



UGANDA

ANNUAL REPORT 2014

VISION

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

MISSION

Our 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 women and men to **realise their potential**.

VALUES

Integrity
Innovation
Inclusiveness
Effectiveness

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CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the annual report and the audited financial statements for the year ending 31 December 2014.

Uganda is on track to attain the Millennium Development Goals. The poverty rate has been on a steady decline from 24.5 per cent to 19.7 per cent in the last year. Also the decline in overall inequality during the same period suggests a positive impact of various social, political and economic interventions.

While these achievements are commendable, a large portion of the population is on the tip of falling back into the bracket of absolute poverty in case of an emergency. After a modest start in 2006, BRAC Uganda has grown from strength to strength and this year our microfinance programme portfolio increased by 50 per cent. We disbursed USD 56.8 million as microloans to 136,827 women.

Our agriculture programme aims to improve the livelihood and food consumption of the rural population. Another major challenge for Uganda is to generate employment opportunities for the expanding labour force. A shift from subsistence agriculture to commercial farming has helped to increase productivity and also contributed to increase in employment opportunities particularly in rural areas. In order to build their capacity, 132,848 farmers were trained and our 1,093 community agriculture promoters supply high quality inputs to the farmers to improve their productivity.



The Government has undertaken a number of policies to combat the youth unemployment scenario. To support the government, BRAC's empowerment and livelihood for adolescents (ELA) programme targets vulnerable girls and tries to help them achieve greater economic and social empowerment. Over 60,000 girls benefit from this programme. Uganda has a high dropout rate particularly at the secondary level. With funding from the MasterCard Foundation, BRAC provides Scholarships and other academic support to meritorious underprivileged students so that they can successfully complete their secondary education. This year 115 of these students graduated from high schools and preparing for higher studies. A number of universities including BRAC University are offering scholarships to ensure these scholars utilise their optimum academic potential and transform their lives.

Special focus is given by BRAC's health programme to improve maternal health care services and reduce morbidity and mortality among children under five. With our antenatal and postnatal care services we reached 809,492 women and treated 134,141 children with malaria and 74,765 with diarrhoea.

I would like to take this opportunity to thank our team in Uganda who work tirelessly towards the proper implementation of various BRAC programmes in the country. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has continuously been of great value. I would also like to thank the government of Uganda and our development partners for their continued support and acknowledgement of our contribution to aid with the country's growth and development.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

BRAC INTERNATIONAL

GOVERNANCE AND MANAGEMENT

1. GOVERNANCE

1.1 THE LEGAL STATUS OF BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International under the laws of the Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. Development programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights and legal services. 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 supporting the enterprises currently include seed production, feed mills, training centres and tissue culture lab. BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, the Philippines and Myanmar. In each of these countries, it is legally registered with the relevant authorities.

1.2 GOVERNING BODY

BRAC International is governed by a governing body. The governing body is elected from amongst distinguished individuals with sound reputation in the sector of social development, businesses or professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected in the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members in the governing body. The governing body usually meets four times a year, in accordance with the rules of Stichting BRAC International. The composition of the present governing body of Stichting BRAC International is as follows:

Members of the governing body

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Dr Mahabub Hossain
Muhammad A (Rume) Ali
Ms Susan Davis
Ms Sylvia Borren
Dr Debapriya Bhattacharya
Ms Shabana Azmi
Mr Shafiq ul Hassan (Quais)
Ms Parveen Mahmud
Ms Irene Zubaida Khan

The composition of the present governing body of BRAC International Holdings BV is as follows:

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Dr Mahabub Hossain
Muhammad A (Rume) Ali
Ms Susan Davis
Ms Sylvia Borren
Orangefield (Netherlands) BV

Details about the roles of the governing body are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

1.3 FINANCE AND AUDIT COMMITTEE

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

1. Dr Mahabub Hossain, Chair
2. Ms Susan Davis, Member
3. Ms Sylvia Borren, Member
4. Ms Parveen Mahmud, Vice-Chair
5. Mr Faruque Ahmed, Member
6. Mr 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
- The system of internal controls and risk assessment
- The compliance with legal and regulatory requirements
- The qualifications, independence, and performance of the external auditors
- The qualifications, independence, and performance of the internal audit function

1.4 LOCAL BOARDS

Each country entities have a local board. We have aimed to pursue microfinance and development

activities through separate entities in most of our countries. The local board members are appointed by Stichting BRAC International 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.

