

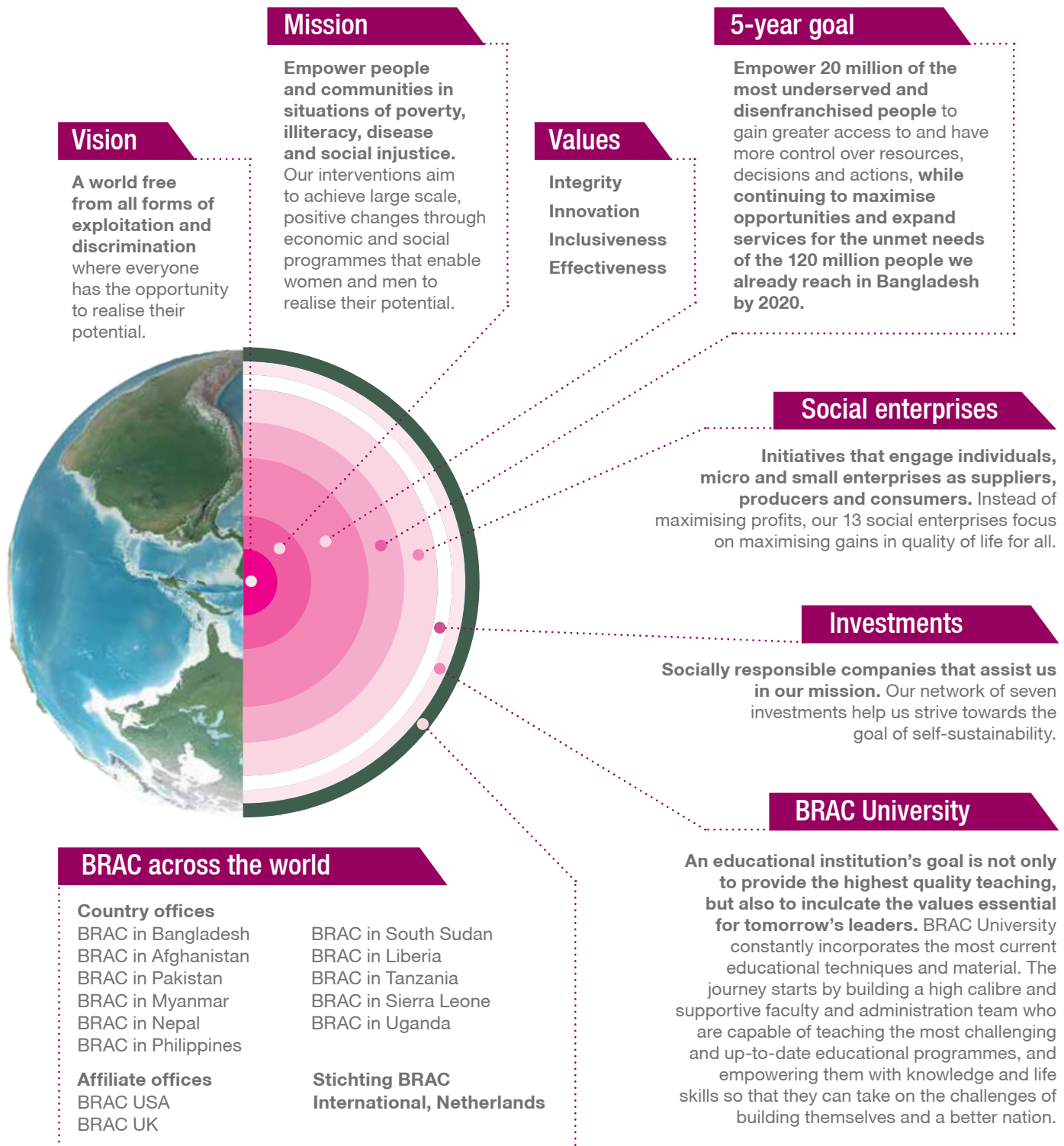


UGANDA

2016
ANNUAL
REPORT

BUILDING A WORLD THAT WORKS FOR ALL OF US

We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovation to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.



If you were to describe this world to a child,
which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent.
Or would you say, even though it may be true,
that our world is where we live, but it is a place that doesn't work for everyone?

**Our world is our playground, a platform for the
creativity of all seven billion of us.**

Sometimes it's hard to believe that a world that works for all of us can be possible.
But the opportunities are all around us.

While we all hope for a better future for our world,
many of us are building it.
If you are a builder, we are betting on you.

The changemaker. The activist. The hero. The mentor.

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.

We listened and learnt, failed and got up again.

We never stopped trying. And we never will.

We trust in people, and we take on the impossible, every day.
Fighting poverty, building platforms for tolerance, equality and inclusion,
saying no to violence against women and children.

We pilot, perfect and scale. Our DNA is to build.

As the sun rose this morning, hundreds of thousands of builders rose with it. **Teachers across eight countries** opened the colourful doors of the world's biggest secular private education system. **65,000 artisans** picked up their needles and started weaving traditional art into beautiful clothing. Credit officers in one of the world's largest microfinance institutions sat down with women in the **remotest corners of seven countries**.

Whoever you are, wherever you are,

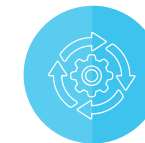
doing good is everyone's business.

We have never faced bigger challenges but we have never been more ready.

Here at BRAC, we are many things:



social enterprise



non-government
organisation



public forum



knowledge hub



social investors



policy advocates



university

and we bring together many different people:



changemakers



activists



heroes

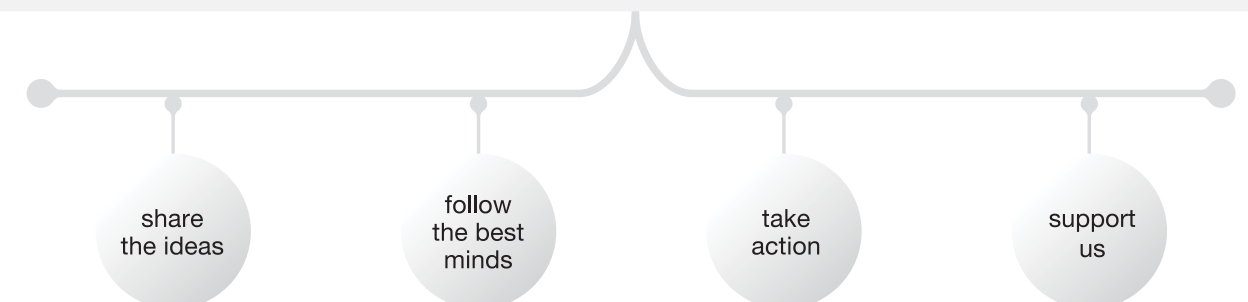


mentors

inspired by a single vision.

Building a world that works for all of us takes all of us.

Get onboard:



we are a team of the world's most dedicated staff, a dynamic board and passionate partners, standing together at the frontline of the world's biggest challenges.

Join the world's biggest family.

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CHAIRPERSON’S FOREWORD



We entered 2016 with 17 Sustainable Development Goals, the first of which was to end all forms of poverty by 2030. This is one of the most pressing yet exciting challenges we face today. For the first time in history we have the means to achieve this goal in the not-too-distant future.

BRAC is increasingly at the forefront of this movement. A provider and global advocate of holistic solutions to reduce poverty over the last 45 years, our ultra poor graduation model in particular is being championed as a solution to help reach the millions of households around the world that still live in extreme poverty.

Established in 2002, the ultra poor graduation approach targets households left behind by economic growth or mainstream development interventions. Our model supports them towards building sustainable livelihoods through a powerful combination of asset transfer, enterprise training, financial services, healthcare, mentoring and social integration. In Bangladesh alone our programme has put 1.77 million households on to sustained pathways out of poverty. With impacts confirmed by rigorous research both in Bangladesh and internationally, the ultra poor graduation approach has now been adapted in 59 programmes across 37 countries by other NGOs, governments and multilateral institutions.

Our work on extreme poverty also extends beyond our own programming. Our ultra poor graduation initiative comprises advocacy efforts and technical assistance on how to adapt and implement the approach effectively in different environments. With staff working across the US, UK, Bangladesh and BRAC country offices around the world, we are spearheading the movement to proliferate graduation and reach as many extreme poor households globally as possible. This year, for example, we started working with the Governments of Kenya and the Philippines to integrate the model into their poverty alleviation strategies.

Our development programmes are funded from internally-generated revenue and grants received from external sources. Our internal revenue totalled BDT 4,997 crore (USD 646 million) this year, making up 82% of our total annual revenue.

We continue to invest in a range of socially-responsible companies. This year we consolidated BRAC Bank, an institution that was founded at a time when it was almost impossible for small and medium enterprise entrepreneurs to obtain financing from the banking sector in Bangladesh. We took banking solutions to entrepreneurs, and have disbursed over USD 4.37 billion since inception. More than half of our lending today is still to small and medium enterprises.

Our home-grown solutions in education, health, microfinance and other development areas now reach 10 countries outside of Bangladesh. This year we continued our expansion in Nepal, moving from the relief we provided after the 2015 earthquake into education and health. We have also launched a five-year strategy for Africa which will take us into five new countries by 2020.

We have never faced bigger challenges but I truly believe that, as a global community, we have never been more equipped, more connected or more ready to face them. I am filled with a genuine feeling of hope as we look ahead into 2017. I look forward to sharing the journey with you.

Sir Fazle Hasan Abed, KCMG
 Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR



It is my pleasure to share our Annual Report with you. At BRAC International, we believe we are One BRAC, working with a unified goal to achieve large-scale, positive impact through our economic and social programmes around the world.

I am happy to say that we have accomplished much in 2016. We opened 31 new microfinance branches. Liberia and Sierra Leone are now operationally sustainable, and there is surplus in five out of six countries. We partnered with the government of Liberia to improve learning outcomes. Our initiatives in health, agriculture and livestock have inspired people to receive training and offer support to others in their own communities. We are implementing BRAC's ultra-poor graduation programme in Uganda and Pakistan, and hope to expand our reach to lift more people out of poverty.

Despite our accomplishments, we faced several challenges in 2016. We witnessed significant paradigm changes with traditional donor countries reassessing their foreign aid. We faced unexpected crises like the civil war in South Sudan that compelled us to scale down our projects and restrict our work to Juba. The challenges only bring us closer in our efforts to building a better world for all.

At BRAC, we believe that young people today will be our strength tomorrow, and technology is

the language of the future. We are capacitating the youth by providing them with training and access to finance. We are exploring web-based monitoring and management system and the use of mobile money. Our priority is to adapt with changing times, build on our accomplishments and work even harder and smarter in 2017.

BRAC was ranked #1 by Geneva-based NGO Advisor in a list of world's best 500 NGOs because of our impact, innovation, and sustainability. We must maintain our effectiveness and ensure the quality of our work. At BRAC, we know it is the people that make us #1. I urge you all to stay with us as you have over the years. I thank our board members and country advisory councils for their guidance, as well as all members of the BRAC family around the world for their support and hard work.

I look forward to continuing our work together with renewed energy and hope, with the same dream that unites us all - a world free of exploitation and discrimination, and a better future for all.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE



We launched our operations in Uganda in 2006 as a small outfit eager to make meaningful changes in people's lives. Ten years down the road, we have grown into one of the largest organisations in the country and continue to grow, but our mission remains the same.

We serve communities in hard-to-reach areas through an integrated approach, using community volunteers who we train frequently. In health and nutrition, our target population has doubled from 1.6 million to more than 3 million people since we increased the number of our community health promoters from 2,800 to 4,000. We introduced mobile technology-based platforms for our health promoters and community agriculture promoters to improve reporting and quicken quality service delivery to communities. We also diversified seed varieties, which we now market through our social enterprise.

In education, our scholars programme continues to graduate scholars and help them transition to institutions of higher learning. We introduced educational initiatives for children aged 3-5, in 80 early childhood development centres known as Play Labs in Karamoja and central Uganda. We focus on holistic child development by engaging caregivers and parents through a curriculum that promotes learning through play.

We are transforming our microfinance entity from a tier-IV microfinance institution into a regulated tier-II credit institution, which will enable us to mobilise savings as well as give loans.

Our empowerment and livelihood for adolescents platform is helping communities in 19 northern and eastern districts to address teenage pregnancy and early marriage. We are proud to be piloting a unique graduation model for youth-led households in central Uganda through asset transfers and skills development to improve their livelihoods.

Our growth would not be possible without collaboration with government agencies and partners. We will strengthen all our partnerships and champion innovative ways of empowering people and communities in situations of poverty, illiteracy, disease and social injustice.

We trust that this report will enlighten you about our interventions, and we look forward to working with you for the betterment of Uganda's development.

Hasina Akhter Huq
Country Representative
BRAC in Uganda

BRAC ACROSS THE WORLD

UK
Initiated: 2006
An independent charity to raise profile and funds for BRAC globally

USA
Initiated: 2007
An independent charity to raise profile and funds for BRAC globally

NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, ERP, Health, NSP

PAKISTAN
Initiated: 2007
Education, ERP, MF, Health, TUP

NEPAL
Initiated: 2015
ERP, ELA, Health, WASH

BANGLADESH
Initiated: 1972
AFSP, BEP, CEP, DMCC, GJD, HNPP, HRLS, IDP, MF, MG, SDP, TUP, UDP, WASH

MYANMAR
Initiated: 2013
ERP, MF

PHILIPPINES
Initiated: 2012
Education

UGANDA
Initiated: 2006
AFSP, Education, ELA, ERP, Health, MF, TUP

TANZANIA
Initiated: 2006
AFSP, Education, ELA, ERP, MF

SIERRA LEONE
Initiated: 2008
AFSP, ELA, ERP, Health, MF

LIBERIA
Initiated: 2008
AFSP, Education, ELA, ERP, Health, MF

SOUTH SUDAN
Initiated: 2007
AFSP, Education, ELA, ERP, Health

AFSP: Agriculture and Food Security Programme
BEP: BRAC Education Programme
CDP: Capacity Development Programme
CEP: Community Empowerment Programme

DMCC: Disaster, Management and Climate Change
ELA: Empowerment and Livelihood for Adolescents
ERP: Emergency Response Programme
GJD: Gender Justice and Diversity

HNPP: Health, Nutrition and Population Programme
HRLS: Human Rights and Legal Aid Services
IDP: Integrated Development Programme
MF: Microfinance
MG: Migration

SDP: Skills Development Programme
TUP: Targeting the Ultra Poor
UDP: Urban Development Programme
WASH: Water, Sanitation and Hygiene

SCORECARD

76,122

CHILDREN RECEIVED EDUCATION FROM BRAC COMMUNITY-BASED SCHOOLS

AFGHANISTAN

86,975

HOUSEHOLDS GRADUATED FROM EXTREME POVERTY

BANGLADESH

40,517

PEOPLE REACHED THROUGH NUTRITION-AWARENESS CAMPAIGNS

LIBERIA

38,270

CLIENTS RECIEVED A TOTAL OF \$11.7 MILLION IN MICROLOANS

MYANMAR

750

EARTHQUAKE-AFFECTED VICTIMS RECEIVED MEDICAL CARE

NEPAL

56,327

CLIENTS RECEIVED A TOTAL OF \$24.5 MILLION IN LOANS

PAKISTAN

21,639

RECEIVED EDUCATION FROM 730 BRAC LEARNING CENTERS

PHILIPPINES

100

URBAN HEALTH PROMOTERS PROVIDED SEXUAL & REPRODUCTIVE HEALTH SERVICES TO ADOLESCENTS IN 10 SLUMS OF FREETOWN

SIERRA LEONE

167,452

PATIENTS RECEIVED ANTI-MALARIAL MEDICATION

SOUTH SUDAN

106,460

FARMERS AND POULTRY REARERS ORGANIZED IN 8,021 GROUPS

TANZANIA

49,093

ELA GIRLS LEARNED FROM 1,096 MENTORS

UGANDA

COUNTLESS STORIES TO TELL...

MICROFINANCE



We started providing financial access to people excluded from mainstream financial institutions in 2009. Over the last 10 years, we expanded to 75 out of 111 districts in Uganda.

WHAT WE DO

We offer two loan packages: one centred around women who receive group microloans, and one that targets both male and female small entrepreneurs.

We scaled our microloans in seven new branches in 2016, bringing the total number of branches to 147. We started bi-weekly collection in some branches to drive efficiency as well as making the repayment process more convenient to our clients. The enterprise programme was also scaled up in six existing branches and are now provided in 102 branches.

We introduced the BRAC credit life insurance policy, which comes with all the loan products currently offered in a package to enhance social protection of our clients and mitigate credit risks. We also introduced a loan term of 30 weeks in order to meet increasing demand for flexibility in loan repayment period from our clients.

HIGHLIGHTS

Reached **188,159** clients

Disbursed **USD 84.76 million** in microloans

Disbursed **USD 11.25 million** for small enterprise loans

Supported **9,435** entrepreneurs with small enterprise loans



HEALTH



We began community health activities in Uganda in 2008 to ensure that people living in poverty can access high-quality, affordable services. Our goal is to lower morbidity and mortality among children under five from diseases such as diarrhoea, pneumonia and malaria; improve maternal health through pregnancy-related care; improve access to basic essential healthcare services and products in rural areas, and improve the nutritional status of smallholder families with a focus on pregnant women, children under two, and adolescent girls.

WHAT WE DO

We apply our proven and unique model of delivering healthcare services to the doorsteps of communities through community health promoters. The promoters combine community-based primary healthcare services with entrepreneurial activities, which helps sustain the model. They provide a wide range of reproductive, maternal, neonatal and child health services across 68 districts in Uganda.

At the community level, the health promoters work on the prevention and treatment of diarrhoea and malaria, pneumonia, pregnancy-related care (antenatal care, postnatal care, facility-based delivery promotion), basic curative care, family planning, immunisation as well as health and nutrition education, which includes safe water, sanitation, personal hygiene, HIV and TB. The promoters are all women selected from BRAC microfinance groups. This holistic approach to development ensures that healthcare reaches the doorsteps of those who need it the most.

We scaled up the programme this year by training promoters in fully-integrated community case management with mobile rapid diagnostic tests for malaria confirmation and treatment of pneumonia. We are also rolling out mobile applications for promoters to assess, record and report sick children and pregnant women.



HIGHLIGHTS

139 branches across 68 districts have a total of 4,075 active Community Health Promoters

Referred 2,945 TB cases and 100,805 malaria cases to health centres

Health promoters provided services to 514,226 households

Health promoters treated 276,318 under-five children affected by malaria

Health promoters treated 151,890 people affected by diarrhoea of which 149,810 were under-five children

478,853 under-five children were immunised and 202,254 cases were referred to health centres by health promoters

Provided basic antenatal care to 149,475 mothers

Provided postnatal care to 87,447 mothers

Trained 1,580 health promoters to utilise mobile application

Conducted 121,423 health forums

EDUCATION



We started our education programme in 2006 in northern Uganda to provide primary education to children who have been left out of school due to conflicts in the region. We are currently providing a scholarship programme for secondary school children across the country and a programme on early childhood education.

WHAT WE DO

In partnership with the MasterCard Foundation, we are implementing a secondary level scholarship initiative that targets academically-talented young people from families that otherwise could not afford it to access and complete their education in eight years from 2013-2021. We provide a comprehensive package of support including school fees, uniforms, learning materials, transportation, accommodation, and stipends. We also provide access to an enrichment component, focused on 21st century life and work skills as well as ongoing support to help students transition into higher education. This enables them to give back to their community and peers through civic participation, with the intent of building a strong alumni network.

We are also implementing the Play Labs project with the Lego Foundation to establish educational initiatives for children aged 3-5. Our goal is to have a well-designed place where children can get equal opportunity to holistically develop through play and creativity with the aim of strengthening and developing physical, intellectual, language, emotional and social wellbeing of children.



HIGHLIGHTS

Completed recruitment and selection of **5,000** Scholars

507 Scholars graduated in December 2016 and will be joining university in August 2017

4,412 Scholars have been enrolled in **104** top performing schools

102 alumni from the first graduating cohort of **115** Scholars have been admitted in various universities

376 Scholars from the second graduation cohort of **478** Scholars have been admitted at various universities

125 teachers received refresher training on mentoring young Scholars

A Teacher Mentor handbook was developed to support the mentoring role of the Teacher Mentors

Organized Leadership Congress for the second time, which was attended by over **1,000** advanced level Scholars at Seroma Christian High School in Mukono District

AGRICULTURE AND FOOD SECURITY



We started our programme in 2008 to enable smallholder farmers in rural areas to improve farm production and productivity. We want to improve the livelihoods of rural populations.

WHAT WE DO

We use an integrated approach that tackles obstacles at every level of the farming value chain. We produce and market quality seeds, and conduct research to develop improved crop varieties and farming practices. We offer credit to support farmers excluded from mainstream finance.

We focus on market development approaches with an emphasis on building farmer's capacity through trainings in modern agricultural practices. We connect these farmers with quality input from our community agricultural promoters. The promoters also demonstrate new agricultural technologies at model farms and provide technical support to farmers and entrepreneurs.

We established an agricultural research facility in the district of Nakaseke in 2009, and registered a seed marketing social enterprise in 2011. A modern seed processing plant was set up to provide farmers with improved and high-yielding seeds. The seed enterprise sources seeds from contract growers, processes and packages them before delivering them to seed dealers who market the maize, rice and vegetable seeds under the BRAC Seed brand.

We also set up a tissue culture laboratory through which we produce disease-free orange flesh sweet potato and banana plantlets. These are given to vine producers to be multiplied through other farmers in their respective communities.

HIGHLIGHTS

BRAC Seed Enterprises Limited released **11** new varieties of seeds

Released first ever hybrid maize variety named 'Longe11H'

Established a **5-acre** orange flesh sweet potato vine multiplication plot in Nakaseke District

Produced **20,000** orange fleshed sweet potatoes and **2,050** banana plantlets

Supplied **1,000** sacks of vines, each weighing **15 kgs**, to smallholder farmers and their families

Supplied **291 MT** of maize, **12 MT** of rice and **10 MT** of beans and vegetables to the market

Trained **300** model farmers, **3,000** general farmers, **300** community agricultural promoters, **100** youth entrepreneurs, **80** traders and **40** agro dealers



POULTRY AND LIVESTOCK



We started our poultry and livestock programme in 2008 to improve the poultry value chain. We develop model farmers, entrepreneurs, and community livestock promoters, and strengthen the capacity of agro vet and traders to improve access to input services and create better linkages with markets.

WHAT WE DO

We provide training to poultry and livestock rearers and set community-level demonstration farms to introduce appropriate technology to other farmers in the community.

Our community livestock promoters provide door-to-door services to farmers. They administer vaccines, educate farmers about poultry and livestock rearing, and help build protective coops and shades. They provide information on feeding, management and prevention of disease and provide livestock-related services, including de-worming.

We are increasing the income and food security of small and marginal farmers through the rearing of Kuroiler chickens which are a dual purpose breed producing meat and eggs and can live on a diet of organic waste.



HIGHLIGHTS

- Conducted **40** market linkage community meetings connecting **815** farmers to agrovet dealers and traders
- Provided technical and business training to **29** agro vet dealers in **6** districts
- Provided business training to **900** community livestock promoters
- Provided technical, business and marketing skills to **80** traders to enable farmers to have access to the market
- Trained **400** young men and women on basic kuroiler management to rear chicks and sell to general farmers
- Trained **20** milk collectors and **7** primary cooperatives in hygienic milk collection and marketing, and supported them with 50-liter milk cans to enable them to collect milk from dairy farmers and sell them
- Distributed **14,360** day-old-chicks to **58** entrepreneurs who also received training in business and marketing skills to enable them to establish farms, market their chicks and improve their livelihood

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS



We started focusing on adolescent girls in 2006. We enable young people to access basic life skills training in safe spaces, combined with livelihood training and financial literacy.

WHAT WE DO

We empower adolescents to participate meaningfully in making decisions that will affect their lives positively, thus creating a supportive environment for the development of adolescent girls at the individual, household and the community levels.

Our goal is to assist adolescent girls, especially those out of school, in achieving greater economic and social empowerment and becoming agents of change in their communities. We combine safe spaces with innovative livelihood and life skills training, and a customised microfinance programme. Community and parent participation is another major tenet of the programme.

Needs vary according to age groups. Younger girls are different from older ones, school-going girls have different needs and aspirations from out-of-school girls and teen mothers require different information from others. These varying needs are considered in the designing of every programme component.



HIGHLIGHTS

Operated **1,096** clubs and 75 branches with **49,093** members

1,096 mentors have been active with no drop-out for the year

12 new districts were covered, including the **7** core districts of Karamoja, opening **370** new safe spaces

36,829 girls received training in life skills and **34,292** girls received financial literacy training

120 girls were matched to master crafts for apprenticeship training under different trades while **700** adolescent girls received livelihood training and inputs on poultry and livestock

35 girls completed apprenticeship training and will be given input supply

1,300 young farmers received **5 kg** of certified BRAC Seed each to cultivate and enhance their livelihoods

88 survivors of violence received a specialised package of psychosocial support including treatment

37 survivors were re-integrated into school and with their families, and will be supported with various trainings including livelihood training and support for sustainability

ULTRA-POOR GRADUATION



We started our ultra-poor graduation programme this year to help move people out of extreme poverty. We are contributing to eradicating extreme poverty by means of an integrated approach through the creation of sustainable conditions for social and economic development.

