




UGANDA
Annual Report 2010



About **BRAC**

We are a development organisation dedicated to the alleviation of poverty by empowering the poor to realise their potential and bring about positive change in their own lives. We started out in Bangladesh in 1972 and over the course of our evolution, we have established ourselves as a pioneer in recognising and tackling the many different realities of poverty. Our approach, therefore, is comprehensive - with services in areas of education, health care, social and economic empowerment, finance and enterprise development, human rights and legal aid, agriculture and food security, as well as environmental sustainability and disaster preparedness.

We organise the poor, especially women and provide platforms for them to come together, access services, exchange information, analyse and raise awareness on economic, social, legal, gender and other issues concerning their daily lives and their communities. Our social enterprises integrated with the various development programs form crucial linkages that increase the productivity of our members' assets and labour and generate surplus for the organisation, allowing both those we support and ourselves to be increasingly self-reliant.

We are specialists in taking an idea, testing it, perfecting it and then scaling up rapidly in an efficient, cost-effective manner and without compromising quality. With the experience and expertise of working in a developing nation, we are now providing development interventions and technical assistance to other developing nations across the world.

Contents



06 Microfinance



10 Agriculture, Livestock and Poultry



14 Empowerment and Livelihood for Adolescents



18 Health



22 Education



26 Karamoja Initiatives



28 Recruitment, Training, Research & Monitoring



32 Partnerships



35 Financial Statements

BRAC

in UGANDA

BRAC is one of the leading development organisations in Uganda, providing access to finance and critical livelihood development services to thousands of the country's poorest. Since its establishment in 2006, BRAC has grown to become one of the largest employers in the country, with a local workforce of over 1,800 experts and development professionals, 84% of whom are female. BRAC's multifaceted, microfinance multiplied development approach is based on a recognition of the heterogeneity of the poor and their needs. In addition to providing access to various financial services and livelihood development support, we also operate interventions in the areas of health, education, youth development, agriculture, poultry and livestock. BRAC programmes currently run in 94 branch offices across 42 districts of the country, covering a population of 3,222,714. Our efforts to alleviate poverty and facilitate development in Uganda have received national and global recognition.



Microfinance staff at a BRAC branch office reconcile accounts at the end of the day.



Chairperson's Statement

Four years after I disbursed BRAC's first microloan in Uganda to Ruth Wamulo of Iganga, she was presented with the gold award at the 2010 Citi Micro-Entrepreneurship Awards, an annual event organised by Citigroup Foundation, in collaboration with the Association of Microfinance Institutions of Uganda (AMFIU). This is a wonderful recognition of the hard work of thousands of women like Ruth in lifting themselves out of poverty and a strong acknowledgment of BRAC's role in supporting them.

I'm happy to note that our microfinance programme was further recognised by BRAC's inclusion as the only institution from Uganda among the top five microfinance institutions short-listed for the African Bankers Award, under the 'Microfinance Institution of the Year 2010' category.

Uganda is home to the most diverse range of our programmes outside Bangladesh, the country where BRAC was founded. This diversity, coupled with our strength in scaling up successful interventions, allows us to address entrenched poverty in a holistic manner and achieve rapid, significant and sustainable impact. Harnessing this strength, we began an integrated rural development initiative in partnership with UNICEF in the highly challenging, historically deprived Karamoja sub-region of northern Uganda in 2010. Since 2006, BRAC has been working to provide access to education

to internally displaced children and youth in northern Uganda. Our experiences working in the region have helped us design the integrated programme, which places strong emphasis on youth as a key vehicle in the region's development.

The success of our work in Uganda is largely due to the hard work and dedication of our staff, whose unfaltering commitment to development allows us to take on and overcome increasingly greater challenges. We are grateful for the active participation of all our members and stakeholders and the strong support of our partners - particularly The MasterCard Foundation, our largest donor in Uganda, and the Ugandan government. I hope that we will continue to build on these relationships towards greater successes for the poor of Uganda.

Fazle Hasan Abed
Founder and Chairperson, BRAC



Md. Aminul Alam
1949-2010

A Lasting Legacy

Aminul Alam: Field Marshall and Changemaker

“an exceptional person with an exceptional commitment to rural development. BRAC would not be what it is without him”

Sir Fazle Hasan Abed

“he has left a rich legacy to BRAC: of programmes firmly in place around the world, of staff and members inspired by his pragmatic vision, and of practical solutions to many of the world’s seemingly intractable problems”

Marty Chen

Aminul Alam (1949-2010) joined BRAC in 1975 and worked closely with Sir Fazle Hasan Abed for more than thirty-five years helping turn vision into reality. Amin was at the heart of our very first field programmes and eventually went on to become a leading figure in the evolution and story of BRAC as we know it today. We want to celebrate his achievements and continue to build on his efforts towards helping men and women realise their potential in Bangladesh and in developing countries around the world.

The story of Aminul Alam and BRAC began in 1975 with a young man, recently graduated from Dhaka University, full of radical ideas about helping the poor in post liberation Bangladesh. It was at this turbulent time, amidst devastating drought and famine, that Amin recalled he had seen truly poor people for the first time. Abed had offered Amin a job in the Rangpur District as part of an emergency relief effort, feeding 15,000 children two meals a day, marking some of BRAC’s earliest work in Bangladesh.

Amin moved to Manikgang to continue his work for BRAC and ended up staying for eight years leaving him with an experience that would change his views forever. More than thirty years later Amin went on to become a leading figure and much loved member of the BRAC family working closely with Abed and introducing pioneering ideas towards their shared mission to fight poverty.

Amin made his first visit to Afghanistan in 2002, leading a team of just four people, to start BRAC operations in post war Afghanistan. Tackling the returning flood of refugees, coupled with a challenging political situation, didn’t make for an easy task. More recently Amin played a crucial role in leading BRAC’s efforts to help victims of Haiti’s earthquake and the devastating floods in Pakistan that ensued last year.

Today, BRAC are the largest NGO in Afghanistan offering education and health services across the country reaching more than 24 million people. Amin’s leadership in expanding BRAC programmes across Bangladesh, and then to 10 countries around the world is undoubtedly one of his most important legacies to BRAC’s work.

Microfinance



A Credit Officer collects loan installments during a microfinance meeting in Kitgum.

Programme Highlights

"I joined BRAC in 2008 and since then I only have success stories to tell. My business has grown and expanded from just selling food items to include other products such as shoes and bags. My general stock has more than doubled and I am still making a lot of plans. I have bought two cows and soon they will be producing milk. I have also bought a plot and my future plan is to save and build a house. I had never imagined that I could be where I am today."

Kayirigi Cissy, (40), *Microfinance Programme Member from Iganga.*

Microfinance is the heart of BRAC's integrated approach to alleviating poverty and helping poor Ugandan women realise their potential. More than 120,000 women are members of nearly 7,000 community-based microfinance groups throughout Uganda. They gather weekly in villages, towns and city neighbourhoods to make repayments on their loans and apply for new ones.

"I wanted to help my husband with the household expenses instead of always asking him for money. I realised that I could start a business selling food and drinks to students at Busoga University in my neighbourhood, but did not have any capital", said Ruth Naigaga (61) of Mutukula Zone, Iganga. This became her dream and in 2006 she took a loan of USD 100 from BRAC to buy utensils. Ruth started a canteen providing meals to the university students and staff. The demand was good since there were not many food providers at the time and within less than a year, her business had picked up. After repaying her first loan, she borrowed again to start expanding her business. Ruth has so far taken six loans from BRAC, which has enabled her to expand and improve the canteen, buy dining chairs and tables. She started with five employees and monthly sales of USD 1,200. Now her sales have grown to USD 2,500 per month she employs 10 workers. "The reason behind my success is of course the support I get from BRAC", said Ruth, "I also closely supervise the business, preparing delicious meals and sell at fairly low prices. I have started a garden where I grow food supplies for the canteen, which helps to lower the cost of production and final prices of meals".

Like Ruth, borrowers are able to expand their small businesses with loans and other livelihood development services that are central to our microfinance multiplied approach. While some women are on their fourth or fifth loans, others have graduated to larger loans under the Small Enterprise Programme. Mutesi Fatinah (46) is one of those women. "I started with BRAC as a member of a microfinance group and it has protected me since", she said. Mutesi knew her business had the potential to grow. So she decided to leave the group and join SEP, which gives larger, individuals loans. "I am proud of BRAC because nowhere else will I be able to borrow USD 250 without any strings attached. Others may give you the money but ask you to return in two weeks and pay a very high interest rate. I can get that money from BRAC with low interest rate and a relatively long time for paying back", says Mutesi.

BRAC has been collaborating with UNHCR, the UN refugee agency, to provide microfinance to returning war refugees in northwestern Uganda. The programme is designed to reduce their vulnerability and dependency on relief. While many of the displaced have now returned to their homes, they are still struggling to find livelihoods. "Life in the camp was hard. We usually ate once a day and could not afford medical treatment", said Janat Lawino (36) from Pader, "I was worried about the future of my children. When I joined BRAC, I was given a loan of USD 150 with which I bought different products from the town of Lira and retailed them in Pader. The profits were amazingly high and triggered me to make big plans for my family. I saved and managed to put my elder daughter into a primary boarding school. I can now afford school fees and other requirements for my children. The kids do not fall sick these days because I feed them very well", she said. The programme thrives on the rationale to provide the poor with easy, reliable, and efficient access to institutional financial services including credits and to leverage the process capital of organising the poor for the delivery of services to create a credit plus approach, hence helping them become economically solvent.

ACHIEVEMENTS 2010

6,744 microfinance groups with **122,570** members.

USD **30,157,475** disbursed in microloans to **103,768** microloan borrowers.

USD **280,850** disbursed to **1,329** returning refugees who are members of **125** groups.

USD **5,000,253** disbursed to **3,918** borrowers in 2010 under the Small Enterprise Programme (SEP)



Nyiramutuzo Robinah from Namengo Kiterede in Lugazi took her first loan from BRAC in 2008 to start a dairy business. She also received training on business development and management. Although she repaid her loan regularly, she was not earning enough profit as the milk would go bad quickly. Robinah decided to take a second loan to buy a refrigerator. This improved her business as she could now sell up to 110 litres of milk per day. "I have expanded my business and started a poultry farm with my savings. I appreciate BRAC's support for going the extra mile and teaching me how to make my business a success."

Programme Description

BRAC's microfinance programme has been designed to serve large numbers of poor people with reliable access to cost-effective financial services.

Microloans

At the core of the programme are microloans, which are exclusively for the women participating in the group process. Borrowers range in age from 20-50 with little or no education. BRAC lends to women who are not served by other microfinance institutions. Borrowers typically operate businesses that provide products or services to their local communities. Women with seasonal businesses, such as farming related activities, may also be eligible for shorter term loans.

Women's Groups: Community partnerships and institution building are essential for poor people if they are to change their economic, social and political conditions. We deliver our microfinance and other programmes through organising groups of poor women who come together to improve their socioeconomic position. BRAC provides more than just microfinance. We use the microfinance groups as a social platform to deliver scaled up services in health, education, business development and livelihood support, all critical components needed to ensure that poor people can break the cycle of poverty.

BRAC microfinance branch offices conduct area surveys and consult with community leaders and local elders to select the 20-30 members of each group. The group is then subdivided into smaller groups of five, each with their own elected leader. The members of the small groups take co-responsibility to solve peer repayment problems. New borrower groups meet three times before any loan disbursement takes place. After that, they meet weekly to discuss credit decisions with their dedicated BRAC Credit Officer and make their loan repayments. BRAC provides training and technical assistance to its members and others in the community, empowering them to earn more income from existing activities and start new ones.

Key Features of Microloans

- Loan repayments in small weekly instalments
- No physical collateral needed
- Loan range: USD 200 - 800
- Competitive interest rates
- Death benefit provided
- Services delivered to member's village
- Available in rural and urban areas



Surambaya Florence is a widow looking after a large family of 20 people. Her vegetable stall was not earning enough to feed her family more than once a day. After taking a loan from BRAC, she expanded her business and could sell vegetables in larger quantities and varieties. With the savings, Florence started rearing livestock and now owns several cows and 36 goats. "We no longer live on porridge. We'll never starve again" says Florence.

Small Enterprise Loans

BRAC offers small enterprise loans to entrepreneurs seeking to expand small businesses. The loans enable owners to create new employment opportunities and provide new services. Typically loans are given for trading, agriculture, poultry and livestock, fruit production and other types of small enterprises. These small entrepreneurs would otherwise have limited access to the formal financial system – too large for microloans but with not enough collateral for commercial banks. The small enterprise loan is offered to an individual rather than to a group and is available for both male and female entrepreneurs. Some members of the microloan groups will become eligible for this scheme as their businesses expand and their investment needs grow.

Key Features of Small Enterprise Loans

- Available to both male and female entrepreneurs
- Loan range: USD 800-7,000
- Competitively low interest rates
- Repayment mode: equal monthly installments

Most Popular Loan Uses

- Grocery store
- Beauty parlour
- Tailoring
- Clothing retail
- Textile garments
- Agriculture
- Agro-based enterprise
- Poultry, livestock and fisheries
- Cottage industry
- Hotel and restaurants/food processing
- Plastic and rubber industry
- Stationery shop
- Wood and wood products
- Leather and leather products
- Handicrafts
- Packaging

Agriculture, Poultry and Livestock



An Agricultural Promoter is tending to his crops in a trial plot in Iganga district.

Programme Highlights

"I have made a lot of progress since I joined BRAC - I have bought a plot, managed to educate my children and give my family a good life. I pay attention and try to learn whatever new technology they teach us. For example, we were taught crop spacing and when I tried, it worked perfectly well and gave me high crop yields. I also took extra care to enhance production and it gives me great satisfaction when people stop by to admire my gardens."

Luuka Beatrice (50), *Farmer from Kaliro*

Agriculture continues to dominate the Ugandan economy, employing over 80% of the workforce, accounting for a third of the GDP and contributing more than 85% percent of export earnings. Macro-level factors such as climate change, increasing occurrences of extreme weather and climate variability like droughts, floods, hailstorms, heat waves and accumulation of greenhouse gases in the atmosphere, pose a key threat to agriculture. This, in turn, threatens and renders unsustainable the traditional livelihoods of a large majority of the Ugandan population. In 2008, BRAC launched its agriculture, livestock and poultry intervention to address these vulnerabilities and help revitalise the agriculture sector in Uganda.

We provide training on modern farming and animal rearing techniques to local farmers, encourages adoption of improved breeds to boost productivity and ensures access to markets for our borrowers and other members in the community. Our programmes are helping to improve the livelihoods of farmers, as evidenced by internal assessments which demonstrate a positive trend in farm income. This is directly helping women, since 77% of all women in Uganda work in some form of agriculture. In rural areas, women's involvement in agriculture increases to 92%, compared with 52% for men.

"We had land but not the money to make use of it. With the help of BRAC, we came to appreciate the worth of our land", said Florence Sajja (35) from Kaliro, "I was given free maize and eggplants seeds which helped boost my food production. I now produce 700-1,000 kgs of maize, 500-800 kg of rice and plenty of tomatoes, eggplants and vegetables. I expanded my farm by buying an extra acre using my earnings. I also bought 6 ox-ploughs which I use in my garden and also rent out to my neighbours. I am now the one supporting my husband because he has no job".

"Before BRAC came in to help me, I had a small stall where I sold tomatoes and potatoes, but the profits were too meagre to support me", said Naluganda Mary from Lugazi, "After I joined BRAC, I started rearing chickens and now have 300 birds. I did not have any knowledge of poultry rearing before but BRAC trained me and encouraged me to try. They also trained and equipped me to immunise chicks, which I currently do as a side business. I have expanded my farm by buying more stock with my savings. I now have three sources of income, so that I cannot fail to look after my family".

"When BRAC gave me the first loan, I started up a dairy but it did not work out for me as the milk would get spoilt after a short while. BRAC staff motivated me not to give up on my business but to plan strategically", said Nyiramutuzo Rbinah (37) from Lugazi, "So with my second loan, I bought a refrigerator and now I can stock large quantities of milk for longer. On a good day, I sell about 110 litres and have used the earnings from my dairy business to start up a poultry farm as a support business. I am rearing local chickens but applying modern techniques learnt from BRAC. I owe all this to BRAC because they don't stop at just giving us loans but go the extra mile to teach us business strategies and how to survive in a competitive environment".

"We found women in this area had very little knowledge about modern poultry and livestock rearing practices and modern services were too expensive and out of reach", said Mbwali Ritah, BRAC Programme Assistant for poultry and livestock in Namengo Kiterede, Lugazi, "So we started teaching them about vaccination and techniques to improve their practices. They were willing to learn and today, many of them have successfully increased their yields".

ACHIEVEMENTS 2010

50,000 general farmers and **1,200** model farmers trained and supported.

600 community agricultural promoters and **386** horticulture nurserers trained.

1,200 community livestock & poultry promoters trained.

3,220 livestock inseminated

Programme Description

The agriculture, poultry and livestock programme addresses the problem of poor crop and livestock productivity in Uganda. Crops grown for domestic consumption include bananas, cassava, fruits, maize, rice, vegetables, roots and tubers - as well as other traditional varieties such as plantain, sweet potato, millet, sorghum, beans and ground nuts. Ugandan agriculture remains heavily dependent on rainfall, with less than 1% of arable land under irrigation.

We are investing in agriculture research stations and seed trial plots to develop disease-resistant, high yielding seed varieties. In collaboration with government research institutes, four hybrid rice varieties are under trial in five locations of Uganda where they are undergoing National Performance Trial (NPT) and Distinctiveness, Uniformity and Stability (DUS) tests. Some maize varieties, including four from Bangladesh, are under trial in three plots in Nebbi, Nakaseke and Iganga.

As part of the overall strategy to address poverty and ensure food security, the programme focuses on enhancing smallholder farmers' productivity by integrating measures like mass training, access to information on crop production, provision of appropriate and cost effective agro-inputs (seed, fertiliser and tools) and provision of technical support regarding modern agriculture practices. Our aim is to improve the efficiency and management of small and medium farm enterprises by reducing livestock mortality and increasing agricultural output, farm income and rural employment.

All components of the programme are coordinated at the branch level through dedicated Programme Officers. Each Programme Officer receives extensive training from specialist BRAC and government trainers on topics such as livestock and poultry rearing, improved farming practices, high-yield seed varieties and related technologies. They also attend an annual refresher course to keep their skills updated. Once trained, the Programme Officer's role is to train and supervise the Model Farmers/Agricultural Promoters and the Community Poultry and Livestock Promoters who are at the core of the programme.

Model Farmers/Agricultural Promoters

The primary outreach agents for agriculture activities are the self-employed Model Farmers/Agricultural Promoters. They specialise in crop production and promote good farming practices to others in their communities by turning their own small farms into demonstration model farms. They are required to have a minimum of two years agricultural experience and have farmed at least two acres of land. They must be willing to work with other low-income farmers in their community and supply them with quality inputs. The model farmers/agricultural promoters are trained by BRAC's programme officers to offer technical assistance to various types of farmers:

- General farmers - These are farmers who operate on a small scale, less than one acre of land, and do not have to be BRAC members.
- Horticulture nurserers - These are farmers trained in how to set up a nursery and sell seedlings, such as ornamental plants, fruit trees and flowers.
- Vegetable and kitchen farmers- Kitchen farmers use very small pieces of land, or no land at all, farming from a bucket or sack. Vegetable farmers operate on one acre of land.

BRAC agriculture branch staff attends microfinance group meetings to identify Model Farmers/Agricultural Promoters from among the women members. The local BRAC branch is responsible for screening and short listing candidates; the final selection is done by the area coordinators.

The Model Farmers/Agricultural Promoters are then provided training for six days at the branch office. This covers farming techniques for specific crop varieties, focusing on the entire life cycle of the crop, starting from preparation of the land to harvesting. When their training is complete, the agricultural promoters start identifying the small farmers living in their communities with the support of the branch staff. They assist the farmers on technical issues such as choice of varieties, improved seeds, crop spacing, rotation, intercropping, weeding, planting, fertilisation, pest control, post harvest management, utilisation of by-products, as well as integration of crop and livestock enterprises within the farm. They also sell improved seeds and other agricultural inputs.



A Community Livestock & Poultry Promoter trained in vaccinating livestock is at work.

