365,000
Deposits from banks and financial institutions	19	106,304,143	90,574,186
Surplus profit payable to government	20	21,931,584	10,848,102
Other domestic liabilities	21	40,279,176	26,522,748
		<u>515,812,464</u>	<u>426,282,999</u>
Equity			
Capital	22	30,000	30,000
Revaluation reserve - Gold and silver	23	4,035,471	3,796,342
Revaluation reserve - Foreign currency accounts	24	43,741,369	36,141,088
Revaluation reserve - Property, plant and equipment		7,918,489	7,918,993
Statutory funds	25	12,167,046	11,617,046
Asset renewal and replacement reserve		1,120,000	-
Interest reserve	26	3,761,241	2,595,966
General reserve	27	30,000	30,000
Total equity		<u>72,803,616</u>	<u>62,129,435</u>
Total liabilities and equity		<u>754,642,508</u>	<u>635,317,815</u>

The accompanying notes 1 to 45 form an integral part of these financial statements.

A.K.M. Shariat Ullah
General Manager
Accounts and Budgeting Department

Zul Hossain Siddiqi
Deputy Governor

Dr. Salehuddin Ahmed
Governor

Bangladesh Bank
Consolidated Balance Sheet as at 30 June 2007

ASSETS		2007	Restated 2006
	Note	<i>Taka '000</i>	<i>Taka '000</i>
Gold, silver and foreign assets			
Gold and silver	4	5,189,808	4,950,679
Foreign currency accounts	5	38,994,590	40,796,168
Foreign investments	6	301,437,353	194,171,834
Assets held with the International Monetary Fund (IMF)	7	54,695,434	53,994,838
Other foreign assets	8	5,555,341	3,876,664
		<u>405,872,526</u>	<u>297,790,183</u>
Domestic assets			
Cash and cash equivalents	9a	1,197,578	989,954
Government of Bangladesh - treasury bills and overdraft	10	245,000,318	241,177,438
Investments in shares and debentures	11a	9,799,245	10,202,742
Loans to the government	12	10,000,000	640,000
Loans to banks, financial institutions and employees	13	71,829,227	70,765,811
Property, plant and equipment	14a	10,014,401	9,907,651
Other domestic assets	15a	3,910,071	6,356,695
		<u>351,750,840</u>	<u>340,040,291</u>
Total assets		<u>757,623,366</u>	<u>637,830,474</u>
LIABILITIES AND EQUITY			
Foreign liabilities			
Liabilities with the IMF	7	93,534,450	89,043,671
Deposits from banks and financial institutions	16	72,491,978	57,861,710
		<u>166,026,428</u>	<u>146,905,381</u>
Domestic liabilities			
Notes in circulation	17	283,634,842	244,972,963
Short term borrowing	18	63,662,719	53,365,000
Deposits from banks and financial institutions	19	106,304,143	90,574,186
Surplus profit payable to government	20	21,931,584	10,848,102
Other domestic liabilities	21a	40,469,920	26,625,451
		<u>516,003,208</u>	<u>426,385,702</u>
Equity			
Capital	22	30,000	30,000
Revaluation reserve – Gold and silver	23	4,035,471	3,796,342
Revaluation reserve – Foreign currency accounts	24	43,741,369	36,141,088
Revaluation reserve – Property, plant and equipment		7,918,489	7,918,993
Statutory funds	25	12,167,046	11,617,046
Asset renewal and replacement reserve		1,120,000	-
Interest reserve	26	3,761,241	2,595,966
General reserve	27	30,000	30,000
Retained earnings		2,790,114	2,409,956
Total equity		<u>75,593,730</u>	<u>64,539,391</u>
Total liabilities and equity		<u>757,623,366</u>	<u>637,830,474</u>

The accompanying notes 1 to 45 form an integral part of these financial statements.