WHAT WE DO

Our integrated approach consists of:

- increasing income through enhanced agriculture and livestock productivity as well as petty trading
- improving health and nutritional status
- improving life skills, financial skills and savings behaviors
- increasing social integration and market linkages

We are currently implementing a 36-month ultra poor graduation pilot through June 2019 with funding from the Cartier Charitable Foundation and AESTUS Foundation. We are targeting 1,650 young people aged 15 to 30 years old living in extreme poverty in six sub-counties across Luwero and Kiryandongo districts of Uganda.

HIGHLIGHTS

Trained **40** project staff (35 female, 5 male) on identification of youth in extreme poverty through participatory rural appraisal

Targeted **31,916** households through an exhaustive participatory rural appraisal process

Conducted an in-depth market analysis to determine local markets and match participants' interest, capabilities, gender and age brackets to profitable assets with clear value chain in the local economy

Identified profitable and manageable agribusinesses that include livestock, crops, local trades, as well as service businesses



EMERGENCY RESPONSE



From October 2015, we began strengthening our emergency preparedness skills and knowledge to build safer and more resilient communities, with the support of the Bill and Melinda Gates Foundation.

WHAT WE DO

We develop organisational capacity on emergency response, which includes conflict mapping and trend analysis, disaster preparedness planning, country risk assessments, multi-hazard risk assessment and equipping staff with new skills.

HIGHLIGHTS

Coordinated the evacuation of BRAC expatriate staff from South Sudan to Uganda during the outbreak of civil war

Coordinated the movement of earthquake-affected people in Tanzania to the safer northwestern Kagera region

Facilitated **one** orientation course for **30** staff on crisis management and humanitarian leadership for the country office and regional office

Developed **one** country risk assessment, **one** multi-hazard risk assessment, **one** disaster preparedness planning, and **40** weekly situation updates

Represented BRAC in **three** national forums and **two** international forums

Participated in the development of **three** major national level documents on the Disaster Risk Management Strategic Programme and Investment Framework, The National El-Niño Preparedness and Contingency Plan and the Appropriate Institutional Arrangement for Disaster Risk Reduction and Management



SMARTPHONES SAVE LIVES



We pride ourselves on bringing innovative solutions wherever we work, and this year, we introduced a mobile health (m-Health) component. The customised Android application platform enables our health promoters to capture maternal child health and household information via smartphones. The platform also features decision support tools to assist health promoters in registering, screening, treating, counselling and referring sick under-5 children and pregnant women.

This m-Health platform will improve:

Service quality - all sick child assessments are conducted by the promoters through the same app/tool, as are treatment follow up, danger sign identification, referrals and referral follow up. Similarly, pregnancy registration, referrals, dates of antenatal care, other reminders, key messages, and household information are available and accessible.

Reporting - use of the m-Health platform has enabled us to move from paper-based reports to near-instantaneous reporting of data. Real time reporting allows the entire health team to save time during data collection.

Supervision - real-time reporting will enable efficient and effective supervision and monitoring, allowing our health team to ensure effective and accurate monitoring of children's health and women pregnancy status.

The use of these mobile phones has also elevated the confidence and status of health promoters in the community.

The app helps maintain the accuracy and quality of the work and data collected by the promoters. It builds trust among promoters by creating very clear and achievable expectations.

THE POTATO APP



Kellen Kyarisiima is a smallholder farmer who received training on the cultivation of the vitamin A rich orange fleshed sweetpotato and other nutritious crops like carrots and iron rich beans. Her keen interest and willingness to try new methods got her selected as one of 120 community agriculture promoters.

We used to collect paper data through these promoters, as well as through vine producers and project assistants on cultivation, consumption, sales, farmer activity, pest and disease infestation among others. However, paper reports proved challenging, especially during the rainy season.

This year we developed a mobile Android application to improve data collection and sharing. We introduced smartphones and trained all promoters, vine producers and project assistants on the use of the nutrition project app.

"It was the first time that I was handling a smartphone. I was sceptical and didn't know what to expect, but I was eager to learn something new and emerged as the best performer during that week of training," Kellen recalls.

"The mobile application has been important for us in the fight against disease and pest infestation in farmer's gardens. It has details of common diseases and pests including pictures showing symptoms of infestations and a list of the possible available remedies. In cases where information is missing, there is an option that allows us to use the camera to snap the unknown disease or pest, write a description of it and send to the head office in Kampala, and wait for feedback about how to help the farmer."

Kellen appreciates the technology that is helping farmers to prevent crop loss from pest and disease infestation. She says she has become a farmer who others look up to in her village for her modern ways of cultivating crops.



My name is Sauda Masibo and I am currently the senior coordinator for the Kiva funded Empowerment and Livelihood for Adolescents (ELA) programme at the country office in Kampala, Uganda. I joined BRAC in 2008 as a life skills trainer for the ELA programme. I am among the pioneering group of ELA staff who established the first ELA clubs at houses donated by the community. We used to move from house to house looking for a good samaritan to offer us a free safe space for girls to meet every evening.

I trained young girls in music, dance and drama and one of the highlights was having them perform at the Global Learning Meeting in 2013 in Entebbe, Uganda. My motivation to do all I have done with ELA stems from a passion to help young girls become the best they can be, and make informed decisions, especially about reproductive health issues.

Currently, the majority of the ELA girls have managed to become independent through the livelihood and financial literacy trainings that help them manage their own businesses and have better control of their lives.

I have also grown in my career and I am now working as a coordinator for ELA and the small enterprise programme. For the lives that ELA is continually changing and for the fulfilment I receive in being a part of ELA, I will always be BRAC.

Sauda Masibo
BRAC in Uganda

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International in the Netherlands.

GOVERNING BODY

Stichting BRAC International has a constitution under the laws of the Netherlands and was governed by a 10-member board of directors. In line with the rising fiscal requirements and public expectations in the Netherlands, the board decided to adopt a two-tier governance structure, with a management board and a supervisory board.

On 8 December 2016, on its 31st meeting, the Stichting BRAC International governing board adopted the following amendments to the Constitution of Stichting BRAC International which came into effect from 28 December 2016: The present governing board becomes the supervisory board of Stichting BRAC International.

The supervisory board appointed the management board of Stichting BRAC International comprising 1) Executive Director, BRAC International, 2) Director Finance, BRAC International and 3) a maximum of three BRAC International programme directors.

The composition of the supervisory board of Stichting BRAC International is as follows:

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Ahmed Mushtaque Raza Chowdhury
Dr Muhammad Musa
Sylvia Borren
Dr Debapriyo Bhattacharya
Shabana Azmi
Shafiqul Hassan (Quais)
Parveen Mahmud
Irene Zubaida Khan
Fawzia Rashid

BRAC INTERNATIONAL HOLDINGS BV

BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes currently supporting the enterprises include seed production and training centres.

BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

On 8 December 2016, on the 31st general meeting of the shareholder of BRAC International Holdings BV, the Stichting BRAC International Governing Board adopted the amendments to the Articles of Association of BRAC International Holdings BV.

The following came into effect from 28 December 2016:

The present board of directors, with the exception of Hans Eskes becomes the supervisory board of BRAC International Holdings BV.

A two-member management board is formed with one Bangladeshi and one Dutch national.

The composition of the present supervisory board of BRAC International Holdings BV is as follows:

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Sylvia Borren
Dr Muhammad Musa
Parveen Mahmud

The composition of the management board of BRAC International Holdings BV is as follows:

Managing Director:

Faruque Ahmed

Director:

Hans Eskes

Details about the roles of the supervisory board and management board are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Sylvia Borren, Member
Faruque Ahmed, Member
Hans Eskes, Member
SN Kairy, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC's mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A 'whistle blower' policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial

statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.

BRAC IN UGANDA

GOVERNANCE

BRAC UGANDA MICROFINANCE LIMITED

Directors

Dr AMR Chowdhury (Chair)
Faruque Ahmed
Shib Narayan Kairy
Shameran Abed

BRAC UGANDA NGO

Local Board Members

Dr AMR Chowdhury (Chair)
Faruque Ahmed
Shib Narayan Kairy
Shameran Abed

BRAC SOCIAL BUSINESS ENTERPRISES

Directors

Dr AMR Chowdhury (Chair)
Faruque Ahmed
Shib Narayan Kairy

COUNTRY ADVISORY COUNCIL

Members

Joyce R Mpanga
Hon Justice Augustus Kania
Okaasai S Opolot
David T Baguma
Dr Sabrina Bakeera Kitaka

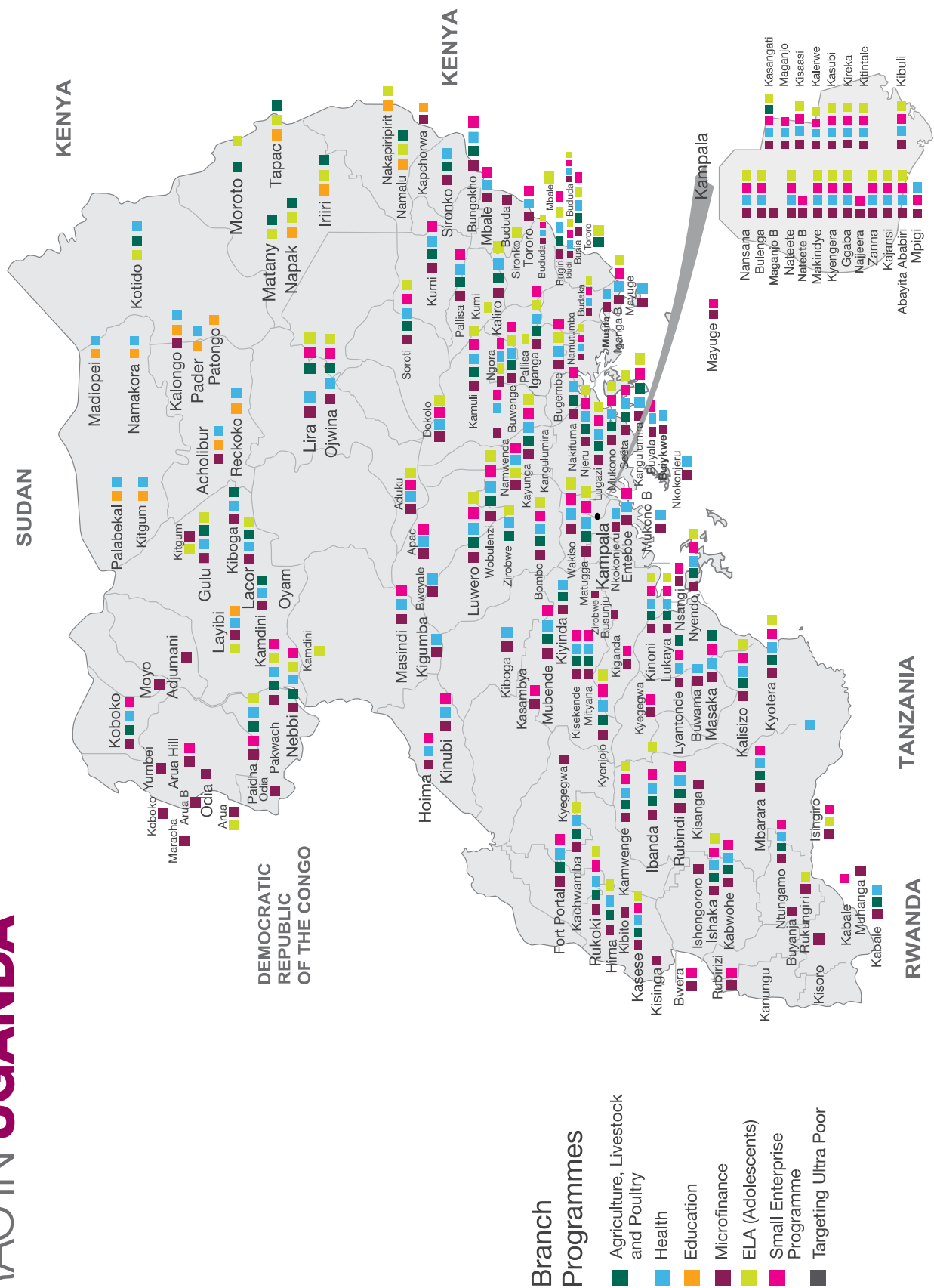
MANAGEMENT

Hasina Akhter
Jimmy Adiga
Tabu Francis
Mugerwa Namulondo Sarah
Hannan Ali
Anne Kazungu
A B M Monimul Islam
Peter Mukisa
Odong Lawrence
Sharmin Sharif
Jeniffer Kemigisha

Country Representative
Chief Executive Officer
Project Manager, Scholarship & ECD
Country Head of Accounts
Project Manager, Agriculture
Manager, HR & Training
ERO & CB Lead
General Manager, BSBBE
Project Manager, TUP
Project Manager, Health
Project Manager, ELA & ECM



BRAC IN UGANDA



FINANCIALS

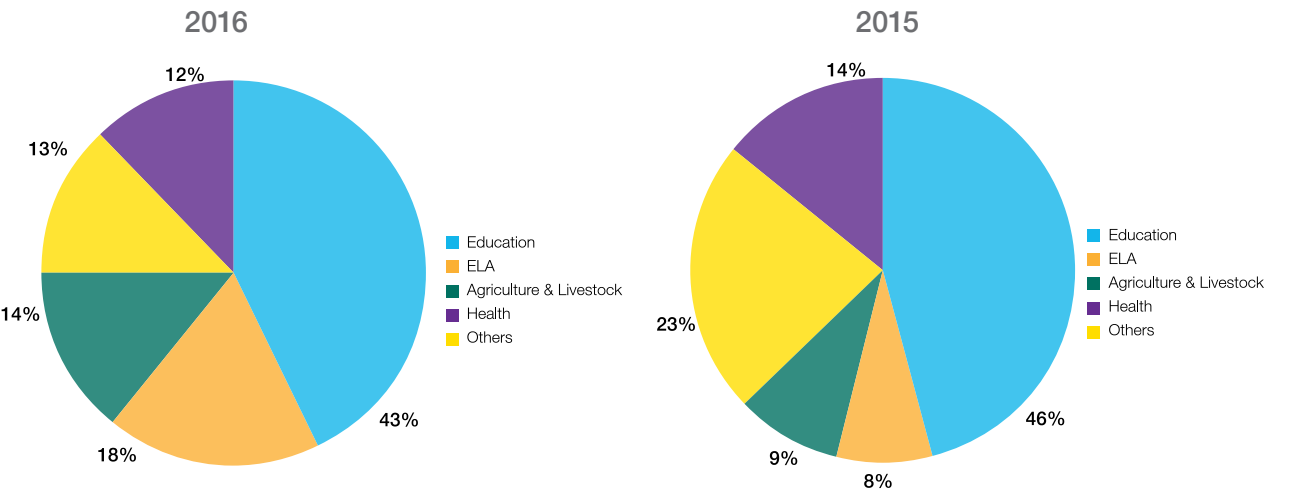
FINANCIALS – NGO

BRAC in Uganda received grants amounting to USD 14,280,233 in 2016 compared to USD 11,095,499 in 2015. Total project expenses utilized for the year were USD 15,747,504 (USD 14,010,302 in 2015) which represents an increase of 12%. Out of the total expenses, majority are expensed in The Scholarship Programme supported by MasterCard Foundation. The expenses incurred for the major development programs are as shown below. Almost 90% of the total expenditure is being used for direct program service with only 10% as administration expenses.

Total equity as at 31 December 2016 stands at USD 12,283,405 compared to USD 11,841,142 in 2015, showing an increase of 4%.

PROGRAMME COST

Programme	2016	2015
	USD	USD
Health	3,621,666	1,680,570
Education	7,258,169	5,976,325
ELA	1,271,594	2,599,161
Agriculture and livestock	1,378,663	1,910,119
Others	2,217,412	1,844,127
Total	15,747,504	14,010,302



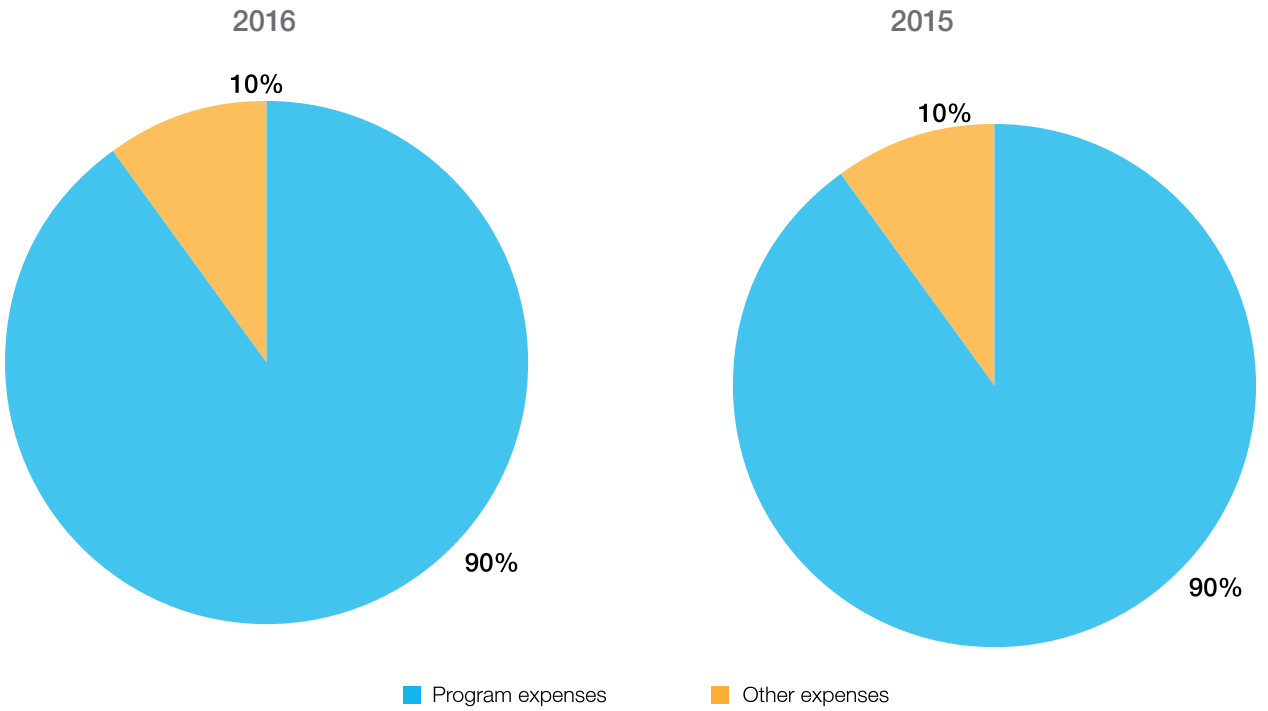
Contribution to Government Exchequer

BRAC in Uganda regularly contributes government exchequer through providing tax on its income and withholdings and deposition tax from its employees and suppliers and contributing to The National Social Security Fund (NSSF). Total contribution to government exchequer for the last two years is as follows:

	2016	2015
Withholdings tax	83,742	7,898
NSSF contribution	229,638	225,921
	313,380	233,819

PROGRAMME COST

Expenses	2016	2015
	USD	USD
Programme expenses	14,172,754	12,665,313
Administration expenses	1,574,750	1,344,989
Total	15,747,504	14,010,302



AWARDS AND RECOGNITION IN 2016

BRAC in Uganda received two awards in the annual Financial Reporting (FiRe) Award held in 2016, organized by the Institute of Certified Public Accountants of Uganda (ICPAU). BRAC in Uganda received a Certificate of Recognition for Outstanding Achievement in the General Sub-Category (NGOs). BRAC in Uganda was also announced as the winner in the Non-Governmental Organisations category, out-reporting 21 other NGOs.

This is the sixth consecutive year that BRAC in Uganda has been recognized at the awards, setting up a standard that has never been achieved by any other NGO in Uganda.

FIVE YEAR PERFORMANCE REVIEW

In USD	2016	2015	2014	2013	2012
	USD	USD	USD	USD	USD
Income Statement					
Grant income	14,805,944	13,926,160	10,335,634	6,907,212	5,364,579
Other income	1,156,550	713,406	685,983	727,595	945,946
Programme expenses	14,172,754	12,665,313	9,520,387	6,622,885	4,928,175
Administration expenses	1,574,750	1,344,989	941,577	575,988	487,402
Financial Position					
Net equity	12,283,405	11,841,142	15,384,105	10,942,801	7,662,469
Cash at bank	12,264,858	11,182,587	13,713,844	10,874,446	7,482,055
Grants received	14,280,233	11,095,499	15,259,687	9,863,837	7,884,544
Operational statistics					
Number of programmes	8	8	8	8	8

LAST FIVE YEARS' GRANT RECIEVED VS. PROGRAMME EXPENSES



FINANCIALS – MICROFINANCE

Net Income

BRAC Uganda Microfinance Ltd. completed 2016 by registering pretax profit of USD 14,217,378 compared to USD 7,823,898 in 2015. Interest income increased by 32% in 2016. This is in line with the increment in loan disbursement by 49% in the programmes.

Operating Expenses

Total operating expenses for the year were USD 9,741,401 compared to USD 7,030,577 in 2015 showing an increase of 37%. BRAC Uganda Microfinance LTD transformation process of regulated credit institution (tier II) company is ongoing.

Financial Position

In 2016, BRAC's total assets grew by 15% to USD 49,285,449 compared to the previous year's total assets of USD 42,836,209 further consolidating its position in the market. Loans and advances to customers increased by 15% and is now 89% of the total assets.

Security deposits increased by 18% and net equity grew to USD 24,585,045 from USD 17,143,964 in 2015, the percentage growth for equity being 43%. The growth of equity is entirely attributed to increase in profitability.

Provisions for Impairment Losses

In 2016, amount charged for impairment on loans was USD (315,449) compared to USD \$ 965,534 in 2015. Portfolio At Risk (PAR>30) is 2.23% this year against 0.56% in 2015.