1.5 ACCOUNTABILITY AND TRANSPARENCY

The internal audit department normally conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

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 (IFRS) and the laws of relevant countries.

BRAC International strives for excellence and transparency in financial reporting. In Uganda, BRAC has been recognised as the best NGO in the Financial Reporting Awards in both 2011 and 2012. It received the first runner-up award in the same category in 2013 and 2014, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. MANAGEMENT

At all levels of BRAC International's management, there is a clear-cut policy regarding the authority of each level of staff. Staff members are equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and the Table of Authority. The staff is empowered to take decisions at the relevant levels and areas of management, including recruitment, deployment,

capacity building, transfer, leave, financial transactions, purchase and procurement. These are described in detail to staff at the area, regional and country office levels.

The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, and payments. Every staff member receives orientation on HRPP. The Stichting board appoints officers, namely the executive director, senior directors, group chief financial officer (CFO), chief people officer (CPO) and finance director to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staff are empowered to take decisions at the area, regional, country levels and the head office. Procedural manuals and policy documents are available to the staff. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve country representatives, executive director, senior directors, group CFO, finance director and CPO, in particular cases, the executive director, the chairperson and the governing body.

2.1 FINANCIAL MANAGEMENT

Matters relating to finance and accounts from branch offices to the country head offices are supervised and controlled by the country finance and accounts department. The branch offices prepare project-wise monthly cash requisitions, which are sent to the area/regional offices. The area/ regional offices check and monitor the accuracy of the requisition and transmit them to the country office. After checking, the country office disburses funds as per the requisitions. The area and branch offices send monthly expenditure statements along with bank statements to the country office's finance and accounts department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to BRAC International's head office (herein after secretariat) and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides the finance and accounts personnel to prepare the financial statements and reports in accordance with the accounting standards. It also guides them to run the financial activities in a systematic and efficient way.

In consultation with different level of stakeholders, the country office prepares project-wise budgets, which are then sent to the secretariat. The secretariat reviews and performs analytical procedures on the project budgets of its country offices,

which are recommended by the finance director and finally approved by the group CFO. The secretariat consolidates all BRAC International country financials and produces the BRAC International budget and consolidated audited financials. The budget and the consolidations are submitted to the BRAC International governing body for approval.

2.2 INFORMATION TECHNOLOGY

The country IT department provides data to the country MIS and finance teams by managing financial and programme-related information. This data is used by country and head office personnel to prepare various financial and managerial reports and to monitor project progress. The IT team based in the secretariat also provides support relating to software update, troubleshooting and Enterprise Resource Planning (ERP) development. Country IT team is reportable to the respective country management and the worldwide operations are centrally administered by the secretariat.

2.3 HUMAN RESOURCE MANAGEMENT

In 2014, the human resources management team continued to improve BRAC International's human resources capacity, visibility, and practices through strategic interventions. The focus was a consolidation of systems and processes and embedding of new initiatives. Based on the human resources value proposition, a number of new initiatives were put in motion to drive organisational change through the following:

Human Resources Policies and Procedures (HRPP) Manuals and Orientation Programme: In 2013, country-specific human resources policies and procedures (HRPP) manuals were developed. To provide all staff with a clear understanding of the new HRPP, virtual training-of-trainers workshops were conducted. An expanded country-wide rollout of these workshops, driven by the BRAC International HR team, was completed in 2014.

Performance Management System (PMS): The new performance management system received significant focus in 2014. From country management to root level, a PMS orientation workshop was given to all staff. Clear guidelines were provided for more focused performance management, to discuss performance-related rewards and help develop low performers through a new performance improvement process.