A.K.M. Shariat Ullah FCA
General Manager
Accounts and Budgeting Department

Ziaul Hassan Siddiqui
Deputy Governor

Dr. Salehuddin Ahmed
Governor

Bangladesh Bank			
Income Statement for the Year Ended 30 June 2007			
	Note	2007 <i>Taka '000</i>	Restated 2006 <i>Taka '000</i>
Operating income			
Income from foreign currency operations			
Interest income	28	11,360,081	6,369,328
Commission and discounts	29	1,390,458	992,553
		<u>12,750,539</u>	<u>7,361,881</u>
Expenses on foreign currency operations			
Interest expense	30	(2,760,705)	(1,979,458)
Commission and other expenses	31	(222,784)	(147,874)
		<u>(2,983,489)</u>	<u>(2,127,332)</u>
Net income from foreign currency operations		9,767,050	5,234,549
Revaluation gain			
Gold revaluation gain		221,851	1,690,554
Silver revaluation gain		17,278	58,755
Foreign exchange revaluation gain		7,600,281	10,309,827
		<u>7,839,410</u>	<u>12,059,136</u>
Net foreign currency income (including revaluation gain)		17,606,460	17,293,685
Income from domestic operations			
Interest income	32	22,126,514	16,651,684
Commission and discounts	33	72,932	130,939
Dividend income		-	7,200
Miscellaneous income		4,716	4,133
		<u>22,204,162</u>	<u>16,793,956</u>
Expenses on domestic operations			
Interest expense	34	(526,432)	-
Commission and other expenses	35	(1,977,582)	(1,506,553)
		<u>(2,504,014)</u>	<u>(1,506,553)</u>
Net domestic income		19,700,148	15,287,403
Total operating income		37,306,608	32,581,088
Other expenses			
Provision for impairment		886,789	(861,726)
Provision for loan losses		-	(1,000,000)
General and administrative expenses	36	(3,587,632)	(6,679,220)
		<u>(2,700,843)</u>	<u>(8,540,946)</u>
Net profit for the year		34,605,765	24,040,142

The accompanying notes 1 to 45 form an integral part of these financial statements.

A.K.M. Shariat Ullah General Manager Accounts and Budgeting Department	Zul Hassan Siddiqi Deputy Governor	Dr. Salehuddin Ahmed Governor
--	---------------------------------------	----------------------------------

Bangladesh Bank
Consolidated Income Statement for the year ended 30 June 2007

	Note	2007 Taka '000	Restated 2006 Taka '000
Operating income			
Income from foreign currency operations			
Interest income	28	11,360,081	6,369,328
Commission and discounts	29	1,390,458	992,553
		<u>12,750,539</u>	<u>7,361,881</u>
Expenses on foreign currency operations			
Interest expense	30	(2,760,705)	(1,979,458)
Commission and other expenses	31	(222,784)	(147,874)
Total expenses on foreign currency operations		<u>(2,983,489)</u>	<u>(2,127,332)</u>
Net income from foreign currency operations		<u>9,767,050</u>	<u>5,234,549</u>
Revaluation gain			
Gold revaluation gain		221,851	1,690,554
Silver revaluation gain		17,278	58,755
Foreign exchange revaluation gain		7,600,281	10,309,827
		<u>7,839,410</u>	<u>12,059,136</u>
Net foreign currency income (including revaluation gain)		<u>17,606,460</u>	<u>17,293,685</u>
Income from domestic operations			
Interest income	32a	22,280,992	16,731,623
Commission and discounts	33	72,932	130,939
Dividend income		-	7,200
Sales		905,020	843,051
Miscellaneous income		6,930	4,133
		<u>23,265,874</u>	<u>17,716,946</u>
Expenses on domestic operations			
Interest expense	34	(526,432)	-
Commission and other expenses	35	(1,977,582)	(1,506,553)
		<u>(2,504,014)</u>	<u>(1,506,553)</u>
Net domestic income		<u>20,761,860</u>	<u>16,210,393</u>
Total operating income		<u>38,368,320</u>	<u>33,504,078</u>
Other expenses			
Provision for impairment		886,789	(861,726)
Provision for loan losses		-	(1,000,000)
General and administrative expenses	36a	(4,269,186)	(7,258,628)
		<u>(3,382,397)</u>	<u>(9,120,354)</u>
Net profit for the year		<u>34,985,923</u>	<u>24,383,724</u>

The accompanying notes 1 to 45 form an integral part of these financial statements.