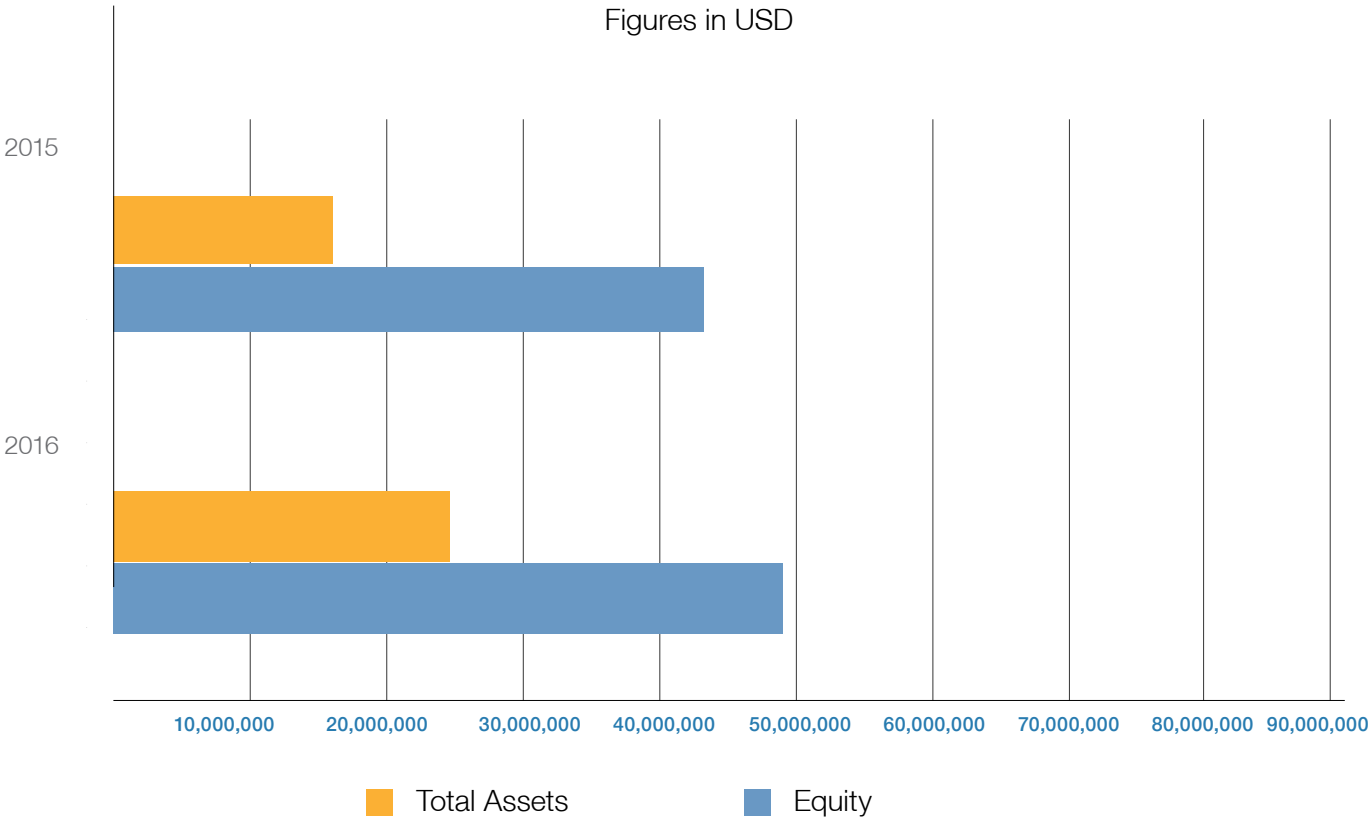
Contribution to Government Exchequer

BRAC in Uganda regularly contributes government exchequer through providing tax on its income and withholdings and deposition tax from its employees and suppliers and contributing to the National Social Security Fund (NSSF). Total contribution to government exchequer for the last two years is as follows:

	2016	2015
Income tax	5,054,513	2,321,830
Withholdings tax	548,639	316,426
NSSF contribution	470,068	427,156
	5,619,905	2,839,744

TOTAL ASSETS VS. EQUITY

Figures in USD

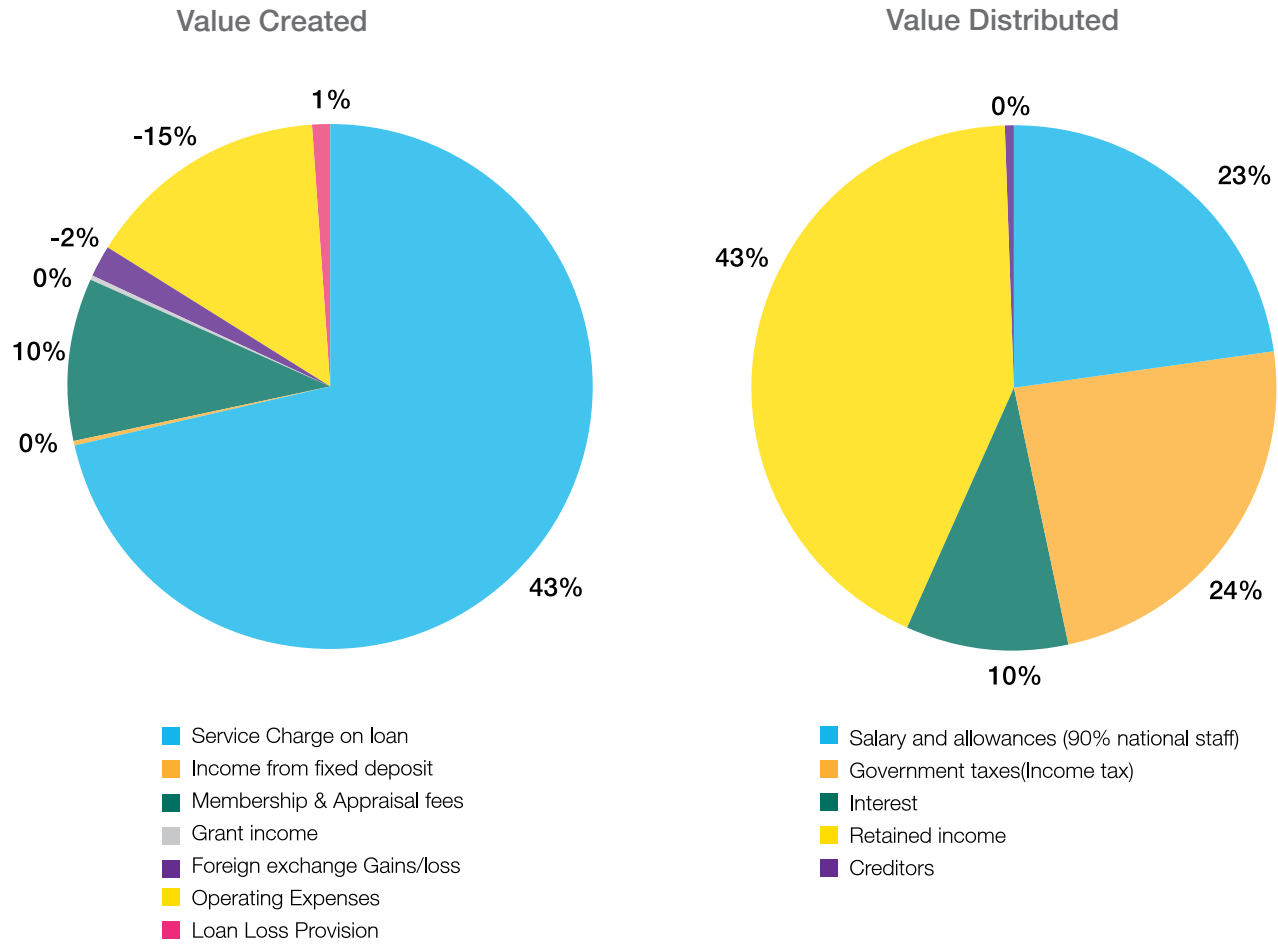


VALUE ADDED STATEMENTS

A value added statement provides a detail account of total value addition and the distribution of value created by the organisation. BRAC Uganda Microfinance Ltd contributes positively to the overall economic development by empowering people in poverty (especially females) through micro-credit. We create opportunities for the Ugandan youth population by providing them with a dynamic work environment and build their capacity on the job and through international training. BRAC also assists the local regulatory authorities by paying taxes regularly.

	Year 2016		Year 2015	
	USD	%	USD	%
Value added				
Service charge on loans	22,879,757	140%	17,306,857	115%
Income from fixed deposits	150,266	1%	119,018	1%
Membership & appraisal fees	3,112,729	19%	1,017,870	7%
Grant income	67,987	0%	106,590	1%
Foreign exchange gains	(475,424)	-3%	164,158	1%
Operating expenses	(4,661,588)	-22%	(2,689,963)	-18%
Loan loss provision	315,449	2%	(965,534)	-6%
Total Value Added	21,389,176	100%	15,058,996	100%

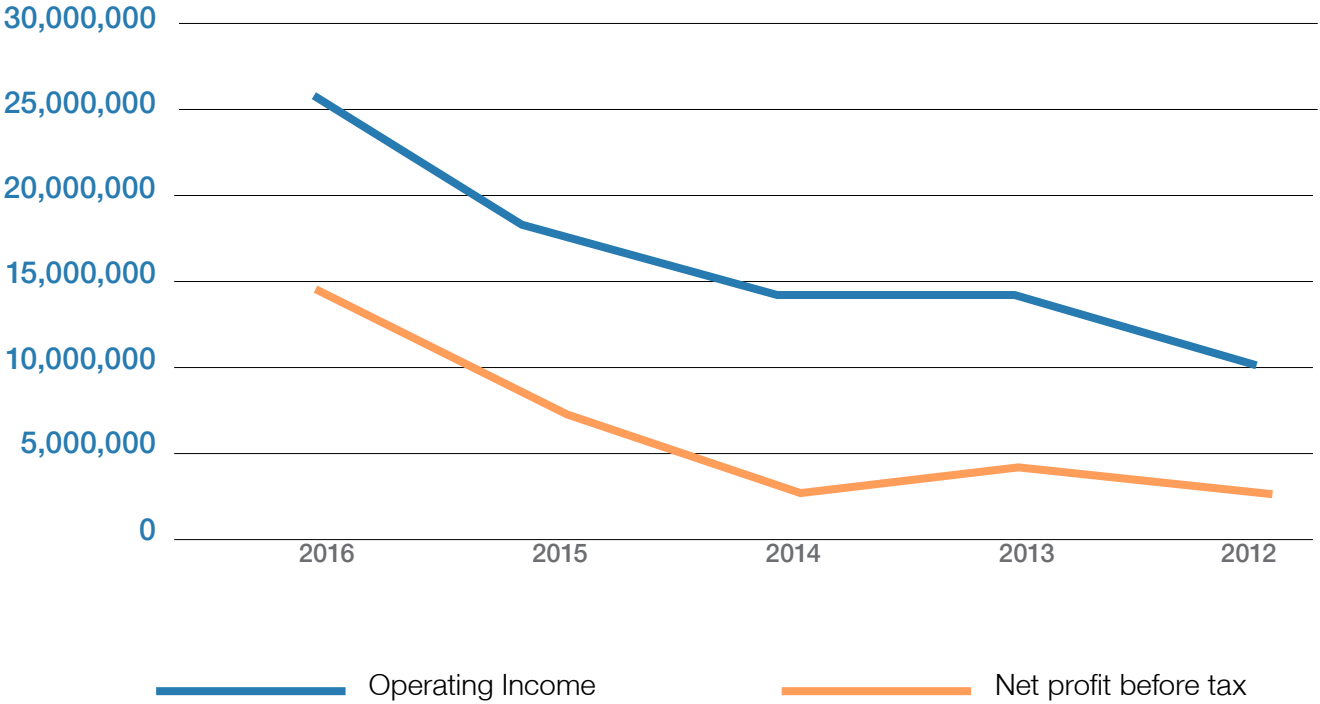
Distribution of Value Addition	2016		2015	
	USD	%	USD	%
Employees				
Salary and allowances	4,995,907	23%	4,226,167	28%
Local authorities				
Government taxes (income tax)	5,054,513	24%	2,321,830	15%
Creditors				
Interest	2,091,985	10%	2,894,484	19%
Growth				
Retained income	9,162,865	43%	5,502,068	37%
Depreciation	83,906	0%	114,447	1%
Total value added	21,389,176	100%	15,058,996	100%



FIVE YEAR PERFORMANCE REVIEW

	2016	2015	2014	2013	2012
	USD	USD	USD	USD	USD
Income Statement					
Operating income	25,735,275	18,714,493	16,500,162	14,050,114	13,709,289
Net profit before tax	14,217,378	7,823,898	5,093,467	3,655,529	4,411,187
Financial Position					
Total asset	49,285,449	42,836,209	33,749,841	29,315,223	26,838,503
Loans to customers (net)	43,917,939	38,328,404	30,887,847	23,201,682	17,343,327
Cash at bank	1,650,719	1,755,855	797,645	2,795,733	4,429,780
Returns and ratio					
Return on asset	35%	13%	11%	9%	12%
Cost to income	64%	71%	69%	76%	68%
Operational Statistics					
Total borrowers	213,709	194,732	158,831	129,104	118,150
Cost per loan	28	24	36	43	41
PAR>30	2.23%	0.56%	0.59%	0.66%	1.90%

OPERATING INCOME VS NET PROFIT BEFORE TAX



BUDGET PERFORMANCE

BRAC in Uganda and BRAC Uganda Microfinance Ltd registered a good performance with a combined utilisation rate of 81%.

BRAC IN UGANDA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016
CORPORATE INFORMATION

DIRECTORS

Dr. A.M.R Chowdhury*	- Chairperson
Mr. Faruque Ahmed*	- Member
Mr.Shib Narayan Kairy*	- Member

ADMINISTRATORS

Ms. Hasina Akhter *	- Country Representative (Appointed on 1 march 2017)
Mr. Bhuiyan Muhammad Imran*	- Country Representative (Resigned on 28 February 2017)

* Bangladeshi

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:

Mr. Shib Narayan Kairy
Chief Financial officer,
BRAC and BRAC International
BRAC Centre, 75 Mohakhali, Dhaka 1212, Bangladesh

AUDITORS

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

BANKERS

Bank of Africa
Plot 45 Jinja Road P O Box-2750, Kampala, Uganda

Centenary Bank
Mapeera House
Plots 44-46 Kampala Road
P O Box 1872, Kampala, Uganda

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016
CORPORATE INFORMATION

DFCU Bank
Plot 26, Kyadondo Road. P O Box 70,
Kampala, Uganda

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

Orient Bank Ltd
Plot 6/6A Kampala Road
P O Box 3072,
Kampala, Uganda

Pride Microfinance Limited (MDI) Victoria Office Park, Block B, Bukoto, Plot 6-9, Ben Kiwanuka Okot Close
P O Box 7566 Kampala, Uganda

Stanbic Bank Ltd.
17 Hannington Road, Crested Tower Building, P O Box 7131
Kampala, Uganda

Tropical Bank Ltd
Plot 27 Kampala Road P O Box 9487, Kampala, Uganda

BRAC UGANDA
DIRECTOS' REPORT FOR YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2016, which disclose the state of affairs of the company.

(a) Registration

BRAC Uganda limited got incorporated as a company limited by guarantee on 18th September 2009 as an independent company. The Organization 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 Microfinance and Non Microfinance programs got incorporated as independent companies in August 2008 and September 2009 respectively. The Organization was duly registered under the nongovernmental organization registration statute (1989) on 19th March 2010 as BRAC Uganda.

The two entities effectively commenced trading separately on 01 January 2010 and therefore have separate financial statements for BRAC Uganda and BRAC Uganda Microfinance Ltd. BRAC Uganda registered with the registrar of companies on 18th March 2010 a company limited by guarantee under the names of BRAC Uganda ("the Company").

(b) Vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential.

(c) Mission

The Company's mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large-scale, positive changes through economic and social programmes that enable men and women to realize their potential.

(d) Our Values

Innovation-the Company has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in ground breaking development initiatives.

Integrity- the Company values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethic.

Inclusiveness-the Company is committed to engaging, supporting and recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness-the Company values efficiency and excellence in all our work, constantly challenging Ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

(e) Principal activities

The organization provides charitable and welfare activities on non-profit basis, engages in poverty eradication, promotes women empowerment in rural areas, and provides sanitation and clean water and provides basic education for school dropouts in rural areas in over 64 districts in Uganda.

(f) Results from operations

The results for the entity for the year ended 31 December 2016 are set out on page 56.

(g) Composition of Directors

The directors who served during the year are set out on page 47.

BRAC UGANDA
DIRECTOS' REPORT FOR YEAR ENDED 31 DECEMBER 2016

(h) Directors benefits

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

(i) Corporate Governance

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practices. In so doing the Directors therefore confirm that:

- The board of directors met regularly throughout the year;
- They retain full and effective control over the company;
- The board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2016 the board of directors had three directors. The board continued to carry out its role of formulating policies and strategies of the company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

(j) Risk management

The board accepts final responsibility for the risk management and internal control system of the Company

The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the risk Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

(k) Management Structure

The Company is under the supervision of the board of directors and the day to day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

- Agriculture and Poultry
- Education
- Health
- Empowerment and Livelihood for Adolescents (ELA)
- Research and Evaluation
- Training
- Emergency Response Program
- Accounts and Finance
- Internal Audit
- Monitoring
- Branch Review
- IT and MIS
- Human resources
- Communication and Public Relations

BRAC UGANDA
DIRECTOS' REPORT FOR YEAR ENDED 31 DECEMBER 2016

- Proposal Development
- Procurement, Logistics and Transportation

(l) Related Party Transactions

Related party transactions are disclosed in note 14 and note 17 to the financial statements.

(m) Corporate Social Responsibility

BRAC Uganda is a development company dedicated to alleviating poverty by empowering the poor to bring about change in their own lives.

(n) Key Achievement in 2016

The following are the key achievements for the year:

- Three year pilot Play lab project implemented in Karamoja region and Luwero District. 40 play labs opened and are successfully operating. The Play labs are for 3 to 5 year old children to support their social and emotional learning through play. The Pedagogical principles of the play based learning approach are play, think make and share.
- Under the MasterCard Foundation Scholars Program, the Program held its second Leadership congress which was attended by over 1000 scholars at Advanced level at Seroma Christian High School in Mukono District. The theme was nurturing ethical Leaders for sustainable development.
- 507 Advanced level scholars graduated from the Programme in 2016 at a ceremony which was held in December and presided over by the Minister of State for Higher Education Hon. Dr. J. C Muyingo. This is the third cohort of scholars graduating from the programme.
- ELA BRAC Uganda Programme secured two new projects (End child marriage with funds from UNFPA and Emergency Child Protection response with funds from World Bank.)
- ELA Programme under the End child marriage project has been expanded to Karamoja .
- Opened 405 new clubs with 10,125 new Adolescent girls.
- Expansion/growth from 2,808 to 4,075 CHPs. The year 2016 marks successful completion of CHP expansion that included mapping, recruitment, training and deployment of the new 1,273 (1276 new CHPs plus 6 replacements of drop outs) CHPs as planned.
- Trained and equipped all CHPs to diagnose and treat ARI with amoxicillin and administer the rapid test for malaria.
- Margin contribution grew from 6% to 12% - by adding top selling products, increasing margins and improving business training.
- Funding for a new project (The Ultra Poor (TUP) project), was received and operations are in the districts of Luwero, and Kiryandongo.
- BRAC scooped a winner's award in the NGO category for the Financial Reporting Awards held in 2016. These awards are organized every year by the Institute of Chartered Public Accountants of Uganda.

(o) Expectations for the year ending 31 December 2017

- Under the Play lab project an additional 40 play labs shall be opened in Luwero and operationalised with a strong community engagement.
- Under the scholarship Program the first cohort of the UCE scholars selected in 2013 will transition into Advanced level in 2017 and an additional 515 scholars will graduate from the programme in December 2017. 507 scholars Advanced level scholars who graduated in 2016 will be supported to transition into University and other tertiary institutions.
- The Mid-term Evaluation of the Scholarship Programme is being undertaken in 2017 and report of findings shall be shared with different stakeholders and will inform areas of improvement for the next four years of the Programme.
- Open 400 new clubs in 19 districts; in 13 new districts and 6 old districts
- Admission of 12000 new members into the ELA Clubs
- Implement and expand nutrition and family planning package to reduce stunting as well as child and maternal mortality – pilot design and implementation
- Train and equip remaining 2,590 CHPs on android application.
- Transfer of livelihood assets, give consumption support and financial literacy& life skills to 1,650 ultra-poor youths

BRAC UGANDA
DIRECTOS' REPORT FOR YEAR ENDED 31 DECEMBER 2016

(p) Solvency

The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of directors confirms that the applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

(q) Employee's Welfare

Management/employee relationship

There were continuous good relations between employees and management for the year 2015. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2016. Grievance handling guidelines were circulated to all employees to create awareness about employee rights.

The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors such as gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Training

Training and development of staff capacity is one of the key priorities of the company. During the year, line managers had special training in BRAC Values, Gender awareness, Diversity and Inclusion. All branch accountants received hands on training on their day to day responsibilities. Program staff received training as scheduled. The company will continue to train, retrain and develop its staff to improve staff delivery and innovation.

Medical assistance

The company introduced medical insurance scheme in October 2016, which covers all staff. We plan to add employees' dependants gradually.

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The company contributes 10% of the employees' of the gross salary and employee contributes 5%. The NSSF is a defined contribution scheme with BRAC Uganda having no legal or constructive obligation to pay further top-up contributions.

(r) Gender Parity

In 2016, the company had 588 staff(915 in 2015). The female staff were 80% (82% in 2015).

(s) Auditors

The auditors, KPMG, being eligible for reappointment have expressed their willingness to continue in office in accordance with Section 167 (2) of the Companies Act of Uganda.

(t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 23-04-2017

By order of the Board

SECRETARY

Date.....2017

BRAC UGANDA
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2016 and the statements of comprehensive income, changes in capital fund and 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 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' responsibilities include: designing, implementing and maintaining internal controls 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 Companies Act of Uganda, 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 56 -80 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results. 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.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company 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 23-04-2017 and were signed on its behalf by:

Director:.....

Director:.....

Date: 23 April 2016



KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda
Reg No. AF0026

Telephone +256 414 340315/6
Fax +256 414 340318
Email info@kpmg.co.ug
Website www.kpmg.com/eeastafrica

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA

Report on the Financial Statements
Opinion

We have audited the financial statements of BRAC Uganda ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies as set out on pages 56 -80.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Uganda as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the (IESBA) Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the corporate information, directors' report, statement of directors' responsibility, the memorandum figures reported in United States Dollars (USD) and segmental reporting but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



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BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is CPA- Asad Lukwago P0365

KPMG

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

Date:.....28 April.....2017

BRAC UGANDA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Grant income	3	50,014,479	44,563,711	14,805,944	13,926,160
Other income	4	3,906,827	2,282,899	1,156,550	713,406
Foreign exchange gains	5	1,206,696	1,744,157	357,222	545,049
Total income		55,128,002	48,590,767	16,319,716	15,184,615
Staff costs and other benefits	6	(8,961,153)	(8,526,414)	(2,652,798)	(2,664,504)
Training, Workshops & Seminars	7	(8,682,443)	(7,516,986)	(2,570,291)	(2,349,058)
Occupancy expenses	8	(1,365,482)	(1,424,677)	(404,228)	(445,212)
Program supplies, travel and other general expenses	9	(33,845,400)	(27,011,796)	(10,019,360)	(8,441,187)
Depreciation	11	(340,592)	(353,092)	(100,827)	(110,341)
Total expenses		(53,195,070)	(44,832,965)	(15,747,504)	(14,010,302)
Operating Surplus		1,932,932	3,757,802	572,212	1,174,313
Taxation	10	-	-	-	-
Surplus Reserve		1,932,932	3,757,802	572,212	1,174,313

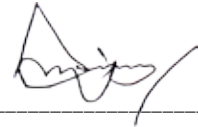
The notes form an integral part of these financial statements.

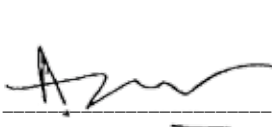
BRAC UGANDA

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
ASSETS					
Non-current assets					
Property and equipment	11	1,498,298	1,307,909	420,634	393,166
Current assets					
Cash and bank	12	43,687,426	31,232,932	12,264,858	9,369,411
Fixed Deposits	12.b	-	6,044,223	-	1,813,176
Inventory	13	1,037,898	686,533	291,381	205,950
Due from related parties	14	-	779,044	-	233,702
Other receivables	15	1,781,303	577,828	500,085	173,339
		46,506,627	39,320,560	13,056,324	11,795,578
Total Assets		48,004,925	40,628,469	13,476,958	12,188,744
Current Liabilities					
Other payables	16	3,167,785	905,488	889,327	271,632
Due to related parties	17	1,083,652	253,244	304,226	75,970
		4,251,437	1,158,732	1,193,553	347,602
Capital fund					
Donor funds	18	28,766,547	26,415,728	8,075,954	7,924,322
Retained surplus		14,986,941	13,054,009	5,472,159	4,899,947
Currency translation				(1,26,4708)	(983,127)
		43,753,488	39,469,737	12,283,405	11,841,142
Total liabilities and capital fund		48,004,925	40,628,469	13,476,958	12,188,744

The financial statements were approved by the board of directors and were signed on its behalf by:

Director 

Director : 

Date:.....23-04-.....2017

The notes form an integral part of these financial statements.

BRAC UGANDA
STATEMENT OF CHANGES IN CAPITAL FUND FOR YEAR ENDED 31 DECEMBER 2016

	Donor fund Ushs '000	Retained surplus Ushs '000	Total capital fund Ushs '000	Total capital fund USD
At 1 January 2015	32,702,400	9,296,207	41,998,607	15,384,105
Donations received during the year	36,986,846	-	36,986,846	11,095,499
Transfers to SOFP/SOCI	(42,553,048)	-	(42,553,048)	(13,926,160)
Transfers to donor	(478,608)	-	(478,608)	(143,575)
Transfer to other projects	(241,862)	-	(241,862)	(72,555)
Surplus for the year	-	3,757,802	3,757,802	1,174,313
Currency translation	-	-	-	(1,670,485)
At 31 December 2015	26,415,728	13,054,009	39,469,737	11,841,142
Donations received during the year	50,866,190	-	50,866,190	14,280,233
Transfers to SOFP/SOCI	(48,343,949)	-	(48,343,949)	(13,572,136)
Transfers to donor	(70,443)	-	(70,443)	(19,776)
Transfer to other projects	(100,979)	-	(100,979)	(28,349)
Surplus for the year	-	1,932,932	1,932,932	572,212
Currency translation	-	-	-	(789,921)
At 31 December 2016	28,766,547	14,986,941	43,753,488	12,283,405

The notes form an integral part of these financial statements.

BRAC UGANDA
STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Net cash (used in)/generated from operating activities	19	4,344,335	6,716,500	1,254,220	2,066,351
Cash flows from investing activities					
Proceeds from disposal of fixed assets		14,161	-	3,976	-
Transfer of fixed assets		-	423,708	-	127,106
Acquisition of fixed assets		(299,044)	(1,015,175)	(83,954)	(304,537)
Net cash used in investing activities		(284,883)	(591,467)	(79,978)	(177,431)
Cash flows from financing activities					
Decrease in fixed deposits		6,044,223	(2,177,980)	1,696,862	(653,361)
Increase in grants received in advance		2,350,819	(6,286,672)	659,971	(1,885,907)
Net cash generated from financing activities		8,395,042	(8,464,652)	2,356,834	(2,539,269)
Net increase in cash and cash equivalents		12,454,494	(2,339,619)	3,531,076	(650,349)
Currency Translation		-	-	(635,629)	(51,502)
Cash and cash equivalents at the start of the year	12	31,232,932	33,572,551	9,369,411	10,071,262
Cash and cash equivalents at year end		43,687,426	31,232,932	12,264,858	9,369,411

The notes form an integral part of these financial statements.

1. THE REPORTING ENTITY

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.

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 2010 respectively but were still trading during the year under the umbrella of BRAC.

On 30th day of September 2010, 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 1 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 inconformity 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.

(iii) Functional and presentation currency

These financial statements are presented in Uganda shillings (Shs'000), which is the entity's functional currency.

The financial statements include figures, which have been translated from Uganda Shillings (Shs'000) to United States Dollars (USD) at the year-end rate of US\$1:Ushs3,562 for balance sheet items and USD 1:Ushs 3,378 for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements.

(iv) Use of estimates and judgment

The preparation of financial statements inconformity 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 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 may differ from the 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 there vision affects only that period or in the period of the revision and the future periods if there vision 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 22.

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 their latest equipment is capitalized 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 straight line 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%
Equipment	15%
Buildings	4%

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 amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

the amortized 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 cash flows of an asset has occurred.