Community Livestock & Poultry Promoters

The poultry and livestock component also operates outreach activities through self-employed volunteers. These are women farmers (aged 25 to 35) experienced in poultry and livestock farming, who are selected from BRAC microfinance groups. After selection, they receive 12 days training in livestock husbandry, health related issues and vaccinations. Training also includes the production and conservation of fodder crops. Once trained, they generate income by charging fees for their services. With help from BRAC, they offer vaccination services, sell veterinary medicines and give technical assistance to other microfinance group members and the wider farming community. They select and assist the following different types of poultry and livestock farmers:

- Model poultry farmers - These are farmers with more than 100 birds. They receive five days of training on rearing and management of egg laying hens and chicks. They are also trained on how to regularly vaccinate their birds.
- Key rearers - These are smaller scale poultry farmers, with 5 to 50 birds, who receive technical assistance from the model poultry rearers and promoters.
- Poultry feed sellers - These farmers are oriented to manufacture quality feed to supply the BRAC livestock farmers.
- Model livestock rearers - These farmers have two to

three cows. They receive five days training on milk cow rearing and management. All model livestock rearers receive technical support, such as treatments and vaccinations from the promoters.

- Cow rearers (small scale) - These farmers have one cow.
- Sheep and goat rearers - These farmers have two or three animals.
- Fodder cultivators - These are growers of specialised crops used in animal feed. They receive assistance from the community poultry and livestock promoters to develop technical skills and in irrigation techniques.

Livestock Artificial Insemination Promoters

To be chosen, these promoters must have no other income, be ready to receive training on inseminating cows and go house to house to promote their service. They are selected by the BRAC branch office and trained for three weeks on how to run their own artificial insemination service as a franchise business. BRAC provides them with initial supplies and they operate at the village level to help produce calves that give higher milk yields. It is through this pyramid of entrepreneurial extension agents and structured supervision system that we can extend our services to thousands of people in Uganda.

Empowerment and Livelihood for Adolescents



Mpindi Halimah joined the ELA club in Kaliro in 2009. Her parents are convinced that the club is a safe environment for her to play and meet other girls from her community.

Programme Highlights

“BRAC rescued my child and I from a very difficult situation. I used to sit idle at home. Then I joined an ELA club and learned that I could earn for myself. BRAC gave me capital to start a business selling tomatoes and eggplants from my courtyard. At the club I also learned about myself, how to relate to others and avoid HIV/AIDS. Before, I did not know my rights and was too shy to stand up for what I wanted. At the club, I learned not to fear. Now I am working and can take care of my child. I see a bright future ahead of me and do not want to lose a single opportunity”

Kawala Saida (19), *Bugabwe ELA club member in Kaliro.*

The Empowerment and Livelihood for Adolescents (ELA) programme started in 2008 and has already made a difference in the lives of nearly 25,000 vulnerable teenage girls and young women in Uganda. The programme has given them hope and a sense of purpose by providing livelihood opportunities. The 690 youth centres/clubs provide a safe place for socialisation and positive development.

Club members, who are girls aged 13 to 22, can take part in games and sports activities, avail of reading material and are given life skills training. Using the 10 themes from the life skills course, we developed books with stories based on real life accounts from the girls themselves or those in their communities. These books are used as manuals, teaching tools and as interactive discussion aids in the clubs.

ELA promotes co-curricular activities which are crucial for the comprehensive development of youth. Girls in the clubs enjoy playing outdoor sports, such as netball and soccer, as well as indoor games like chess and Monopoly. They interact and entertain each other through song, dance and drama. We intend to intensify such interactions by organising national level festivals.

Training in income generation skills and microfinance is given to members aged 16 and above who are out of school. These girls are given the opportunity to choose an area of specialisation from the options: agriculture, poultry rearing, tailoring, hairdressing and trading services. We also provide them with financial literacy training. Initially, this training course comprised six components of financial management; savings, budgeting, financial services, negotiations and earning money. Following requests from the girls themselves, two more components - customer care and basic accounting - were later added. Following this training, microloans are provided for those girls ready to start a business.

Namusoby Jackline (17) took a USD 100 loan from BRAC to start a business selling second hand clothes. “I dropped out of school after primary seven and stayed at home just helping my mother with domestic chores”, said Jackline, “I never imagined that one day life would change and I would own a business. My mother is too poor to give me any capital and I did not have any collateral to get a bank loan. I used to imagine such businesses are for

people hailing from well off families. When I attended the livelihood training at my ELA club and was given the option to start a business, my thinking started to change”.

Nakukasa Eleth (27) used her loan to start a shop in one of the rooms in her parents' house. “I am working hard and slowly my business is growing”, said Eleth, “One day I will own a very big retail shop, the best in our village. I have learnt how to plan, monitor and regulate my business and I am using those skills to prosper”.

ELA also trains boys aged 18 to 24 in vocational skills including carpentry, plumbing, welding, electrical, mechanical and solar engineering and building and construction. A mentoring programme has also recently been started.

ACHIEVEMENTS 2010

690 clubs established with **24,840** club members.

444 ELA microfinance groups formed with **8,185** members, to whom USD **633,217** was disbursed in 2010.

17,940 life skills and **4,168** livelihood trainings conducted for club members.



Fifteen years old Joy Vian fell into bad company at an early age. After the death of her close friend during child-birth, her parents stopped sending her to school in fear of her being in a similar situation. Joy's friend Mpindi, a member of the local ELA club, advised her to join BRAC. It has been nine months since she joined and she has already learnt about the dangers of taking drugs, early pregnancy, unsafe sex and hygiene issues. She reads story books and plays net ball at the club and has participated in a national net ball tournament. Her parents have sent her back to school. Joy is determined to complete her education and bring change in her community. "I want to help my friends and sisters. One of my friends was a prostitute and I have started telling her about the dangers of her work".

Programme Description

BRAC's programme for adolescents is designed to socially and financially empower youth aged between 13 and 22. The programme combines innovative livelihood and life-skills training with a customised microfinance programme. Originally targeted exclusively at vulnerable teenage girls, the programme began piloting livelihood interventions for boys aged 18 to 24 in 2009, following a demand by the girls for inclusion of their brothers.

Components

Adolescent Clubs

ELA services are provided through dedicated clubs that offer a safe, supportive and non-threatening environment for adolescents. They are able to freely socialise and share each other's experiences, as well as find support for dealing with personal challenges. The clubs act as both social spaces, where adolescents can win positive recognition from their peers and training venues for skills development. Each club organises daily team sports, such as netball, as well as dancing and other recreational pursuits.

Adolescent Leaders

The clubs and the training courses are run and managed by the adolescents themselves. Two girls from each club who are at least 19 years of age are selected and trained by BRAC supervisors to be adolescent leaders. These leaders are responsible for management of all club activities and for conducting the training courses. Training for the leaders covers facilitation and life skills and is provided through:

- Six days basic training
- Six days training on conducting life-skills training
- One day refreshers (bi-monthly)
- One day orientation
- One day refresher for life-skills training

Life Skills Training Course

The life skills training course is offered to all the girls attending the clubs. The goal of the training is to equip adolescents with the necessary knowledge and skills to improve their lives and to prevent early marriage. The objectives of this course are:

- To coach adolescent girls to be conscious, conscientious and confident citizens



Tuliraba Mary from Iganga joined a local ELA club and received income generation skills training in tailoring. She took a loan to buy a sewing machine and started her own tailoring business.

- To raise their awareness of relevant social issues such as gender imbalance, early marriage and drug addiction
- To enhance understanding of general health, hygiene, HIV/AIDS and reproductive health
- To develop leadership skills
- To develop negotiation and conflict resolution skills

Income Generation Skills Training

Older girls, who are out of school, are able to choose a training course in one income generation activity that is of interest to them. As many of the centres are in rural areas, the courses are mostly linked to agriculture and rural demand. The following types of courses have proven beneficial and appropriate for girls entering into microfinance for the first time: Agriculture training on cultivating local crops, poultry rearing, tailoring, hairdressing, computer operation and trading services

The courses are designed in the context of the local economies and we offer several options to each girl. In our experience, adolescents are keen observers of market opportunities. They are given training on basic market analysis techniques and are encouraged to select a business that suits them.

Appropriately Designed Microfinance

The key differences between ELA and BRAC's regular microfinance programme are the targeted age groups and the average loan size, which for ELA is much lower than a comparable loan cycle in the regular microfinance programme. The unique features of the adolescent microfinance programme are:

- Female credit officers
- Smaller first loan sizes compared to adults
- 16 years is the minimum age for borrowers (in compliance with financial regulations)

Community Participation

Much of the frustration faced by the adolescents is due to isolation and lack of adult understanding of the issues they face. Their parents and the communities in which they live may deliberately or subconsciously contribute to discrimination against girls and the violation of their rights. Given that the adults have often had little or no formal education themselves, they may not be fully aware of the causes and depth of the problems faced by adolescents. We involve parents and guardians in the process of adolescent empowerment through parents meetings, mothers' forums and workshops for community leaders.

Health



A Community Health Promoter checks a baby's health during daily household visits to her community.

Programme Highlights

“BRAC gave me another chance to study. My dream of being doing something for my community was revitalised when I started working as a community health promoter. People really appreciate the services I provide door-to-door. They demand that I visit them more often and this shows me that I am making an impact in my own community”

Nakato Grace (33), *Community Health Promoter in Bugembe Jinja.*

BRAC takes a multifaceted approach to delivering essential health care in Uganda. We focus on the prevention of malaria, tuberculosis (TB) and HIV/AIDS and the reduction of infant and under-five mortality rates. We increase access to health care by taking health services to the doorstep of the people and mobilise demand to improve utilisation of government health facilities.

At the centre of our approach to addressing the gaps in health service provision are the Community Health Promoters (CHPs). They are women selected from our microfinance groups and trained to provide basic health care to their communities. Every day, 1,880 dedicated CHPs bring essential healthcare services to the doorsteps of communities throughout Uganda. Each CHP has overall responsibility for 150 to 200 households in her area, all within one kilometre of her home, that she will visit at least once a month. We ensure the continuity of their door-to-door service by empowering CHPs through regular training and provision of essential health commodities.

During each visit, a CHP checks on the health of the household members, offers basic treatment for common illnesses and refers more complicated cases to hospitals. The CHP also checks to see if there are any pregnant women in the house, in which case she can refer them for antenatal checkups. CHPs earn a small income from selling health care products, such as insecticide-treated nets, contraception and some over-the-counter medicines.

Kitonto Margret Joyce (45), a CHP from Bugembe Jinja, has become the ‘village nurse’ in her community. “I help my neighbours who knock on my door at all times of the day. I treat common illness such as diarrhea and people often come to me to get malaria and de-worming tablets. I have also used the money I earned to construct houses for tenants, giving me and my family a decent living. A person’s health depends on their financial situation. One cannot live healthy and eat nutritious meals without having a decent income. Most organisations focus on one issue but our BRAC is special in the way that it cares about our economic wellbeing too”, said Joyce.

“After my training, BRAC started providing health products at subsidised prices for me to sell for a profit. Women in my neighbourhood no longer need to walk long distances to hospitals and then wait in long queues for medicine because I can provide that at their doorsteps, unless it is a very serious case that needs professional medical care. These women just send their children to call me and in a very short time, I am at their service”, said Kabanda Getrude (45) a CHP in Budumbuli Bugembe, Jinja.

CHPs are supported and supervised by Community Health Workers (CHWs), who are staff members responsible for implementing BRAC’s health programme at the branch level. One of their duties is to help CHPs conduct community health forums on topics such as sanitation, hygiene, HIV/AIDS and malaria.

ACHIEVEMENTS 2010

59,612 health meetings conducted with **688,465** participants.

1,196,590 household visits conducted by **1,880** trained CHPs

444,952 health services provided, including treatment of **56,196** malaria cases and referral of **6,179** TB patients.

72,621 instances of ante-natal care (ANC) administered.

2,685 family planning products and **4,418** oral rehydration solutions (ORS) provided.



Lugolobi Esther joined BRAC in 2008 as a Community Health Promoter. She received USD 66 worth of health products. Since joining the programme, selling these products have provided a source of income and earned her respect in her community. One of Esther's neighbours said, "Esther has helped us a lot. She brings medicine to our doorsteps at the same price as clinics. So we don't have to walk far. She is also more understanding and would give us medicine in the middle of the night and sometimes even on credit". Esther has built a house with the money saved from her earnings.

Programme Description

BRAC's Essential Health Care (EHC) programme is a scalable model of community health care. The overall goal of the programme is to provide basic health services in communities where BRAC has an established microfinance group. This aims at providing health support to community members as a way of enhancing their productivity. One member of each microfinance group is designated and trained as a Community Health Promoter (CHP). CHPs serve the health needs of the entire community, with particular attention to poor women and children.

Programme Objectives

- To increase reproductive health care services by raising awareness, ensuring antenatal care (ANC) and post-natal care (PNC) visits, and facility based deliveries
- To reduce the incidence of malaria, especially among pregnant women and children, by enhancing control and prevention
- To bring positive behavioural change for prevention of HIV/AIDS and ensuring access to HIV/AIDS services through community sensitisation and participation
- To develop a community based approach to increase and sustain TB case detection and cure rate as per the Millennium Development Goals

- To improve basic sanitation and hygiene by bringing behavioural change and ensuring access to safe water and latrines
- To mobilise women and disseminate information through village meetings and home visits
- To collaborate with the government to further facilitate and strengthen the implementation of national tuberculosis, malaria and immunisation programmes

Health Programme Components

Reproductive Health Care

One of BRAC's primary concerns is to improve reproductive health care awareness and service utilisation. To fulfil this objective, CHPs identify pregnant women during their household visits. CHPs make one or two in-home checkups and then refer the women to nearby government or non-government health facilities. The CHPs raise awareness on pregnancy care and ante-natal danger signs and follow up to ensure that ANC and PNC visits are made to health facilities.

CHPs also keep a check on whether clients have taken their Tetanus Toxoid (TT) doses and completed the Intermittent Presumptive Therapy (IPT) courses, which is a promising treatment against childhood malaria in Africa. They also raise awareness on the importance of Voluntary Counselling and Testing (VCT) for HIV/AIDS, and Preventing Mother to Child Transmission of HIV (PMTCT).

Malaria Control

During household visits, the CHP identifies suspected cases of malaria and refers the patients to the nearest government health centres. She follows up to determine test results and ensures that the patient is taking their anti-malarial medication. A relative of the patient is put in charge of supervising the drug intake according to their prescription. The CHP conducts a follow-up visit to check on the patient's recovery and to make sure that the patient has not developed further complications. Records of this information are kept in her household visit register.

CHPs also sell Insecticide Treated Nets (ITN) in the community and promote the concept of every family member sleeping under a net. She ensures that nets are treated every six months and sells K-O TABS, which are insecticides that are dissolved in water and sprayed on mosquito nets to restore potency.

BRAC has received government permission to distribute ACT (Artemisinin Combination Therapies), a three-day malaria treatment that must be taken under the supervision of a CHP.

Family Planning

During regular household visits, the CHP mobilises and motivates women to use modern methods of contraception. She provides clients with birth control pills and condoms. For other temporary and/or permanent methods, couples are referred to government primary and secondary health care facilities.

Community Health Initiatives

BRAC takes a multi-pronged approach to community health education. In addition to establishing EKO's - Ekibina Kyobulamu Obulungi - or "good health community committees", we offer community health forums on issues such as malaria, TB and HIV prevention, maternal health, family planning and sanitation.

Basic Curative Services

CHPs are trained to diagnose and treat some basic illness such as diarrhea, dysentery, common cold, helminthiasis, anaemia, ringworm, scabies, hyperacidity and angular stomatitis. They also sell Artemisinin Combination Therapies (ACT) to treat malaria. They refer individual patients with more complicated conditions to local public and private health facilities. CHPs earn a small income by selling over-the-counter medicines to patients.

Community-Based TB Control Programme

Through CHPs, BRAC implements a well-tested, community-based approach for increasing and sustaining TB case detection and treatment. During household visits, CHPs ask simple questions related to suspected TB cases (based on symptoms). When a suspected TB victim is identified, the CHP motivates him/her to get tested at the nearest government facility. She explains the dangers that TB can pose to the sick person as well as the rest of the family. She then follows up on the patient to determine the test results.

If the patient tests positive, the CHP can also act as a Direct Observation Treatment - Short Course (DOTS) agent. DOTS involves second party observation of a TB infected person taking a prescribed course of medication so that patients do not default on taking their medication, which results in drug resistance.

Since October 2010, the Ugandan health department started operating an intensified community-based TB programme in 4 districts - Pader, Kitgum, Arua and Nebbi - with financial support from TB Reach (WHO). In its 3 months of operation, the project has achieved the following:

- Setting up of three laboratories
- Identification and sputum examination of 1,480 suspected TB patients and done
- Identification of 105 new smear positive through microscopic examination
- Initiation of community-based DOTS for 73 patients.

Education



Children in Internally Displaced Persons (IDP) camps in Kitgum are learning to read and write for the first time in a BRAC School.

Programme Highlights

"I couldn't go to school before because my mother had no money to support my education. I am happy now that I can study for free. What I like most about the BRAC school are the demonstrations, especially counting using my fingers. I want to study up to university and become a policeman."

Simon Odokonyero (10), a primary level 2 student at Pager 1 Learning Centre in Kitgum.

In post-conflict Northern Uganda, BRAC has pioneered an education programme for children who never had the chance to go, or had dropped out of, primary school.

The Ugandan government first approached BRAC in 2006 to address the urgent need for schools in the camps for Internally Displaced Persons (IDPs). In response, we opened 122 "second-chance" learning centres in the camps. We successfully integrated 2,172 students from these schools into state schools with the support of the district education offices and UNICEF. A 2009 study by our research and evaluation unit for East Africa programmes indicated that in a sample of four government schools, BRAC graduates were competing effectively with mainstream students on a simple test of literacy and numerical skills.

Between late 2008 and early 2009, refugees moved out of the camps back to their home villages and towns, so we closed the camp schools and opened 265 village schools in Pader and Kitgum districts. The MasterCard Foundation funded 257 of the schools while individual donors provided support for the rest.

BRAC's education initiative is designed to complement the government's efforts to provide educational opportunities for all children without discrimination. Our alternative approach to education, focusing on the basic skills of reading, writing and arithmetic, draws from the innovations of our low-cost, non-formal primary education model that operates nationwide in Bangladesh and Afghanistan.

We have adapted our approach to meet the needs of the situation in northern Uganda. As the students progress, they are mainstreamed into government-run primary schools.

While the camp schools focused on children, aged 10 to 15 as well as older adolescent girls who had become child mothers, the village schools have enrolled younger students as well.

Of the 6,993 students currently enrolled in the village schools, 85% are girls. Adolescent girls are vulnerable to early and unwanted pregnancies and have little knowledge about family planning, Sexually Transmitted Infections

(STIs) and other reproductive health issues. BRAC's research assessment of the schools recommended formal integration of life skills training as part of education for the adolescent girls. After completion of the two year training, older students who may not be mainstreamed in government primary schools are enrolled in BRAC's adolescent clubs and provided life skills and livelihood trainings.

In 2009, we also initiated a health education programme in our schools. BRAC recruited health workers to develop manuals and provide training for teachers. Trained teachers spend 30 minutes of their time every week to deliver health messages to the students. The main topics covered are immunisation, safe drinking water, sleeping under treated mosquito nets, personal hygiene, hand washing and sanitation.

ACHIEVEMENTS 2010

6,993 students (85% girls) enrolled in and 3,830 students graduated from **265** village schools

2,172 students integrated into state schools from our schools in IDP camps.

265 BRAC school teachers trained



A teacher helps her student solve a math problem on the blackboard at a BRAC School.

Programme Description

The overall goal of BRAC's alternative learning programme in northern Uganda is to educate children who have dropped out of school or never enrolled so they can make the transition to the formal government school system. The programme's specific objectives are to:

- Support government efforts to achieve "education for all"
- Increase enrolment and contribute to the basic education of the country's deprived children
- Increase access for girls in education through the non-formal system
- Ensure enhanced participation of women in education
- Provide employment opportunities to women as para-professional teachers
- Involve communities in their own socio-economic development

We admit 30 to 35 pupils per school and employ one teacher to teach a two-year school cycle. We follow the Government Primary School Curriculum. Once pupils reach primary level 3, they can be mainstreamed into public schools. All learning materials are provided free of charge. The teachers are recruited from local communities and must have completed their school education up to secondary level 4.