A.K.M. Shariat Ullah
General Manager
Accounts and Budgeting Department

Zul Hasan Siddiqi
Deputy Governor

Dr. Salehuddin Ahmed
Governor

Bangladesh Bank
Statement of Changes in Equity for the Year Ended 30 June 2007

In Taka Thousand

Particulars	Capital	Revaluation reserve			Statutory fund	Asset renewal and replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant and equipment						
Balance as at 1 July 2005	30,000	2,047,033	25,831,261	7,920,389	11,617,046	-	-	30,000	-	47,475,729
Interest on loans to BKB and RAKUB	-	-	-	-	-	-	-	-	1,461,666	1,461,666
Restated balance as at 1 July 2005	30,000	2,047,033	25,831,261	7,920,389	11,617,046	-	-	30,000	1,461,666	48,937,395
Net profit for the year	-	-	-	-	-	-	-	-	24,040,142	24,040,142
Revaluation adjustment	-	-	-	(1,396)	-	-	-	-	1,396	-
Appropriation to other reserves	-	1,749,309	10,309,827	-	-	2,595,966	-	(14,655,102)	-	-
Distribution to Government	-	-	-	-	-	-	-	-	(10,848,102)	(10,848,102)
Balance as at 30 June 2006	30,000	3,796,342	36,141,088	7,918,993	11,617,046	-	2,595,966	30,000	-	62,129,435
Net profit for the year	-	-	-	-	-	-	-	-	34,605,765	34,605,765
Revaluation adjustment	-	-	-	(504)	-	-	-	-	504	-
Appropriation to other reserves	-	239,129	7,600,281	-	550,000	-	1,165,275	-	(9,554,685)	-
Transferred to other funds	-	-	-	-	2,000,000	1,120,000	-	-	(3,120,000)	-
Transferred to other domestic liabilities (SME fund)	-	-	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Distribution to Government	-	-	-	-	-	-	-	-	(21,931,584)	(21,931,584)
Balance as at 30 June 2007	30,000	4,035,471	43,741,369	7,918,489	12,167,046	1,120,000	3,761,241	30,000	-	72,803,616

The accompanying notes 1 to 45 form an integral part of these financial statements.

Bangladesh Bank
Consolidated Statement of Changes in Equity for the Year Ended 30 June 2007

In Taka Thousand

Particulars	Capital	Revaluation reserve			Statutory fund	Asset renewal and replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant and equipment						
Balance as at 1 July 2005	30,000	2,047,033	25,831,261	7,920,389	11,617,046	-	-	30,000	2,066,374	49,542,103
Interest on loans to BKB and RAKUB	-	-	-	-	-	-	-	-	1,461,666	1,461,666
Restated balance as at 1 July 2005	30,000	2,047,033	25,831,261	7,920,389	11,617,046	-	-	30,000	3,528,040	51,003,769
Net profit for the year	-	-	-	-	-	-	-	-	24,383,724	24,383,724
Revaluation adjustment	-	-	-	(1,396)	-	-	-	-	1,396	-
Appropriation to other reserves	-	1,749,309	10,309,827	-	-	-	2,595,966	-	(14,655,102)	-
Distribution to Government	-	-	-	-	-	-	-	-	(10,848,102)	(10,848,102)
Balance as at 30 June 2006	30,000	3,796,342	36,141,088	7,918,993	11,617,046	-	2,595,966	30,000	2,409,956	64,539,391
Net profit for the year	-	-	-	-	-	-	-	-	34,985,923	34,985,923
Revaluation adjustment	-	-	-	(504)	-	-	-	-	504	-
Appropriation to other reserves	-	239,129	7,600,281	-	550,000	-	1,165,275	-	(9,554,685)	-
Transferred to other funds	-	-	-	-	2,000,000	1,120,000	-	-	(3,120,000)	-
Transferred to other domestic liabilities (SME fund)	-	-	-	-	(2,000,000)	-	-	-	-	(2,000,000)
Distribution to Government	-	-	-	-	-	-	-	-	(21,931,584)	(21,931,584)
Balance as at 30 June 2007	30,000	4,035,471	43,741,369	7,918,489	12,167,046	1,120,000	3,761,241	30,000	2,790,114	75,593,730