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’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 recognized 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.

d. Inventory

Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost comprises direct item cost that has been incurred in bringing the inventories to their present location and condition.

e. Other Receivables

Other receivables comprise of 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. 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.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

g. Provisions and Other Liabilities

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

Other liability also includes a self-insurance fund. BRAC Uganda started to set aside a monthly amounts equivalent to 1% of the basic salary of local employees from November 2012 to constitute this fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees. The payment in the event of death or permanent injury is ranging from12 months’ equivalent of basic salary in the first year of employment, up to 50 months’ equivalent of basic salary for 10th year of employment onwards.

h. Revenue recognition

Revenue is recognized on an accruals basis.

i. Grants

(i) Donor Grants

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities in the Donor Funds 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.

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.

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). 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 portion of BRAC Uganda donor grants are for the funding of 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.

(iii) Other income

Other income comprises of other project incomes !Tom Agriculture, Training, Research and Health projects, interest from short term deposits, gains less losses related to trading assets and liabilities, and includes gains !Tom disposal of BRAC Uganda assets and all realised and unrealised foreign exchange differences.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

j. 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.

k. Employee benefits

Employee entitlements to annual leave are recognized 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 recognized in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

l. 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 Representative 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 10 thematic programmes being operated by BRAC Uganda; these programmes are listed below;

- Education Program;
- Research and Evaluation Division;
- Training Division;
- Agriculture and livestock (Poultry) Program;
- Health Program;
- Empowerment and Livelihood for Adolescents (ELA);
- Karamoja Project
- Community Connector Project
- Japanese Social Development Project
- Emergency Disaster Preparedness
- The Ultra Poor Project

m. Contingent liabilities

The company recognizes 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.

n. 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.

o. Fundraising Costs

BRAC Uganda normally raises its fund through discussion with various donors and stake holders. It also follows a competitive process where it submits its proposal to multinational donor organizations and get selected based on the merit. BRAC Uganda does not incur any additional costs for fund raising purpose other than over heads which is recorded under HO logistic and management expenses.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

p. Adoption of new and revised standards

- i. New and amended standards adopted by the Company

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2016: The adoption of these new standards has not resulted in material changes to the company's accounting policies. During the current year, the company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies.

New amendments or interpretation	Effective date
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	
• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	
• Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	
• Disclosure Initiative (Amendments to IAS 1)	

- (ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016

At the date of authorisation of the financial statements of the company for the year ended 31 December 2016 the following standards were in issue but not yet effected. All Standards and Interpretations will be adopted at their effective date (except for those Standards and interpretations that are not applicable to the entity).

New amendments or interpretation	Effective date
• Disclosure Initiative (Amendments to IAS 7)	1 January 2017
• Recognition of Deferred Tax Assets for Unrealised Losses(Amendments to IAS 12)	1 January 2017
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments	1 January 2018
• Classification and Measurement of Share-based PaymentTransactions (Amendments to IFRS 2)	1 January 2018
• IFRS 16 Leases	1 January 2019
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS wand IAS 28)	To be determined

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

All the standards and interpretations will be adopted at their effective date(except for those standards and interpretations that are not applicable to the entity)

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including, both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale or by holding it to maturity or whether it is probable that the issuer will pay all contractual cash flows. Entities are therefore required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The company is assessing the potential impact on its financial statements resulting from the amendments. So far, the Company does not expect any significant impact.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue- Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption pennitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2015)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASS's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortized cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification in to these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-sealed share-based payments - The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings - The amendments introduced an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled- The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements-and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The company is assessing the potential impact on its financial statements resulting from the amendments. So far, the company does not expect any significant impact.

IFRS 16: Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The changes under IFRS 16 are significant and will predominantly affect lessees, the accounting for which is substantially reformed. The lessor accounting requirements contained in IFRS 16's predecessor, IAS 17 will remain largely unchanged. The main impact on lessees is that almost all leases will go on balance sheet. This is because the balance sheet distinction between operating and finance leases is removed for lessees. Instead, under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.

The company is assessing the potential impact on its financial statements resulting from the amendments.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognized when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognized even if those assets are housed in a subsidiary. The definition of a business is key to determining the extent of the gain to be recognized.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

(q) Comparatives

There have not been any changes in the prior year comparative figures.

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

3. GRANT INCOME

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Agriculture, poultry& Livestock	3,597,995	4,917,081	1,065,126	1,536,588
Education	24,400,712	21,129,315	7,223,420	6,602,911
Health	11,904,202	7,256,579	3,524,039	2,267,681
Empowerment and Livelihood of Adolescents	3,427,392	5,461,047	1,014,622	1,706,577
Research & Evaluation	3,084,636	4,012,557	913,155	1,253,924
Karamoja	150,673	1,005,020	44,604	314,069
Disaster Preparedness	55,098	12,886	16,311	4,027
TUP	571,168	-	169,085	-
Play Lab	762,111	-	225,610	-
ECM	1,662,517	-	492,160	-
Community Connector	397,974	769,226	117,813	240,383
	50,014,479	44,563,711	14,805,944	13,926,160

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

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Other project income	2,330,058	1,235,985	689,774	386,245
Bank interest income	1,576,769	1,046,914	466,776	327,161
	3,906,827	2,282,899	1,156,550	713,406

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

5. FOREIGN EXCHANGE

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Foreign exchange gains	1,206,969	1,744,157	357,222	545,049
	1,206,696	1,744,157	357,222	545,049

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 Uganda Shillings at the rate ruling at balance sheet date.

6. STAFF COSTS AND OTHER BENEFITS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Salary as per payroll	7,881,343	7,651,724	2,333,139	2,391,164
Bonus	178,851	192,613	52,946	60,192
10% employer NSSF contribution	775,721	722,947	229,638	225,921
Reversal of excess leave provision	-	(115,243)	-	(36,015)
Insurance for staff	125,238	74,373	37,075	23,242
	8,961,153	8,526,414	2,652,798	2,664,504

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

7. TRAINING, WORKSHOPS AND SEMINARS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
External member trainings	8,229,579	6,853,721	2,436,228	2,141,788
Staff training	452,864	663,265	134,063	207,270
	8,682,443	7,516,986	2,570,291	2,349,058

8. OCCUPANCY EXPENSES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Rental charges	1,299,824	1,369,166	384,791	427,864
Utilities	65,658	55,511	19,437	17,348
	1,365,482	1,424,677	404,228	445,212

9. PROGRAM SUPPLIES, TRAVEL AND OTHER GENERAL EXPENSES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Legal and Audit fees	526,621	116,633	155,897	36,448
Maintenance & general expenses	4,876,759	4,477,591	1,443,682	1,399,247
Printing, stationary and supplies	906,123	429,813	268,243	134,317
Telephone expenses	223,916	160,034	66,286	50,011
Program supplies	21,199,131	18,046,093	6,275,646	5,639,404
Other general expenses	7,536	11,447	2,231	3,577
Provision for Unrecoverable receivables	491,514	-	145,505	-
Provision for stock shortages	-	43,713	0	13,660
Fixed assets write-off	-	4,313	0	1,348
Inventory write-off	43,476	40,270	12,870	12,584
Software Maintenance Cost	135,976	-	40,253	-
Head Office logistics expenses	841,630	442,810	249,151	138,378
Country Office logistics expenses	841,630	-	249,151	-
Travel and transportation	3,751,088	3,239,079	1,110,445	1,012,213
	33,845,400	27,011,796	10,019,360	8,441,187

*Program supplies mainly comprise of tuition, scholarships, training materials, technical support to projects, rebate expenses and supplies for beneficiaries.

10. 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.

During the year ended 31 December 2016, the organisation applied for the tax exemption. This had not yet been granted as at year end. Management has made an assumption that the tax exemption will be renewed and hence no provision for taxation has been made on this basis.

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

11 PROPERTY AND EQUIPMENT

	Furniture	Building	Equipments	Motor Vehicles	Total	Total
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	USD
Cost						
At 1 January 2015	586,922	-	654,988	1,125,029	2,366,939	897,011
Additions	78,347	221,701*	512,962	202,165	1,015,175	304,537
Disposals	-	-	-	(36,247)	(36,247)	(10,874)
Asset transfer to Donor	-	-	-	(423,708)	(423,708)	(127,106)
Asset write off	(2,906)	-	(13,071)	(2,885)	(18,862)	(5,658)
At 31 December 2015	662,363	221,701	1,154,879	864,354	2,903,297	1,057,910
Additions	137,709	-	161,335	-	299,044	83,954
Disposals	-	-	-	(51,020)	(51,020)	(14,323)
At 31 December 2016	800,072	221,701	1,316,214	813,334	3,151,3121	1,127,541
Depreciation						
At 1 January 2015	243,662	-	402,119	647,311	1,293,092	503,660
Charge for the year	60,751	1,890	119,682	170,769	353,092	110,341
Accumulated Depn on Disposal	-	-	-	(36,247)	(36,247)	(11,327)
Accumulated Depn on Disposal/Write off	(1,5012)	-	(10,266)	(2,782)	(14,549,103)	(4,547)
Currency translation	-	-	-	-	-	66,617
At 31 December 2015	302,911	1,890	511,535	779,052	1,595,388	664,744
Charge for the year	77,196	8,868	164,300	90,228	340,592	100,827
Accumulated on Disposal	-	-	-	(48,682)	(48,682)	(13,667)
Adjustments for the year	-	-	-	(234,275)	(234,275)	(65,771)
Currency translation	-	-	-	-	-	(20774)
At 31 December 2016	380,107	10,758	675,835	586,323	1,653,023	706,907
At 31 December 2016	419,965	210,943	643,379	227,011	1,498,298	420,634
At 31 December 2015	359,452	219,811	643,344	85,302	1,307,909	393,166

* Transferred building relates to a building constructed by Brac Social enterprise meant to be shared with Brac NGO. Upon completion Brac NGO paid for the portion of building that they occupy.

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

12. CASH AND BANK

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Cash in hand	11,976	5,597	3,362	1,679
Cash at Bank	43,675,450	31,227,335	12,261,496	9,367,732
	43,687,426	31,232,932	12,264,858	9,369,411

12.a Cash at Bank

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Standard Chartered Bank	40,085,151	25,428,274	11,253,511	7,628,101
Bank of Africa	66,667	53,996	18,716	16,197
Crane Bank	188	18,509	53	5,552
DFCU	5,255	2,913	1,475	874
Pride Microfinance Ltd	6,443	6,346	1,809	1,904
Equity Bank	35,811	64,404	10,054	19,320
Post Bank	768,670	50,279	215,797	15,083
Orient Bank Limited	4,177	-	1,173	-
Centenary Bank	40,896	61,495	11,481	18,448
Tropical Bank	8,203	-	2,303	-
Stanbic bank	2,653,990	5,541,119	746,124	1,662,253
	43,675,450	31,227,335	12,261,496	9,367,732

12.b Fixed deposits

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Fixed deposits		6,044,223		1,813,176

13. INVENTORY

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Stock and consumables	1,037,898	730,246	291,381	219,063
Provision for stock loss	-	(43,713)	-	(13,113)
	1,037,898	686,533	291,381	205,950

Stock and consumables includes the amount of the stock of health materials, poultry and agriculture that were not yet sold as at 31 December 2016. These materials are normally sold at subsidized rates to low income earners in communities.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

13.a Movement in inventory provision

	2016 Ushs'000	2015 Ushs'000	2016 USD	2015 USD
At 1 January	(43,713)		(13,113)	
Utilised	43,713		13,113	
Additional/(reversal)		(43,713)		(13,113)
At 31 December		(43,713)		(13,113)

14. DUE FROM RELATED PARTIES

	2016 Ushs '000	2015 Ushs '000	2018 USD	2015 USD
Receivable from BRAC Microfinance	-	779,044	-	233,702
	-	779,044	-	233,702

The receivable from BRAC Microfinance is presented at the carrying amount, which is also its fair value.

15. OTHER RECEIVABLES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Advances to third parties	407,997	111,450	114,541	33,433
Prepaid Taxes	-	466,378		139,906
Donor Receivables	1,373,306	-	385,544	-
	1,781,303	577,828	500,085	173,339

16. OTHER PAYABLES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Accrual for expenses	1,958,196	237,903	549,746	71,367
Bonus provision	19,459	29,635	5,463	8,890
Provision for NSSF	82,989	111,205	23,298	33,360
Self-Insurance Fund –scheme*	17,669	46,256	4,960	13,876
VAT Payable	254,448	3,793	71,434	1,138
Provision for audit fees	75,636	46,002	21,234	13,800
Withholding tax provision	298,289	26,328	83,742	7,898
Salary provision	178,211	276,267	50,031	82,876
Payable to Bits	135,976	-	38,174	-
Provision for PAYE	146,912	128,099	41,245	38,427
	3,167,785	905,488	889,327	271,632

* BRAC Uganda sets aside monthly amounts equivalent to 1% of the basic salary of local employees, to constitute a medical fund. This fund covers liabilities arising out of death and other permanent injuries suffered by all the local employees. In the event of death or permanent injury drawings range from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards. The liability is recorded under self-insurance scheme fund and expense booked under insurance claim in operating expenses.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

17. DUE TO RELATED PARTIES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Bangladesh	13,676	2,386	3,839	716
Stitching BRAC International	921,040	250,858	258,575	75,254
Related Projects Payables-MF	148,936	-	41,812	-
	1,083,652	253,244	304,226	75,970

Related party payables relate to amounts owing to BRAC Bangladesh, Stitching BRAC International and BRAC Microfinance (Uganda) Ltd, for the settlements of staff costs and operating expenditures incurred on behalf of BRAC Uganda. The fair value of these related party payables/receivables approximates their carrying amounts. BRAC International Holdings BV is the parent of BRAC Uganda and BRAC Microfinance. BRAC Bangladesh is a fellow subsidiary /under common ownership as that of BRAC Uganda. The amounts will be settled during the ordinary course of business and bear no interest.

18. DONOR FUNDS

Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Donor funds received in advance	18.1	27,166,402	25,008,310	7,626,727
Donor funds-investment in fixed assets	18.1 b	1,600,145	1,407,418	449,227
		28,766,547	26,415,728	8,075,954
				7,924,322

18.1 Donor funds received in advance

Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Opening balance	25,008,310	31,478,248	7,020,862	9,443,002
Donations received during the year	18.1a	50,866,190	36,986,846	14,280,233
Transferred to Jaica		-	(29,908)	-
Transferred to end child marriage		-	(96,420)	-
Transferred to deferred income - investment in fixed assets		(299,044)	(536,358)	(83,954)
Transferred to BRAC Microfinance ltd		-	(54,900)	-
Assets transferred to FHI		(20,843)	(183,708)	(5,852)
Transferred to BRAC Tanzania (IDS)		(100,979)	-	(28,349)
Transferred to JSDF Loan Product		(49,600)	-	(13,925)
Assets transferred to UNICEF		-	(240,000)	-
Transferred to statement of income and expenses		(48,237,632)	(42,199,956)	(13,542,288)
Closing balance		27,166,402	25,008,310	7,626,727
				7,502,118

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

18.1 a Donations received during the year

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
MasterCard Foundation (P/L)	435,706	4,985,817	122,321	1,495,670
MasterCard Foundation (Scholarship)	25,972,722	14,493,252	7,291,612	4,347,758
BRAC USA (Youth Research)	480,847	444,369	134,994	133,304
BRAC USA (PEDL Youth Research)	369,413	444,369	103,709	133,304
BRAC USA (Capacity Building)	38,100	446,790	10,696	134,030
IDS-Research	-	241,224	-	72,364
AGI-Research	-	386,058	-	115,812
Others-Research	-	35,464	10,639	
IGF-Karamoja	-	24,853	-	7,456
Jaica	-	34,716	-	10,414
IDRC	-	110,005	-	33,000
Living Goods	6,859,889	6,255,840	1,925,853	1,876,658
Clinton Health Initiative	56,410	192,583	15,837	57,772
IFS	140,225	177,924	39,367	53,375
Women Sports	149,501	256,251	41,971	76,871
Oak Foundation	-	265,211	79,559	79,559
Straight Talk Foundation	-	229,923	68,973	68,973
Stockholm university (Research study)	1,187,596	1,273,832	333,407	382,130
Stockhorm University (Tenancy)	33,460	222,306	9,394	66,688
BARR Foundation	1,360,370	374,786	381,912	112,430
UNICEF	-	846,817	254,032	254,032
BRAC UK - ECD	-	-	5,679	5,679
Building Young Future	-	2,072,753	621,795	621,795
Village Enterprise	-	142,630	42,787	42,787
JSDF (World Bank)	2,310,509	2,449,867	648,655	734,923
Agriculture (George Washington)	252,531	57,471	70,896	17,240
FAO	-	12,565	-	3,769
Transfer from BRAC Uganda MF Ltd	-	105,000	31,498	31,498
FHI	498,309	829,609	139,896	248,873
World Bank –(ADP)	314,807	-	88,379	-
Lego Foundation	1,187,458	-	333,368	-
Master Card Foundation (ELA)	547,928	-	153,826	-
ECM (ELA)	2,033,161	-	570,792	-
TUP (Cartier Foundation)	2,235,309	-	627,543	-
TUP (Aestus foundation)	349,230	-	98,043	-
IERC (BRAC USA-Mobile Money)	247,393	-	69,453	-
BRAC USA (Ela Mental Health)	1,476,304	-	414,459	-
BRAC USA (IERC)	1,946,145	-	546,363	-
Stanford University	124,429	-	34,932	-
Menstral (Research)	133,768	-	37,554	-
Qatar Foundation	124,670	-	35,000	-
	50,866,190	36,986,846	14,280,233	11,095,499

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

18.1b Donations –investment in fixed assets

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Opening balance	1,407,418	1,224,152	395,120	367,227
Transferred from donor funds received in advance	299,044	536,358	83,954	160,899
Overstated prior year depreciation charge	234,275	-	65,771	-
Depreciation charged during the year	(340,592)	(353,092)	(95,618)	(105,922)
Closing balance	1,600,145	1,407,418	449,227	422,204

19. CASHFLOW FROM OPERATING EXPENSES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Excess of income over expenditure	1,932,932	3,757,802	572,212	1,174,313
Depreciation	340,592	353,092	10,827	110,341
Fixed assets reinstated	(234,275)	4,313	(65,771)	1,348
Gain on disposal of assets	(11,824)	-	(3,500)	-
Cash flows before changes in working capital	2,027,425	4,115,207	569,182	1,286,002
Changes in working capital				
(Increase)/decrease in inventory	(351,366)	(159,526)	(98,643)	(47,855)
(Increase)/decrease in receivables	(1,203,475)	317,538	(337,865)	95,257
Increase in related party receivables	779,044	2,001,153	218,710	600,316
(Decrease)/Increase in related party payables	2,262,299	250,860	635,120	75,254
(Decrease)/Increase in other payables	830,408	191,267	233,130	57,377
Net cash from operations	4,344,335	6,716,500	1,254,220	2,066,351

20. SUBSEQUENT EVENTS

BRAC Uganda prepaid tax amounting to Ushs.466,378,176 in 2014. Uganda Revenue Authority carried out a tax audit ofBRAC Uganda in February 2017, and assessed a tax liability ofUshs. 747,537,026 arising from unpaid Withholding tax on HO logistics expense, VAT on imported services and Pay As you Earn. The prepaid tax was utilized and the outstanding liability paid in March 2017. The company has evaluated the subsequent events through the date of signing these financial statements and there were no other significant events to be reported in these financial statements.

21. CURRENCY

The financial statements are expressed in Uganda Shillings which is the entity's functional currency.

22. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2016 (2015: Nil).

23. 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.

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

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 assumptions 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 Uganda 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. These are:

(i) **Impairment**

The company 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 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.

(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 16.

During the year ended 31 December 2016, the organisation applied for a tax exemption. This had not yet been granted as at year end. Management has made an assumption that the tax exemption will be renewed and hence no provision for taxation has been made on this basis. (Note / 0)

24. **FINANCIAL RISK MANAGEMENT**

Introduction and overview

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

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk
- iv) 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

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

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.

(a) 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 principally from trade and other receivable balances and investment in cash and cash equivalents. The Credit policy of BRAC Uganda requires all credit exposures to be measured, monitored and managed proactively. All cash and cash equivalents are held with reputable banks that are regulated by the Central bank of Uganda and as a result the risk is low. The Board has delegated the responsibility of the oversight role of credit risk to the Country Representative and Monitoring department.

Management of the risk

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 aging of receivables as at the reporting date was:

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

	2016 Shs '000	2015 Shs '000	2016 USD	2015 USD
Cash and Cash equivalents	43,687,426	37,277,155	12,264,858	11,182,587
Receivables and other assets	1,781,303	1,356,872	500,085	407,041
	45,468,729	38,634,027	12,764,943	11,589,628

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

	2016 Shs '000	2015 Shs '000	2016 USD	2015 USD
Between 0-30 days	958,147	111,450	268,991	33,433
Between 31-60 days	823,156	1,245,422	231,094	373,608
	1,781,303	1,356,872	500,085	407,041

(b) 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 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 maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, BRAC Uganda maintains banking facilities of a reasonable level. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2016 to the contractual maturity date.

	Matured	Less than 30	Between 31-	Over 60 days	Total
	Ushs ‘000	days	Ushs ‘000	60 Days	Ushs ‘000
		Ushs ‘000		Ushs ‘000	
ASSETS					
Cash and bank	43,687,426				43,687,426
Inventory		622,739	415,159		1,037,898
Other receivables		1,373,306	407,997		1,781,303
	43,687,426	1,996,045	823,156		46,506,627
CAPITAL FUND AND LIABILITIES					
Other payables		1,900,671	1,267,114		3,167,785
Due to related parties		650,191	433,461		1,083,652
Donor funds	8,629,964	8,629,964	5,753,309	5,753,310	28,766,547
	8,629,964	11,180,826	7,453,884	5,753,310	33,017,984
Liquidity gap	35,057,462	(9,184,781)	(6,630,728)	(5,753,310)	13,488,643

c) 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 Representative. Management is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

i. Interest rate risk

There is no significant exposure to interest rate risk as there is no material overdraft or interest bearing assets or liabilities.

ii. Foreign exchange risk

BRAC Uganda 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 is exposed to foreign currency fluctuations mainly in respect of donor grants denominated in United States Dollars. 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. The company’s transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss.

Exposure to Foreign currency risk

The following significant exchange rates applied during the year:

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

	Closing Rate		Average Rate	
	2016	2015	2016	2015
	Ushs	Ushs	Ushs	Ushs
USD	3,562	3,334	3,378	3,200

As at 31 December, the company had no significant foreign denominated liabilities and assets that expose the company to huge exchange gains and losses when the currency fluctuates.

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company’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 company’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 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 company level standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- training and professional development.
- Ethical and business standards.
- Close monitoring and management oversight.

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.

25. CAPITAL RISK MANAGEMENT

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor the performance of the company through management accounts and operational reviews. They also review the working capital requirements and these are discussed in the periodic board meetings with management.

There are no externally imposed capital requirements and there were no changes in the company’s approach to capital management during the period.

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, the fair value is less objective, and requires varying

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REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments e.g. quoted equity securities. These items are exchange traded positions.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include the net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Level	Level2	Level3	Total Fair value (Ushs'000)	Total Carrying amount (Ushs'000)
Assets					
Cash and cash equivalents	-	43,687,426	-	43,687,426	43,687,426
Inventories	-	1,037,898	-	1,037,898	1,037,898
Other receivables	-	1,781,303	-	1,781,303	1,781,303
Liabilities					
Other payables	-	3,167,785	-	3,167,785	3,167,785
Due to related parties	-	1,083,652	-	1,083,652	1,083,652
Donor funds	-	28,766,547	-	28,766,547	28,766,547

27. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2016.