The main features of our approach are:

- School timing flexibility
- Operating in close proximity to students' home
- Small class sizes managed by female teachers
- Little or no homework
- Child-friendly teaching environment
- Relevant curriculum providing basic education and life skills
- No financial cost for students or guardians
- Close involvement of parents and communities in school management

We conduct house-to-house surveys to identify prospective students and teachers and cross check our findings with local education officials to identify dropouts and avoid duplication.

Newly recruited teachers are given 20 days of basic training designed to be proactive and participatory, placing emphasis on practice and role-play teaching. Teacher training includes topics such as the basic concepts of education, child psychology, different teaching and learning techniques and how to deal with children with special needs.



Young women and adolescent girls learn about healthy diet and nutrition from a flip-chart in a BRAC School .

Teachers also receive monthly refresher training throughout the school cycle to strengthen their abilities. All teachers are women, which helps make parents feel comfortable sending their daughters to school. This also serves to increase the status of women in the community.

A school building is rented in the local community, normally a one-room structure made of bamboo or mud which is no further than one kilometre walking distance from the students' houses.

Students are taught a curriculum that encompasses both basic primary education as well as relevant life skills, such as topics related to health and agriculture. Flexible school times and a no-homework policy allow children to complete daily chores and other productive activities. Zero financial costs to parents and students plus a relevant curriculum result in extremely low dropout rates.

BRAC employs Programme Organisers locally to help supervise the teachers and schools on the ground. Their responsibilities include surveying the households, identifying potential students, teachers and location of school houses and conducting meetings with parents and other stakeholders. They supervise each school at

least once a week and provide support to the teachers in their classroom teaching. They also check students' performance, attendance, teachers' lesson plans and the evaluation register and make suggestions for improvements.

The programme will contribute to the basic education of the most deprived children in Uganda, while also promoting increased female participation in education, not only as students but as teachers.

Karamoja initiatives



Women walk almost a mile everyday to collect drinking water in Karamoja, one of the poorest regions of Uganda.

In 2010, BRAC launched a 4-year development campaign, run in partnership with UNICEF, to provide support in Water, Sanitation and Hygiene (WASH) and early childhood and youth development interventions in the sub-region of Karamoja.

The Karamoja sub-region has been historically marginalised, trapped in a vicious cycle of natural disasters, conflict and limited investment. This has perpetuated poverty and hunger in the region and posed major challenges for development. As part of an effort to develop the region, BRAC, in collaboration with UNICEF, has intensified activities aimed at raising awareness and empowering the people and communities within Karamoja.

Programme Components

Enterprise development

BRAC designed the enterprise development programme, targeting mainly demobilised young girls, for income generation, alternative livelihoods and employment initiatives. The programme has 5 components: poultry, computer training, hair dressing, tailoring and agriculture. These components are supported by the financial and business management training provided to the girls and subsequent supply of inputs which enable them create and sustain their own jobs and live independently. We are working with pastoralist girls to tackle the specific constraints to their participation, which will allow them to become empowered, earn respect in their communities and participate not only in their own development but ultimately that of their country's.

Supporting learning

A vast body of research has demonstrated that Early Child Development (ECD) programmes benefit children, families, and communities. The reduced dropout and repetition rates, improved school achievements, greater adult productivity and higher levels of social and emotional functioning encouraged by ECD programmes make them a highly cost-effective means of strengthening society as

a whole by ensuring that its individual members live up to their full potentials. The ECD centres will work towards these objectives and motivate children to continue their education at the primary level.

The ECD, youth and Alternative Basic Education for Karamoja (ABEK) centres will be integrated so as to have maximum impact on all age groups of children and youth. BRAC will setup computers at each of these facilities.

Children in the region enroll in primary school at a later age compared to other regions. In addition to supporting the expansion of the existing ECD facilities in Karamoja, BRAC will also work to support the 'catching up' phase of their learning process.

The proposed learning centres will enable children to access education and will also promote community support through mothers' forums and community and parents' meetings. BRAC will encourage parents to send children to school at the appropriate age.

Youth Development Centres

120 Youth Development Centres are being established in Karamoja to bring together adolescent girls aged 13 to 21. The centres provide the girls a safe space for socialising, playing games, engrossing in music and drama, networking, sharing information and engaging in collective action. These centres are also platforms from which the programme implements livelihood interventions for the youth in this marginalised area.

Social monitoring

BRAC, in partnership with UNICEF, has set up an SMS-based social monitoring system within the programme areas. Youth from the resource centres, equipped with mobile phones, were trained to become community-based social monitors. This service is helping monitor not only BRAC's initiatives but also various social programmes of the government and other NGOs.

Innovations

BRAC is leveraging the resource centre infrastructure to pilot multi-sectoral innovations in livelihood development, energy and water and sanitation. It is anticipated that these projects will facilitate in improving income and enhancing the lives of the people living in the region. Examples of innovations to be piloted through the resource centre are:

- Water transportation through appropriate and accessible technology
- Motorcycle-based community transport vehicle operated under a market-based model by a local entrepreneur
- Access to alternative, energy efficient, locally available fuels
- Production of handmade bricks
- Production and marketing of latrine slabs
- Community water treatment through UV plant

Child Monitoring and Protection

BRAC is promoting the Child Help Line in Karamoja to ensure children are aware and can easily access this support service. The service itself is of a confidential nature, so BRAC's role is primarily to ensure that children accessing the youth and ABEK centres are aware of this service and role it can play in protecting them. In addition, BRAC is utilising its community outreach network to mobilise young people and key community members to function as social monitors so that real-time feedback can be obtained on the provision of services, distribution of resources and utilisation of supplies

Improving functionality of WASH facilities

BRAC is supporting the improvement in functionality of safe water supplies through revitalisation of a community-based maintenance system. This involves structured community dialogue with water users to build ownership, provide improved water transport and preservation facilities and promote the low-cost, three-pitcher purification system. The water users in target areas are mobilised to revitalise water and sanitation committees, school management committees and health unit management committees.

It is anticipated that at the end of the project, the following will be achieved:

- Increased numbers of 6 year old children (girls and boys) enrolling into primary one (increased intake rate from 29.3% to 50% in target areas).
- Increased community capacity, ownership and involvement in ECD (6,000 children aged 3-5 years access and utilise 100 established ECD centres)
- 4000 youth aged 12-21 years access information and social networks in the 120 established youth centres and empowered with life and livelihood skills.
- 2400 youth apply acquired life and livelihood skills, financial and stress management skills in their social network and livelihood programmes.
- Increased access to safe water for community people from 40% to 60% in target areas.
- At least 50% of the households in the target areas have improved knowledge on hygienic latrines and sanitation through sensitisation.
- Pilot and successfully test innovative solutions to improve access to safe drinking water and sanitation, energy, and transportation.

Recruitment, Training, Research & Monitoring



BRAC Uganda staff attend a Training of Trainers session on General & Applied Sciences on Health in TARC in Wakaliga in Western Kampala.

TRAINING & CAPACITY DEVELOPMENT

BRAC considers capacity development of its staff a priority and has therefore already established two Training and Resource Centres (TARCs) in Uganda. The goal behind establishing these TARCs is to improve the management competencies of development practitioners and enhance inter-personal and operational skills of programme participants and development professionals. Through training, BRAC aims to:

- Develop a committed and skilled workforce which will work to fulfil BRAC's vision and mission
- Provide consistent and appropriate inputs in building the capacity of BRAC's human resources for the successful implementation of its programmes in Uganda
- Ensure human resource capacity meets the requirements of programmes and work to fill any gaps
- Support efficient and high-quality implementation of development programmes

In order to achieve these objectives, BRAC conducts hand-on staff training on relevant topics. Systematic interventions are conducted to improve performance

and emphasis is placed on the capacity building of trainers as well as other professionals.

The TARCs support the capacity development process through initiatives such as cultural adaptation towards effective management, games and co-curricular activities, training of trainers, accounts, financial and operational management courses, programme-specific courses, basic and foundation training, life skill training, financial literacy, refreshers courses, etc.

The training programmes have been successful in creating an enabling environment where national and expatriate staffs work cooperatively to achieve organisational goals. BRAC in Uganda has seen a reduction in employee turnover and an improvement in communication between staff. Other accomplishments attributed to training include increased job satisfaction and employee motivation, increased process efficiency and the resulting financial gains and increased capacity to adopt new technologies and methods.



Applicants check for their names on the notice board after a job interview at the country-office of BRAC in Uganda .

The training unit in Uganda also plays a pivotal role in innovating new initiatives such as the cross cultural management training. Participant surveys have shown that the training makes a sustained impact on improving working relationships and employee satisfaction within the organisation. Therefore, BRAC in Uganda is helping to train teams in other BRAC programme countries in Africa to adopt a similar training exercise.

RECRUITMENT

In 2010, with support from the MasterCard Foundation, the training team began recruiting talented college graduates for BRAC's programme in Uganda. The goal was to bring in top talent from around the country, provide them with intensive, hands-on management-level training and promote them to mid-level management positions within the organisation. The programme is helping BRAC to attract the best students and professionals – who bring with them a fresh perspective, innovative ideas and diverse skill-sets.

Training Courses 2010

Cultural Adaptation Toward Effective Management	44
Training of Trainers	15
Basic Computer Training	101
Games and Co-curricular Activities	97
Accounts Management Course	110
Monitoring and Evaluation	19
Financial Management Course	15
Operational Management	42
Microfinance Management	162
Small Enterprise Analysis	45
Foundation Training for Education Staff	28
Basic Training for ELA Mentors	259
Financial Literacy Course	70
Life-Skills Training for ELA Mentors	85
Basic Training on Health	15
Crops Management	77
Primary poultry & Live stock health care	128
Animal Health and Medicine Use	38
Refresher for small enterprise Analysis	36
Refreshers on Microfinance Management Course	106
Training for surveyors	55
Others	265



BRAC staff conducting a survey in Arua district.

RESEARCH & EVALUATION

The Research and Evaluation Unit for BRAC's programmes in East Africa has grown significantly in terms of staff and projects undertaken. Based in Kampala, the unit is an in-house but independent facility supporting BRAC's existing development programmes in Uganda, Tanzania and Southern Sudan with continuous and rigorous evaluation. The unit provides analysis of emerging issues, providing avenues for continued innovation and effectiveness.

BRAC researchers make use of hand-held personal digital assistants (PDAs) and global positioning systems (GPS) receivers to maximise the speed of data capture. GPS devices are used to collect geographical coordinates in various research projects. The research findings are a critical means of communicating with wider audiences about BRAC experiences on what works and what does not. We present papers at conferences and report on our findings at workshops for BRAC staff and also share reports with partners and academic institutions. We conduct studies in collaboration with researchers from partner research institutions.

Collaboration with other research institutions:

BRAC research department accords priority to collaboration with leading research institutions around the world. Current research partners include the Makerere Institute of Social Research (MISR), with whom we have signed a memorandum of understanding. We also collaborate with the World Bank in Southern Sudan where they have initiated an Adolescent Girls' Initiative (AGI).

Major Research Activities:

In 2010, the following research projects were completed;

Agriculture Midterm survey

The design of the large-scale "Microfinance Multiplied" (MFM) study embedded a survey component that allows a comprehensive assessment of the agricultural activities of survey participants. The aim of the study was to investigate the agriculture programme's short-run success in improving input usage and cropping techniques in intervention areas. The scope of potential outcome variables focused on indicators informative about activities related to agricultural production which may be influenced by the BRAC programme operation. The survey revealed that;

- BRAC Agriculture intervention has diversified main source of household earnings.
- Farmers' perception is that BRAC has improved their economic situation.
- Because of BRAC intervention, a significantly higher number of farmers are now using modern cultivation methods and agricultural inputs.
- BRAC's involvement significantly increased in the past 6 months. This was evidenced by higher overall visit of community agricultural promoters to provide modern agricultural services.



BRAC staff collecting data for research in Kitgum district.

Health survey

The health survey assessed the health seeking behaviours relating to maternal and child health and the possession and usage of mosquito bed nets in selected districts in northern and central Uganda. The survey used innovative approaches following a Randomised Control Trial (RCT) from households with children under 5 years of age, consisting of 3,799 households and by the end of the project, conclusions were made on key variables which called for refocusing of intervention measures. It was clear that opportunistic diseases such as malaria and diarrhea were common among children under five and pregnant women yet health seeking behaviour was lacking and usage of bed nets was relatively low among others. This exposed gaps for further intervention by BRAC's health programme. Other surveys completed include;

1. Large scale Microfinance Multiplier baseline survey in Uganda.
2. Empowerment and Livelihood for Adolescent (ELA) repeat survey in Uganda.

Research Publications:

The following articles were published;

1. "Intentions to Participate in Adolescent Training Programmes: Evidence from Uganda" published in Journal of the European Economic Association April–May 2010 8(2–3):548–560
2. "Possession and Usage of Insecticidal Bed Nets among the People of Uganda: Is BRAC Uganda Health Pursuing a Pro-Poor Path?" published in PLoS ONE 5(9): e12660, September 2010.

MONITORING AND AUDITING

BRAC has strengthened its monitoring and internal audit functions in Uganda and swift, decisive action is taken in cases of mismanagement and misappropriation.

A major achievement for the 15-member monitoring department was to decrease the cash-in-hand and cash-at-bank at the field level so that the idle money would not hamper the productivity of programmes.

The audit department ensures the accountability and authenticity of every financial transaction and financial statement. This department also pinpoints any mismanagement and misallocation of financial resources in different programmes. Currently, eight auditors are working to verify all bill vouchers, accounts, money transfers, petty cash, daily collection registers, cash books, loan security withdrawals and installment sheets for the microfinance and small enterprise programmes in Uganda.

Partnerships



WORKING WITH THE GOVERNMENT OF UGANDA

BRAC collaborates closely with the Government of Uganda on realising its vision of “Bonna Bagaggawale”, which means “Prosperity for All”. Operating under a memorandum of understanding signed with the government in 2008, we have undertaken several partnership initiatives - for example, in the agriculture, poultry and livestock sector, BRAC’s livestock artificial insemination promoters have been trained at the Entebbe Livestock Training Centre and our staff have taken courses at the Government Zonal Training Centre. We are also working with the National Crops Resources Research Institute to test hybrid rice seeds and with the National Agriculture Research Organisation to develop crop and vegetable seeds. There are other collaborations on health and youth education.

OTHER COLLABORATIONS

BRAC’s tremendous growth in Uganda has been possible due to strong partnerships with foundations, UN agencies and other NGOs in addition to the government. The MasterCard Foundation’s partnership with BRAC in Uganda gave us a major boost in our ability to reach hundreds of thousands more of the country’s poorest people. The 27 month partnership, which runs until December 2010, provides USD 19.6

million to expand our integrated, microfinance multiplied development approach. With the foundation’s support we have been able to open 51 new microfinance branches, which provide loans as well as livelihood development services in agriculture, poultry and livestock and health. MasterCard’s support has also helped us launch innovative pilot projects, strengthen the capacity of our country office and build a superb research team. In addition, we have been able to expand our youth education initiatives focused on adolescent girls and out-of-school children.

In 2009, BRAC began partnering with UNHCR, the UN refugee agency, on a new initiative extending microcredit to returning refugees in the northern district of Pader. The main objective of this pilot programme is to help returnees resettle in their home villages after coming back from camps for internally displaced persons. Designed to reduce vulnerability and dependency on relief, the small-scale project disbursed USD 20,670 to 142 borrowers as it got under way in 2009.

BRAC’s research and evaluation unit finalised a memorandum of understanding with the Makerere Institute of Social Research in Kampala. The partnership will focus on joint research projects, sharing their findings with a broad audience and contributing to the quality of research and evaluation studies.



Ruth Wamulo, the first microfinance borrower of BRAC in Uganda, working in her canteen which she started with a loan from BRAC.

This past year, we continued to partner with the Nike Foundation, which provides microloan funding for the Empowerment and Livelihood for Adolescents programme, and Kiva, which posts profiles of BRAC's members in Uganda on its website and attracts individual microfinance donors.

The Horace Goldsmith Foundation gave a grant for microfinance and Living Goods provided funds for the health programme. From the end of 2008 through 2009, BRAC received USD 12.25 million of its USD 37 million shares of the BRAC Africa Loan Fund for its programmes in Uganda. The seven-year fund provides long-term debt funding from investors through a special-purpose company. The capital is used to make loans to BRAC microfinance operations in Uganda, Tanzania and Southern Sudan.

In 2010, BRAC developed a partnership with UNICEF for the provision of services aimed at revitalising the Karamoja sub-region with key focus on youth development and early childhood development. In the same year, we also established a partnership with World Health Organization for the campaigns against TB in the four districts of Pader, Nebbi, Kitgum and Arua.

PIONEERING PARTNERSHIP WITH THE MASTERCARD FOUNDATION BRINGS GENERATIONS OF PROSPERITY TO POOR HOUSEHOLDS IN UGANDA

Back in April 2006, a woman named Ruth Wamulo living outside Iganga, a town of 100,000 people in Eastern Uganda, first heard about an organisation called BRAC. A community organiser came to her house and told her that she was conducting a survey to assess if she would be eligible to participate in BRAC's micro-lending programme. Ruth was engaged in a trading business buying maize, rice and beans from farmers and selling them to restaurants and eateries in the area. It was difficult to make ends meet, the income from her business was barely enough to continue supporting her family and cover the educational expenses of the five school-aged children. When Ruth heard about BRAC's microfinance programme and the opportunity to access collateral-free loans, she was eager to join.

In June 2006, Ruth took a USD 150 loan from BRAC, becoming the organisation's first microfinance borrower in Uganda. She was quickly able to expand her business and took out second and third loans, each bigger than the previous loan to meet the need for capital in her growing business. In 2008, when

Busoga University, the largest university in Iganga town was looking for someone to open a privately-operated canteen, Ruth took up the challenge, and she knew she could count on BRAC to find the capital she needed. She called the business Shawe Catering Services, named after her youngest son and started it with her saved income and USD 500 loan from BRAC. Shawe Catering Services today employs four full-time workers and several part-timers and generates revenues of USD 750 a month.

Four and half years after she took her first microfinance loan from BRAC, on 16th December 2010, Ruth took a public taxi from her small town and arrived at Hotel Kampala Serena. Ruth was being honored that evening for her remarkable entrepreneurial ability, resourcefulness and resilience. She was a recipient of the Citi Microentrepreneurship Award and was chosen from a pool of hundreds of nominated entrepreneurs. Another BRAC borrower, Theresa Twinomugisha also received the award the same evening. The Citigroup Foundation organised the competition in collaboration with the Association of Microfinance Institutions of Uganda (AMFIU) to recognise the extraordinary contributions that individual micro-entrepreneurs have made to the economic stability of their families and their communities in Uganda. Ruth was almost in tears when she recounted her journey and still fondly remembers that day in the Spring of 2006 when a BRAC community organiser came knocking on her door.

Ruth is not alone in her journey. Every single day, BRAC's staff meet thousands of women at their homes and villages, disburse new loans to them, help them improve crop yields, prevent their chickens from dying, and empower the adolescent girls and other young people in their community. More importantly, the staff continue to knock on the doors of those who are still at the stage that Ruth was four and half years ago and give them the opportunity to change their lives.

<Insert action shot of Ruth in her canteen>

It's a monumental effort, lead by 1,800 staff in 130 offices across the country, and fuelled by a catalytic partnership with the MasterCard Foundation, which is bringing generations of prosperity to millions of poor households in Uganda.



FINANCIAL STATEMENTS

**BRAC UGANDA LIMITED
(BRAC UGANDA)**

For the year ended
December 31, 2010

BRAC UGANDA
DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Mr. Fazle Hassan Abed	-	Chairman
Dr. Mahabub Hossain	-	Member
Mr. Muhammad A. (Rumeel) Ali	-	Member
Dr. Imran Matin	-	Member
Mr. Tanwir Rahman	-	Member

ADMINISTRATORS

Mr. Ariful Islam	-	Country Representative
------------------	---	------------------------

PRINCIPAL PLACE OF BUSINESS : Off Entebbe Road, Nyanama
Plot 90, Busingiri Zone
P O Box 31817
Kampala Uganda

REGISTERED OFFICE : Off Entebbe Road, Nyanama
Plot 90, Busingiri Zone
P O Box 31817
Kampala, Uganda

COMPANY SECRETARY : Tanwir Rahman
Director Finance
BRAC International
BRAC Centre, 75 Mohakhali, Dhaka
1212, Bangladesh

AUDITORS

KPMG
3rd Floor, Rwenzori Courts,
Plot 2 & 4A, Nakasero Road,
P.O. Box 3509
Kampala
Uganda

BANKERS

Standard Chartered Bank Uganda Ltd
Plot 5 Speke Road
P.O. Box 7111
Kampala, Uganda

BRAC UGANDA
DIRECTORS' REPORT
For year ended 31 December 2010

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2010, which disclose the state of affairs of BRAC Uganda, in accordance with section 157 of the Ugandan Companies Act (CAP 110).