The accompanying notes 1 to 45 form an integral part of these financial statements.

Bangladesh Bank		
Cash Flow Statement for the year ended 30 June 2007		
	<u>2007</u>	<u>2006</u>
	<i>Taka '000</i>	<i>Taka '000</i>
A) Cash flows from operating activities		
Interest received	30,910,745	19,517,449
Interest paid	(3,020,002)	(1,927,298)
Fees, commission and other income received	788,905	473,931
Commission and discounts paid	(2,200,366)	(1,638,154)
Payments to employees and suppliers	(3,215,949)	(2,651,505)
	<u>23,263,333</u>	<u>13,774,423</u>
(Increase)/decrease in operating assets:		
Funds advanced to customers	687,882	(2,590,335)
Other assets	(1,832,424)	805,532
Increase/(decrease) in operating liabilities:		
Deposits from commercial banks	30,360,225	35,209,250
Other liabilities	11,294,569	3,330,040
Net cash inflow/(outflow) from operating activities	<u>63,773,585</u>	<u>50,528,910</u>
B) Cash flows from investing activities		
Dividends received	-	7,200
Investments income	5,932,072	1,360,009
Investments in foreign treasury bills and bonds	(9,523,923)	(17,876,387)
Other investments	(659,008)	(672,616)
Investments in Govt. Securities	(13,182,880)	(92,015,926)
Short term investments	(97,741,596)	(7,881,069)
Investments in foreign currencies	9,401,859	(17,681,859)
Investments in debentures	443,333	573,334
Additions to property, plant and equipment	(608,194)	(261,440)
IMF outstanding	3,790,183	15,892,001
Net cash provided by/(used in) investing activities	<u>(102,148,154)</u>	<u>(118,556,753)</u>
C) Cash flows from financing activities		
Payments of surplus to the Government	(10,848,102)	(7,605,085)
Notes in circulation	38,661,879	45,306,510
Short term borrowings	10,297,719	30,465,000
Net cash provided by/(used in) financing activities	<u>38,111,496</u>	<u>68,166,425</u>
D) Net increase in cash and cash equivalents (A+B+C)	(263,073)	138,582
E) Opening cash and cash equivalents	438,486	299,904
F) Closing cash and cash equivalents (D+E)	<u>175,413</u>	<u>438,486</u>