28. ULTIMATE CONTROLLING PARTY

Stichting BRAC International instead of BRAC International Holdings B.V

BRAC UGANDA

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

SEGMENTAL REPORTING

Statement of comprehensive income for the year ended 31 December 2016 (Amount in Uganda Shillings)

	Agriculture -MCF Project	JSDF Project	Poultry -MCF Project	Health -MCF Project	Living goods Project	Scholarship	ELA -MCF	Oak Project	BARR Foundation	Women win Project	Building Young Project
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
INCOME											
Grant Income	505,524	2,428,065	664,406	56,410	11,847,793	24,400,712	1,881,798	64,593	738,136	384,962	357,737
Other Income	80,686	20,398	129,664	344,295	42,233	1,309,779	144,180	-	-	-	-
Foreign exchange gains/losses	3,884	35,194	846	(1,768)	127,385	906,672	59,966	3	-	4,579	-
TOTAL INCOME	590,094	2,483,657	794,916	398,937	12,017,411	26,617,163	2,085,944	64,597	738,136	389,541	357,737
EXPENDITURE											
Manpower and compensation	528,778	463,745	587,081	2,432	2,824,062	1,237,018	942,949	31,227	53,992	46,576	4,492
Travelling and transportation	229,884	187,907	256,622	42,007	1,148,505	339,176	385,481	7,920	34,019	34,212	403
Training, workshops and seminars	58,479	585,713	160,120	7,648	2,217,057	3,029,876	555,814	18,199	455,311	117,970	344,849
Occupancy expenses	91,539	81,739	90,079	676	486,235	35,647	345,211	-	-	-	1,230
Other general & administrative expenses	62,548	977,916	134,951	179,846	5,220,122	19,096,402	544,302	7,662	194,815	154,464	6,797
Depreciation	61,868	98,147	-	25,454	79,947	32,681	7,557	-	-	-	-
TOTAL EXPENSES	1,033,096	2,395,167	1,228,853	258,063	11,975,928	23,770,800	2,781,314	65,008	738,137	353,222	357,770
Surplus/ Reserve	(443,002)	88,490	(433,937)	140,874	41,483	2,846,363	(695,370)	(411)	(1)	36,319	(34)

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

Statement of comprehensive income as at 31 December 2016 (Amount in Uganda Shillings)

	AHP		Training	Research	Karamoja	Play Lab	TUP	Disaster Preparedness		Community connenctor	Total
	Ushs(000)	Ushs(000)						Ushs(000)	Ushs(000)		
INCOME											
Grant Income	166	-	3,084,636		150,673	762,111	571,168	55,098	1,662,517	397,974	50,014,479
Other Income	-	620,508	1,210,261		2,528	-	-	-	2,294	-	3,906,827
Foreign exchange gains/losses	-	-	-	32,493	194	21,384	-	15,864	-	-	1,206,696
TOTAL INCOME	166	620,508	4,327,390	153,395	153,395	783,495	571,168	70,962	1,664,811	397,974	55,128,002
EXPENDITURE											
Manpower and compensation	690	134,425	1,100,546		50,291	249,249	173,771	57,343	314,435	158,062	8,961,153
Travelling and transportation	188	95,829	563,265		10,944	129,142	80,958	15,940	139,761	48,929	3,751,090
Training, workshops and seminars	-	10,808	161,266		103,595	120,093	23,956	(18,283)	648,539	81,433	8,682,443
Occupancy expenses	-	79,004	19,558		10,740	39,361	13,325	-	67,088	4,050	1,365,482
Other general & administrative expenses	-	74,866	2,358,012		16,242	209,450	242,538	98	507,237	106,042	30,094,311
Depreciation	-	14,031	20,907		-	-	-	-	-	-	340,592
TOTAL EXPENSES	878	408,963	4,223,553		191,812	747,294	534,547	55,098	1,677,060	398,506	53,195,070
Surplus/ Reserve	(712)	211,545	103,837		(38,417)	36,201	36,621	15,864	(12,249)	(532)	1,932,932

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

Statement of financial position for the year ended 31 December 2016 (Amount in Uganda Shillings)

	Agriculture - MCF Project		JSDF	Poultry -MCF	Health -MCF	Living goods	Scholarship	ELA -MCF	Oak Foundation	BARR Foundation	Women win
	USD	USD									USD)
INCOME											
Grant Income	149,652	718,788		196,686	16,699	3,507,339	7,223,420	557,074	19,122	218,513	113,961
Other Income	23,886	6,039		38,385	101,923	12,502	387,738	42,682	-	-	-
Foreign exchange gains/losses	1,150	10,419		250	(523)	37,710	268,405	17,752	1	-	1,355
TOTAL INCOME	174,688	735,245		235,321	118,099	3,557,551	7,879,563	617,508	19,123	218,513	115,316
EXPENDITURE											
Manpower and compensation	156,536	137,284		173,796	720	836,016	366,198	279,144	9,244	15,983	13,788
Travelling and transportation	68,053	55,627		75,969	12,436	339,995	100,407	114,115	2,345	10,071	10,128
Training, workshops and seminars	17,312	173,391		47,401	2,264	656,322	896,944	164,539	5,387	134,787	34,923
Occupancy expenses	27,099	24,197		26,666	200	143,942	10,553	102,194	-	-	-
Other general & administrative expenses	18,516	289,496		39,950	53,240	1,545,329	5,653,168	161,131	2,268	57,672	45,726
Depreciation	18,315	29,055		-	7,535	23,667	9,675	2,237	-	-	-
TOTAL EXPENSES	305,831	709,049		363,782	76,395	3,545,271	7,036,945	(205,852)	19,244	218,513	104,565
Surplus/ Reserve	(131,143)	26,196		(128,461)	41,704	12,280	842,618	(205,852)	(121)	-	10,751

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

	Building Young Futue USD	AHP USD	Training USD	Resarch USD	Karamoja USD	Play lab USD	TUP USD	Disasar Preparedness USD	ECM USD	Community Connector USD	Total USD
INCOME											
Grant Income	105,902	49	-	913,155	44,604	225,610	169,085	16,311	492,160	117,813	14,805,944
Other Income	-	-	183,691	358,277	748	-	-	-	679	-	1,156,550
Foreign exchange gains/losses	-	-	-	9,619	57	6,330	-	4,696	-	-	357,222
TOTAL INCOME	105,902	49	183,691	1,281,051	45,409	231,940	169,085	21,008	492,839	117,813	16,319,716
EXPENDITURE											
Manpower and compensation	1,330	204	39,794	325,798	14,888	73,786	51,442	16,976	93,083	46,789	2,652,798
Travelling and transportation	119	56	28,369	166,745	3,240	38,230	23,966	4,719	41,374	14,485	1,110,447
Training, workshops and seminars	102,087	-	3,199	47,740	30,668	35,552	7,092	(5,412)	191,989	24,107	2,570,291
Occupancy expenses	364	-	23,388	5,790	3,179	11,652	3,945	-	19,860	1,199	404,228
Other general & administrative expenses	2,012	-	22,163	698,050	4,808	62,004	71,799	29	150,159	31,392	8,908,914
Depreciation	-	-	4,154	6,189	-	-	-	-	-	-	100,827
TOTAL EXPENSES	105,912	260	121,067	1,250,312	56,783	221,224	158,244	16,312	496,465	117,969	15,747,504
Surplus/ Reserve	(10)	(211)	62,624	30,739	(11,374)	10,716	10,841	4,696	(3,626)	(155)	572,212

BRAC UGANDA MICROFINANCE LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

BRAC UGANDA MICROFINANCE LIMITED
CORPORATE INFORMATION

DIRECTORS

Dr. AMR Chowdhury*	-Chairperson
Mr. Faruque Ahmed*	-Member
Mr. Shameran Abed*	-Member
Mr.Shib Narayan Kairy*	-Member

ADMINISTRATORS

Mr. Bhuiyan Muhammad Imran*	-Country Representative (Resigned on 28 February 2017)
Ms. Hasina Akhter*	-Country Representative (Appointed on 1 March 2017)
Mr. Adiga Onesmus Jimmy **	-Chief Executive Officer

* Bangladeshi
** Ugandan

PRINCIPAL PLACE OF BUSINESS:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P.O. Box 31817 Kampala Uganda
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REGISTERED OFFICE:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P.O. Box 31817 Kampala, Uganda
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COMPANY SECRETARY:	Mr. Shib Narayan Kairy Chief Financial Officer, BRAC and BRAC International BRAC Centre, 75 Mohakhali, Dhaka 1212, Bangladesh
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AUDITORS

KPMG
Certified Public Accountants
3rdFloor, 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	Centenary Rural Development bank Mapeera House Plot 44-46 Kampala road P.O.Box 1892 Kampala, Uganda
Post Bank Uganda Limited Plot 4/6 Nkurumah road P.O.Box 7189 Kampala, Uganda		

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report and the audited financial statements of BRAC Uganda Microfinance Limited (“the company”) for the year ended 31 December 2016, which disclose the state of affairs of the Company.

a) REGISTRATION

BRAC Uganda Microfinance Limited was incorporated on 27 August, 2008 as an independent company limited by guarantee. 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 30 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 had been operating in Uganda to BRAC Uganda Microfinance Limited. The Company effectively commenced trading independently on 1 January, 2010 as BRAC Uganda Microfinance Limited.

(b) VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

(c) MISSION

The Company’s mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. The interventions aim to achieve large scale, positive changes through economic and social programs that enable men and women to realize their potential.

(d) OUR VALUES

Innovation- We have been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in program design and strive to display global leadership in groundbreaking development initiatives.

Integrity- We value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethic.

Inclusiveness- We are committed to engaging, supporting and recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness- We value efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

(e) PRINCIPAL ACTIVITIES

The Company provides Microfinance activities to improve the livelihood of poor people in over 80 districts in Uganda focusing on extending loan facilities.

(f) FINANCIAL PERFORMANCE

The Company’s performance during the year ended 31 December 2016 is as follows:

- Interest income on loans increased by 40% from Ushs 55,382 million in 2015 to Ushs 77,288 million in 2016.
- Net Loans and advances to customers increased by 23% from Ushs 127,768 million in 2015 to Ushs 156,436 million in 2016. Loan disbursements increased by 52% from Ushs 283,892 million in 2015 to Ushs 431,570 million in 2016. Loan realization increased by 39% from Ushs 238,018 million in 2015 to Ushs 407,024 million in 2016.
- Total Assets increased by 23% from Ushs 142,794 million in 2015 to Ushs 175,555 million in 2016.
- During the year, net profits increased by 76% from Ushs 17,607 million in 2015 to Ushs 30,952 million in 2016. The growth is mainly attributed to the increase in disbursements from 283,892 million in 2015 to 357,339 million in 2016 and a reduction in the general provisions from 4.7% to 2%. All the profits for the year was transferred to reserves.

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS’ REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

(g) RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2016 are set out on page 94.

(h) COMPOSITION OF DIRECTORS

The directors who served during the year and up to the date of this report are set out on page 86.

(i) DIRECTORS BENEFITS

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

(j) CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2016 the Board of Directors had four directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

(k) RISK MANAGEMENT

The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

(l) MANAGEMENT STRUCTURE

The Company is under the supervision of the Board of Directors and the day to day management is entrusted to the Chief Executive Officer who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

- Finance and accounting
- Credit

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

- Internal audit
- Monitoring Unit
- ICT
- Human resources and Training
- Business development and strategy
- Procurement, logistics and administration
- Legal
- Risk management

(m) RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 15 to the financial statements.

(n) FUTURE DEVELOPMENT PLANS

- Strategically focussing on attracting savings from our customers and general public for purposes of financial inclusion. This will be achieved through transformation from a non-deposit taking institution to a deposit taking institution. We expect to make an initial application of the license before close of April 2017.
- Continue enhancing technology to improve efficiency in our operations. This will be achieved through scaling up the mobile banking platform and upgrading our current Enterprise Resource Planning system.
- New team members will come on board in the year 2017 which include the Head of Business Development and Strategy, the Head of ICT, the Head of Internal Audit, the Head of Banking Operations, the Treasury Manager. Most of these will be experienced staff from the banking sector and shall purposely empower the existing staff and drive the Organisation mission.

(o) KEY ACHIEVEMENTS IN 2016

- Reviewed and updated a number of policy manuals in readiness for regulation.
- The Company fulfilled all its tax obligations and was rated among the top 100 large tax payers in Uganda. This makes us proud to see that we are contributing to the overall development of the country.
- Opened up 7 new branches, increased our active borrowers from 194,728 in the year 2015 to - 213,709 in the year 2016.

(p) SOLVENCY

The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

(q) GENDER PARITY

In 2016, the company had 1,718 staff (1,500 in 2015). The female staff were 74% (83% in 2015).

(r) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relations between employees and management for the year 2016. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2016. Grievance handling guidelines were circulated to all employees to understand clearly their rights.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

BRAC UGANDA
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

Training

Training and development of staff capacity is one of the key priorities of the Company. This year all the Branch Accountants received hands-on training on their day to day responsibilities. Selected staffs from other programs received training as prescheduled. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Company introduced a medical insurance scheme in October 2016, which covers all staff. We plan to add employees' dependants gradually.

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Company contributes 10% of the employees' gross salary and the employee contributes 5%.

The NSSF is a defined contribution scheme with BRAC Uganda Microfinance Limited having no legal or constructive obligation to pay further top-up contributions

(s) Auditors

The auditors, KPMG, being eligible for reappointment have expressed their willingness to continue in office in accordance with the terms of Section 167(2) of the Companies Act of Uganda.

(t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 13 April 2017.

By order of the Board

Signed.....
SECRETARY

Date:
13-04-2017

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES 2016

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2016 and the statements of comprehensive income, changes in equity and 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 the Companies Act of Uganda and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls 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 Companies Act of Uganda, 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 12 to 53 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. 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 and cash flow for the year ended 31 December 2016. 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company 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 13 April 2017 and were signed on its behalf by:

Director:

Director:

Date:.....
13-04-2017



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Certified Public Accountants
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC MICROFINANCE UGANDA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BRAC Microfinance Uganda Limited, which comprise the statement of financial position as at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 94-128. We have not audited the memorandum figures reported in United States Dollars (USD\$) and accordingly we do not express an opinion on them.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Microfinance Uganda Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act of Uganda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Corporate Information, in the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act of Uganda 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 statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditors' report is CPA - Asad Lukwago-P0365



KPMG
Certified Public Accountants
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Kampala, Uganda

Date: 25 April 2017

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Interest income on loans and advances	4	77,287,819	55,381,943	22,879,757	17,306,857
Other interest income	5	507,464	380,857	150,226	119,018
Interest expense	6 (a)	(6,170,753)	(5,439,453)	(1,826,747)	(1,699,829)
Other finance costs on borrowings	6 (b)	(895,839)	(3,822,895)	(265,198)	(1,194,655)
Net interest income		70,728,691	46,500,452	20,938,038	14,531,391
Membership fees and other charges	7	10,514,799	3,257,185	3,112,729	1,017,870
Foreign exchange (losses)/ gains	8	(1,605,982)	525,306	(475,424)	164,158
Grant income	21.4	229,660	341,088	67,987	106,590
Total operating income		79,867,168	50,624,031	23,643,330	15,820,009
Net movement in Impairment losses on loans and advances	14.3	1,065,587	(3,089,710)	315,449	(965,534)
Operating income after impairment charges		80,932,755	47,534,321	23,958,779	14,854,475
Staff costs	9	(16,876,174)	(13,523,733)	(4,995,907)	(4,226,167)
Other operating expenses	10	(15,746,844)	(8,607,885)	(4,661,588)	(2,689,963)
Depreciation	17	(283,434)	(366,229)	(83,906)	(114,447)
Profit before tax		48,026,303	25,036,474	14,217,378	7,823,898
Income tax expense	11a	(17,074,146)	(7,429,856)	(5,054,513)	(2,321,830)
Net profit for the year		30,952,157	17,606,618	9,162,865	5,502,068
Other comprehensive income		-	-	-	-
Total comprehensive income		30,952,157	17,606,618	9,162,865	5,502,068

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
ASSETS					
Cash and bank	12(a)	5,879,859	5,853,142	1,650,719	1,755,855
Short term deposits	13	8,000,000	3,022,160	2,245,929	906,603
Loans and advances to customers	14	156,435,700	127,767,734	43,917,939	38,328,404
Other assets	16	2,174,109	1,365,691	610,362	409,687
Deferred tax asset	11(b)	1,724,162	3,895,927	484,043	1,168,720
Related party receivable	15(a)	148,936	-	41,813	-
Property and equipment	17	1,192,001	889,844	334,644	266,940
Total assets		175,554,767	142,794,498	49,285,449	42,836,209
LIABILITIES AND EQUITY					
Liabilities					
Bank overdrafts	12(b)	395,922	-	111,152	-
Borrowings and managed funds	19	52,782,400	51,816,508	14,818,192	15,544,175
Related party payables	15 (b)	562,194	1,707,616	157,832	512,259
Loan security fund	18	28,375,966	22,506,807	7,966,302	6,751,705
Tax payable	11(c)	1,991,510	55,856	559,099	16,756
Donor funds	21.1&2	779,706	1,009,366	217,673	302,794
Other liabilities	20	3,099,487	8,548,949	870,154	2,564,556
Total liabilities		87,987,185	85,645,102	24,700,404	25,692,245
Equity					
Donor funds	21.3	4,696,623	5,230,594	1,319,758	1,569,100
BRAC contribution	22	835,000	835,000	234,419	250,487
Retained earnings		82,035,959	51,083,802	24,285,364	17,764,772
Currency translation		-	-	(1,254,496)	(2,440,395)
Total Equity		87,567,582	57,149,396	24,585,045	17,143,964
Total liabilities and Equity		175,554,767	142,794,498	49,285,449	42,836,209

The financial statements were approved by the board of directors on 2017 and were signed on its behalf by:

Director: _____

Director: _____

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Donor Funds Ushs '000	Retained Earnings Ushs '000	BRAC Contribution Ushs '000	Total capital fund Ushs	Total capital fund USD
At 1 January 2015	5,514,075	33,477,184	835,000	39,826,259	14,588,373
Donations received during the year	1,416,973	-	-	1,416,973	442,804
Transfer to Inter Aid	(350,000)	-	-	(350,000)	(109,375)
Transfers to SOCI	(341,088)	-	-	(341,088)	(106,590)
Transfer to other liabilities	(1,009,366)	-	-	(1,009,366)	(302,794)
Profit for the year	-	17,606,618	-	17,606,618	5,502,068
Currency Translation	-	-	-	-	(2,870,522)
At 31 December 2015	5,230,594	51,083,802	835,000	57,149,396	17,143,964
At 1 January 2016	5,230,594	51,083,802	835,000	57,149,396	17,143,964
Donations received during the year	49,600	-	-	49,600	14,683
Transfer to MCF (ELA)	(583,571)	-	-	(583,571)	(172,756)
Profit for the year	-	30,952,157	-	30,952,157	9,162,865
Currency Translation	-	-	-	-	(1,563,711)
At 31 December 2016	4,696,623	82,035,959	835,000	87,567,582	24,585,045

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CASH FLOW STATEMEN FOR YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Net cash inflow/ (outflow) from operating activities	23	4,794,151	(19,594,135)	1,419,227	(5,681,889)
Cash flow from investing activities					
Acquisition of fixed assets		(387,776)	(163,834)	(114,795)	(51,198)
Decrease in short term deposits		(4,977,840)	(2,050,792)	(1,473,605)	(615,207)
Net cash out flow from investing activities		(5,365,616)	(2,214,626)	(1,588,400)	(666,405)
Cash flow from financing activates					
Net receipts from borrowings and managed funds		965,892	24,758,448	285,936	7,427,163
Changes in bank overdrafts		395,922	-	111,152	-
Changes in Donor funds		(763,632)	725,885	(226,060)	217,754
Net cash inflow from financing activities		598,182	25,484,333	171,028	7,644,917
Net increase in cash and cash equivalents		26,717	3,675,572	1,855	1,296,623
Cash and cash equivalents at 1 January		5,853,142	2,177,570	1,755,855	653,238
Currency translation		-	-	(106,991)	(194,006)
Cash and cash equivalents at 31 December	12	5,879,859	5,853,142	1,650,719	1,755,855

The notes form an integral part 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 2010 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 September 2010, 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 (Microfinance), 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, except for the fair valuation of certain financial instruments.

(ii) Basis of preparation

The Financial statements have been prepared in accordance with and comply with International Financial reporting Standards (IFRS).

(ii) Functional and presentation currency
These financial statements are presented in thousands of Uganda shillings (Ushs '000), 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 3,562 for balance sheet items and US \$ = Ushs 3,378 for income statements balances. Foreign exchange differences are transferred to equity. 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 the financial statements is in conformity with IFRS which 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 27.

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 straight basis over the expected useful lives of the assets concerned, and intangible assets on a straight line basis. Land is not depreciated

The estimated depreciation rates for the current and comparative periods are as follows: -

	Percentage
Motor vehicles, motor cycles and bicycles	20%
Furniture and Fixtures	10%
Equipment	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 amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized 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 and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the company does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the company by providing finance directly to borrowers is categorized as loans to group members and is carried at

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

amortized 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.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

d) Impairment

(i) Financial assets

At each statement of financial position 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 impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the company on terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the company.

Management regularly assesses the adequacy of allowance for impairment based on the age of the loan portfolio.

The Company considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

The Company estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason therefore, industry practice is used to estimate the specific provision for loans and advances. Specific provision for the loans and advances considered to be non-performing(impaired) based on the criteria below, and classification of such loans and advances, as follows:
- | | |
|-----------------------------|------|
| 1-30 days | 2% |
| 31-90 days | 20% |
| 91-180 days | 20% |
| 181-365days | 50% |
| 366 days and above past due | 100% |

In addition to the specific loan provisions, a general provision of 2% on current loans has been provided which was derived based on the company's historic loss ratio. Loans within the maturity period are considered "Current Loans". Loans which remain outstanding after the expiry of their maturity period are considered as "Late Loans". Late loans which remain unpaid after one year of being classified as "Late Loans" are considered as "Non – Interest bearing loans (NIBL)" and are referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the board where the board thinks that they are not realizable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequently recoveries are credited as income in the statement of comprehensive income.

When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to other income in the statement of comprehensive income.

2. Portfolio provision is derived based on the company's historical loss ratio. The Loss ratio is determined as an average for the past 3 years. In assessing collective impairment the company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of BRAC Uganda Microfinance Limited's non-financial assets 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 recognized 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 Assets

Other assets comprise of 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) 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 bank's, net of bank overdraft facilities subject to sweeping arrangements

Investments with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

(g) Provisions and Other liabilities

A provision is recognized 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. 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.

(h) 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.

(i) Revenue recognition

Revenue is recognized on an accruals basis.

(i) Interest income on Loans and Advances

Interest income on Loans and advances (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.

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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) Membership fees and Other charges

Membership fees and other charges are recognized on an accrual basis when the service has been provided.

(iii) Other income

Other income comprises interest from short term deposits, gains less losses related to trading assets and liabilities, and includes gains from disposal of (BRAC Uganda Microfinance Ltd) assets and all realized and unrealized foreign exchange differences.

Interest income on (BRAC Uganda Microfinance ltd) bank deposit is earned on an accrual basis at the agreed interest rate with the respective financial institution.

(j) Grants

(i) Donor Grants

All donor grants received are initially recognized as either deferred income at fair value and recorded as either liabilities or equity in the Grants Received in Advance Account upon receipt in accordance with IAS 32.

The portion of the grants utilized to purchase property and fixed assets are classified as Deferred Income and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the statement of comprehensive income as grant income. The portion of the grants utilized to reimburse microfinance program related expenditure, are recognized as Grant Income for the period in the statement of comprehensive income.

The portion of the grants utilized to disburse group loans, are transferred as Deferred Income in loans to group members.

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.

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) Loans and borrowings

Loans and Borrowings are recognized 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.

(l) Employee benefits

Employee entitlements to annual leave are recognized 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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

scheme. The provision for employee bonus incentive is based on a predetermined company policy and is recognized in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months

(m) Contingent liabilities

The company recognizes 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.

(n) 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.

(o) Fundraising Costs

BRAC normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organizations and gets selected based on merit. BRAC does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses.

(p) Adoption of new and revised standards

i) New and amended standards adopted by the Company

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2016: The adoption of these new standards has not resulted in material changes to the company's accounting policies.

New amendments or interpretation effective for annual periods beginning on or after 1 January 2016 are summarised below:

New amendments or interpretation	Effective date
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	
• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	
• Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	
• Disclosure Initiative (Amendments to IAS 1)	

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016

At the date of authorization of financial statements of Brac Uganda Microfinance Limited for the year ended 31 December 2016, the following Standard and Interpretations were in issue but not yet effective;

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NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

New standard or amendments	Effective for annual periods beginning on or after
<ul style="list-style-type: none">Disclosure Initiative (Amendments to IAS 7)	1 January 201
<ul style="list-style-type: none">Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
<ul style="list-style-type: none">IFRS 15 Revenue from Contracts with Customers	1 January 2018
<ul style="list-style-type: none">IFRS 9 Financial Instruments	1 January 2018
<ul style="list-style-type: none">Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
<ul style="list-style-type: none">IFRS 16 Leases	1 January 2019
<ul style="list-style-type: none">Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be continued

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including, both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale or by holding it to maturity or whether it is probable that the issuer will pay all contractual cash flows. Entities are therefore required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The company is assessing the potential impact on its financial statements resulting from the amendments. So far, the Company does not expect any significant impact.

IFRS 9 Financial Instruments (2014)

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39's Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Recognition and measurement

The recognition and measurement of financial assets under IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. The recognition of financial liabilities under IFRS 9 carries forward the treatment of IAS 39, except that IFRS 9 does introduce new requirements for the accounting for and presentation of changes in the fair value of an entity's own debt when the entity has chosen to measure the debt at fair value using the fair value option. IFRS 9 requires that the changes in the fair value of an entity's own credit risk should be recognised in other comprehensive income rather than the profit or loss. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected credit loss" model.

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NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

Hedge accounting

IFRS 9 introduces a substantial revision to hedge accounting requirements which will allow entities better reflect their risk management activities in their financial statements. The revision was issued in a response to concerns of preparers of financial statements about the difficulty of appropriately reflecting management activities in financial statements, the changes also address concerns raised by users of the financial statements about the difficulty of understanding hedge accounting.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The company is assessing the potential impact on its financial statements the application of this standard. The company plans to appoint a consultant to help with implementation of IFRS 9.

Clarifications to IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

These amendments to the Revenue Standard, which was issued in 2014, do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a licence should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The company is assessing the potential impact on its financial statements resulting from the amendments. So far, the company does not expect any significant impact.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions

The Amendments to IFRS 2: Classification and measurement of share-based payment transactions clarify how to account for certain types of share-based payment transactions. They specifically provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Once the amendments are applied, the timing and amount of expense recognised for new and outstanding awards could change.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The company is assessing the potential impact on its financial statements resulting from the amendments. So far, the company does not expect any significant impact.