(a) Incorporation

BRAC Uganda Ltd got incorporated as a company limited by guarantee on 18th On 30 September 2009 as an independent company. The organisation prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively. The organisation was duly registered under non-governmental organisation's registration statute (1989) on 19th march 2010 as BRAC Uganda.

On 30th day of September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited.

The two entities effectively commenced trading separately on 01st January 2010 and we have therefore prepared separate financial statements for BRAC Uganda and BRAC Uganda Microfinance Ltd. BRAC Uganda registered with the registrar of companies on 18th March 2010 as company limited by guarantee under the names of BRAC Uganda Limited. The organisation was then duly registered under non-governmental organisation's registration statute (1989) on 19th march 2010 as BRAC Uganda.

(b) Principal activities

The organization provides charitable and welfare activities on non-profit basis, engage in poverty eradication, promoted women empowerment in rural areas, provide sanitation and clean water and provide basic education for school dropouts in rural areas in over 43 districts in Uganda.

(c) Results from operations

The results for the entity for the year ended 31 December 2010 are set out on page 8.

(d) Directors

The directors who served during the year are set out on page 2.

(e) Directors benefits

No director has received or become entitled to receive any benefits during the financial year.

(f) Auditors

The auditors, KPMG who were appointed during the year, have indicated their willingness to continue in office in accordance with Section 159(2) of the Uganda Companies Act (CAP 110).

(g)

Approval of the financial statements

The financial statements were approved by the directors at a meeting held on April 07 2011.

By order of the Board

Signed..........

Date: 2.4.11

SECRETARY

BRAC UGANDA
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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. They are also responsible for safe guarding the assets of the company.

Under the Ugandan Companies Act, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company.



The directors accept responsibility for the financial statements set out on pages 8 to 30, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Ugandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit for the year ended 31 December 2010. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Going concern

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 2011 and were signed on its behalf by:

Director : 
Director : 

Date: 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda which comprise the Statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the period then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set on pages 8 to 32. We have not audited the memorandum figures reported in United States Dollars (USD) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

As stated on page 5, the company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Uganda as at 31 December 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

Report on other legal requirements

As required by the Ugandan Companies Act, we report to you based on our audit, that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books; and

(iii) The statement of financial position and the statement of comprehensive income are in agreement with the books of account.

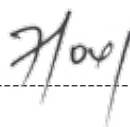


KPMG

Certified Public Accountants

P O Box 3509

Kampala, Uganda

Date: -----2011

BRAC UGANDA
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2010

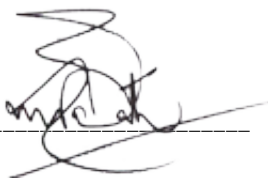
	Notes	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Grant income	3	11,348,246,614	9,075,942,674	5,088,899	4,069,929
Other income	4	466,836,693	504,638,773	209,344	226,295
Foreign exchange (losses)/gains		(1,269,194)	606,323,202	(569)	271,894
Total income		11,813,814,113	10,186,904,649	5,297,674	4,568,118
Staff costs and other benefits	5	(3,130,960,494)	(3,131,426,804)	(1,404,018)	(1,404,228)
Training, Workshops & Seminars	6	(2,284,154,080)	(2,212,107,525)	(1,024,284)	(991,976)
Occupancy expenses	7	(768,799,152)	(392,996,142)	(344,753)	(176,231)
Other general & Administrative expenses	8	(5,231,887,814)	(3,547,411,727)	(2,346,138)	(1,590,767)
Depreciation	10	(176,065,687)	(132,796,157)	(78,953)	(59,550)
Operating surplus		221,946,886	770,166,294	99,528	345,366
Taxation	9	-	-	-	-
Surplus reserve		221,946,886	770,166,294	99,528	345,366

The notes are an integral part of these financial statements

BRAC UGANDA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 Ushs.	2009 Ushs.	2010 USD	2009 USD
ASSETS					
Non-current assets					
Property and equipment	10	880,845,817	688,242,936	394,998	308,629
Current assets					
Cash and bank	11	9,148,820,173	6,884,151,727	4,102,610	3,087,064
Inventory	12	550,625,808	351,443,236	246,917	157,598
Other receivables		15,208,671	46,637,364	6,820	20,914
Related party receivables	14	82,980,243	(776,986,973)	37,211	(348,426)
		9,797,634,895	6,505,245,354	4,393,558	2,917,150
Total assets		10,678,480,712	7,193,488,290	4,788,556	3,225,779
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other payables	13	614,087,757	361,991,379	275,376	162,328
Due to related parties	14	373,980,534	262,000,988	167,704	117,489
		988,068,291	623,992,367	443,080	279,817
Capital fund					
Donor funds	15	8,698,299,242	5,799,329,629	3,900,583	2,600,596
Retained surplus		992,113,179	770,166,294	444,894	345,366
		9,690,412,421	6,569,495,923	4,345,476	2,945,962
Total liabilities and capital fund		10,678,480,712	7,193,488,290	4,788,556	3,225,779

The financial statements on pages 8 to 32 were approved by the board of directors on 2011 and were signed on its behalf by:

Director 

Director : 

BRAC UGANDA
STATEMENT OF CHANGES IN CAPITAL FUND
For the year ended 31 December 2010

	Donor funds	Retained surplus	Total capital fund	Total capital fund
	Ushs	Ushs	Ushs	USD
At 1 January 2009	7,889,230,837	-	7,889,230,837	3,537,772
Donations received during the year	8,742,647,905	-	8,742,647,905	3,920,470
Transferred to MF	(1,756,606,441)	-	(1,756,606,441)	(787,716)
Transfers to SOFP/SOCI	(9,075,942,672)	-	(9,075,942,672)	(4,069,929)
Surplus for the year	-	770,166,294	770,166,294	345,366
At 31st December 2009	5,799,329,629	770,166,294	6,569,495,923	2,945,963
At 1 January 2010	5,799,329,629	770,166,294	6,569,495,923	2,945,962
Donations received during the year	14,247,216,227	-	14,247,216,225	6,388,886
Transfers to SOFP/SOCI	(11,348,246,614)	-	(11,348,246,614)	(5,088,900)
Surplus for the	-	221,946,885	221,946,885	99,528
At 31 December 2010	8,698,299,242	992,113,179	9,690,412,421	4,345,476

The notes are an integral part of these financial statements

BRAC UGANDA
CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 Ushs.	2009 Ushs.	2010 USD	2009 USD
Net cash provided by/(used in) operating activities	16	(265,632,597)	4,258,974,274	(158,240)	1,909,854
Cash flow from investing activities					
Acquisition of fixed assets		(368,668,570)	(419,424,798)	(165,322)	(188,083)
Net cash provided by/(used in) investing activities		(368,668,570)	(419,424,798)	(165,322)	(188,083)
Cash flow from financing activities					
Increase/(decrease) in deferred income		-	305,092,533	-	136,813
Increase/(decrease) in grants received in advance		2,898,969,613	(2,394,993,708)	1,299,986	(1,073,988)
Net cash provided by/(used in) financing activities		2,898,969,613	(2,089,901,175)	1,299,986	(937,175)
Net increase in cash and cash equivalents		2,264,668,446	1,749,648,301	976,424	784,596
Cash in hand and at banks, beginning of the year		6,884,151,727	5,134,503,426	3,087,064	2,302,468
Cash and cash equivalents, at year end	11	9,148,820,173	6,884,151,727	4,063,488	3,087,064

The notes are an integral part of these financial statements

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

The following principal accounting policies have been adopted in the preparation of these financial statements:

1. THE REPORTING ENTITY

BRAC began its work in Uganda in June 2006, it chose to work in Uganda because of the opportunities to make a significant difference in a post-conflict country with high poverty and fertility rates as well as demonstrate the potential of its “microfinance multiplied” approach to other in the microfinance industry in Africa.

The Organization was incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively but were still trading during the year under the umbrella of BRAC.

On 30th day of September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited and all Assets and Liabilities that relate to or are in any way connected with the non Microfinance activities it has been operating in Uganda to BRAC Uganda.

BRAC Uganda effectively commenced operations as an independent entity on 1st January 2010.

BRAC's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach –based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles – which distinguish BRAC from other microfinance operators in Africa, are apparent in the way BRAC has designed its operations.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Ugandan Companies Act.

(i) Basis of measurement

The financial statements are prepared under the historical cost convention.

(ii) Basis of preparation

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

(ii) Functional and presentation currency

These financial statements are presented in Uganda shillings (Ushs), which is the entity's functional currency.

The financial statements include figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US \$) at the year end rate of US\$ 1: Ushs 2,230. These figures are for memorandum purposes only and do not form part of the audited financial statements.

(i) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The 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 if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 19.

a) Property and equipment

(i) Recognition and Measurement

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net with other income in profit or loss.

(ii) Depreciation

Depreciation is recognized in profit or loss and calculated to write off the cost of the property and equipment on a reducing balance basis over the expected useful lives of the assets concerned, and intangible assets on a straight line basis. Land is not depreciated

The estimated useful lives for the current and comparative periods are as follows: -

	% Percentage
Motor vehicles, motor cycles and bicycles	20%
Furniture and Fixtures	10%
Equipments	15%

Management and directors review the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating result for the reporting period.

b) Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the foreign exchange rate applicable for settlement. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Ugandan Shilling at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

c) Impairment**(i) Financial assets**

At each balance sheet date BRAC UGANDA assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are considered to be impaired when objective evidence indicates that one or more events that have a negative effect on the estimated future cashflows of an asset.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying value and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognized in profit or loss and Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available for sale securities is recognized in profit or loss. For available for sale securities that are equity securities the reversal is recognized directly in equity.

(ii) Non financial assets

The carrying amounts of BRAC's non financial assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such condition exists, the assets recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount that would have been determined net of depreciation or amortization if no impairment loss was recognized.

(e) Other receivables

Other receivables comprise prepayments, deposits and other recoverable which arise during the normal course of business, they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

(f) Other payables

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the balance sheet date and include: cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements

(h) Provisions

A provision is recognised if, as a result of a past event, BRAC UGANDA has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where BRAC expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

(i) Revenue recognition

Revenue is recognized on an accruals basis.

Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of BRAC UGANDA assets and all realised and unrealised foreign exchange differences.

(j) Grants**(i) Donor Grants**

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities in the Grants Received in Advance Account for the period.

The portion of the grants utilized to purchase property and fixed assets are transferred as deferred Income in liabilities and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the statement of income as grant income.

Grants utilized to reimburse program related expenditure, the amounts are recognized as Grant Income for the period.

Donor grants received in kind, through the provision of gifts and /or services, are recorded at fair value (excluding situations when BRAC Uganda Ltd may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants).

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

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

(ii) Grant income

Grant income is recognized on a cash basis to the extent that BRAC Uganda fulfills the conditions of the grant. This income is transferred from the deferred grant received from Donors and recognized as income in the statement of comprehensive income.

A Substantially portion of BRAC's donor grants are for the funding of Not-for-profit projects and programs, and for these grants, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period.

For donor grants restricted to funding procurement fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed asset

(k) Interest from bank and short term deposits

Interest income on BRAC UGANDA bank deposit is earned on an accruals basis at the agreed interest rate with the respective financial institution.

(l) Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The company does not operate any retirement benefit fund. However severance pay is provided for in accordance with the Ugandan statute. The company also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

(m) Payroll administration costs

Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the company is not able to recover in full such administration costs, they are recognised in the income statement as incurred.

(n) Segment reporting

An operating segment is a component of the company that engages in business activities providing products and services from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of BRAC's other component programmes. All operating segments' operating results are reviewed regularly by BRAC's Country Programme Coordinator to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The company's primary format for segmentation is based on 8 thematic programmes being operated by BRAC UGANDA; these Programmes are listed below;

- Education Program;
- Research Program;
- Training Program;
- Agriculture and livestock Program;
- Health Program;
- Microfinance for IDP Project;
- Empowerment and Livelihood for Adolescents;
- Karamoja Project

(o) Contingent liabilities

The company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

(p) Related party transactions

Related parties comprise directors, subsidiaries of BRAC International and key management personnel of the company and companies with common ownership and/or directors.

(q) New standards and interpretations

Adoption of new and revised standards and interpretations

In 2010 new and revised standards and interpretations listed below became effective for the first time and have been adopted by the company. The adoption of these new and revised standards and interpretations had no material effect on the company's accounting policies.

IAS 31- Investment in Joint Ventures (amendment effective 1 July 2009): Consequential amendments arising from amendments to IFRS 3. This amendment was adopted by the company but it did not have any impact on the results of the company.

IAS 32: Financial Instruments (Effective 1 July 2009): Presentation. Amendments relating to put table instruments and obligations arising on liquidation. The company adopted the amended IAS 32 on presentation. The amended IAS 32 did not have a significant on the results of the company.

IAS 39: Financial Instruments (Effective 1 July 2009): Recognition and Measurement. An amendment for eligible hedged items. The company adopted this amendment but it did not have a significant impact on the performance.

IFRS 3: Business combinations (Effective 1 July 2009): Comprehensive revision on applying the acquisition method. This amendment was adopted but did not have a significant impact on the company's results.

New standards and interpretations not yet adopted.

The Company has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2010 and have not yet been applied in preparing the financial statements.

IFRS 9: Financial instruments: The standard becomes mandatory for annual periods beginning on or after 1 January 2013. The interpretation of this standard could change the classification and measurement of financial assets. The company does not intend to adopt this standard early and the extent of the impact has not been determined yet.

Amendments to IAS 32 – Financial instruments. In October 2009, IASB issued classification of Rights issues amendments to the IAS 32- Financial statements. The interpretation provides guidance on presentation effective 1 February 2010 but is not expected to have a significant impact on the activities of the company.

IAS 24- Related Party Disclosures: In November 2009, IASB revised IAS 24 with an effective date of 1 January 2011. This is not expected to have a significant effect on the financial statements of the company.

IFRIC 14: Prepayments of a minimum funding requirement- This is an amendment to IFRIC 14: IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction. The interpretation is effective for accounting periods beginning on or after 1 January 2011.

IFRIC 19: Extinguishing financial liabilities with equity Instruments: The interpretation provides guidance on accounting for debt for equity swaps. This interpretation is effective for accounting periods beginning on or after 1 July 2010 but is not expected to have a significant impact on the results of the company.

Improvements on IFRS (2010): In May 2010 the IASB issued improvements to the IFRS 2010 which comprises 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of the of the amendments will be effective 1 January 2011. The amendments have not been included in the financial Statements

(r) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

3. GRANT INCOME

	2 010 Ushs	2009 Ushs	2010 USD	2009 USD
Agriculture & Livestock	2,929,712,828	2,774,383,404	1,313,773	1,244,118
Education	1,305,549,673	1,191,566,072	585,448	534,335
Health	2,537,292,133	1,679,296,342	1,137,799	753,048
ELA	2,489,183,555	1,425,064,262	1,116,226	639,042
Research & Evaluation	699,013,934	811,376,131	313,457	363,846
Regional Training centre	980,494,690	1,113,971,323	439,684	499,539
Karamoja	11,777,800	-	5,282	-
IDP	395,221,999	80,285,140	177,230	36,001
	11,348,246,614	9,075,942,674	5,088,899	4,069,929

Grant income relates to the operating expenses incurred by the different projects that are transferred from grants received in advance to the statement of comprehensive income.

4. OTHER INCOME

	2010 Ushs.	2009 Ushs.	2010 USD	2009 USD
Other project income	416,576,781	504,638,773	186,806	226,295
Bank interest income	50,259,912	-	22,538	-
	466,836,693	504,638,773	209,344	226,295

Other project income relates to the income from the sale of the agricultural seeds agriculture and poultry program.

5. STAFF COSTS AND OTHER BENEFITS

	2 010 Ushs	2009 Ushs	2010 USD	2009 USD
Salary as per payroll	2,740,067,684	2,726,670,966	1,228,730	1,222,722
Bonus	76,695,742	46,940,698	34,393	21,050
10% employer NSSF contribution	184,265,357	200,183,485	82,630	89,768
NSSF arrears	-	131,095,387	-	58,787
Tax arrears	129,931,711	26,536,268	58,265	11,900
	3,130,960,494	3,131,426,804	1,404,018	1,404,228

6. TRAINING, WORKSHOPS AND SEMINARS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
External member trainings	1,691,620,882	2,212,107,525	758,574	991,976
Staff training	592,533,198	-	265,710	-
	2,284,154,080	2,212,107,525	1,024,284	991,976

7. OCCUPANCY EXPENSES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Rental charges	657,844,394	352,500,000	294,997	158,071
Utilities	110,954,758	40,496,142	49,756	18,160
	768,799,152	392,996,142	344,753	176,231

8. OTHER GENERAL & ADMINISTRATIVE EXPENSES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Legal fees & audit fees	136,270,907	-	61,108	-
Stationery & supplies	13,369,762	8,936,600	5,995	4,007
Maintenance & general exp	588,814,007	474,755,360	264,042	212,895
Printing, stationary and supplies	129,325,905	1,565,145,680	57,994	701,859
Telephone expenses	49,531,293	-	22,211	-
Program supplies	1,953,402,701	342,319,623	875,965	153,507
Other general expenses	149,810,447	-	67,180	-
Radar accounting package cost	151,122,400	-	67,768	-
HO logistics expenses	279,205,040	55,603,819	125,204	24,934
Travel and transportation	1,781,035,352	1,100,650,645	798,671	493,565
	5,231,887,814	3,547,411,727	2,346,138	1,590,767

9. TAXATION

BRAC Uganda is registered as an NGO, which is involved in charitable activities and therefore falls within the definition of exempt organizations for tax purposes as described in the income tax act, section 2 (bb)-interpretation. Under section 2(bb) (ii), the income tax act states that for an organization to be tax exempt, it should have been issued with a written ruling by the Commissioner stating that it is an exempt organization.

BRAC Uganda was subsequently granted tax exemption as required by Income Tax Act by the Commissioner domestic taxes on 10th February 2011 for a period of two years effective 1st January 2011.

10. PROPERTY AND EQUIPMENT

	Furniture Ushs	Equipments Ushs	Motor vehicles Ushs	Total Ushs	Total USD
Cost					
At 1 January 2009	35,826,720	82,020,760	329,972,833	447,820,313	200,816
Additions	140,391,567	141,704,317	137,328,900	419,424,784	188,083
At 31 December 2009	176,218,287	223,725,077	467,301,733	867,245,097	388,899
Additions	106,165,150	215,351,570	47,151,850	368,668,570	165,322
At 31 December 2010	282,383,437	439,076,647	514 453 583	1,235,913,667	554,221
Depreciation					
At 1 January 2009	2,190,211	17,355,110	26,660,685	46,206,004	20,720
Charge for the year	17,192,188	22,143,622	93,460,347	132,796,157	59,550
At 31 December 2009	19,382,399	39,498,732	120,121,032	179,002,161	80,270
Charge for the year	24,610,396	54,932,181	96,523,111	176,065,687	78,953
At 31 December 2010	43,992,795	94,430,913	216,644,143	355,067,848	159,223
At 31December 2009	156,835,888	184,226,345	347,180,701	688,242,936	308,629
At 31December 2010	238,390,642	344,645,734	297,809,440	880,845,817	394,998

11. CASH AND BANK

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Cash in hand	116,950	-	53	-
Standard Chartered Bank Uganda Limited	9,148,703,223	6,884,151 727	4,102,557	3,087,064
	9,148,820,173	6,884,151 727	4,102,610	3 087 064

12. INVENTORY

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Stock and consumables	550,625,808	351,443,236	246,917	157,598
	550,625,808	351,443,236	246,917	157,598

Stock and consumables includes the amount of the stock of health materials that were not yet sold as at 31 December 2010. These materials are normally sold at subsidized rates to low income earners people in communities.