Bangladesh Bank		
Consolidated Cash Flow Statement for the year ended 30 June 2007		
	<u>2007</u>	<u>2006</u>
	<i>Taka '000</i>	<i>Taka '000</i>
A) Cash flows from operating activities		
Interest received	31,047,246	19,636,433
Interest paid	(3,020,002)	(1,927,298)
Receipts from customers	905,020	1,267,643
Fees, commission and other income received	810,813	459,251
Commission and discounts paid	(2,200,366)	(2,621,871)
Payments to employees and suppliers	(3,632,539)	(3,424,699)
	<u>23,910,172</u>	<u>13,389,459</u>
(Increase)/decrease in operating assets		
Funds advanced to customers	687,882	(1,772,372)
Other assets	(1,803,668)	299,588
Increase/(decrease) in operating liabilities		
Deposits from commercial banks	30,360,225	35,209,250
Other liabilities	11,157,482	3,339,484
Net cash inflow/(outflow) from operating activities	<u>64,312,093</u>	<u>50,465,409</u>
B) Cash flows from investing activities		
Dividends received	-	7,200
Investments income	5,932,072	1,360,010
Investments in foreign treasury bills and bonds	(9,523,923)	(17,876,387)
Other investments	(13,182,880)	(92,015,926)
Investments in Govt. Securities	(97,741,596)	(7,337,127)
Short term investments	9,401,859	(17,681,859)
Investments in foreign currencies	443,333	573,334
Investments in debentures	(698,844)	(672,616)
Additions to property, plant and equipment	(636,169)	(281,244)
IMF outstanding	3,790,183	15,892,001
Net cash provided by/(used in) investing activities	<u>(102,215,965)</u>	<u>(118,032,614)</u>
C) Cash flows from financing activities		
Payments of surplus to the Government	(10,848,102)	(7,605,085)
Notes in circulation	38,661,879	45,306,510
Short term borrowings	10,297,719	30,465,000
<i>Net cash provided by (used in) financing activities</i>	<u>38,111,496</u>	<u>68,166,425</u>
D) Net increase in cash and cash equivalents (A+B+C)	207,624	599,220
E) Opening cash and cash equivalents	989,954	390,734
F) Closing cash and cash equivalents (D+E)	<u>1,197,578</u>	<u>989,954</u>

Bangladesh Bank: Notes to the Financial Statements as at and for the Year Ended 30 June 2007**1. Reporting entity**

Bangladesh Bank (the "Bank") is the Central Bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order 1972 and is domiciled in Bangladesh. The Head Office of the Bank is situated at Motijheel Commercial Area, Dhaka. The Bank's activities mainly include the formulation of policies and management of the monetary and credit systems of Bangladesh, the issue of currency, holding and management of the official foreign reserves with a view to stabilizing domestic monetary value and maintaining a competitive external par value of the Bangladesh Taka and acting as an agent of the Government of Bangladesh.

2. Basis of preparation**2.1 Statement of compliance**

The financial statements together with consolidated financial statements of the Bank and its fully owned subsidiary (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following:

Note 4: Gold and silver are measured at fair value.

Note 5: Foreign currency accounts are measured at the reporting date by retranslating to the functional currency.

Note 7: Assets held with IMF are measured at fair value .

Note 10: Government of Bangladesh treasury bills and overdraft are measured at amortized cost.

Note 11: Investment in subsidiary and parent's portion of equity in the subsidiary at the date of acquisition is eliminated in the consolidated financial statement as per IAS 27.

Note 13: Loans to banks, financial institutions and employees are measured at amortized cost.

Note 14: Property, plant and equipment are measured at revalued amounts.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh Taka which is the Bank's functional currency. Except as indicated, financial information presented in Taka has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 37: financial risk management.

3. Significant accounting policies

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

3.1 Basis of consolidation**(a) Subsidiaries**

Subsidiaries are enterprises controlled by the parent entity. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Security Printing Corporation (Bangladesh) Ltd. is the wholly owned subsidiary of Bangladesh Bank.

(b) Transactions eliminated on consolidation

Inter-group balances and transactions and any unrealized gains arising from inter-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Taka at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined.

3.3 Financial assets and liabilities

Financial assets comprise foreign assets (excluding gold and silver), investments, cash and cash equivalents, loans and advances (loans to government, banks, financial institutions and employees) and government treasury bills and overdrafts. Financial liabilities comprise foreign liabilities, deposits from banks and financial institutions and short-term borrowings.

(a) Recognition and initial measurement

Loans and advances are initially recognized on the balance sheet on the date they are originated. Regular way purchases or sales of financial assets are recognized or derecognized, as applicable, on the settlement date at which the assets are received or, as the case may be, delivered by the group. All other financial assets and liabilities are initially recognized when the group becomes party to the contractual provision of the instruments.

Financial assets and liabilities are initially measured at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the assets or liabilities.