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NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

IFRS 16: Leases

The changes under IFRS 16 are significant and will predominantly affect lessees, the accounting for which is substantially reformed. The lessor accounting requirements contained in IFRS 16's predecessor, IAS 17 will remain largely unchanged. The main impact on lessees is that almost all leases will go on balance sheet. This is because the balance sheet distinction between operating and finance leases is removed for lessees. Instead, under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required. The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.

The company is assessing the potential impact on its financial statements resulting from the amendments.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 address an inconsistency between the two standards in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. The amendments were deferred indefinitely (pending outcome of research project on the equity method of accounting).

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NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

4. INTEREST INCOME ON LOANS AND ADVANCES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Group Loans (Microfinance)	64,493,770	45,719,427	19,092,294	14,287,321
Small Enterprises program	9,384,948	6,675,521	2,778,256	2,086,100
Internally Displaced Persons (IDP)	332,046	271,252	98,297	84,766
Agriculture (JSDF Loan)	24,252	6,679	7,179	2,087
Empowerment and Livelihood of Adolescents (ELA)	3,052,803	2,709,064	903,731	846,583
Total	77,287,819	55,381,943	22,879,757	17,306,857

5. OTHER INTEREST INCOME

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Short term deposits	497,381	309,714	147,241	96,786
Interest income on current accounts	10,083	71,143	2,985	22,232
Total	507,464	380,857	150,226	119,018

6. a) INTEREST EXPENSE

Lender	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC International Loan Fund	3,245,065	3,812,784	960,647	1,191,495
Bank of Africa	1,524,211	1,158,189	451,217	361,934
Responsibility Investments	1,041,431	296,033	308,298	92,510
BRAC Bangladesh	212,883	172,447	63,021	53,890
Stromme Microfinance	127,479	-	37,738	-
Oiko Credit	19,684	-	5,827	-
Total	6,170,753	5,439,453	1,826,748	1,699,829

b) OTHER FINANCE COSTS ON BORROWINGS

	2016 Ushs'000	2015 Ushs'000	2016 USD	2015 USD
Service charge	409,427	306,145	121,203	95,670
Other provisions	486,412	3,516,750	143,994	1,098,985
Total	895,839	3,822,895	265,197	1,194,655

The service charge relates to quarterly service fees billed to Uganda by Brac Africa Microfinance Ltd.

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REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

7. MEMBERSHIP FEES AND OTHER CHARGES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Membership fee	405,713	373,467	120,104	116,708
Loan appraisal fee	3,360,682	2,789,213	994,873	871,629
Loan application fee	30,255	-	8,957	-
Other income	6,653,756	32,893	1,969,732	10,279
Sale of pass books	64,393	61,612	19,063	19,254
Total	10,514,799	3,257,185	3,112,729	1,017,870

All fees and commission income and expense arise from financial assets and financial liabilities that are not at fair value through profit and loss

8. FOREIGN EXCHANGE GAINS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Foreign exchange (losses)/ gains	(1,605,982)	525,306	(475,424)	164,158
Total	(1,605,982)	525,306	(475,424)	164,158

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.

9. STAFF COSTS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Salaries	14,876,743	11,926,492	4,404,009	3,727,029
Bonus	411,541	364,271	121,830	113,835
Employer's NSSF contribution	1,587,890	1,366,898	470,068	427,156
Insurance for staff	-	153,928	-	48,102
Reversal of Staff leave provision	-	(287,856)	-	(89,955)
Total	16,876,174	13,523,733	4,995,907	4,226,167

10. OTHER OPERATING EXPENSES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Occupancy expenses (see below)	629,226	366,859	186,272	114,643
Staff training and development	570,843	336,965	168,989	105,302
Beneficiaries training	1,400	-	414	-
Travel and transportation	5,614,877	3,540,277	1,662,190	1,106,337
Maintenance and general expenses	1,982,019	1,291,988	586,743	403,744
Printing and office stationery	972,321	1,099,604	287,839	343,626
Insurance claim	300,206	61,440	88,871	19,200
Internet cost	521,336	354,552	154,333	110,798
Fixed assets writeoff	-	22,110	-	6,909
legal & other professional services	239,150	64,933	70,796	20,292
Provision for audit fees	180,736	179,685	53,504	56,152
Provision for stolen cash	47,751	31,472	14,136	9,835
Program supplies	1,193,799	-	353,404	-
HO logistics and management expenses	3,493,180	1,258,000	1,034,097	393,125
Total	15,746,844	8,607,885	4,661,588	2,689,963

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NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

10. OTHER OPERATING EXPENSES (contd.)

Occupancy expenses are analysed as follows;

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Rent	490,911	269,651	145,326	84,265
Utilities	138,315	97,208	40,946	30,378
Total	629,226	366,859	186,272	114,643

11. TAXATION

a) Income tax expense

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Current tax	14,604,025	8,967,763	4,323,276	2,802,426
Under/(Over) provision for corporation tax in previous years	209,837	(94,927)	62,119	(29,665)
Deferred tax (Note 11b)	2,171,766	(1,442,980)	642,915	(450,931)
Tax penalty	88,518	-	26,206	-
Tax expense	17,074,146	7,429,856	5,054,513	2,321,830

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 that would arise using the basic tax rate as follows.

	2016 Ushs '000	2015 Ushs '000	2016 USD	2014 USD
Operating profit before taxation	48,026,303	25,036,474	14,217,378	7,823,898
Tax calculated at 30%	14,407,891	7,510,942	4,265,213	2,347,169
Tax effect of:				
Over / (under) provision for corporation tax in prior year	209,837	(94,927)	62,119	(29,665)
Deferred tax charge	2,171,766	-	642,915	-
Non deductible expense and non taxable income	196,134	13,841	58,073	4,326
Tax penalty	88,518	-	26,206	-
Income Tax charge for the year	17,074,146	7,429,856	5,054,526	2,321,830
Effective corporation tax rate	36%	30%	36%	30%

b) Deferred tax

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

Deferred tax assets and liabilities and the deferred tax charge/ (credit) as at 31 December 2016 are attributed to the following items:-

	2015 Ushs '000	Movement Ushs '000	2016 Ushs '000	2015 USD	Movement USD	2016 USD
Property and equipment	665,516	229,281	894,797	199,645	51,561	251,206
Impairment and other provisions	(14,177,247)	8,615,920	(5,561,327)	(4,252,962)	2,691,669	(1,561,293)
Unrealized foreign exchange gains/(losses)	525,306	(1,605,982)	(1,080,676)	157,584	(460,974)	(303,390)
	(12,986,425)	7,239,219	(5,747,206)	(3,895,733)	2,282,256	(1,613,477)
Deferred tax asset @ 30%	(3,895,927)	2,171,766	(1,724,162)	(1,168,720)	684,677	(484,043)

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11. TAXATION (contd.)

c) Tax Payable	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
At 1 January	55,856	942,013	1 6,756	345,060
Charge for the period	14,604,025	8,967,763	4,323,276	2,802,426
Penalty	88,518	-	26,206	-
Over/ (under) provision for corporation tax in previous years (29,665)		209,837	(94,927)	62,119
Corporation tax paid during the year	(12,966,726)	(9,717,398)	(3,838,581)	(3,036,687)
WHT paid during the year	-	(41,595)	-	(12,998)
Currency translation	-	-	(30,577)	(51,380)
At 31 December	1,991,510	55,856	559,199	16,756

12.a) CASH AND BANK

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Cash in hand	8,901	37,338	2,499	11,201
Standard Chartered Bank Uganda	281,869	1,097,483	79,132	329,229
Bank of Africa Uganda Limited	-	1,332,911	-	399,853
Centenary Bank Uganda Limited	588,628	388,152	165,252	116,440
Equity Bank Uganda Limited	240,183	357,801	67,429	107,335
Orient Bank	11,912	12,424	3,344	3,727
DFCU Bank	42,322	19,728	11,881	5,918
Post Bank Uganda Limited	716,201	218,378	201,067	65,510
Pride Microfinance Limited	20,903	25,650	5,868	7,695
Tropical Bank Uganda Limited	43,472	43,296	12,204	12,988
Crane Bank	193	95,985	57	28,794
Stanbic Bank Uganda Limited	3,925,275	2,223,996	1,101,986	667,165
Cash and bank	5,879,859	5,853,142	1,650,719	1,755,855

12.b) BANK OVERDRAFTS

	2016 Ushs'000	2015 Ushs '000	2016 USD	2015 USD
Bank of Africa Uganda Limited	(395,922)		(111,152)	
Bank overdrafts	(395,922)		(111,152)	

13. SHORT TERM DEPOSITS AT AMORTISED COST

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Standard Chartered Bank	8,000,000	3,022,160	2,245,929	906,603
Total	8,000,000	3,022,160	2,245,929	906,603

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

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

Within 3 months	-	-	-	-
After 3 months	8,000,000	3,022,160	2,245,929	906,603
Total	8,000,000	3,022,160	2,245,929	355,812

The weighted average effective interest rates on deposits due from banks were 11.5%. (2015: 14%). The carrying book values of the deposits with banks equal the fair value.

14. LOANS AND ADVANCES TO CUSTOMERS

14.1 Loans and advances

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Group loans	127,667,595	108,189,131	35,841,548	32,455,117
Small Enterprises Program	24,897,635	18,204,989	6,989,791	5,461,224
ELA loans	5,549,797	5,836,718	1,558,057	1,750,928
IDP loans	756,647	675,691	212,422	202,697
Agriculture loans	-	2,639	-	792
JSDF loans	72,787	48,524	20,434	14,556
Interest receivable	3,056,532	1,932,820	858,094	579,816
Gross Loans and Advances	162,000,993	134,890,512	878,528	40,465,130
Loan write off	(551,020)	(415,381)	(154,694)	(124,607)
Interest write-off	(54,970)	(76,416)	(15,432)	(22,924)
Gross Loans after Write-off	161,395,003	134,398,715	45,310,220	40,317,599
Impairment loss on loans and advances	(4,959,303)	(6,630,981)	(1,392,281)	(1,989,195)
Net Loans and Advances to Customers	156,435,700	127,767,734	43,917,939	38,328,404

14.2 Movement in Loans and advances

The movement on the loan account is analysed as shown below;

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
At 1 January	134,398,715	87,160,221	40,317,599	26,146,759
Loans disbursed	431,569,724	283,891.606	127,758,947	85,163,224
Loans repayments	(407,023,977)	(238,094,135)	(120,492,592)	(71,424,669)
Interest receivable	3,056,532	1,932,820	858,094	579,816
Currency translation	-	-	(2,961,702)	-
Gross advances to customers	162,000,994	134,890,512	45,480,346	40,465,130
Less loan write-off	(551,020)	(415,381)	(154,694)	(124,609)
Less interest write-off	(54,971)	(76,416)	(15,433)	(22,922)
Gross Loans after Write-off	161,395,003	134,398,715	45,310,219	40,317,599
Impairment loss on loans and advances	(4,959,303)	(6,630,981)	(1,392,280)	(1,989,195)
Net advances to customers	156,435,700	127,767,734	43,917,939	38,328,404

BRAC UGANDA MICROFINANCE LIMITED
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14.3 Provision for impairment of Loans and advances

The movement in the allowance for impairment for loans and advances to customers during the year was as follows:

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
At 1 January	6,630,981	4,033,068	1,989,195	1,209,860
Net (decrease)/increase in provisions	(1,065,587)	3,089,710	(315,449)	965,534
Loan write-off	(551,020)	(415,381)	(154,694)	(124,608)
Interest receivable - write-off	(54,971)	(76,416)	(15,432)	(22,924)
Currency translation	-	-	(111,339)	(38,667)
At 31 December	4,959,303	6,630,981	1,392,281	1,989,195
Charge to profit or loss				
Net increase in provisions	(1,065,587)	3,089,710	(315,449)	965,534
Bad debt realization		-		-
Net charge to profit or loss as above	(1,065,587)	(3,089,710)	315,449	965,534

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.

	2016	2015
Highest loan amount (Ushs)	45,000,000	35,000,000
Lowest loan amount (Ushs)	100,000	250,000
Average loan term (weeks)	40	40
Total number of customers	213,709	194,728

14.4 Sectoral analysis of loans and advances to customers

The breakdown of the impairment on loans account is shown below:

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Agriculture	37,380,125	9,280,065	10,494,139	2,783,880
Non-farm business	121,013,317	106,983,876	33,973,419	32,093,558
Consumption	-	795,467	-	238,628
Other	3,001,561	17,339,307	842,662	5,201,533
	161,395,003	134,398,715	45,310,220	40,317,599

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

15. RELATED PARTY DISCLOSURE

(a) RELATED PARTY RECEIVABLES	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Uganda	148,936	-	41,813	-
	148,936	-	41,813	-

(b) RELATED PARTY PAYABLES	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Uganda	-	784,627	-	235,376
BRAC Bangladesh	408,376	35,768	114,649	10,730
Stichting BRAC International/BV	153,818	887,221	43,183	266,153
	562,194	1,707,616	157,832	512,259

The fair value of these related party payables/receivables approximates their carrying amounts. BRAC International Holdings BV is the parent of BRAC Uganda Microfinance and BRAC Uganda and BRAC Bangladesh are affiliate entities of BRAC Uganda Microfinance.

(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR:

i) Interest expense accrued on related party loans	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Africa Loan Fund	3,654,491	3,812,784	1,025,966	1,191,495
BRAC Bangladesh	212,883	172,447	59,765	53,890
Total	3,867,374	3,985,231	1,085,731	1,245,385

ii) Interest payment on related party loans	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Africa Loan Fund	3,688,514	3,521,511	1,035,518	1,100,472
BRAC Bangladesh	-	172,447	-	53,890
Total	3,688,514	3,693,958	1,035,518	1,154,362

iii) Related party loans as disclosed in note 19	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Non-Current portion				
BRAC Africa Microfinance Limited.	-	19,424,307	-	5,827,000
BRAC Bangladesh	-	3,214,668	-	964,352
Total noncurrent loan	-	22,638,975	-	6,791,352
Current portion				
BRAC Africa Microfinance Limited.	19,424,774	5,206,197	5,453,133	1,561,782
BRAC Bangladesh	3,328,916	-	934,564	-
Total current portion	22,753,690	5,206,197	6,387,697	1,561,782
Total Related Party loans	22,753,690	27,845,172	6,387,697	8,353,134

All the above related parties share a common ultimate controlling party with the Company. Refer to Note 19 for detailed terms of these loans.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

16. OTHER ASSETS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Advance to suppliers	147,521	312,935	41,415	93,876
WHT receivable	107,568	140,598	30,199	42,177
Security Deposit (BRAC Africa Microfinance Limited)	890,500	833,375	250,000	250,000
Prepaid Insurance	498,260	-	139,882	-
Other receivables	530,260	78,783	148,866	23,564
Total	2,174,109	1,365,691	610,362	409,687

17. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total USD
Cost					
At 1 January 2015	1,094,286	1,314,024	253,821	2,662,131	975,139
Additions	98,754	65,080	-	163,834	51,198
Disposal	-	-	(16,000)	(16,000)	(5,000)
Fixed Asset Write-off	(27,099)	(51,737)	(12,732)	(91,568)	(28,615)
Currency Translation	-	-	-	-	(177,244)
At 31 December 2015	1,165,941	1,327,367	225,089	2,718,397	815,478
Additions	175,950	211,826	-	387,776	114,795
Disposal	-	(31,204)	(16,925)	(48,129)	(14,248)
Reclassification	(4,845)	(128)	4,973	-	(57,506)
At 31 December 2016	1,337,046	1,507,861	213,137	3,058,044	858,519
Depreciation					
At 1 January 2015	516,235	842,971	188,467	1,547,673	566,913
Charge for the year	116,329	199,136	50,764	366,229	114,447
Accumulated depreciation on disposal	-	-	(16,000)	(16,000)	(48,00)
Write off for the year	(17,576)	(40,381)	(11,392)	(69,349)	(21,671)
Currency translation	-	-	-	-	(106,351)
At 31 December 2015	614,988	1,001,726	211,839	1,828,553	548,538
Charge for the year	123,397	126,691	33,346	283,434	83,906
Accumulated depreciation on disposal	-	(31,204)	(16,742)	(47,946)	(13,460)
Adjustments for the year	(86,445)	(66,515)	(45,038)	(197,998)	(58,614)
Currency translation	-	-	-	-	(36,494)
At 31 December 2016	651,940	1,030,698	183,405	1,866,043	523,875
Net Book Value					
At 31 December 2016	685,106	477,163	29,732	1,192,001	334,644
At 31 December 2015	550,953	325,641	13,250	889,844	266,940

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

18. LOAN SECURITY FUND

	2016 Ushs '000	2015 Ushs '000	2015 USD	2015 USD
Opening balance	22,506,808	15,562,293	6,751,705	4,668,454
Received during the year	12,649,582	15,045.028	3,744,696	4,701 ,571
Paid off/Adjusted during the year	(6,780,424)	(8.1 00,514)	(2,007,230)	(2,531.410)
Currency translation	-	-	(522,868)	(86,910)
Total	28,375,966	22,506,807	7,966,302	6,751,705

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.

19. BORROWINGS

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
BRAC Bangladesh (i)	3,328,916	3,214,668	934,564	964,352
BRAC Africa Microfinance Limited (iii)	19,540,060	24,630,504	5,485,699	7,388,782
Responsibility Investments (iv)	13,922,870	15,296,783	3,908,723	4,588,805
Bank of Africa (v)	4,708,310	7,907,907	1,321,816	2,372,253
Stromme Microfinance (vi)	5,627,479	-	1,579,865	-
Oiko Credit (vii)	5,019,073	-	1,409,247	-
Borrowings	52,146,708	51,049,862	14,639,914	15,314,192
Kiva (ii)	635,692	766,646	178,278	229,983
Managed funds	635,692	766,646	178,278	229,983
Total	52,782,400	51,816,508	14,818,192	15,544,175

For maturity analysis of the above loans, refer to 29(d).

i) BRAC Bangladesh

In January 2007, BRAC Uganda Microfinance obtained a facility of USD 1,305,965 equivalent to Ushs 2,187 million from BRAC Bangladesh for support of microfinance. It bears interest at 8% per annum. This loan is not secured.

In 2013, Ushs 640 million was repaid and the balance of Ushs 1,547 million shall be repaid on demand. In March 2015, another agreement of USD 3 million was signed and in May 2015 USD 500,000 equivalent to Ushs. 1,489 million was disbursed. The loan is repayable in a period of 24 months. The loan is not secured and the interest rate is 5% per annum.

ii) Kiva

In November 2007, BRAC Uganda Microfinance Ltd signed a hosting agreement with Kiva to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses with the hope of obtaining capital in the form of loans from the individuals and entities who also access Kiva website and the loan is interest free. The first loan tranche was received in December 2007. A total of USD 178,278 (Ushs 636 million) is outstanding as at the end of 2016. The managed fund bears no interest, Brac is only exposed to foreign exchange risk.

iii) BRAC Africa Microfinance

In pursuant to the original loan agreement signed in October 2008 between BRAC Africa Microfinance Limited and BRAC Uganda Microfinance Ltd, in June 2013, an amended and reinstated loan agreement was signed amounting to Ushs 24,461 million equivalent to USD 7,338,047. The loan bears interest at 14.85% per annum. The first repayment of principal of Ushs 5 billion was made in June 2016 and the remaining balance will be repaid in December 2017. The loan is not secured.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

iv) Bank of Africa

In May 2015, BRAC Microfinance obtained a loan from Bank of Africa amounting to Ushs. 9,500,000,000 equivalent to USD 2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 23%. At close of December 2016, principal amounting to Ushs. 4,819,899,000 had been repaid. The loan is secured by a corporate guarantee from Brac Holdings B.V

v) Responsibility Investments

In July 2015, a loan agreement was signed with Responsibility Investments worth USD 4,500,000 to the equivalent of Ushs 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. A total of USD 900,000 fell due and was paid in 2016. The loan is not secured.

vi) Stromme Microfinance

In August 2016, a loan agreement was signed between BRAC Uganda Microfinance and Stromme Microfinance Limited amounting to Ushs 5.5 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 18% pa with one year's grace period for principal. The amount was disbursed on the 15/11/2016. Principle and interest payments will be made on a quarterly basis. The loan is secured by a floating charge on Brac Uganda Microfinance's loan portfolio.

vii) Oiko Credit

In October 2016, BRAC Uganda Microfinance obtained a loan from Oiko credit, the loan agreement was for a total principal loan amount of Ushs 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of Ushs 5 billion each. The first tranche was received on the 23/12/2016. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on Brac Uganda Microfinance's loan portfolio.

19.1 Analysis of movement in Borrowings

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
At 1 January	51,816,508	27,058,060	15,544,175	9,911,377
Receipts during the year	13,478,336	26,315,694	3,990,034	8,223,654
Interest Accrued	559,300	5,439,453	157,019	1,631,754
Payments during the year	(13,071,744)	(6,996,699)	(3,869,670)	(2,266,738)
Currency translations	-	-	(1,003,366)	(1,955,872)
At 31 December	52,782,400	51,816,508	14,818,192	15,544,175

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

20. OTHER LIABILITIES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Accrual for expenses	19,852	140,598	5,573	42,178
Bonus provision	65,068	37,169	18,267	11,150
Provision for staff leave	342,880	256,314	96,260	76,890
Payable to Brac IT services	598,758	-	168,096	-
Accrual for audit fees	180,736	94,377	50,740	28,312
Accrual for NSSF	267,048	230,419	74,971	69,122
Provision for cash shortage	-	31,472	-	9,441
Salary arrears payable	141,509	200,038	39,727	60,008
Self-Insurance scheme fund	194,077	130,683	54,485	39,203
Stamp duty provision	43,538	19,247	12,223	5,774
Tax withholdings	-	302,541	-	90,758
Brac Africa Loan Fund				
Interest (Withholding Tax)	339,542	-	95,324	-
VAT Payable	357,469	20,387	100,356	6,116
Credit life insurance premium payable	157,885	-	44,327	-
PAYE payable	391,125	-	109,805	-
Other provisions	-	7,085,704	-	2,125,604
Total	3,099,487	8,548,949	870,154	2,564,556

BRAC Uganda Microfinance limited sets aside a monthly amount equivalent to 1% of the basic salary of local employees, to constitute a medical fund. This fund covers liabilities arising out of death and other permanent injuries suffered by local employees. In the event of death or permanent injury drawings range from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards. The liability is recorded under self-insurance scheme fund and expense booked under insurance claim in operating expenses

21. DONOR FUNDS

	Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Donor funds received in advance	21.1	153,412	298,240	41,846	89,468
Donor funds investment in fixed assets	21.2	626,294	711,126	175,827	213,326
Donor funds investment in loans to group members	21.3	4,696,623	5,230,594	1,319,758	1,569,100
Total		5,476,329	6,239,960	1,537,431	1,871,894

21.1 Donor funds received in advance

	Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Opening balance		298,240	-	89,648	-
Donations received during the year	21.1a	-	441,200	-	137,875
Transferred to statement of income and expenses	21.4	(144,828)	(142,960)	(42,874)	(44,675)
Currency translation		-	-	(4,928)	(3,732)
Closing balance		153,412	298,240	41,846	89,468

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

21.1a Donations received during the year

Name of donor	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
MasterCard Foundation	-	303,862	-	94,957
World Bank (JSDF Loan)	-	137,338	-	42,918
	-	441,200	-	137,875

21.2 Donor funds investment in fixed assets

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Opening balance	711,126	909,254	213,326	333,060
Depreciation charged during the year	(84,832)	(198,128)	(25,113)	(61,916)
Currency translation		-	(12,386)	(57,818)
Closing balance	626,294	711,126	175,827	213,326

21.3 Donor funds investment in loans to group members

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Opening balance	5,230,594	4,604,821	1,569,100	1,686,748
Transferred from donor funds received in Advance	-	625,773	-	195,554
World Bank (JSDF Loan)	49,600	-	14,683	-
Transfer to MCF (ELA)	(583,571)	-	(172,756)	-
Currency translation	-	-	(91,269)	(3,13,202)
Closing balance	4,696,623	5,230,594	1,319,758	1,569,100

21.3b Donations received during the year for loans to group members

Name of donor	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
BRAC USA – ELA loan revolving fund	-	920,873	-	287,773
World Bank (JSDF Loan)	49,600	54,900	14,683	17,157
Transferred to BRAC Uganda	-	(105,000)	-	(32,813)
Transferred to Interaid Uganda	-	(245,000)	-	(76,563)
	49,600	625,773	14,683	195,554

21.4 Transfers to statement of comprehensive income

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Transferred to statement of comprehensive income	144,828	142,960	42,874	44,675
Depreciation charged during the year	84,832	198,128	25,113	61,915
Total	229,660	341,088	67,987	106,590

22. BRAC CONTRIBUTION

This fund of Ushs 835,000,000 (USD: 234,419) relates to the initial contribution from Brac Holdings B.V towards the establishment of BRAC Uganda and was used for starting up the Microfinance program.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

23. CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Cash flow from operating activities				
Adjustments for:				
Profit before tax	48,026,303	25,036,474	14,217,378	7,823,898
Loss on asset write off	-	22,110	-	6,909
Depreciation adjustment	(197,998)	-	(58,614)	-
Depreciation	283,435	366,229	83,906	114,447
Cash flow before changes in working capital	48,111,740	25,424,813	14,242,670	7,945,254
Changes in working capital				
Changes in loans and advances	(28,667,966)	(43,443,911)	(8,486,668)	(13,032,522)
Changes in receivables and other current assets	(808,418)	(268,676)	(239,319)	(80,599)
Changes in related party receivables	(148,936)	-	(44,090)	-
Changes in related party payables	(1,145,422)	(1,153,169)	(339,083)	(345,933)
Changes in current Liabilities	(5,449,279)	2,661,288	(1,613,167)	798,346
Changes in loan security fund	5,869,158	6,944,514	1,737,465	2,083,250
Cash inflow/(outflow) from operations	17,760,877	(9,835,141)	5,257,808	(2,632,204)
Income taxes paid	(12,966,726)	(9,717,398)	(3,838,581)	(3,036,687)
WHT paid	-	(41,595)	-	(12,998)
Net cash flow	4,794,151	(19,594,135)	1,419,227	(5,681,889)

24. 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 2016.