13. OTHER PAYABLES

	2010 Ushs.	2009 Ushs.	2010 USD	2009 USD
Accrual for expenses	420,808,115	209,528,674	188,703	93,959
Bonus provision	7,587,114	-	3,402	-
Provision for NSSF	30,136,203	152,462,665	13,514	68,369
Provision for cash Shortage	-	-	-	-
Provision for audit fees	49,060,000	-	22,000	-
Salary provision	103,949,370	-	46,614	-
Provision for PAYE	2,546,955	-	1,143	-
	614,087,757	361,991,379	275,376	162,328

14. RELATED PARTY DISCLOSURE**(a) RELATED PARTY RECEIVABLE**

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Brac Bangladesh	82,980,243	(776,986,973)	37,211	(348,426)
	82,980,243	(776,986,973)	37,211	(348,426)

Related party receivables relate to Head office costs which are recoverable from various donor agreements.

(b) RELATED PARTY PAYABLE

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
BRAC Bangladesh	373,980,534	262,000,988	167,704	117,489
	373, 980,534	262,000,988	167,704	117,489

Related party payables relate to amounts owing to BRAC Bangladesh for the settlements of staff costs and operating expenditures on behalf of BRAC Uganda Ltd.

Cash balances

As at 31 December 2010, BRAC Bangladesh held cash balance amounting to Ushs **1,010,589,553 (2009: Ushs 787,966,731)** in Citibank Uganda and standard Chartered Bank Uganda Limited. Both accounts are in the names of BRAC Uganda. The balance relates to reimbursed expenses initially paid by BRAC Bangladesh on behalf of BRAC Uganda. BRAC Uganda has no control over this money and as such its not recorded in its books.

15. DONOR FUNDS

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Donor funds received in advance	15.1	7,817,453,425	5,111,086,695	3,505,584	2,291,967
Donor funds investment in fixed assets	15.1 b	880,845,817	6888,242,934	394,998	308,629
		8,698,299,242	5,799,329,629	3,900,583	2,600,596

15.1 Donor funds received in advance

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Opening balance		5,111,086,695	7,507,069,193	2,291,967	3,366,399
Donations received during the year	15.1 a	14,247,216,227	8,742,647,920	6,388,886	3,920,470
Transfer to MF program		-	(1,756,606,438)	-	(787,716)
Transferred to deferred income					
- investment in fixed assets		(368,668,570)	(306,081,306)	(165,322)	(137,256)
Transferred to statement of income and expenses		(11,172,180,927)	(9,075,942,674)	(5,009,947)	(4,069,928)
Closing balance		7,817,453,425	5,111,086,695	3,505,584	2,291,967

15.1(a) Donations received during the year

	2010 Ushs.	2009 Ushs.	2010 USD	2009 USD
MasterCard Foundation	11,000,957,237	6,516,578,965	4,933,165	2,922,233,
BRAC USA (Well Spring)	-	303,073,830	-	135,908,
BRAC USA	467,775,961	354,830,887	209,765	159,117
Living Goods	901,149,050	851,000,000	404,103	381,614
World Bank	177,177,550	124,041,138	79,452	55,624
UNICEF	822,459,883	593,123,100	368,816	265,974
UNHCR	646,168,376	-	289,762	-
World Health Organisation	215,428,170	-	96,603	-
Gold Smith	-	-	-	-
Bangladesh	16,100,000	-	7,220	-
	14,247,216,227	8,742,647,920	6,388,886	3,920,470

15.1(b) Donations –investments in fixed assets

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Opening balance	688,242,934	382,161, 628	308,629	171,373
Transferred from donor funds received in Advance	368,668,570		165,322	137,256
		306,081,306		
Depreciation charged during the year	(176,065,687)	-	(78,953)	-
Closing balance	880,845,817	688,242,934	394,998	308,629

16. CASHFLOW FROM OPERATING EXPENSES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Excess of income over expenditure	221,946,886	770,166,292	99,528	345,366
Depreciation	176,065,687	132,796,157	78,953	59,550
Cash flow before changes in working capital	398,012,573	902,962,449	178,481	404,916
Changes in working capital				
(Increase)/decrease in inventory	(199,182,572)	315,443,236	(89,320)	141,454
(Decrease)/increase in receivables	31,428,693	(136,438,644)	14,094	(61,183)
Decrease(increase)/decrease in related party receivables	(859,967,216)	1,827,809,571	(385,636)	819,646
Increase of other payables	364,075,925	1,349,197,662	163,263	605,021
Net cash from operations	(265,632,597)	4,258,974,274	(119,118)	1,909,854

17. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2010.

18. CURRENCY

The financial statements are expressed in Uganda Shillings which is the entities functional currency.

19. USE OF ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period.

The 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 periods affected. The estimates and associated assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

BRAC makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management identifies all significant accounting policies and those that involve high judgment and in particular the significant areas of estimation and un-certainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

(i) Impairment

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company regularly reviews its loan portfolio and other assets and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Provisions and contingencies

A provision is recognized if as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. For provisions included in the financial statements see note 11.

20. CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The Credit policy of BRAC Uganda requires all credit exposures to be measured, monitored and managed proactively.

Management of the risk

As set out above, the main activity of the Company is the provision of unsecured loans to group members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Country Representative and the Monitoring department.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	2010 Shs '000	2009 Shs '000	2010 US\$	2009 US\$
Other receivables	15,208,671	46,637,364	6,820	20,914
Related party receivables	82,980,243	(776,986,973)	37,211	(348,425)
	98,188,914	(730,349,609)	44,031	(327,511)

The aging of trade receivables as at the reporting date was:

	2010 Shs '000	2009 Shs '000	2010 US\$	2009 US\$
Between 0-30 days	15,208,671	13,991,209	6,820	6,274
Between 31-60 days	-	32,646,155	-	14,640
Over 90 days	82,980,243	(776,986,973)	37,211	(348,425)
	98,188,914	(730,349,609)	44,031	(327,511)

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institutions facilities.

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

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date.

	Matured Ushs	Less than 30 days Ushs	Between 31- 60 Days Ushs	Over 60 days Ushs	Total Ushs
ASSETS					
Cash and bank	9,148,820,173	-	-	-	9,148 820 173
Other receivables	-	15,208,671	-	-	15,208,671
Related party receivables	-	-	-	82,980,243	82,980,243
Property and equipment	-	-	-	880,845,817	880,845,817
	9,148,820,173	15,208,671	-	963,826,060	10,127,854,904
Capital fund and liabilities					
Other current liabilities	-	(184,226,327)	(61,408,776)	(368,452,654)	(614,087,757)
Due to related parties	-	-	-	(373, 980,534)	(373,980,534)
Donor funds	-	(869,829,924)	(1,043,795,909)	(6,784,673,409)	(8,698,299,242)
	-	(1,054,056,251)	(1,105,204,685)	(7,527,106,597)	(9,686,367,533)
Net (liabilities)/ assets	9,148,820,173	(1,038,847,580)	(1,105,204,685)	(6,563,280,537)	441,487,371

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 continued

21. SEGMENTAL REPORTING
Statement of comprehensive income for the year ended 31 December 2010 (Amount in Uganda Shillings)

	Agriculture & Livestock	Education Program	Health Program	ELA Program	Research & Evaluation	Regional Training Centre	Karamoja-Project	IDP Project	Total
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Income									
Grant income	2,929 712 828	1 305 549 673	2 537 292 133	2 489 183 555	699 013 934	980 494 690	11 777 800	395 221 999	11 348 246 614
Other income	408 109 233	8 376 702	8 376 702	25 220 652	8 376 702	8 376 702	-	-	466 836 693
Exchange gains/losses	(142 510)	(259 770)	(462 970)	(196 254)		(207 690)	-	-	(1 269 194)
Total income	3 337 679 551	1 313 666 605	2 545 205 865	2 514 207 953	707 390 636	988 663 702	11 777 800	395 221 999	11 813 814 113
Expenditure									
Manpower and compensation	1 069 703 400	492 990 155	800 666 828	737 824 886	343 664 581	152 985 244	181 300	145 718 690	3 743 735 086
Travelling & transportation	396 591 911	78 546 637	332 892 251	214 615 802	49 742 025	62 297 838	2 792 100	30 782 200	1 188 260 762
Training, workshops and seminars	448 557 253	129 448 900	426 594 048	687 020 681	117 244 638	458 205 860	3 183 500	13 899 200	2 284 154 080
Occupancy expenses	150 956 372	110 523 370	200 189 423	114 111 313	10 612 112	161 554 840	2 750 000	18 101 720	768 799 153
Other general & administrative expenses	1 082 974 947	468 104 597	750 810 369	709 738 375	152 074 334	119 566 958	2 870 900	164 711 980	3 450 852 458
Depreciation	25 676 244	25 676 244	25 676 244	25 676 244	25 676 244	25 676 260	-	22 008 209	176 065 688
Total expenses	3 174 460 127	1 305 289 903	2 536 829 163	2 488 987 301	699 013 934	980 287 000	11 777 800	395 221 999	11 591 867 227
Surplus/ reserve	163 219 424	8 376 702	8 376 702	25 220 652	8 376 702	8 376 702	-	-	221 946 886
Taxation	-	-	-	-	-	-	-	-	-
Net surplus for the year	163 219 424	8 376 702	8 376 702	25 220 652	8 376 702	8 376 702	-	-	221 946 886

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 continued

Statement of financial position as at 31 December 2010 (Amount in Uganda Shillings)

	Agriculture & Livestock	Education Program	Health Program	ELA Program	Research & Evaluation	Regional Training Centre	Karamoja Project	IDP-Project	Total
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
Assets									
Cash and bank	1 347 562 256	1 262 049 288	925 228 794	1 931 152 336	954 202 068	1 241 651 301	775 382 084	711 592 045	9 148 820 173
Receivables and other current Assets	569 319	0	554 060 360	1 206 300			10 200 000	82 778 742	648 814 721
Property and equipment	408 344 118	109 396 102	178 512 456	12 107 853	53 080 463	90 552 453	25 100 000	3 752 376	880 845 818
Total property and assets	1 756 475 692	1 371 445 390	1 657 801 610	1 944 466 489	1 007 282 531	1 332 203 754	810 682 084	798 123 163	10 678 480 712
Liabilities and capital fund									
Liabilities									
Other current liabilities	98 505 509	59 929 322	269 946 824	94 426 069	33 949 721	27 108 431	0	30 221 882	614 087 757
Due to related parties	76 747 536	22 917 790	39 799 750	191 047 439	23 623 679	19 844 340			373 980 534
Total liabilities	175 253 045	82 847 112	309 746 574	285 473 508	57 573 400	46 952 771	0	30 221 882	988 068 291
Capital fund									
Donor funds	951 837 614	1 216 737 260	1 772 428 373	1 409 186 232	797 869 662	975 741 275	810 682 084	763 816 743	8 698 299 243
Retained surplus	629 385 033	71 861 020	(424 373 337)	249 806 748	151 839 469	309 509 707	0	4 084 538	992 113 178
Total capital fund	1 581 222 647	1 288 598 280	1 348 055 036	1 658 992 980	949 709 131	1 285 250 982	810 682 084	767 901 281	9 690 412 421
Total liabilities and capital	1 756 475 692	1 371 445 392	1 657 801 610	1 944 466 488	1 007 282 530	1 332 203 753	810 682 084	798 123 163	10 678 480 712

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 continued

Statement of comprehensive income for the year ended 31 December 2010 (Amount in United States Dollars)

	Agriculture & Livestock	Education Program	Health Program	Adolescent Program	Research & Evaluation	Regional Training Centre	Microfinance (UNHCR Project)	Microfinance	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Income									
Grant income	1 313 773	585 448	1 137 799	1 116 226	313 459	439 684	5 282	177 230	5 088 900
Other income	183 009	3 756	3 756	11 310	3 756	3 756	-	-	209 344
Exchange gains/losses	(64)	(116)	(206)	(88)	-	(93)	-	-	(569)
Total income	1 496 717	589 088	1 141 348	1 127 448	317 216	443 347	5 282	177 230	5 297 675
Expenditure									
Manpower and compensation	479 688	221 072	359 043	330 863	154 110	68 603	81	65 345	1 678 805
Travelling & transportation	177 844	35 223	149 279	96 240	22 306	27 936	1 252	13 804	523 884
Training, workshops and Seminars	201 147	58 049	191 298	308 081	52 576	205 473	1 428	6 233	1 024 284
Occupancy expenses	67 693	49 562	89 771	51 171	4 759	72 446	1 233	8 117	344 753
Other general & administrative expenses	485 639	209 912	336 686	318 268	68 195	53 617	1 287	73 862	1 547 467
Depreciation	11 514	11 514	11 514	11 514	11 514	11 514	-	9 869	78 953
Total expenses	1 423 525	585 332	1 137 592	1 116 138	313 459	439 591	5 282	177 230	5 198 146
Surplus/ reserve	73 193	3 756	3 756	11 310	3 756	3 756	-	-	99 528
Taxation	-	-	-	-	-	-	-	-	-
Net surplus for the year	73 193	3 756	3 756	11 310	3 756	3 756	-	-	99 528

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 continued

Statement of financial position as at 31 December 2010 (Amount in United States Dollars)

	Agriculture & Livestock	Education Program	Health Program	Adolescent Program	Research & Evaluation	Regional Training Centre	Microfinance (UNHCR Project)	Microfinance	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Assets									
Cash and bank	604 288	565 941	414 901	865 988	427 893	556 794	347 705	319 100	4 102 610
Receivables and other current assets	255	-	248 458	541	-	-	4 574	37 121	290 948
Property and equipment	183 114	49 057	80 050	5 430	23 803	40 606	11 256	1 683	394 998
Total property and assets	787 657	614 998	743 409	871 958	451 696	597 401	363 535	357 903	4 788 556
Liabilities and capital fund									
Liabilities									
Other current liabilities	44 173	26 874	121 052	42 344	15 224	12 156	-	13 552	275 376
Due to related parties	34 416	10 277	17 847	85 671	10 594	8 899	-	-	167 704
Total liabilities	78 589	37 151	138 900	128 015	25 818	21 055	-	13 552	443 080
Capital fund									
Donor funds	426 833	545 622	794 811	631 922	357 789	437 552	363 535	342 519	3 900 583
Retained surplus	282 235	32 225	(190 302)	112 021	68 089	138 794	-	1 832	444 894
Total capital fund	709 068	577 847	604 509	743 943	425 879	576 346	363 535	344 350	4 345 476
Total liabilities and capital	787 657	614 998	743 409	871 958	451 696	597 401	363 535	357 903	4 788 556

FINANCIALSTATEMENTS

BRAC UGANDA MICROFINANCE LIMITED
For the year ended December 31, 2010

BRAC UGANDA MICROFINANCE LIMITED DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Mr. Fazle Hassan Abed	-	Chairman
Dr. Mahabub Hossain	-	Member
Dr. Imran Matin	-	Member

ADMINISTRATORS

Mr. Ariful Islam	-	Country Representative
------------------	---	------------------------

PRINCIPAL PLACE OF BUSINESS	:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P O Box 31817 Kampala Uganda
------------------------------------	---	---

REGISTERED OFFICE	:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P O Box 31817 Kampala, Uganda
--------------------------	---	--

COMPANY SECRETARY	:	Tanwir Rahman Director Finance, BRAC International BRAC Centre, 75 Mohakhali, Dhaka 1212, Bangladesh
--------------------------	---	--

AUDITORS

KPMG
3rd Floor, Rwenzori Courts,
Plot 2 & 4A, Nakasero Road,
P.O. Box 3509
Kampala
Uganda

BANKERS

Stanbic Bank Uganda Limited
17 Hannington Road
Crested Towers
P. O. Box 7131
Kampala, Uganda

Bank Of Africa Uganda Limited
Plot 45 Jinja Road
P.O. Box 2750
Kampala
Uganda

Standard Chartered Bank Uganda Ltd
Plot 5 Speak Road
P.O. Box 7111
Kampala, Uganda

Equity Bank Uganda Limited
Plot 390 Muteesa 1 Road
P O Box 10184
Kampala, Uganda

Barclays Bank (U) Limited
Plot 4 Hannington Road
P O Box 2750
Kampala, Uganda

Tropical Bank Limited
Plot 27 Kampala Road
P O Box 9485
Kampala, Uganda

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS' REPORT
For year ended 31 December 2010

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2010, which disclose the state of affairs of BRAC Uganda Microfinance Limited, in accordance with section 157 of the Ugandan Companies Act (CAP 110).

(a) Incorporation

BRAC Uganda Microfinance Limited got incorporated as a company limited by guarantee on 27th August, 2008 as an independent company. The company prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively.

On 30th day of September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited.

The Company effectively commenced trading independently on 01st January 2010 as BRAC Uganda Microfinance Limited.

Principal activities

- (b)** The Company provides Microfinance activities to improve the livelihood of poor people in over 43 districts in Uganda including extending loan facilities.

Results from operations

- (c)** The results for the Company for the year ended 31 December 2010 are set out on page 8.

Directors

- (d)** The directors who served during the year are set out on page 2.

Directors benefits

- (e)** No director has received or become entitled to receive any benefits during the financial year.

Auditors

- (f)** The auditors, KPMG who were appointed during the year, have indicated their willingness to continue in office in accordance with Section 159(2) of the Uganda Companies Act (CAP 110).

Approval of the financial statements

- (g)** The financial statements were approved by the directors at a meeting held on April 07 2011.
By order of the Board

Signed.....

Date: 2.4.11

SECRETARY

BRAC UGANDA MICROFINANCE LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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. They are also responsible for safe guarding the assets of the company.

Under the Ugandan Companies Act, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company.

The directors accept responsibility for the financial statements set out on pages 8 to 38, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Ugandan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit for the year ended 31 December 2010. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Going concern


The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on April 07 2011 and were signed on its behalf by:

Director

:



Director

:



Date: 7/04/11 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA MICROFINANCE LIMITED

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda Microfinance Limited which comprise the Statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set on pages 8 to 38. We have not audited the memorandum figures reported in United States Dollars (US\$) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

As stated on page 3, the company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Ugandan Companies Act. 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.

Auditors' responsibility

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.


Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Uganda Microfinance Limited as at 31 December 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

Report on other legal requirements

As required by the Ugandan Companies Act, we report to you based on our audit, that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books; and
- (iii) The statement of financial position and the statement of comprehensive income are in agreement with the books of account.


KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda


Date: -----2011

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2010

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Interest income	4	15,309,782,215	8,051,167,076	6,865,373	3,610,389
Interest expense	5	(4,727,964,712)	(2,905,125,604)	(2,120,164)	(1,302,747)
Net interest income		10,581,817,503	5,146,041,472	4,745,209	2,307,642
Fee and commission income	6	960,994,223	694,534,000	430,939	311,450
Foreign exchange gains	7	273,443,595	652,428,222	122,620	292,569
Grant income	22.1&22.2	5,606,443,689	3,424,156,487	2,514,100	1,535,496
Total operating income		17,422,699,010	9,917,160,181	7,812,868	4,447,157
Impairment losses on loans and advances to customers	8	(1,315,916,204)	(1,096,752,957)	(590,097)	(491,817)
Operating income after impairment charges		16,106,782,806	8,820,407,224	7,222,771	3,955,340
Staff costs	9	(6,293,653,883)	(4,956,359,677)	(2,822,266)	(2,222,583)
Other operating expenses	10	(4,094,424,737)	(3,352,613,414)	(1,836,065)	(1,503,414)
Depreciation	18	(210,021,933)	(130,393,215)	(94,180)	(58,472)
Profit before tax		5,508,682,253	381,040,918	2,470,260	170,871
Income tax expense	11(a)	(1,132,107,609)	(389,484,960)	(507,672)	(174,657)
Net profit for the year		4,376,574,644	(8,444,042)	1,962,588	(3,786)
Other comprehensive income		-	-	-	-
Total comprehensive income		4,376,574,644	(8,444,042)	1,962,588	(3,786)

The notes are an integral part of these financial statements

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
ASSETS					
Cash and Bank	12	4,012,524,181	20,074,262,097	1,799,338	9,001,912
Short term deposits	13	15,108,783,111	1,030,451,040	6,775,239	462,086
Loans and advances to customers	14	30,956,526,856	23,153,807,421	13,881,851	10,382,873
Loans and advances relating to managed funds	15	917,822,183	-	411,579	-
Related party receivables	16 (a)	-	3,530,079,638	-	1,582,995
Other assets	17	635,497,109	40,419,309	284,976	18,125
Deferred tax asset	11(b)	230,091,903	79,949,512	103,180	35,852
Property and equipment	18	1,169,755,263	1,042,784,076	524,554	467,616
Total assets		53,031,000,606	48,951,753,093	23,780,717	21,951,459
LIABILITIES AND CAPITAL FUND					
Liabilities					
Loan security fund	19	6,229,520,683	5,683,579,020	2,793,507	2,548,690
Related party payables	16 (b)	228,243,539	942,810,501	102,351	422,785
Borrowings	20	35,113,309,297	35,575,269,372	15,745,879	15,953,036
Other liabilities	21	741,108,127	1,245,467,894	332,335	558,506
Tax payable	11(c)	1,751,684,472	469,434,472	785,507	210,509
Total liabilities		44,063,866,118	43,916,561,259	19,759,579	19,693,526
Capital fund					
Donor funds	22	2,362,594,780	3,759,349,953	1,059,461	1,685,807
Donor funds relating to managed funds	23	952,123,183	-	426,962	-
BRAC contribution	24	835,000,000	835,000,000	374,439	374,439
Retained earnings		4,817,416,525	440,841,881	2,160,276	197,687
Total capital fund		8,967,134,488	5,035,191,834	4,021,138	2,257,933
Total liabilities and Capital fund		53,031,000,606	48,951,753,093	23,780,717	21,951,459

The financial statements on pages 8 to 38 were approved by the board of directors on April 07 2011 and were signed on its behalf by:

Director : M. Hossain

Director : [Signature]

BRAC UGANDA MICROFINANCE LIMITED
CAPITAL FUND

For the year ended 31 December 2010

	Donor funds Ushs	Donor funds relating to managed funds Ushs	Retained earnings Ushs	BRAC contribution Ushs	Total capital fund Ushs	Total capital fund USD
At 1 January 2009	2,486,218,835	-	449,285,923	835,000,000	3,770,504,758	1,690,809
Donations received during the year	4,697,287,605	-	-	-	4,697,287,605	2,106,408
Transfers to SOFP/SOCI	(3,424,156,487)	-	-	-	(3,424,156,487)	(1,535,496)
Profit for the year	-	-	(8,444,042)	-	(8,444,042)	(3,787)
At 31 December 2009	3,759,349,953	-	440,841,881	835,000,000	5,035,191,834	2,257,934
At 1 January 2010	3,759,349,953	-	440,841,881	835,000,000	5,035,191,834	2,257,934
Donations received during the year	4,209,688,516	952,123,183	-	-	5,161,811,699	2,314,714
Transfers to SOFP/SOCI	(5,606,443,689)	-	-	-	(5,606,443,689)	(2,514,100)
Profit for the year	-	-	4,376,574,644	-	4,376,574,644	1,962,590
At 31 December 2010	2,362,594,780	952,123,183	4,817,416,525	835,000,000	8,967,134,487	4,021,138

The notes are an integral part of these financial statements

BRAC UGANDA MICROFINANCE LIMITED
CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Cash flow from operating activities	25	8,750,695,500	(2,876,457,938)	3,924,078	(1,289,893)
Loan disbursements		(69,612,300,000)	(47,206,579,244)	(31,216,278)	(21,168,870)
Loan disbursements relating to managed funds		(1,778,350,000)	-	(797,466)	-
Loan collection		61,494,962,745	37,639,822,310	27,576,218	16,878,847
Loan collection relating to managed funds		826,226,817	-	370,505	-
Loan write off		(868,416,771)	-	(389,425)	-
Interest receivable write-off		(98,580,614)	-	(44,207)	-
Net cash flow from operating activities		(1,285,762,323)	(12,443,214,872)	(576,575)	(5,579,916)
Cash flow from investing activities					
Acquisition of fixed assets		(336,993,120)	(658,676,634)	(151,118)	(295,371)
Short term deposits		(14,078,332,071)	4,472,406,060	(6,313,153)	2,005,563
Net cash flow from investing activities		(14,415,325,191)	3,813,729,426	(6,464,271)	1,710,192
Cash flow from financing activities					
Term loans		(461,960,075)	17,366,791,212	(207,157)	7,787,799
Loan security fund		505,335,007	2,830,187,220	226,608	1,269,142
Loan security fund written off		40,606,656	-	18,209	-
Donor fund increase/(decrease)		(1,396,755,173)	2,030,271,934	(626,348)	910,436
Donor fund relating to managed funds increase/(decrease)		952,123,183	-	426,961	-
Net cash flow from financing activities		(360,650,402)	22,227,250,366	(161,727)	9,967,377
Net (decrease)/increase in cash and cash equivalents		(16,061,737,916)	13,597,764,920	(7,202,573)	6,097,653
Cash and cash equivalents at beginning of the year		20,074,262,097	6,476,497,177	9,001,911	2,904,259
Cash and cash equivalents at end of the year	12	4,012,524,181	20,074,262,097	1,799,338	9,001,912

The notes an integral part of these financial statements

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

The following principal accounting policies have been adopted in the preparation of these financial statements:

1. THE REPORTING ENTITY

BRAC Uganda Microfinance Limited got incorporated as a company limited by guarantee on 27th August, 2008 as an independent company. The company prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively.

BRAC begun its work in Uganda in June 2006, it chose to work in Uganda because of the opportunities to make a significant difference in a post-conflict country with high poverty and fertility rates as well as demonstrate the potential of its "microfinance multiplied" approach to other in the microfinance industry in Africa.

On 30th day of September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited.

BRAC Uganda Microfinance Limited's vision is in line with the vision for BRAC Bangladesh that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC uses a comprehensive approach to poverty reduction which strategically links programs in Economic Development (Micro Finance), Health, Education and social Development, Human Rights and Services to create and protect the livelihoods of poor people.

BRAC's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach –based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles – which distinguish BRAC Uganda Microfinance Limited from other microfinance operators in Africa, are apparent in the way BRAC has designed its operations.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Ugandan Companies Act.

(i) Basis of measurement

The financial statements are prepared under the historical cost convention.

(ii) Basis of preparation

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

(ii) Functional and presentation currency

These financial statements are presented in Uganda shillings (Ushs), which is the entity's functional currency.

The financial statements include figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US \$) at the year end rate of US\$ 1: Ushs 2,230. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The 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 if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 29.

a) Property and equipment

(i) Recognition and Measurement

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net with other income in profit or loss.

(ii) Depreciation

Depreciation is recognized in profit or loss and calculated to write off the cost of the property and equipment on a reducing balance basis over the expected useful lives of the assets concerned, and intangible assets on a straight line basis. Land is not depreciated

The estimated useful lives for the current and comparative periods are as follows: -

	% Percentage
Motor vehicles, motor cycles and bicycles	20%
Furniture and Fixtures	10%
Equipments	15%

Management and directors review the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating result for the reporting period.

b) Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the foreign exchange rate applicable for settlement. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Ugandan Shilling at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the income statement.

c) Advances to customers

Loans originated by the company by providing finance directly to borrowers is categorized as loans to group members and is carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date and subsequently measured at the original effective interest rate at reporting date. All loans and advances are recognized when cash is advanced to borrowers.

An allowance for loan impairment is established if there is objective evidence that the company will not be able to collect all amounts due, according to the original contractual terms of loans. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate of loans.

The loss impairment provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These are estimated based upon historical patterns of losses in each component, the credit ratings allocated to borrowers and reflecting the current economic climate in which the borrowers operate.

When a loan is uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan loss impairment in the income statement. If the amount of the impairment subsequently decreases due to an event occurring after write-down, the release of the impairment provision is credited as a reduction of the impairment provision for loan losses.

d) Impairment**(i) Financial assets**

At each balance sheet date BRAC Uganda Microfinance Limited assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are considered to be impaired when objective evidence indicates that one or more events that have a negative effect on the estimated future cash flows of an asset.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying value and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognized in profit or loss and Impairment losses on available-for-sale investment securities are recognized by transferring the difference between the amortized acquisition cost and current fair value out of equity to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available for sale securities is recognized in profit or loss. For available for sale securities that are equity securities the reversal is recognized directly in equity.

(ii) Non financial assets

The carrying amounts of BRAC Uganda Microfinance Limited's non financial assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such condition exists, the assets recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount that would have been determined net of depreciation or amortization if no impairment loss was recognized.

(e) Other receivables

Other receivables comprise prepayments, deposits and other recoverable which arise during the normal course of business, they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

(f) Other payables

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the balance sheet date and include: cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements

(h) Provisions

A provision is recognised if, as a result of a past event, BRAC Uganda Microfinance Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where BRAC Uganda Microfinance Limited expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain

(i) Income tax

Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(j) Revenue recognition

Revenue is recognized on an accruals basis.

(i) Interest income

Service charges on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognized on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as "non-performing" loans. Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectability is reasonably assured.

(ii) Fee and commission income

Fees and commissions are recognized on an accrual basis when the service has been provided.

(iii) Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of BRAC Uganda Microfinance Limited assets and all realised and unrealised foreign exchange differences.

(k) Grants

(i) Donor Grants

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities in the Grants Received in Advance Account for the period.

The portion of the grants utilized to purchase property and fixed assets are transferred as deferred Income in liabilities and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the statement of income as grant income.

Grants utilized to reimburse program related expenditure, the amounts are recognized as Grant Income for the period.

Donor grants received in kind, through the provision of gifts and /or services, are recorded at fair value (excluding situations when BRAC Uganda Microfinance Limited may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants).

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

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

(ii) Grant income

Grant income is recognized on a cash basis to the extent that BRAC Uganda Microfinance Limited fulfills the conditions of the grant. This income is transferred from the deferred grant received from Donors and recognized as income in the statement of comprehensive income.

A Substantially portion of BRAC Uganda Microfinance Limited's donor grants are for the funding of Not-for-profit projects and programs, and for these grants, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period.

For donor grants restricted to funding procurement fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed asset

(l) Interest from bank and short term deposits

Interest income on BRAC Uganda Microfinance Limited bank deposit is earned on an accruals basis at the agreed interest rate with the respective financial institution.

(m) Loans and borrowings

Loans and Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between the proceeds and the redemption value is amortised to the income statement over the period of the borrowings.

(n) Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The company does not operate any retirement benefit fund. However severance pay is provided for in accordance with the Ugandan statute. The company also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

(o) Payroll administration costs

Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the company is not able to recover in full such administration costs, they are recognised in the income statement as incurred.

(p) Contingent liabilities

The company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

(q) Related party transactions

Related parties comprise directors, subsidiaries of BRAC International and key management personnel of the company and companies with common ownership and/or directors.

RECENTLY ISSUED ACCOUNTING STANDARDS/ NEW ACCOUNTING PRONOUNCEMENTS**Adoption of new and revised standards and interpretations**

In 2010 new and revised standards and interpretations listed below became effective for the first time and have been adopted by the company. The adoption of these new and revised standards and interpretations had no material effect on the company's accounting policies.

IAS 31- Investment in Joint Ventures (amendment effective 1 July 2009): Consequential amendments arising from amendments to IFRS 3. This amendment was adopted by the company but it did not have any impact on the results of the company.

IAS 32: Financial Instruments (Effective 1 July 2009): Presentation. Amendments relating to put table instruments and obligations arising on liquidation. The company adopted the amended IAS 32 on presentation. The amended IAS 32 did not have a significant on the results of the company.

IAS 39: Financial Instruments (Effective 1 July 2009): Recognition and Measurement. An amendment for eligible hedged items. The company adopted this amendment but it did not have a significant impact on the performance.

IFRS 3: Business combinations (Effective 1 July 2009): Comprehensive revision on applying the acquisition method. This amendment was adopted but did not have a significant impact on the company's results.

New standards and interpretations not yet adopted

The Company has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2010 and have not yet been applied in preparing the financial statements.

IFRS 9: Financial instruments: The standard becomes mandatory for annual periods beginning on or after 1 January 2013. The interpretation of this standard could change the classification and measurement of financial assets. The company does not intend to adopt this standard early and the extent of the impact has not been determined yet.

Amendments to IAS 32 – Financial instruments. In October 2009, IASB issued classification of Rights issues amendments to the IAS 32- Financial statements. The interpretation provides guidance on presentation effective 1 February 2010 but is not expected to have a significant impact on the activities of the company.

IAS 24- Related Party Disclosures: In November 2009, IASB revised IAS 24 with an effective date of 1 January 2011. This is not expected to have a significant effect on the financial statements of the company.

IFRIC 14: Prepayments of a minimum funding requirement- This is an amendment to IFRIC 14: IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction. The interpretation is effective for accounting periods beginning on or after 1 January 2011.

IFRIC 19: Extinguishing financial liabilities with equity Instruments: The interpretation provides guidance on accounting for debt for equity swaps. This interpretation is effective for accounting periods beginning on or after 1 July 2010 but is not expected to have a significant impact on the results of the company.

Improvements on IFRS (2010): In May 2010 the IASB issued improvements to the IFRS 2010 which comprises 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of the of the amendments will be effective 1 January 2011. The amendments have not been included in the financial Statements

(r) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

4. INTEREST INCOME

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Group guaranteed scheme	12,118,601,415	6,275,470,019	5,434,350	2,814,112
Small Enterprises program	1,842,331,144	1,124,256,870	826,157	504,151
Short term deposits	1,101,096,543	651,440,187	493,766	292,126
Interest income on managed funds	247,753,113	-	111,100	-
	15,309,782,215	8,051,167,076	6,865,373	3,610,389

5. INTEREST EXPENSE

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Brac Africa Loan Fund	4,227,691,791	1,705,653,522	1,895,826	764,867
Bank of Africa Uganda Limited	-	258,008,973	-	115,699
Tripple Jump	283,519,044	283,519,044	127,139	127,139
Stromme Foundation	-	11,554,795	-	5,182
BRAC	216,753,877	166,014,270	97,199	74,446
Triodos	-	480,375,000	-	215,414
Total	4,727,964,712	2,905,125,604	2,120,164	1,302,747

6. FEE AND COMMISSION INCOME

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Membership fee	213,121,523	199,113,000	95,570	89,288
Loan appraisal fee	595,302,350	391,964,350	266,951	175,769
Loan application fee	221,000	45,429,650	99	20,372
Application fees	5,239,500	2,961,000	2,350	1,328
Income from project appraisal	96,998,000	55,066,000	43,497	24,693
Fee and commission income from managed funds (see below)	50,111,850	-	22,472	-
Total	960,994,223	694,534,000	430,939	311,450

Fee and commission income from managed funds

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Membership fee	30,060,350	-	13,480	-
Application fees	4,484,500	-	2,011	-
Income from project appraisal	15,567,000	-	6,981	-
Total	50,111,850	-	22,472	-

7. FOREIGN EXCHANGE GAINS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Unrealised exchange gains	273,443,595	652,428,222	122,620	292,569
Realised exchange gains	-	-	-	-
Total	273,443,595	652,428,222	122,620	292,569

The exchange gains arise from translation of foreign currency transactions and revaluations of foreign currency denominated assets and liabilities to Uganda Shillings. Financial assets and Liabilities denominated in foreign currencies are translated to Ushs at rate ruling at balance sheet date.

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Impairment losses relating to MF	1,281,615,204	1,096,752,957	574,715	491,817
Impairment losses relating to managed funds	34,301,000	-	15,382	-
Total	1,315,916,204	1,096,752,957	590,097	491,817

9. STAFF COSTS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Salaries	5,479,776,344	3,819,810,902	2,457,299	1,712,920
Bonus	72,170,145	113,852,104	77,206	51,055
NSSF arrears	-	589,512,753	-	264,355
NSSF 10%	419,434,735	238,354,675	188,087	106,886
PAYE for expatriates	-	67,978,210	-	30,484
Accumulated tax arrears	222,272,659	126,851,033	99,674	56,883
Total	6,293,653,883	4,956,359,677	2,822,266	2,222,583

10. OTHER OPERATING EXPENSES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Occupancy expenses (see below)	391,560,638	452,445,144	175,588	202,890
Staff training and development	383,172,485	45,281,100	171,826	20,305
Travel and transportation	1,351,240,506	1,062,720,928	605,937	476,556
Maintenance and general expenses	834,748,227	877,411,586	374,327	393,458
Printing and office stationery	201,028,866	230,337,855	90,147	103,291
Utilities	-	-	-	-
Internet cost	26,604,546	30,956,150	11,930	13,882
Estimated audit/ legal & other services	87,210,907	38,116,663	39,108	17,093
Radar accounting package cost	151,122,400	-	67,768	-
Program supplies	-	-	-	-
Provision for audit fees	83,169,570	57,150,000	37,296	25,628
Provision for stolen cash	115,895,792	26,024,850	51,972	11,670
Impairment of trade and other receivables	-	147,406,767	-	66,102
HO logistics and management expenses	468,670,800	384,762,371	210,166	172,539
Total	4,094,424,737	3,352,613,414	1,836,065	1,503,414

Occupancy expenses are analysed as follows;

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Rent	253,163,310	340,326,801	113,526	152,613
Utilities	138,397,328	112,118,343	62,062	50,277
Total	391,560,638	452,445,144	175,588	202,890

11. TAXATION

a) Income tax expense

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Corporation tax –charge for the year	1,282,250,000	469,434,472	575,000	210,509
Deferred tax	(150,142,391)	(79,949,512)	(67,328)	(35,852)
Tax (Credit)/ expense	1,132,107,609	389,484,960	507,672	174,657

BRAC Uganda Microfinance Limited applied for tax exemption, however the tax authority declined.

The corporation tax rate is set at 30% of the profits for the year as adjusted for tax purposes in accordance with the Income Tax Act Cap 340.

The tax charge on the company's profit before tax differs from the theoretical amount using the basic tax rate as follows.

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Operating profit/surplus before taxation	5,508,682,253	381,040,918	2,470,261	170,870
Tax calculated at 30%	1,652,604,676	114,312,275	741,078	51,261
Tax effect of non deductible expense and non taxable income	(520,497,067)	275,172,685	(233,407)	123,396
Tax charge for the year	1,132,107,609	389,484,960	507,672	174,657

b) Deferred tax

Deferred tax is calculated on all temporary differences under the balance sheet liability method using the principal tax rate of 30%.

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Property and equipment	1,063,575,587	325,233,128	476,940	145,844
Provisions	(2,103,992,192)	(1,244,159,724)	(943,494)	(557,919)
Unrealized gains	273,443,595	652,428,222	122,620	292,569
	(766,973,010)	(266,498,374)	(343,934)	(119,506)
Deferred tax asset @ 30%	(230,091,903)	(79,949,512)	(103,180)	(35,852)

c) Tax payable

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Balance b/f	469,434,472	-	210,507	-
Charge for the period	1,282,250,000	469,434,472	575,000	210,509
Paid during the year	-	-	-	-
Tax payable	1,751,684,472	469,434,472	785,507	210,509

12. CASH AND BANK

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Cash in hand	202,184,257	168,468,464	90,666	75,546
Standard Chartered Bank Uganda	223,054,987	16,764,038,188	100,025	7,517,507
Bank of Africa Uganda Limited	107,522,009	4,559,762	48,216	2,045
Barclays Bank Uganda Limited	163,227,545	93,796,500	73,196	42,061
Centenary Bank Uganda Limited	150,341,600	138,748,100	67,418	62,219
Equity Bank Uganda Limited	106,409,345	231,402,390	47,717	103,768
Post Bank Uganda Limited	129,623,546	75,939,028	58,127	34,053
Uganda Microfinance	25,014,080	-	11,217	-
Pride Microfinance Limited	39,375,633	15,529,671	17,657	6,964
Tropical Bank Uganda Limited	15,646,000	6,088,000	7,016	2,730
Stanbic Bank Uganda Limited	2,402,342,366	2,575,691,994	1,077,284	1,155,019
Standard Chartered Bank Uganda - Managed funds	447,782,813	-	200,799	-
Cash and bank	4,012,524,181	20,074,262,097	1,799,338	9,001,912

13. SHORT TERM DEPOSITS AT AMORTISED COST

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Bank of Africa Uganda Limited	15,108,783,111	1,030,451,040	6,775,239	462,086
Total	15,108,783,111	1,030,451,040	6,775,239	462,086

The maturity of the short term deposits is analyzed as follows;

Within 3 months	-	-	-	-
After 3 months	15,108,783,111	1,030,451,040	6,775,239	462,086
Total	15,108,783,111	1,030,451,040	6,775,239	462,086

The weighted average effective interest rates on deposits due from banks were 5.0% and 6.1 % for deposits in Uganda shillings (Ushs) and United States dollars (USD) respectively. (2009: 9.0% for Ushs and 4.3 % for deposits in USD). The carrying book values of the deposits with banks equal the fair value.