25. CURRENCY

These financial statements are presented in thousands of Uganda Shillings, which is the entities functional currency.

26. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2016 (2015: Nil).

27. 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 company 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.

(ii) Provisions

A provision is recognized for an obligation 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 20.

28. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2016.

29. 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 greatest portion of Brac Uganda Microfinance loan book is unsecured group guaranteed and 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 Chief Executive Officer 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

a) Group guaranteed loan

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 CO 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 company accounts to eliminate the risk of keeping cash. The main criteria considered by the Company are the loan applicant's ability and willingness 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.

b) Small Enterprise Product (Individual Loans)

Small Enterprise loans are identified by the Credit Officer who visits the customer, assesses the business working capital and profitability. A second visit is done by the Area manager if the loan is below Ushs 5 million and above Ushs 5 million, the Regional manager will visit the client. A guarantor and a family nominee will be identified by the borrower and shall sign the guarantor and nominee form to ensure that they will be liable to repay the loan in case the customer defaults.

There are different forms of security which includes land titles, land agreements and other forms of collateral. The security is verified at local council level to confirm authenticity.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

The Loan appraisal is completed by the Credit Officer and the Area Manager to ensure that the applicant has provided all necessary information and that its complete, the loan application has been endorsed, verified that the net income from the business is sufficient to allow for loan repayment, the guarantor and nominee have fully signed the loan application, the security is attached, then a loan shall be approved by the Area Manager if its below Ushs 5 million and above Ushs 5 million the Regional Manager shall approve.

The Loans installments are repayable monthly.

Monitoring of collections

a) Group guaranteed loan

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.

b) Small Enterprise Product (Individual Loans)

The Loans are repayable monthly. Monitoring, Branch Review Unit and Internal Audit independently monitors the loan to ensure quality.

Impaired loans

Impaired loans and advances 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 Company's maximum exposure to credit risk is as shown below;

	Gross advances Ushs '000	Specific provision Ushs '000	General provision Ushs '000	Portfolio provision Ushs '000	Net advances Ushs '000
31 December 2016	161,395,003	1,890,504	3,068,799	4,959,303	156,435,700
31 December 2015	134,398,715	351,916	6,279,065	6,630,981	127,767,734

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

Advances to customers that are past due or impaired	2016 Ushs '000	2015 Ushs '000
Neither past due or impaired	153,439,970	133,597,123
Past due but not impaired	-	-
Impaired	7,955,033	801,592
Total gross advances to customers	161,395,003	134,398,715
Less: impairment provision	(4,959,303)	(6,630,981)
Net advances to customers at 31 December	156,435,700	127,767,734

Other exposures to credit risk	2016 Ushs '000	2015 Ushs '000
Short term deposits	8,000,000	3,022,169
Cash and bank	5,879,859	5,853,142
Other receivables	2,174,109	1,365,691
	16,053,968	10,241,002

Value of security held

Stromme Microfinance and the Oiko Credit loans are secured against the loan portfolio, Bank of Africa is secured by a corporate guarantee from Brac Holdings BV. All the other loans and advances are unsecured.

Cash and cash equivalents

All cash at company is held with financial institutions which are regulated by the Central Company of Uganda. As a result, the probability of loss of cash held at companys 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.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED
29. FINANCIAL RISK MANAGEMENT (contd.)
Year ended 31 December 2016

	Applicable average interest rate	Up to 1 month Ushs '000	From 1 to 12 months Ushs '000	From 1 year to 2 years Ushs '000	from 2 years and above Ushs '000	Non interest bearing Ushs '000	Total Ushs '000
ASSETS							
Cash and bank		-	-	-	-	5,879,859	5,879,859
Short term deposits	11.5%	8,000,000	-	-	-	-	8,000,000
Loans and advances to customers	25%	-	156,435,700	-	-	-	156,435,700
Related party receivable		-	-	-	-	148,936	148,936
Other Assets		-	-	-	-	2,174,109	2,174,109
		8,000,000	156,435,700	-	-	8,202,904	172,638,604
Equity and liabilities							
Bank Overdrafts		-	-	-	-	395,922	395,922
Loan Security fund		-	-	-	-	28,375,966	28,375,966
Related party payables		-	-	-	-	562,194	562,194
Borrowings and managed funds	16%	1,547,916	33,136,923	17,462,534	-	635,027	52,782,400
Other liabilities		-	-	-	-	3,099,487	3,099,487
Tax payable		-	-	-	-	1,991,510	1,991,510
		1,547,916	33,136,923	17,462,534	-	35,060,106	87,207,479
Net assets /(liabilities)		6,452,084	123,298,777	(17,462,534)	-	(26,857,202)	85,431,125

Year ended 31 December 2015

	Applicable average interest rate	Up to 1 month Ushs '000	From 1 to 12 months Ushs '000	From 1 year to 2 years Ushs '000	from 2 years and above Ushs '000	Non interest bearing Ushs '000	Total Ushs '000
ASSETS							
Cash and bank		-	-	-	-	5,853,142	5,853,142
Short term deposits	14%	-	3,022,160	-	-	-	3,022,160
Loans and advances to customers	25%	15,000,000	112,767,734	-	-	-	127,767,734
Other Assets		-	-	-	-	1,365,691	1,365,691
		15,000,000	115,789,894	-	-	7,218,833	138,008,727
Equity and liabilities							
Loan Security fund		-	-	-	-	22,506,807	22,506,807
Related party payables		-	-	-	-	1,707,616	1,707,616
Borrowings and managed funds	16%	12,700,000	31,682,860	6,667,000	-	766,648	51,816,508
Other liabilities		-	-	-	-	8,548,949	8,548,949
Tax payable		-	-	-	-	55,856	55,856
		12,700,000	31,682,860	6,667,000	-	33,585,876	84,635,736
Net assets / (liabilities)		2,300,000	84,107,034	(6,667,000)	-	(26,367,043)	53,372,991

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

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. A 1% increase/decrease in interest rates in the current year would affect profit and loss by Ushs +/-1,061,703,412.

(d) Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely 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 2016 to the contractual maturity date.

	Matured Ushs '000	Less than 3 months Ushs '000	3 months to 1 year Ushs '000	1 to 5 years Ushs '000	Above 5 years Ushs '000	Total Ushs '000
ASSETS						
Cash and bank	5,879,859	-	-	-	-	5,879,859
Short term deposits	-	8,000,000	-	-	-	8,000,000
Loans and advances to customers	-	-	156,435,700	-	-	156,435,700
Related party receivable	-	-	148,936	-	-	148,936
Other assets	-	2,174,109	-	-	-	2,174,109
	5,879,859	10,174,109	156,584,636	-	-	172,638,604
Equity and Liabilities						
Loan Security Fund	959,693	11,276,773	16,139,500	-	-	28,375,966
Related party payables	-	-	562,194	-	-	562,194
Borrowings and managed funds	-	1,200,000	34,684,838	16,897,562	-	52,782,400
Bank overdrafts	-	395,922	-	-	-	395,922
Other liabilities	-	3,099,487	-	-	-	3,099,487
Tax payable	-	-	1,991,510	-	-	1,991,510
	959,693	15,972,182	53,378,042	16,897,562	-	87,207,479
Liquidity gap	4,920,166	(5,798,073)	103,206,594	(16,897,562)	-	85,431,125

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

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 Chief Executive Officer. 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 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.

The table below summarises the company's exposure to foreign currency risk as at 31 December 2016

	2016			2015		
	Ushs '000	USD '000	Total '000	Ushs '000	USD '000	Total '000
ASSETS						
Cash and bank	5,474,903	404,956	5,879,859	4,094,563	1,758,579	5,853,142
Short term deposits	8,000,000	-	8,000,000	3,022,160	-	3,022,160
Loans and advances to customers	156,435,700	-	156,435,700	127,767,734	-	127,767,734
Related party receivable	148,936	-	148,936	-	-	-
Other assets	2,174,109	-	2,174,109	1,365,691	-	1,365,691
	172,233,648	404,956	172,638,604	136,250,148	1,758,579	138,008,727
Equity and Liabilities						
Loan Security Fund	28,375,966	-	28,375,966	22,506,807	-	22,506,807
Related party payables	562,194	-	562,194	1,707,616	-	1,707,616
Borrowings and managed funds	37,078,529	15,703,871	52,782,400	36,310,344	15,506,163	15,506,163
Overdrafts	395,922	-	395,922	-	-	-
Other liabilities	3,099,487	-	3,099,487	8,548,949	-	8,548,949
Tax payable	1,991,510	-	1,991,510	55,856	-	55,856
	71,503,608	15,703,871	87,207,479	69,129,572	15,506,163	48,325,391
Net position	100,730,040	(15,298,915)	85,431,125	67,120,576	(13,747,584)	89,683,336

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

Sensitivity analysis

The following sensitivity analysis shows how the profit would be affected if the currency risk variables had been different at reporting date with all other variables held constant.

	2016 Ushs '000 Effect on Profit	2015 Ushs '000 Effect on profit
Currency-USD		
+5% US\$ Movement	(764,946)	(687,379)
-5% US\$ Movement	764,946	687,379

(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:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- training and professional development
- Ethical and business standards
- Close monitoring and management oversight.

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.

30. OPERATING LEASE PREPAYMENTS

The Company entered into commercial leases for premises. These leases have an average life of two years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2016 Ushs'000	2015 Ushs'000
Within one year	490,911	269,651
Above one year	-	-
	490,911	269,651

Amortisation of operating lease prepayments amounted to Ushs 490,911 (2015: Ushs 269,651).

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THR FINANCIAL STATEMENTS REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

a) Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments e.g quoted equity securities. These items are exchange traded positions.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair values Ushs '000	Total carrying amount Ushs '000
Cash and cash equivalents	-	5,879,859	-	5,879,859	5,879,859
Short term deposits	-	8,000,000	-	8,000,000	8,000,000
Loans and advances to customers	-	156,435,700	-	156,435,700	156,435,700
Related party receivables	-	148,936	-	148,936	148,936
Other assets	-	2,174,109	-	2,174,109	2,174,109
Liabilities					
Loan security fund	-	28,375,966	-	28,375,966	28,375,966
Related party payables	-	562,194	-	562,194	562,194
Borrowings and managed funds	-	52,782,400	-	52,782,400	52,782,400
Bank overdraft	-	395,922	-	395,922	395,922
Other liabilities	-	3,099,487	-	3,099,487	3,099,487
Tax payable	-	1,991,510	-	1,991,510	1,991,510

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

The fair value of short term deposits is the amount receivable at the reporting date.

32. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is BRAC International Holdings BV, a company registered in Netherlands.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

DIRECTORS

Dr. A M R Chowdhury	- Chairperson
Mr. Faruque Ahmed	- Member
Mr. Shib Narayan Kairy	- Member

ADMINISTRATORS

Ms. Hasina Akhter	- Country Representative (Appointed on 1 march 2017)
Mr. Bhuiyan Muhammad Imran	- Country Representative (Resigned on 28 February 2017)

PRINCIPAL PLACE OF BUSINESS:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P O Box 31817 Kampala Uganda
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REGISTERED OFFICE:	Off Entebbe Road, Nyanama Plot 90, Busingiri Zone P O Box 31817 Kampala, Uganda
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COMPANY SECRETARY:	Mr. Shib Narayan Kairy Chief Financial Officer, BRAC and BRAC International BRAC Centre, 75 Mohakhali, Dhaka 1212, Bangladesh
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AUDITORS

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

BANKERS

Standard Chartered Bank Uganda Ltd Plot 5 Speak Road P.O Box 7111 Kampala, Uganda	Stanbic Bank Uganda Ltd Plot 17 Hannington Road, Crested Towers P O Box 7131 Kampala, Uganda
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BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2016, which disclose the state of affairs of the company.

(a) Registration

BRAC is the largest non-governmental development organization in the world, measured by the number of employees and number of people it has helped. BRAC was ranked the number one NGO in the world for the second consecutive year in 2017 by the Geneva based NGO Advisor, an independent organization committed to highlighting innovation, impact and governance in the non profit sector. BRAC retained the top spot as part of the 2017 top 500 NGOs World rankings.

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

BRAC Social Business Enterprises Uganda limited was incorporated as a limited liability company on 9 April 2010 as an independent Company. Its vision is to develop a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of based on age, sex and ethnicity. In order to achieve this vision, BRAC Social Business Enterprises Uganda limited uses sustainable social businesses to create and protect the livelihoods of poor.

The Company effectively commenced trading on 1 January 2012 as BRAC Social Business Enterprises Uganda limited.

(b) VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

(c) MISSION

The Company’s mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. The interventions aim to achieve large scale, positive changes through economic and social programmes that enable men and women to realise their potential.

(d) OUR VALUES

Innovation- We have been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

Integrity- We value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethic.

Inclusiveness- We are committed to engaging, supporting and recognising the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness- We value efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

(e) Principal activities

The Company packs and sells seeds of Agricultural and Horticultural crops.

(f) Results from operations

The results for the Company for the year ended 31 December 2016 are set out on page 137.

(g) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 130.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

(h) Directors benefits

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

(i) CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2016 the Board of Directors had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensuring that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

(j) RISK MANAGEMENT

The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding;

- The effectiveness and efficiency of operations;
- Safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

(k) MANAGEMENT STRUCTURE

The Company is under the supervision of the Board of Directors and the day to day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organisation structure of the Company comprises of the following divisions:

- Accounts and finance;
- Public relations
- Internal audit;
- Monitoring unit;
- Branch review unit;
- Agriculture
- IT and MIS;
- Human resources;
- BRAC Learning Centre;
- Communications and
- Procurement, logistics and transportation

(l) RELATED PARTY TRANSACTIONS

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2016 CONTINUED

Related party transactions are disclosed in Note 13 to the financial statements.

(m) DEVELOPMENT PLANS

BRAC International Holdings BV purchased all 99 shares held by BRAC Industries Limited in BRAC Social Business Enterprises Uganda Limited. The transaction was completed on 06 January 2016. Authorized share capital was also increased from UGX 1 million to UGX 10.5 billion and the company issued 243,300 new shares to BRAC BV.

(n) KEY ACHIEVEMENTS IN 2016

The Seed Processing Plant was fully operational and this enhanced the quality of seeds and germination rate. Ten new varieties for vegetables and maize were introduced which boosted the production rate up to 370MT.

(o) SOLVENCY

The Board of Directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

(p) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year ended 31 December 2016. There were no unresolved complaints received by management from the employees during the year. The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training

Training and development of staff capacity is one of the key priorities of the company. During the year, line managers had special training in BRAC Values, Gender awareness, and Diversity and Inclusion.

Medical assistance

The Company has in place a medical insurance policy for all its staff.

Retirement benefit

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Company contributes 10% of the employees' gross salary.

The NSSF is a defined contribution scheme with BRAC Social Business Enterprises Uganda limited having no legal or constructive obligation to pay further top-up contributions

(q) GENDER PARITY

In 2016, the company had a total staff of 24 staff (21 in 2015), female being 50% of the total staff.


(r) Auditors

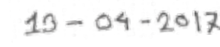
The auditors, KPMG, being eligible for re-appointment have expressed their willingness to continue in office in accordance with the terms of Section 167(2) of the Companies Act of Uganda.

(s) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 13 April 2017.

By order of the Board


.....
SECRETARY


Date:

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENTS OF DIRECTORS’ FOR YEAR ENDED 31 DECEMBER 2016

The Company’s directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2016 and the statements of comprehensive income, changes in equity and 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 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’ responsibilities include: designing, implementing and maintaining internal controls 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 Companies Act of Uganda, 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 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 9 to 35 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results for the year ended 31 December 2016.

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.

The directors have made an assessment of the Company’s ability to continue as a going concern and have no reason to believe the Company 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 were approved by the board of directors on 13 April 2017 and were signed on its behalf by:



Director



Director

Date:13-04-2016



KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
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P.O. Box 3509
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC SOCIAL
BUSINESS ENTERPRISES LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of BRAC Social Business Enterprises Uganda Limited (“the Company”), which comprise the statement of financial position as at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set out on pages 137 to 158.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Social Business Enterprises Uganda Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the General Information, Directors’ Report, Statement of Directors’ Responsibility, the memorandum figures reported in United States Dollars (USD\$) and the segment information in Note 27 but does not include the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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. In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG Uganda is a registered partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Partners

Benson Ndingu
Edgar Tumugye



KPMG
Certified Public Accountants
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC SOCIAL BUSINESS ENTERPRISES LIMITED

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

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

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;
- in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Asad Lukwago-P0365

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 21 April 2016

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

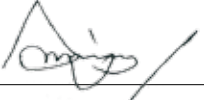
	Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Revenue	4	1,614,829	1,635,515	478,054	511,099
Cost of sales	5	(696,961)	(404,905)	(206,328)	(126,532)
Gross profit		917,868	1,230,610	271,726	384,567
Staff costs	6	(366,507)	(337,716)	(108,502)	(105,536)
Training, workshops & seminars		(47,968)	(10,645)	(14,200)	(3,327)
Other operating expenses	7	(663,479)	(422,890)	(196,416)	(132,154)
Depreciation	10	(134,221)	(139,590)	(39,735)	(43,622)
Lease amortization	11	(614)	(614)	(182)	(192)
Profit before tax		(294,921)	319,155	(87,309)	99,736
Income tax credit/(expense)	15(a)	96,315	138,860	28,513	43,394
Net loss for the year		(198,606)	458,015	(58,796)	143,130
Other comprehensive income		-	-	-	-
Total comprehensive loss		(198,606)	458,015	(58,796)	143,130

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
ASSETS					
Cash and bank	8	1,018,411	1,332,040	285,910	399,592
Trade receivables	14	168,162	19,932	47,210	5,979
Inventory	9(a)	55,421	90,953	15,559	27,285
Tax receivable	15(c)	26,365	8,112	7,402	2,433
Property and equipment	10	1,691,283	1,709,743	474,812	512,897
Finance lease on leasehold land	11	56,792	57,405	15,944	17,221
Total assets		3,016,434	3,218,185	846,837	965,407
LIABILITIES AND EQUITY					
Liabilities					
Related party payables	12(a)	65,651	24,318	18,432	7,295
Other liabilities	13	163,315	119,586	45,849	35,874
Deferred tax Liability	15(b)	131,120	220,053	36,811	66,013
Total liabilities		360,086	363,957	101,092	109,182
Equity					
Share Capital	16(a)	2,434,000	1,000	729,946	300
Funds Designated for issue of Ordinary Shares	16(b)		2,432,274		729,646
Retained earnings		222,348	420,954	67,682	129,554
Currency Translation		-	-	(51,883)	(3,275)
Total Equity		2,656,348	2,854,228	745,745	856,225
Total liabilities and Equity		3,016,434	3,218,185	846,837	965,407

The financial statements were approved by the Board of Directors on 23-09-2017 and were signed on its behalf by:


Director


Director

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital Ushs '000	Capital pending allotment Ushs '000	Retained earnings Ushs '000	Total equity Ushs	Total equity USD
At 1 January 2015	1,000	2,432,274	(37,061)	2,396,213	716,370
Issue of ordinary shares	-	-	-	-	-
Comprehensive income:					
Loss for the year	-	-	458,015	458,015	143,130
Currency translation	-	-	-	-	(3,275)
At 31 December 2015	1,000	2,432,274	420,954	2,854,228	856,225
At 1 January 2016	1,000	2,432,274	420,954	2,854,228	856,225
Issue of ordinary shares	2,434,000	(2,432,274)	-	726	199
Comprehensive income:					
Loss for the year	-	-	(198,606)	(198,606)	(58,796)
Currency translation	-	-	-	-	(51,883)
At 31 December 2016	2,434,000	-	222,348	2,656,348	745,745

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Cash inflow/(outflow) generated from operations	17	(187,722)	434,522	(42,903)	130,261
Income taxes paid	12(c)	(10,872)	(60,706)	(3,219)	(18,971)
Cash inflow/(outflow) from operating activities		(198,594)	373,816	(46,122)	111,290
INVESTING ACTIVITIES					
Acquisition of fixed assets	10	(115,761)	(6,863)	(32,499)	(2,059)
Proceeds from transfer of assets to NGO		-	282,746	-	84,820
Acquisition of finance lease assets		-	(319)	-	(100)
Cash outflows from investing activities		(115,761)	275,564	(32,499)	82,661
Cash flows from financing activities					
Ajustment to share capital		726	-	199	-
Cash inflows from financing activities		726	-	199	-
Net increase/decrease in cash and cash equivalents		(313,629)	649,380	(78,422)	193,951
Cash & cash equivalents at 1 January		1,332,040	682,660	399,592	250,059
Currency translation		-	-	(35,260)	(44,418)
Cash & cash equivalents at 31 December	8	1,018,411	1,332,040	285,910	399,592

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. THE REPORTING ENTITY

BRAC Social Business Enterprises Uganda Limited got incorporated as a limited liability company on 9 April, 2010, as an independent company. Its vision is to develop 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 Social Enterprise uses sustainable social businesses 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 people at the poorer end of the poverty spectrum.

The company officially started its journey on 4 April 2011 after receiving license from Ministry of Agriculture, Animal industry and Fishery of Uganda to pack and sell seeds of Agricultural and Horticultural crops.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in the financial statements, unless otherwise stated.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of measurement

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The financial statements are prepared under the historical cost convention, as modified by the carrying amounts of available for sale investments at fair value and impaired assets at recoverable amounts.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of 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. Although the estimates and associated assumptions are based on the directors' best knowledge of current events actions and historical experiences, actual results ultimately may differ from those estimates.

Management identifies all significant accounting policies and those that involve high judgment as documented in note 20.

(c) Functional and presentation currency

These financial statements are presented in thousands of Uganda shillings (Ushs '000), 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 3,562 for balance sheet items and US \$ = Ushs 3,378 for income statements balances. Foreign exchange differences are transferred to equity. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

Revenue is recognized as follows:
Sales of goods are recognized in the period in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured;

Sales of services are recognized in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided; and

Interest income is recognized on a time proportion basis using the effective interest method.

(b) Translation of foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are expressed in thousands of Uganda Shillings, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out principle, and includes transport and handling costs. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

(d) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(e) Property and equipment

All property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognized as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property and equipment. Property and equipment are subsequently shown at market value, based on valuations by external independent valuers, less subsequent accumulated depreciation and impairment losses.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increase of the same asset are charged against the revaluation reserve. All other decreases are charged to the profit and loss account.

Depreciation

Depreciation is provided to write down the property and equipment, on a straight line basis, over their useful life, to their residual values, as follows:

Buildings	2%
Furniture and fixtures	10%
Equipment	15%

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

The residual value and the depreciation rates of each asset are reviewed at each financial period-end. Land is not depreciated. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

Derecognition

The gain or loss arising from the disposal of an item of property and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

(f) Impairment of assets

The carrying amounts of the company’s assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated and an impairment loss is recognized immediately in the profit and loss account.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Investments with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

(h) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Tax expenses

Provision is made for current income tax on the net taxable profit for the year at the applicable rates of tax taking into account income and expenditure which is not subject to tax.

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.
Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

(i) Financial Instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Subsequent recognition

Fair value determination

Held to maturity receivables are measured at amortized cost, financial assets and liabilities at fair value through profit or loss and held for sale are subsequently measured at fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs

Amounts owing by/ (to) related parties

These include amounts owing by/ (to) holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognized initially at fair value plus direct transaction costs.

Subsequently these amounts are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

(j) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on net basis, or to realize the asset and settle the liability simultaneously.

(k) Provisions

A provision is recognized on the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specifics to the liability.

(l) Share capital

Ordinal shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

The accounting policies adopted are consistent with those used in the previous financial year except the following standards, amendments and interpretations which the company has adopted. The adoption of these standards, amendments and interpretations did not have significant effect on the financial performance or position of the company.

(m) New standards, amendments and interpretations effective and adopted during the year

During the current year, the company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies.

New amendments or interpretation	Effective Date
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	
• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	
• Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	
• Disclosure Initiative (Amendments to IAS 1)	

(n) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2016.

At the date of authorisation of the financial statements of the company for the year ended 31 December 2016 the following standards were in issue but not yet effected.

New standard or amendments	Effective date Periods beginning on or after
Disclosure Initiative	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Revenue from contracts with customers	1 January 2018
Financial Instruments	1 January 2018
Share-based payment amendments	1 January 2018
Leases	1 January 2019
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be continued

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

All Standards and Interpretations will be adopted at their effective date (except for those Standards and interpretations that are not applicable to the entity).

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The company is assessing the potential impact on its financial statements the application of this standard.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The company is assessing the potential impact on its financial statements the application of this standard.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2015)

On 24 July 2015 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard introduces changes in the measurement bases of the financial assets to amortized cost, fair value through other comprehensive

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an “incurred loss” model from IAS 39 to an “expected credit loss” model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Clarifying share-based payment accounting (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met. Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments are effective for annual periods commencing on or after 1 January 2018.

The adoption of this standard is not expected to have a significant impact the financial statements of the Company.

IFRS 16: Leases

IFRS 16 was published in January 2016. It sets out the principles for the recogmt 1 on, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The company is assessing the potential impact on its financial statements the application of this standard.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and /AS 28)

The amendments require the full gain to be recognized when assets transferred between an investor and its associate or joint venture meet the definition of a ‘business’ under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors’ interests in the associate or joint venture is recognized. The definition of a business is key to determining the extent of the gain to be recognized.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

4. REVENUE

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Sale of seeds	877,477	442,719	259,769	138,350
Vine sale	9,309	143,987	2,756	44,996
Training income	715,306	981,629	211,759	306,759
Bank Interest income	12,317	12,163	3,646	3,801
Foreign exchange gain/(loss)	420	55,017	124	17,193
	1,614,829	1,635,515	478,054	511,099

5. COST OF SALES

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Opening stock	90,953	40,063	26,926	12,520
Seed purchase	387,751	269,422	114,790	84,194
Labor	36,684	69,247	10,860	21,640
Transportation of seeds	67,196	36,641	19,893	11,450
Land preparation	710	1,665	210	520
Chemical cost	8,513	9,940	2,520	3,106
Irrigation cost	41	46	12	14
Fertilizer costs – chemicals	10,688	9,567	3,164	2,990
Packaging costs	119,471	45,187	35,368	14,121
Seed processing cost	17,247	14,080	5,106	4,400
Electricity bill	6,105	-	1,807	-
Fuel	7,023	-	2,079	-
Closing stock	(55,421)	(90,953)	(16,407)	(28,423)
	696,961	404,905	206,328	126,532

6. STAFF COSTS

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Salaries	326,816	233,701	96,751	73,032
Bonus	590	175	175	55
Employer's contribution	34,183	25,840	10,120	8,074
Insurance for staff	-	3,157	-	986
Other staff costs	4,918	74,843	1,456	23,389
	366,507	337,716	108,502	105,536

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

7. OTHER OPERATING EXPENSES

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Legal fees and other services	8,345	96,624	2,470	30,194
Provision for audit fees	31,630	28,320	9,364	8,850
Maintenance and general expenses	176,339	87,079	52,205	27,214
Software maintenance cost	45,882	-	13,583	-
Stock loss provision	283	1,924	84	601
Other general expenses	105,536	24,483	31,243	7,651
Loss on fixed asset write-off	-	7,453	-	2,329
Head office logistic expenses	38,522	68,735	11,404	21,480
Travel and transportation	192,269	108,272	56,919	33,835
Local Office logistics expenses	38,522	-	11,404	-
Inventory write off	26,151	-	7,742	-
	663,479	422,890	196,416	132,154

8. CASH AND BANK

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Cash at bank	1,017,220	1,682	285,576	505
Cash on hand	1,191	1,330,358	334	399,087
	1,018,411	1,332,040	285,910	399,592

9(a) INVENTORY

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
Maize seeds	22,822	36,138	6,407	10,841
Rice seeds	9,146	21,016	2,568	6,304
Bean seeds	12,026	4,394	3,376	1,318
Tomato seeds	8,172	29,405	2,294	8,822
Egg plants	621	-	174	-
Pumpkins	2,634	-	740	-
	55,421	90,953	15,559	27,285

(b) INVENTORY PROVISION

	2016	2015	2016	2015
	Ushs '000	Ushs '000	USD	USD
As at 1 January	-	(5,488)	-	(1,715)
Provision raised during the year	-	-	-	-
Provisions written off during the year	-	5,488	-	1,715
As at 31 December	-	-	-	-

The inventory is agriculture seeds that were not yet sold as at 31 December 2016. These seeds are normally sold at subsidized rates to low income earners in communities.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

10. PROPERTY AND EQUIPMENT

	Building Ushs '000	Furniture Ushs '000	Equipment Ushs '000	Capital Work in Progress Ushs '000	Total Ushs '000	Total USD
COST						
Balance at 1 January 2015	872,158	8,555	299,075	1,025,425	2,205,213	807,770
Additions	-	3,904	2,959	-	6,863	2,059
Transferred to Brac NGO	(282,746)	-	-	-	(282,746)	84,820
Asset write-off	-	(2,290)	(12,268)	-	(14,558)	(4,367)
Reclassifications	598,580	-	426,845	(1,025,425)	-	-
At 31 December 2015	1,187,992	10,169	716,611	-	1,914,772	890,282
Additions	108,440	268	7,053	-	115,761	32,499
Asset write-off	-	-	-	-	-	-
Currency translation	-	-	-	-	-	(352,727)
At 31 December 2016	1,296,432	10,437	723,664	-	2,030,533	570,054
DEPRECIATION						
Balance at 1 January 2015	52,268	2,094	18,182	-	72,544	26,572
Charge for the year	29,415	1,005	109,170	-	139,590	43,622
Accumulated dep for write-off	-	(1,224)	(5,881)	-	(7,105)	(2,220)
Currency translation	-	-	-	-	-	309,411
At 31 December 2015	81,683	1,875	121,471	-	205,029	377,385
Charge for the year	24,853	1,043	108,325	-	134,221	39,735
Currency translation	-	-	-	-	-	(321,878)
At 31 December 2016	106,536	2,918	229,796	-	339,250	95,242
NET BOOK VALUE						
At 31 December 2016	1,189,896	7,519	493,868	-	1,691,283	474,812
At 31 December 2015	1,106,309	8,294	595,140	-	1,709,743	512,897

* Transferred building relates to a building constructed by Brae Social enterprise meant to be shared with Brae NGO. Upon completion Brae NGO paid for the portion of building that they occupy.

11. FINANCE LEASE ON LEASEHOLD LAND

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Cost/Valuation				
At 1 January	60,761	60,442	17,058	22,140
Additions	-	319	-	100
Currency Translations	-	-	-	(4)
At 31 December	60,761	60,761	17,058	22,236
Amortization				
At 1 January	3,355	2,742	942	1,004
Charge for the year	614	614	182	192
Currency Translations	-	-	(10)	3,819
At 31 December	3,969	3,356	1,114	5,015
NBV	56,792	57,405	15,944	17,221

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi. It is amortised on a straight line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2016, the remaining lease period is 91 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all the would be minimum lease payments were paid at once at the beginning of the lease. It's a requirement that for such a lease for the lessee to settle all the obligations upfront for the lease agreement to be effective.

12. RELATED PARTY TRANSACTIONS

The company has entered into transactions with related parties as follows:

(a) Amount due to related parties	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Stitching BRAC International	20,744	20,744	5,824	6,223
BRAC Bangladesh	6,385	3,574	1,793	1,072
BRAC International Holdings B.V	38,522	-	10,815	-
	65,651	24,318	18,432	7,295

Related party payables relate to amounts owing to BRAC International Holdings B.V (the parent company) and BRAC Bangladesh sharing a common ultimate controlling company for the settlements of operating expenditures on behalf of the company. The balances bear no interest, are unsecured and are repayable in the ordinary course of business.

The carrying amounts due to the related parties approximate their fair values.

(b) Sale of services

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Training income	715,306	981,629	211,759	306,759
	715,306	981,629	211,759	306,759

The company provides tramng services to related companies including BRAC Uganda and Uganda Microfinance Limited. BRAC Uganda and BRAC Uganda Microfinance Limited share a common ultimate controlling party with the Company.

13. OTHER LIABILITIES

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Bonus provision	891	300	250	91
Provision for NSSF	4,912	3,597	1,399	1,079
Provision for audit fees		30,165		9,049
Self-insurance provision		649		195
Salary provision	22,657	10,139	6,361	3,041
Provision for PAYE	7,868	4,315	2,209	1,294
Withholding tax payable		36,053		10,815
Accrued HO logistics and management expense	38,522		10,815	
Payable for ERP software	45,882		12,881	
Accrued expenses	42,513	34,368	11,934	10,310
	163,315	119,586	45,849	35,874

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

14. TRADE RECEIVABLES

	2016 Ushs'000	2015 Ushs '000	2016 USD	2015 USD
Trade receivables	168,162	19,932	47,210	5,979
	168,162	19,932	47,210	5,979

Trade receivables relate to sales made to out growers on credit. The seeds are advanced to farmers on credit and payment to BRAC is after the season is done. The carrying amount of trade receivables approximates their fair values.

15. TAXATION

(a) Income tax expense

The company's tax affairs are subjected to agreement with the tax authorities. Details of the tax computation are set out below:

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Corporation tax	-	56,159	-	17,550
(Over)/Under provision from prior year	(7,381)	(29,150)	(2,185)	(9,109)
Deferred tax (Note 15 (b))	(88,934)	(165,869)	(26,328)	(51,835)
Income tax expense/(credit)	(96,315)	(138,860)	(28,513)	(43,394)

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 on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Accounting profit	-	319,155	-	99,736
Tax at applicable rate 30%	95,746		29,921	
Tax effect of:				
(Over)/Under provision from prior year	(7,381)	(29,150)	(2,185)	(9,109)
Non-deductible expenses & nontaxable income	(88,934)	(202,456)	(26,328)	(64,206)
	(96,315)	(138,860)	(28,513)	(43,394)

(b) DEFERRED TAXATION

The recognized deferred tax liability as at 31 December 2016 is attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

	2015 Ushs '000	Movement Ushs '000	2016 Ushs '000	2015 USD	Movement USD	2016 USD
Property and equipment	681,367	(244,273)	437,094	204,400	(81,689)	122,711
Provisions	(2,873)	1,699	(1,174)	(862)	532	(330)
Unrealized losses	(22,704)	13,184	(9,520)	(6,811)	4,138	(2,673)
Unrealized gains	77,721	(67,055)	10,666	23,315	(20,321)	2,994
	733,511	(296,445)	437,066	220,042	(97,340)	122,702
Deferred tax asset @ 30%	220,053	(88,934)	131,120	66,013	(29,202)	36,811
Currency translation	-	-	-	-	2,874	-
At 31 December	220,053	(88,934)	131,120	66,013	(26,328)	36,811

C) TAX RECIEVABLE

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
At 1 January	8,112	-	2,433	-
Charge for the year	-	56,159	-	17,550
Paid during the year	10,872	(60,706)	3,219	(18,971)
Tax Credit	-	(3,565)	-	-
(Over)/Under provision from prior year	7,381	-	2,072	-
Currency translation	-	-	(322)	(1,012)
At 31 December	26,365	(8,112)	7,402	(2,433)

16. SHARE CAPITAL AND FUNDS DESIGNATED FOR ISSUE OF ORDINARY SHARES

(a) Share Capital

(a) Share Capital	2016		2015	
	Ushs '000		Ushs '000	
Authorized Share Capital	1,000		1,000	
Issued and raised shares				
Issued and raised shares	No of Shares	2016	No of Shares	2015
		Ushs '000		Ushs '000
As at 1 January	100	1,000	100	1,000
Issued during the year @10,000	243,300	243,300	-	-
At 31 December	243,400	243,4000	100	1,000

(b) Funds designated for issue of Ordinary shares

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Funds Designated for issue of ordinary shares		2,432,274		729,646
		2,432,274		729,646

Funds Designated for issue of ordinary shares relates to total money spent by BRAC Bangladesh on land and building for BRAC Social Business Enterprises Uganda Limited and a contribution from BRAC Stitching International for issue of ordinary shares.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

17. Cash flow from operating activities

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Profit before tax	(294,921)	319,155	(87,309)	99,736
<i>Adjustments for:</i>				
Depreciation	134,221	139,590	39,735	43,622
Loss on write-off	-	7,453	-	2,329
Amortisation	614	614	182	192
Cash flow before changes in working capital	(160,086)	466,812	(47,392)	145,879
Changes in working capital				
Changes in inventory	35,532	(50,889)	11,726	(15,266)
Changes in related party payables	41,333	(40,524)	11,137	(12,157)
Changes in receivables	(148,230)	(19,032)	(41,231)	(5,709)
Changes in other payables	43,729	78,155	22,857	23,445
Currency Translations		(5,931)		(5,931)
Net cash inflow/(Outflow) from operations	(187,722)	434,522	(42,903)	130,261

18. FINANCIAL RISK MANAGEMENT (continued)

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 International Holdings BV, the parent company, has established the Group Audit and Risk Management 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 sort the assistance of donors.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

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. The Credit policy of BRAC Social Business Enterprises Uganda 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. Key areas where the company is exposed to credit risk are:

- Trade and other receivable balances, and
- Investments in 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.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Country Representative and the Monitoring department.

	2016 Ushs '000	2015 Ushs '000	2016 USD	2015 USD
Other receivables	168,162	19,932	47,210	5,979
Cash and Bank	1,018,411	1,332,040	285,910	399,592
	1,186,573	1,351,972	333,120	405,571

Impairment losses

The ageing of trade and other receivables at the reporting date was:

As at 31 December 2016

	Total Ushs'000	Neither past due nor impaired Ushs'000	Past due due nor impaired Ushs'000	Impaired Ushs'000
Trade receivables	168,162			
	168,162			

As at 31 December 2015

	Total Ushs'000	Neither past due nor impaired Ushs'000	Past due due nor impaired Ushs'000	Impaired Ushs'000
Trade receivables	19,932			
	19,932			

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

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 Representative. Management is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

Interest rate risk

There is no significant exposure to interest rate risk as there is no material overdraft or interest bearing borrowings.

Foreign exchange risk

BRAC Social Business Enterprises Uganda Limited foreign exchange risks comprise of 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 Social Business Enterprises Uganda Limited has no significant exposure to foreign exchange risk as there are no material foreign denominated balances.

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.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation

The liquidity profile of the company is as follows:

31 December 2016	Less than 6 months	6 to 12 months	More than 12 months	Total
Cash and cash equivalents	1,018,411	-	-	1,018,411
Inventories	55,421	-	-	55,421
Tax receivable	-	26,365	-	26,365
Other receivables	168,162	-	-	168,162
Total assets	1,241,994	26,365	-	1,268,359
Liabilities				
Other liabilities	163,315	-	-	163,315
Amount due to related parties	65,651	-	-	65,651
Total liabilities	228,966	-	-	228,966
Liquidity gap	1,013,028	26,365	-	1,039,393

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

b) 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 authorization 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.

19. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends paid.

There are no externally imposed capital requirements and there were no changes in the company's approach to capital management during the period.

20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

- a) Valuation models
- The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.
- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments e.g. quoted equity securities. These items are exchange traded positions.
 - Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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•Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets	1,018,411	-	1,018,411	1,018,411	1,018,411
Inventories	-	-	55,421	55,421	55,421
Tax receivable	-	-	26,365	26,365	26,365
Other receivables	-	-	168,162	168,162	168,162
Liabilities					
Other liabilities	-	-	163,315	163,315	163,315
Amount due to related parties	-	-	65,651	65,651	65,651

21. USE OF ESTIMATES AND JUDGEMENTS

The company 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 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.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

22. CONTINGENT LIABILITIES

There were no known contingent liabilities as at the close of the year.

23. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is BRAC International Holdings BV, a company registered in Netherlands.

24. 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 2016.

25. CURRENCY

These financial statements are presented in thousands of Uganda Shillings, which is the entities functional currency.

26 CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2016 (2015: Nil).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

27. SEGMENTAL REPORTING

For purposes of IFRS 8 - Operating Segments, the Company's Country Representative is considered to be the Chief Operating Decision Maker. The Company has two strategic divisions which are its reportable segments. These are Agriculture dealing in sale of agriculture seeds and Training dealing in provision of trainings. The Company's assets are managed as part of one business unit. The Country Head of Accounts reviews the internal management reports of each division at least quarterly.

The information provided below on revenue and operating profit provides an additional analysis of the business although the Company is managed as one entity.

Statement of comprehensive income for the year ended 31 December 2016 (Amount in Uganda Shillings)

	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
Revenue	896,285	718,544	1,614,829
Cost of sales	(696,961)	-	(696,961)
Gross profit	199,324	718,544	917,868
Staff costs	(332,284)	(34,223)	(366,507)
Training, workshops & seminars	(39,531)	(8,437)	(47,968)
Other operating expenses	(456,044)	(207,434)	(663,478)
Depreciation	(123,053)	(11,168)	(134,221)
Lease amortization	(614)	-	(614)
Profit before tax	(752,203)	457,282	(294,921)
Income tax credit/(expense)	88,301	8,014	96,315
Net loss for the year	(663,902)	465,296	(198,606)
Other comprehensive income	-	-	-
Total comprehensive loss	(663,902)	465,296	(198,606)

Statement of financial position as at 31 December 2016 (Amount in Uganda Shillings)

	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
ASSETS			
Cash and Bank	29,039	989,372	1,018,411
Inventory	55,421	-	55,421
Tax receivable	26,365	-	26,365
Other receivables	168,162	-	168,162
Property and equipment	1,211,376	479,907	1,692,283
Finance lease on leasehold land	56,792	-	56,792
Total assets	1,547,155	1,469,279	3,016,434
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	7,563	58,088	65,651
Other liabilities	1,183,471	(1,020,150)	163,315
Deferred tax liability	67,800	63,320	131,120
Total liabilities	1,258,834	(898,790)	360,044
Equity			
Share Capital	2,001,695	432,305	2,434,000
Retained earnings	(1,713,374)	1,936,764	222,390
Total Equity	288,321	2,368,069	2,656,390
Total liabilities and Equity	1,547,155	1,469,279	3,016,434

Statement of comprehensive income for the year ended 31 December 2016 (Amount in United States Dollars)

	Agriculture US\$	Training US\$	Total US\$
Revenue	265,336	212,718	478,054
Cost of Sales	(206,329)	-	(206,328)
Gross Profit	59,008	212,718	271,726
Staff costs	(98,370)	(10,132)	(108,502)
Training, workshops & seminars	(11,703)	(2,498)	(14,200)
Other operating expenses	(133,700)	(6,2656)	(196,416)
Depreciation	(36,429)	(3,306)	(39,735)
Amortization	(182)	-	(182)
Profit before tax	(221,436)	134,127	(8,7309)
Income tax credit	26,141	2,372	28,513
Net profit for the year	(195,295)	136,499	(58,796)

	Agriculture US\$	Training US\$	Total US\$
ASSETS			
Cash and bank	8,152	277,757	285,910
Inventory	15,559	-	15,559
Tax receivable	7,402	-	7,402
Other receivables	47,210	-	47,210
Property and equipment	340,083	134,730	474,813
Finance lease	15,944	-	15,944
Total assets	434,350	412,487	846,837
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	2,123	16,308	18,431
Other liabilities	332,249	286,401	45,849
Deferred tax liability	19,034	17,777	36,811
Total liabilities	353,406	(252,316)	101,091
Equity			
Share Capital	561,958	121,162	683,120
Retained earnings	(481,015)	543,641	62,626
Total Equity	80,943	664,803	745,746
Total liabilities and Equity	434,350	412,487	846,837

SUSTAINABILITY REPORT

Sustainability implies responsible and proactive decision making and innovation that minimizes negative impact and maintains a balance between ecological resilience, economic prosperity, good health and social vibrancy to ensure a desirable living for all, now and in the future.

BRAC addresses sustainability issues through its multifaceted, microfinance-multiplied approach that is based on recognition of people in poverty and their needs. We strategically link programmes in financial inclusion (microfinance), health, education and livelihood development to create and protect the livelihoods of poor people. Our social enterprises, integrated with the various development programmes, form crucial linkages that increase the productivity of our members’ assets and labor and generate surplus for the organization, allowing both those we support and ourselves to be increasingly self reliant.

ENVIRONMENT AND COMMUNITY

BRAC in Uganda is committed to preserving the environment through different interventions like distributing solar lamps, energy saving cook stoves, cleaning drainage systems and planting trees by our scholars and also through environmental sensitizations in the different projects that are implemented.

In the photo below, MasterCard Foundation Scholars at BRAC, Scholars from Bethany High School and Mboggo High School donated items to Kireka Home For Children with Special Educational Needs as a way of giving back to the community. This is a commitment of BRAC Uganda and MasterCard Foundation to observe 8 November as a Day of service to give back to the communities in which they live and participate in a local service project across the country. Over 1,117 Scholars were engaged in various environment cleanup and community giveback activities in November 2016.

MARKETPLACE PRACTICES

BRAC had various engagements with different representations in the line ministries to sustain and strengthen the relationship with the Government. On 25 August 2016, the health programme organized a National Stakeholders Meet Up that brought together, among others, the Resident District Commissioners (RDCs), Chief Administrative Officers (CAOs), and District Health Officers (DHOs) of the 68 districts in which the programme operates. In November, the programme invited Ministry of Health Officials to preside at the Second Annual Community Health Promoter (CHP) Appreciation Day, to recognize and celebrate the noble efforts of its 4,000+ women volunteers who are enabling healthcare access for over 3.5 million Ugandans. The ELA club members were part of the UNFPA “Better Life for Girls” (BL4G) Project launch, graced by the Minister of Health and UN Resident Coordinator. The Scholars Programme celebrated the graduation of its third cohort of Scholars on 16 December 2016 and the chief guest was the Director of Basic and Primary Education in the Ministry of Education and Sports.

After an earthquake in Tanzania, our emergency response programme coordinated the movement of affected populations to the safer northwestern Kagera region, supporting them with relief items and providing technical input to the national response team during flood response and drought management.

CUSTOMER CONFIDENTIALITY

We value our beneficiaries and ensure confidentiality of all information obtained. Staff is trained on how to ensure confidentiality of our beneficiaries’ information. The organisation has policies and procedures on customer information. We obtain feedback regularly through our research and evaluation department on the satisfaction of our beneficiaries and staff.

COMPLIANCE TO COUNTRY LAWS AND REGULATIONS

BRAC in Uganda continues to be compliant to country laws and regulations. All operation licenses and work permits are renewed on time. Statutory deductions are also remitted on time. BRAC human resource policies are in line with the labor laws.

STAFF DEVELOPMENT AND WELFARE

We continue to acknowledge that the success of BRAC interventions is majorly driven by its well trained and motivated workforce. In a bid to ensure sustainability of programmes and good succession planning, BRAC in Uganda continued focusing on capacity development and staff motivation. The total number of staff is 2,338 out of which 85% are female and 15% male. In a table below, different value adding training courses were achieved in 2016.

SL #	COURSE NAME	DESIGNATION	COURSE DURATION	NUMBER OF	PROGRAMME
	JANUARY	Nakaseke			
1.	BRAC values, gender awareness, inclusion and diversity	MTO, F/S, DP, RAC, HRO, AO	4 DAYS	391	
2.	Microfinance management course	COs	5 DAYS	176	Microfinance
3.	Small enterprise analysis	COs	6 DAYS	52	SEP
4.	Basic training	Mentors, PAs	5 DAYS	202	ELA, Health
5.	Life skills	Mentors	5 DAYS	355	ELA
6.	Market development activities	PAs	4 DAYS	85	Poultry & Livestock
7.	BRAC values, PMS orientation	AC, RC, CPO, RAM, BAO, BM, AM, MO, F/S, CO, DA, BC, HRO, AO, PA, SS, S.RAO	1 DAY	603	
8.	Goal TOT	Mentors	4 DAYS	25	ELA
9.	Adolescent reproductive health	Mentors	5 DAYS	59	ELA
10.	AHP - life skills	Mentors	5 DAYS	39	ELA
11.	ECM orientation	PAs	5 DAYS	60	ELA
12.	Management and leaders training	BM, AM	5 DAYS	18	MF
13.	Risk management in financial institution	AM	2 DAYS	59	SEP, MF
14.	PLP	RC, AC, AM, BM	3 DAYS	90	MF, SEP, Health
15.	Refresher training	AC, PA	1 DAY	33	JSDF
16.	GOAL curriculum training	PA, AC	4 DAYS	28	ELA
17.	Basic training and ICCM	PA, AC	6 DAYS	10	Health
18.	Small enterprise analysis	CO	6 DAYS	13	SEP
19.	Leadership and economic empowerment workshop	PA, AC	2 DAYS	21	ELA
20.	Refresher training	PA	5 DAYS	22	Agriculture

HR staff continued to support the performance management system, an initiative that has been rolled out throughout BRAC International programs. Annual performance reviews were substantially completed. The Performance Management System (PMS) board in the country successfully rewarded the most deserving and high performing individuals in terms of achieving their objectives and following the BRAC values. The board successfully proposed and executed promotion and salary enhancement of 377 local staff and 13 expatriate staffs. The team also designed and implemented an automated leave tracker to help in leave management.

INCLUSIVE AND DIVERSITY MANAGEMENT CAMPAIGN (IDMC)

On 21 May 2016, all branch offices celebrated IDMC Day under the theme Unifying Uniqueness and Us, through cross-cultural skits, quizzes and game activities. IDMC is an initiative to make our workforce more aware and open to inclusion of differences. Its main objective is to enhance knowledge and sensitivity on diversity and inclusiveness in general and empathy of other cultures in particular and to increase opportunity to interact and socialise with different communities/cultures and races.

STAFF REMUNERATION POLICIES

Staffs at all levels are remunerated in accordance with their employment contracts or appointment letters. The salaries are fixed according to the salary structure. Staffs are paid salaries within the last two working days of the month. Full time staffs are eligible for an annual salary review based on performance, fund availability and organizational policies. In 2016, HR reviewed and replaced the salary structure with a competitive market based new salary structure; medical insurance for all staff of BRAC in Uganda was approved and implemented along with the enhancement of the lunch allowance of all staff.

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