14. LOANS AND ADVANCES TO CUSTOMERS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Group Guaranteed Scheme	27,681,668,434	21,586,175,809	12,413,304	9,679,899
Small Enterprises Program	5,859,109,206	3,052,991,166	2,627,403	1,369,055
Loan Write Off	(868,416,771)	-	(389,425)	-
Interest receivable	353,857,179	429,295,841	158,682	192,509
Impairment loss on loans advance	(2,069,691,192)	(1,914,655,395)	(928,113)	(858,590)
	30,956,526,856	23,153,807,421	13,881,851	10,382,873

The movement on the loan accounts is analyzed as shown below;

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
At 1 January	24,639,166,975	15,072,410,040	11,048,954	6,758,928
Loans disbursed	69,612,300,000	47,206,579,244	31,216,277	21,168,870
Loans repayments	(60,710,689,335)	(37,639,822,309)	(27,224,524)	(16,878,844)
Gross advances to customers	33,540,777,640	24,639,166,975	15,040,707	11,048,954
Less WriteOff	(868,416,771)	-	(389,425)	-
Interest receivable	353,857,179	429,295,841	158,681	192,509
Impairment loss on loans advance	(2,069,691,192)	(1,914,655,395)	(928,113)	(858,590)
Net advances to customers	30,956,526,856	23,153,807,421	13,881,850	10,382,873

Analysis of impairment provision on loans

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
At 1 January	(1,914,655,395)	(817,902,438)	(858,591)	(366,773)
Charge for the year	(1,281,615,204)	(1,096,752,957)	(574,715)	(491,817)
Loan write-off	868,416,771	-	389,425	-
Interest receivable - write-off	258,162,636	-	115,768	-
At 31 December	(2,069,691,192)	(1,914,655,395)	(928,113)	(858,590)

Advances to customers are carried at amortized cost. It is estimated that the fair values of advances to customers are approximately the same as the carrying values. All advances to customers are unsecured.

	2010	2009
Average interest rate on loan to customers per month	1.83%	1.83%
Highest loan amount (Ushs)	10,000,000	5,000,000
Lowest loan amount (Ushs)	200,000	200,000
Average loan term (months)	40	40
Total number of customers	114,477	101,170

15. LOANS AND ADVANCES TO CUSTOMERS RELATING TO MANAGED FUNDS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Group Guaranteed Scheme	948,643,644	-	425,401	-
Interest receivable	3,479,539	-	1,560	-
Impairment loss on loans advance	(34,301,000)	-	(15,382)	-
	917,822,183	-	411,579	-

The movement on the loan accounts is analyzed as shown below;

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
At 1 January	-	-	-	-
Loans disbursed	1,778,350,000	-	797,466	-
Loans realized	(829,706,356)	-	(372,066)	-
Gross advances to customers	948,643,644	-	425,400	-
Interest receivable	3,479,539	-	1,561	-
Impairment loss on loans advance	(34,301,000)	-	(15,382)	-
Net advances to customers	917,822,183	-	411,579	-

Analysis of impairment provision on loans

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
At 1 January	-	-	-	-
Charge for the year	(34,301,000)	-	(15,382)	-
At 31 December	(34,301,000)	-	(15,382)	-

Economic Sector Risk Concentrations within the customer loan portfolios were as follows:

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Agriculture	4,828,518,980	3,449,483,377	2,165,255	1,546,854
Education	5,173,413,193	3,695,875,046	2,319,916	1,657,343
Health	344,894,213	246,391,670	154,661	110,490
Non-farm business	18,969,181,706	13,551,541,836	8,506,360	6,076,925
Housing	1,379,576,851	985,566,679	618,644	441,958
Consumption	1,379,576,851	985,566,679	618,644	441,958
Other	2,414,259,490	1,724,741,688	1,082,628	773,427
	34,489,421,284	24,639,166,975	15,466,108	11,048,955

16. RELATED PARTY DISCLOSURE
(a) RELATED PARTY RECEIVABLES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Brac Southern Sudan	-	2,585,792,665	-	1,159,548
Brac Liberia & Sierra Leone	-	167,300,000	-	75,022
Brac Uganda	-	776,986,973	-	348,425
	-	3,530,079,638	-	1,582,995

Related party receivables relate to advances to other BRAC international offices in different regions. These advances are recoverable by BRAC Uganda Microfinance Limited.

(b) RELATED PARTY PAYABLES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
BRAC Bangladesh	<u>228,243,539</u>	<u>942,810,501</u>	<u>102,351</u>	<u>422,785</u>

Related party payables relate to amounts owing to BRAC Bangladesh for the settlement of staff costs and operating expenditures on behalf of BRAC Uganda Microfinance Limited.

(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR:**i) Interest expense paid on related party loans**

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
BRAC Africa Loan Fund	4,227,691,791	1,705,653,522	1,895,826	764,867
BRAC Bangladesh	<u>216,753,877</u>	<u>166,014,270</u>	<u>97,199</u>	<u>74,446</u>
Total	<u>4,444,445,668</u>	<u>1,871,667,792</u>	<u>1,993,025</u>	<u>839,313</u>

ii) Related party loans as disclosed in note 20

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Non Current portion				
BRAC Africa Microfinance Limited.	30,614,734,010	30,788,034,824	13,728,580	13,806,294
BRAC Bangladesh	<u>2,187,915,685</u>	<u>2,187,915,685</u>	<u>981,128</u>	<u>981,128</u>
Total non current loan	<u>32,802,649,695</u>	<u>32,975,950,509</u>	<u>14,709,708</u>	<u>14,787,422</u>

17. OTHER ASSETS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Advance to suppliers	256,747,584	23,128,229	115,133	10,371
Security deposits	104,650	440,000	47	197
Staff advances (IOU)	-	16,851,080	-	7,557
MCF field receivable	<u>378,644,875</u>	<u>-</u>	<u>169,796</u>	<u>-</u>
Total	<u>635,497,109</u>	<u>40,419,309</u>	<u>284,976</u>	<u>18,125</u>

18. PROPERTY AND EQUIPMENT

	Furniture Ushs	Equipments Ushs	Motor vehicles Ushs	Total Ushs	Total USD
Cost					
At 1 January 2009	261,239,636	253,533,639	84,898,595	599,671,870	268,911
Additions	197,923,135	438,463,892	22,289,607	658,676,634	295,371
At 31 December 2009	459,162,771	691,997,531	107,188,202	1,258,348,504	564,282
Reclassification	(2,998,895)	1,145,812	1,853,083	-	-
Additions	208,999,170	127,658,950	335,000	336,993,120	151,117
At 31 December 2010	665,163,046	820,802,293	109,376,285	1,595,341,624	715,399
Depreciation					
At 1 January 2009	25,095,307	33,760,424	26,315,482	85,171,213	38,193
Charge for the year	45,186,748	63,398,210	21,808,257	130,393,215	58,472
At 31 December 2009	70,282,055	97,158,634	48,123,739	215,564,428	96,665
Charge for the year	69,072,783	118,435,829	22,513,321	210,021,933	94,180
At 31 December 2010	139,354,838	215,594,463	70,637,060	425,586,361	190,845
At 31 December 2009	388,880,716	594,838,897	59,064,463	1,042,784,076	467,617
At 31 December 2010	525,808,209	605,207,830	38,739,225	1,169,755,263	524,554

19. LOAN SECURITY FUND

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Loan Security Fund	6,079,602,833	5,683,579,020	2,726,279	2,548,690
Loan Security Fund relating to Managed funds	149,917,850	-	67,228	-
	6,229,520,683	5,683,579,020	2,793,507	2,548,690

The Loan Security Fund acts as collateral for the customers' loan obligations to BRAC Uganda Microfinance Limited. This is computed as 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the Loan Security Fund to the extent of the amount at risk.

20. BORROWINGS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Kiva	355,355,852	619,935,413	159,352	277,998
Triple Jump	1,955,303,750	1,979,383,450	876,818	887,616
BRAC Africa Microfinance Limited.	30,614,734,010	30,788,034,824	13,728,581	13,806,294
BRAC Bangladesh	2,187,915,685	2,187,915,685	981,128	981,128
Total	35,113,309,297	35,575,269,372	15,745,879	15,953,036

For maturity analysis of the above loans, refer to 31(d).

Loan received from Tripple Jump B.V. of Uganda shillings 1,955,303,750 equivalents to US \$ 1,056,920 was obtained for support to microfinance program and bears interest at 14.5% per annum. It is repayable in 5 years from the commencement date.

Loan received from KIVA of US\$331,322.80 equivalent to Uganda Shillings 534,020,792 was obtained for support to microfinance program. It is repayable in monthly installments. This loan does not bear any interest

Loan received from BRAC of US\$ 1,305,965 equivalent to Uganda Shillings 2,187,915,685 was obtained for support to microfinance program and is repayable within 12 months after five years of disbursement. It bears interest at 8% per annum.

Loan received from BRAC Africa Microfinance Limited of Uganda shillings 30,613,644,432 was obtained to support to microfinance program and bears interest at 12% per annum. It is repayable in 16 quarterly installments, starting from December 2012.

21. OTHER LIABILITIES

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Accrual for expenses	165,943,689	125,971,719	74,414	56,490
Bonus provision	21,448,852	11,959,690	9,618	5,363
Provision for audit fees	82,169,971	95,250,000	36,848	42,713
Provision for NSSF	122,942,783	666,577,362	55,131	298,914
Provision for cash shortage	115,895,792	-	51,971	-
Salary provision	71,166,282	-	31,913	-
Stamp duty provision	10,240,850	-	4,592	-
Provision for PAYE	151,299,908	345,709,123	67,848	155,026
Total	741,108,127	1,245,467,894	332,335	558,506

22. DONOR FUNDS

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Donor funds received in advance	22.1	-	1,398,732,140	-	627,234
Donor funds investment in fixed assets	22.2	913,908,067	911,931,100	409,825	408,938
Donor funds investment in loans to group members		1,448,686,713	1,448,686,713	649,636	649,635
Total		2,362,594,780	3,759,349,953	1,059,461	1,685,807

22.1 Donor funds received in advance

	Note	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Opening balance		1,398,732,140	675,855,844	627,234	303,074
Donations received during the year	22.1a	4,209,688,516	4,697,287,426	1,887,753	2,106,407
Transferred to deferred income - investment in fixed assets		(211,998,900)	(550,254,643)	(95,067)	(246,751)
Transferred to statement of income and expenses		(5,396,421,756)	(3,424,156,487)	(2,419,920)	(1,535,496)
Closing balance		-	1,398,732,140	-	627,234

22. 1a Donations received during the year

Name of donor	2010 Ushs	2009 Ushs	2010 USD	2009 USD
MasterCard Foundation	4,209,688,516	4,456,787,426	1,887,753	1,998,559
Gold smith	-	240,500,000	-	107,848
	4,209,688,516	4,697,287,426	1,887,753	2,106,407

22.2 DEFERRED INCOME – FIXED ASSETS

	2010 Ushs	2009 Ushs	2010 USD	2009 USD
Opening balance	911,931,100	361,676,457	408,938	162,187
Transferred from donor funds received in Advance	211,998,900	550,254,643	95,067	246,751
Depreciation charged during the year	(210,021,933)	-	(94,180)	-
Closing balance	913,908,067	911,931,100	409,825	408,938

23. DONOR FUNDS RELATING TO MANAGED FUNDS

Name of donor	2010 Ushs	2009 Ushs	2010 USD	2009 USD
BRAC USA	703,314,340	-	315,388	-
UNHCR	248,808,843	-	111,574	-
	952,123,183	-	426,962	-

Managed funds

The Managed funds relate to loan revolving fund from Empowerment and Livelihoods for Adolescents and Internally Displaced People programs funded by BRAC USA and UNHCR respectively. The grant for ELA provides loan capital to BRAC Uganda towards the adolescent girls microfinance revolving loan fund in Uganda.

The grant for IDP project provides economic opportunities for IDPs and local populations with the aim of providing low income service to as many low income people as possible in Pader region. The Membership security acts as security for the loan borrowers and shall be refunded at clearance of the outstanding balance.

24. BRAC CONTRIBUTION

This fund of Ushs 835,000,000 (USD: 438,320) relates to the initial contribution towards the establishment of BRAC Uganda and was used for starting up the Microfinance programme.

25. CASHFLOW FROM OPERATING ACTIVITIES

	2010	2009	2010	2009
	Ushs	Ushs	USD	USD
Cash flow from operating activities				
Excess of income over expenditure	5,508,682,253	381,040,919	2,470,261	170,870
Depreciation	210,021,933	130,393,215	94,180	58,472
Loan loss provision	1,315,916,204	1,096,752,957	590,097	491,817
Cash flow before changes in working capital	7,034,620,390	1,608,187,091	3,154,538	721,159
Changes in working capital				
Decrease/(increase) of receivables and other current assets	(595,077,800)	(373,522,139)	(266,851)	(167,499)
Decrease/(increase) of related party Receivables	3,530,079,638	(3,480,388,900)	1,582,995	(1,560,713)
Increase/(decrease) of current Liabilities	(504,359,765)	(630,733,990)	(226,170)	(282,840)
Increase/(decrease) of related party payables	(714,566,962)	-	(320,434)	-
Net cash from operations	8,750,695,500	(2,876,457,938)	3,924,078	(1,289,893)

26. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2010.

27. CURRENCY

The financial statements are expressed in Uganda Shillings which is the entities functional currency.

28. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2010 (2009: Nil).

29. USE OF ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period.

The 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 periods affected. The estimates and associated assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

BRAC makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management identifies all significant accounting policies and those that involve high judgment and in particular the significant areas of estimation and un-certainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

(i) Impairment

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company regularly reviews its loan portfolio and other assets and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Provisions and contingencies

A provision is recognized if as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. For provisions included in the financial statements see note 30.

30. CONTINGENT LIABILITIES

Tax Claim

The company received a claim of Ushs 843 million in August 2009 from Uganda Revenue Authority in respect of un remitted stamp duty during the period May 2006 - May 2009. These taxes were never collected by the company from the clients dueto lack of a proper tax administration system. The company has objected to this claim on the basis that it's not liable and the amounts were not correctly determined. The tax authority subsequently responded to the company's objection on 14th April 2010 and the claim has been revised to 824 million. Another reminder was sent from Uganda Revenue Authority to Brac Uganda Microfinance Limited on 8th June 2010 regarding the same payment. This issue is an industry issue and all the microfinance players in the industry are going through the same. There is a combined effort by the industry players to the ministry of finance for a waiver of such taxes. Some of the players have resorted to taking legal action against the revenue authority.

The company is in the process of responding to the Uganda Revenue Authority's second claim and they maintain that the company is not liable. The outcome of management's response to Uganda Revenue Authority can not be determined at the moment and as such, no provisions have been made in the financial statements.

There are no any other known contingent liabilities as at 31 December 2010 (2009: nil).

31. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Company has exposure to the following risks from financial instruments:

- i) credit risk
- ii) interest rate risk
- iii) liquidity risk
- iv) market risk
- v) operational risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board of BRAC Bangladesh International, the parent company, has established the Group Audit and Risk Committee, Remuneration Committee, Investment Committee, Group Executive Committee and Subsidiary Companies Executive Committee which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the Group Executive Committee which comprises of executive directors and senior management and report regularly to the Board of Directors on their activities.

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

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The Credit policy of BRAC Uganda Microfinance Limited requires all credit exposures to be measured, monitored and managed proactively.

Exposure to credit risk is monitored on an ongoing basis by the commercial ventures respective management teams. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

BRAC Uganda Microfinance Limited does not have any significant exposure to any individual customer or counterparty.

The provision of unsecured loans to group members is the main aspect of the Company's business. As such, exposure to credit risk and the management of this risk is a key consideration for the board. The model that the Company uses to mitigate this risk is arrangements with the respective Group members of BRAC Uganda Microfinance Limited customers to contribute for a group member who has defaulted the weekly loan repayment. This model is used exclusively by the Company.

Management of credit risk

As set out above, the main activity of the Company is the provision of unsecured loans to group members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Country Program Coordinator (CPC) and the Monitoring department. However, this must be viewed in light of the overall framework of the exclusive use of "group guaranteed" loan repayment mechanism.

Loan application process

The group loans are appraised by the Credit Officer (CO) in the field and these Loan application forms are brought before the Branch Managers for appraisals. The Branch Managers will visit the house of the potential borrower/ applicant before recommendation of the loan to the area manager for approval. A survey form containing 10 important points is filled.

The Branch Manager (BM) confirms that the VO was properly and appropriately trained and have assessed the feasibility of all member loan applications.

The Loan appraisal work is done by the credit officer (CO) and reviewed by the BM who confirms that the applicant has provided all necessary information and that is complete, the loan application has been endorsed, verifies that the net income from the business is sufficient to allow for loan repayment, all guarantors have fully signed the loan application and also confirms that all borrowers in respective groups do not have past due repayment obligations or arrears.

After completion of the verification and other formal processes, the Area Manager will approve the loan or recommend i.e. to the final authority for approval.

All loans are repayable in equal weekly installments that are collected by the credit officers during the weekly group meetings through direct cash payments. The collections by the credit officers are subsequently paid directly to Branch Managers on a weekly basis. Loan proceeds are manually transferred to the employee's bank accounts to eliminate the risk of keeping cash.

The main criteria considered by the Company are the loan applicant's ability to meet his/her financial commitments and to remain with sufficient funds to fund household needs. The company applies these criteria for all customers and this is complimentary to regulatory requirements.

Monitoring of weekly Collections

In the event that a customer does not have sufficient funds for their weekly installment, the group members contribute on behalf of the member.

If the customer has changed residence, the credit officer together with the Branch manager follow up with the local council chairperson about the whereabouts/ new place of residence

If a customer dies, the branch manager follows up with the guarantor for any possibility of recovery.

Approval of new groups

The women form a group of 20-35 team members called the Village Organizations (VO) and co-guarantee each other to access the loans on individual basis. The Village Organization first meet for a month at the village area where they are trained by credit officers in regard to the loan application process and the Various programmes of BRAC Uganda Microfinance Limited.

Impaired loans

Impaired loans and securities are loans and advances on which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Past due but not impaired loans are those for where contractual repayments are past due date but the Company believes that impairment is not appropriate on the basis of the specific case

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for collections of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Company writes off a loan balance, and any related allowances for impairment losses, when Credit determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or upon death of the borrower.

The determined the Company's maximum expose to credit risk is as shown below;

	Gross advances Ushs	Specific provision Ushs	Portfolio provision Ushs	Net advances Ushs
31-Dec-2010	32,672,360,869	119,801,900	1,949,889,292	30,602,669,677
31-Dec-2009	24,639,166,975	130,859,157	1,783,796,238	22,724,511,580

An analysis of the categorization of the credit quality of the advances to customers according to the different credit risks characteristics displayed.

Advances to customers that are past due or impaired	2010 Ushs	2009 Ushs
Neither past due or impaired	31,818,763,210	22,360,299,213
Past due but not impaired	733,795,759	2,148,008,605
Impaired	119,801,900	130,859,157
Total gross advances to customers	32,672,360,869	24,639,166,975
Less: impairment provision	(2,069,691,192)	(1,914,655,395)
Net advances to customers at 31 December	30,602,669,677	22,724,511,580

Other exposures to credit risk	2010 Ushs	2009 Ushs
Cash and cash equivalents	4,012,524,181	20,074,262,097
Other receivables	635,497,109	40,419,309
	4,648,021,290	20,114,681,406

Value of security held

All loans and advances are un secured

Cash and cash equivalents

All cash at banks is held with reputable financial institutions with good credit history and are regulated by the Central Bank of Uganda. As a result, the probability of loss of cash held at banks due to credit risk is assessed as low.

(c) Interest rate risk

BRAC Uganda Microfinance Limited exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members. BRAC Uganda Microfinance Limited does not engage in speculative transactions or take speculative positions on its interest rates.

The table below summarizes the exposure to interest rate risk through grouping of assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

Year ended 31 December 2010

	Up to 1 month Ushs	From 1 to 12 months Ushs	From 1 year to 2 years Ushs	From 2 years and above Ushs	Non interest bearing Ushs	Total Ushs
ASSETS						
Cash and bank	-	-	-	-	4,012,524,181	4,012,524,181
Short term deposits	-	15,108,783,111	-	-	-	15,108,783,111
Loans and advances to customers	5,718,469,626	25,238,057,230	-	-	-	30,956,526,856
Loans and advances relating to managed funds	-	917,822,183	-	-	-	917,822,183
Related party receivables	-	-	-	-	-	-
Other Assets	-	-	-	-	635,497,109	635,497,109
Deferred tax asset	-	-	-	-	230,091,903	230,091,903
Property and equipment	-	-	-	-	1,169,755,263	1,169,755,263
	5,718,469,626	41,264,662,524	-	-	6,047,868,456	53,031,000,606
Capital fund and liabilities						
Loan Security fund	-	-	-	-	6,229,520,683	6,229,520,683
Related party payables	-	-	-	-	228,243,539	228,243,539
Borrowings	-	-	1,955,303,750	32,801,560,116	356,445,430	35,113,309,296
Other liabilities	-	-	-	-	741,108,129	741,108,129
Tax payable	-	-	-	-	1,751,684,472	1,751,684,472
Capital fund	-	-	-	-	8,967,134,486	8,967,134,486
	-	-	1,955,303,750	32,801,560,116	18,274,136,741	53,031,000,606
Net (liabilities)/assets	5,718,469,626	41,264,662,524	(1,955,303,750)	(32,801,560,116)	(12,226,268,284)	-

Year ended 31 December 2009

	Up to 1 month Ushs	From 1 to 12 months Ushs	From 1 year to 2 years Ushs	From 2 years and above Ushs	Non interest bearing Ushs	Total Ushs
Assets						
Cash and bank	-	-	-	-	20,074,262,097	20,074,262,097
Short term deposits	-	1,030,451,040	-	-	-	1,030,451,040
Loans and advances to customers	3,813,404,889	19,340,402,532	-	-	-	23,153,807,421
Related party receivables	-	-	-	-	3,530,079,638	3,530,079,638
Other assets	-	-	-	-	40,419,309	40,419,309
Deferred tax asset	-	-	-	-	79,949,512	79,949,512
Property and equipment	-	-	-	-	1,042,784,076	1,042,784,076
	3,813,404,889	20,370,853,572	-	-	24,767,494,632	48,951,753,093
Capital fund and liabilities						
Loan Security Fund	-	-	-	-	5,683,579,020	5,683,579,020
Related party payables	-	-	-	-	942,810,501	942,810,501
Borrowings	198,470,092	-	2,670,431,253	32,086,432,614	619,935,413	35,575,269,372
Other liabilities	-	-	-	-	1,245,467,894	1,245,467,894
Tax payable	-	-	-	-	469,434,472	469,434,472
Capital fund	-	-	-	-	5,035,191,834	5,035,191,834
	198,470,092	-	2,670,431,253	32,086,432,614	13,996,419,134	48,951,753,093
Net (liabilities)/ assets	3,614,934,797	20,370,853,572	(2,670,431,253)	(32,086,432,614)	10,771,075,498	-

The previous tables show the undiscounted cash flows on the Company's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments may vary from this analysis.

(d) Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institutions facilities.

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

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date.

	Matured	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years	Total
	Ushs	Ushs	Ushs	Ushs	Ushs	Ushs
ASSETS						
Cash and bank	4,012,524,181	-	-	-	-	4,012,524,181
Short term deposits	-	-	15,108,783,111	-	-	15,108,783,111
Loans and advances to customers	-	15,270,635,613	15,685,891,243	-	-	30,956,526,856
Loans and advances relating to managed funds	-	452,755,187	465,066,996	-	-	917,822,183
Related party receivables	-	-	-	-	-	-
Other assets	-	635,497,109	-	-	-	635,497,109
Deferred tax asset	-	-	230,091,903	-	-	230,091,903
Property and equipment	-	-	-	1,169,755,263	-	1,169,755,263
	4,012,524,181	16,358,887,909	31,489,833,252	1,169,755,263	-	53,031,000,606
Capital Fund and Liabilities						
Loan Security Fund	-	1,740,534,156	4,488,986,527	-	-	6,229,520,683
Related party payables	-	-	-	-	228,243,539	228,243,539
Borrowings	-	-	356,445,430	34,756,863,867	-	35,113,309,297
Other liabilities	-	355,650,224	385,457,905	-	-	741,108,129
Tax payable	-	-	1,751,684,472	-	-	1,751,684,471
Capital fund	-	-	-	8,132,134,486	835,000,000	8,967,134,486
	-	2,096,184,380	7,672,516,190	42,888,995,353	1,063,243,539	53,031,000,606
Net (liabilities)/assets	4,012,524,181	14,262,703,530	23,817,317,062	(41,719,243,090)	(1,063,243,539)	-

e) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

Overall responsibility for managing market risk rests with the Country Program Coordinator. Management is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

Currency risk

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

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

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Organization's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Organization's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each BRAC Program. This responsibility is supported by the development of overall Organizational standards for the management of operational risk in the following areas:

- i. Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- ii. Requirements for the reconciliation and monitoring of transactions
- iii. Compliance with regulatory and other legal requirements
- iv. Documentation of controls and procedures
- v. Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- vi. Requirements for the reporting of operational losses and proposed remedial action
- vii. Development of contingency plans
- viii. training and professional development
- ix. Ethical and business standards

Compliance with Company standards is supported by a programme of periodic reviews undertaken by the monitoring Department. The results of reviews are discussed with the management of the programs to which they relate, with summaries submitted to the senior management of the Company.

(g) Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

31 December 2010	Loans and receivables Ushs	Other amortised cost Ushs	Total carrying amount Ushs	Fair value Ushs
Cash and bank	-	4,012,524,181	4,012,524,181	4,012,524,181
Short term deposits		15,108,783,111	15,108,783,111	15,108,783,111
Loans and advances to customers	30,956,526,856	-	30,956,526,856	30,956,526,856
Loans and advances relating to managed funds	917,822,183	-	917,822,183	917,822,183
Other assets	-	635,497,109	635,497,109	635,497,109
	31,874,349,039	19,756,804,401	51,631,153,440	51,631,153,440
Other liabilities	-	741,108,129	741,108,129	741,108,129
Borrowings	-	35,113,309,297	35,113,309,297	35,113,309,297
	-	35,854,417,426	35,854,417,426	35,854,417,426
31 December 2009	Loans and receivables Ushs	Other cost amortised Ushs	Total carrying amount Ushs	Fair value Ushs
Cash and bank	-	20,074,262,097	20,074,262,097	20,074,262,097
Short term deposits		1,030,451,040	1,030,451,040	1,030,451,040
Loans and advances to customers	23,153,807,421	-	23,153,807,421	23,153,807,421
Other assets	-	40,419,309	40,419,309	40,419,309
	23,153,807,421	21,145,132,446	44,298,939,867	44,298,939,867
Other liabilities	-	1,245,467,894	1,245,467,894	1,245,467,894
Borrowings	-	35,575,269,372	35,575,269,372	35,575,269,372
	-	36,820,737,266	36,820,737,266	36,820,737,266

The fair value of the company's financial assets and liabilities is equal to the carrying book values at the balance sheet date.

BRAC Around the World

USA



Initiated:
2007

An independent charity to raise profile and funds for BRAC globally

UK



Initiated:
2006

An independent charity to raise profile and funds for BRAC globally

Netherlands



Initiated:
2009

BRAC International registered as a charity (Stichting)

Haiti



Initiated:
2010

Programme Focus:
Agriculture, Housing, Limb and Brace Centre

Population reached:
Ultra Poor

Sierra Leone



Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock, Human Rights, Legal Empowerment

Population reached:
527,743

Liberia



Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock

Population reached:
577,598

Southern Sudan



Initiated:
2007

Programme focus:
Microfinance, Education, Health and Agriculture, Empowerment of Adolescent Girls

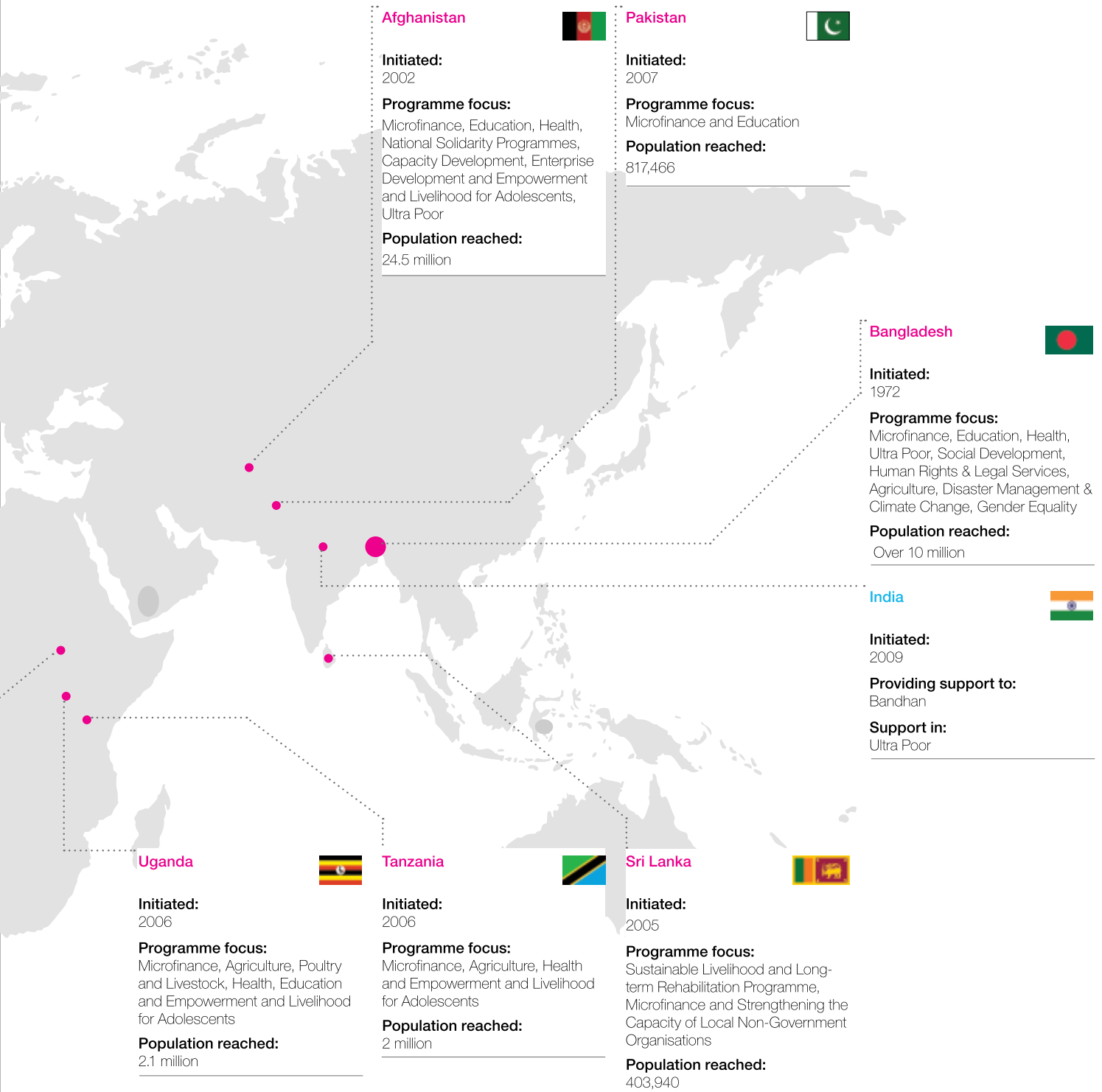
Population reached:
348,359

Key

Programme Countries

Affiliate Countries

Technical Support Countries



BRAC IN UGANDA

Branch Programmes

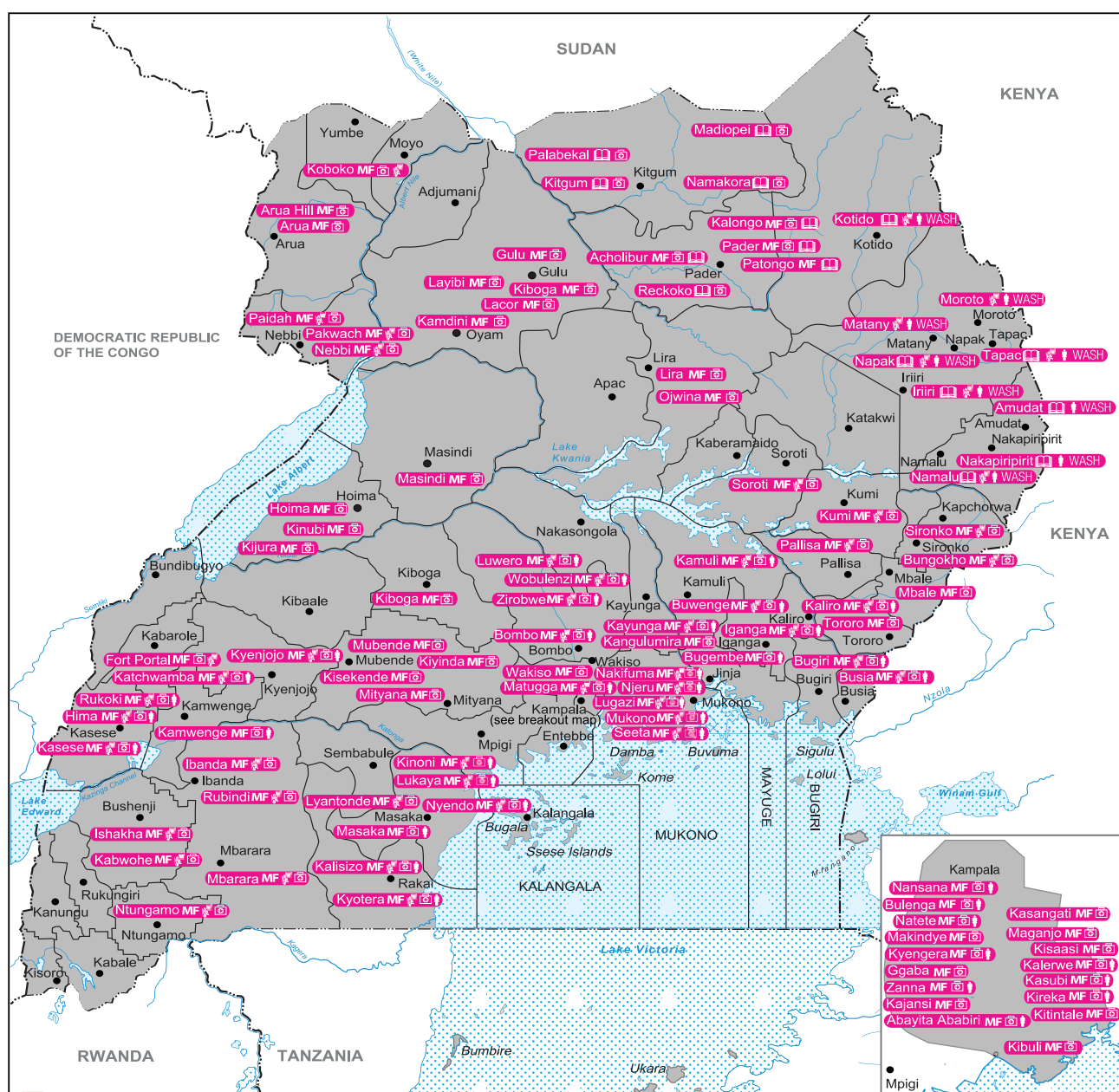
MF Microfinance


Agriculture, Poultry
& Livestock Health

Education

 ELA (Adolescents)

WASH Water, Sanitary and Hygiene



At a glance

Programme Update as of December 2010

Programme Outreach

Total number of branch offices	103
Total number of area offices	20
Ugandan staff (89% women)	1,741
Bangladeshi staff	80

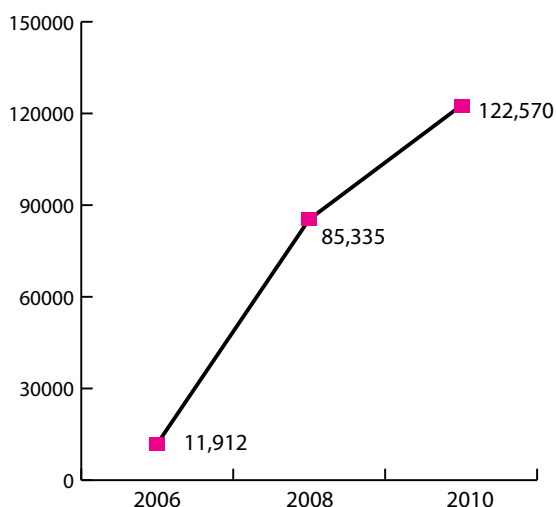
Health

Community health promoters trained	2,010
Number of health meetings	59,612
Number of health meeting participants	688,465
Health services provided	444,952
Family planning products supplied	2,685
Oral rehydration solutions provided	4,418

Microfinance

Microloan groups	6,744
Microloan group members	122,570
Borrowers (current)	103,768
Microloan disbursement (Jan-Dec 2010)	USD 30,157,475
Small Enterprise Programme (SEP) borrowers	3,918
SEP loan disbursement (Jan-Dec 2010)	USD 5,000,253
Returnee refugees taking microloan	1,329
Disbursement to returnee refugees (2010)	USD 280,850

Number of Microloan Members (100% women)



Empowerment and Livelihood for Adolescents

Number of clubs	690
Club members	24,840
Members given livelihood training	4,168
Members taking loan	5,494
Loan disbursement (Jan-Dec 2010)	USD 633,217

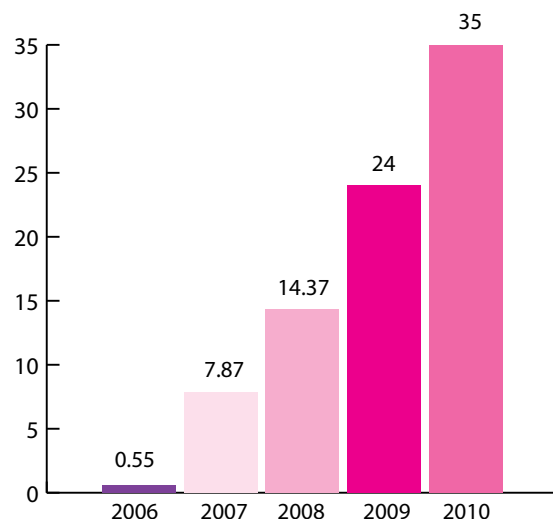
Agriculture & Livestock Development and Credit Support

General farmers trained	49,577
Community livestock & poultry promoters	1,004
Nursery seedlings distributed/planted	869,235
Poultry vaccinations (doses)	10,458,000
Poultry and livestock rearers trained	124,329
Livestock artificial insemination promoters	84
Number of cattle inseminated	3,220

Education

Number of schools	265
Students	6,993
Teachers trained (cumulative)	265
Children mainstreamed (cumulative)	2,172

Annual Microfinance Loan Disbursement (USD)



*includes microloans and small enterprise loans
1 USD = 2,283 UGX (2010)

Notes

Notes

Notes

Photo Credits:

BRAC/Tine Frank

Image on:

Nyiramutuzo Robinah
Surambaya Florence
Mpindi Halimah
Joy Vivian
Tuliraba Mary
Lugolobi Esther
Ruth Wamulo

BRAC/Jake Lyell

Image on :

About BRAC

BRAC International

Mahabub Hossain, PhD

Executive Director

Imran Matin, PhD

Deputy Executive Director

Shabbir Ahmed Chowdhury

Director

Shib Narayan Kairy

Chief Financial Officer (BRAC Group)

Tanwir Rahman CPA

Director Finance

BRAC in Uganda

Khondoker Ariful Islam

Country Representative

Photo Credits:

BRAC/Shehzad Noorani

Image on:

Cover
BRAC in Uganda
Credit Officer in Kitgum
Agricultural Promoter in a trial plot
Poultry and Livestock Promoter
Community Health Promoter
BRAC School in Kitgum
Student solving a math problem on the board
Students learn from a flip-chart
Women collect water from a tube-well
Training of Trainers
Applicants checking the board
Conducting a Survey in Arua
Collecting data in Kitgum
Partnership

Rest of the Images:

BRAC

BRAC

BRAC Centre
75 Mohakhali
Dhaka 1212
Bangladesh
T : +88 02 9881265
F : +88 02 8823542
E : info@brac.net
W : www.brac.net

BRAC International

Teleportboulevard 140
1043 EJ Amsterdam
the Netherlands

BRAC in Uganda

Plot 90, Busingiri Zone
Off Entebbe Road
Nyanam, Kampala
Uganda
Tel: +256 (0) 414 270978