Human Resources Management Capacity: In 2014, country-level HR departments were strengthened and

reorganised. BRAC South Sudan, BRAC Uganda, BRAC Tanzania, BRAC Myanmar and BRAC Afghanistan have newly recruited senior HR professionals, under which training has been centralised to provide impetus to staff learning and development. BRAC Uganda and BRAC Tanzania have new microfinance dedicated HR personnels to address the unique needs of those programmes.

Job Grading and Salary Scale Review:

A database of job descriptions was developed to allow structured evaluation of each position and salary surveys were conducted in each country with a view to compensation redesign.

Enterprise Resource Planning (ERP): To streamline HR processes, enhance staff data management and provide analytic capacity, an HR module in the new ERP system has been designed and piloted in-house.

Gender Audit: The HR management team at BRAC International embarked on an analysis of gender disaggregated data across countries to assess whether any sort of discrimination existed in recruitment, performance management, or rewards.

Training and Development: A number of new plans have been devised for strategic in-country capacity development with individual development plans set in line with performance appraisals. The first diversity management workshop was rolled out in December 2014 in Dhaka to cover staff transferred overseas as a precursor to a global diversity campaign. To build local capacity, the young professionals (YP) programme was launched in 2013 to fast-track high calibre fresh graduates into management positions across BRAC International. After completion of a six-month managerial and development competency training, 17 YPs were placed in specific roles in their respective countries in June 2014. They are regularly monitored through a three-way feedback process that includes mentor, mentee, and supervisor forms, including discussions with the YP point person at BRAC International.

BRAC International places high priority on training and developing the capacity of its staff. To date, BRAC has training centres in Liberia, Uganda and Afghanistan. In other countries, BRAC hires training facilitation centres near the area offices.

With enhanced recruitment and retention practices, this year saw an overall increase in hiring national staff and reduced staff turnover in the respective countries.



HIGHLIGHTS 2014

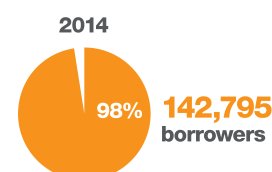
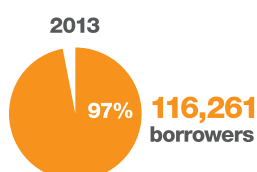
Over the last four decades, **BRAC Microfinance** has grown to become one of the world's largest providers of financial services to the poor, providing tools that enable the financial inclusion of millions of people, across seven countries. Through its innovative, client-focused and sustainable approach, BRAC continues to show that microfinance can have a powerful impact on the lives of the poor. The BRAC microfinance programme is a critical component of our holistic approach to supporting livelihoods.

This year our microfinance programme portfolio has increased by **50** per cent. USD **56.8** million was disbursed as microloans to **136,827** women. Profit growth stood at **24** per cent with an outstanding disbursement growth of **36** per cent.

The portfolio at risk has remained under **3** per cent ever since BRAC started microfinance operations in Uganda and at **0.20** per cent.

This year, **5** new branches were established to expand small enterprises services in Uganda, increasing the outstanding amount and the number of outstanding borrowers. USD **8.1** million was disbursed to **5,968** borrowers.

Total number of borrowers and per cent of women



BRAC won the Citi micro-entrepreneurship award, which is organised by Citibank Uganda and The Association of Microfinance Institutions of Uganda. This was the seventh year of the awards, and BRAC Microfinance was recognised for the third time for its contributions in poverty alleviation.

Empowering rural Ugandans

Microloan

Microfinance is at the core of BRAC's interventions. Within eight years, the programme has spread across Uganda. Six new branches were established in 2014, allowing the programme to extend its outreach.

Central to the programme are microloans, which are exclusively provided to participating women in microfinance groups. Borrowers range in age from 20-50 years, with little or no education. BRAC lends to women who are not served by other microfinance institutions.

BRAC's microfinance services are offered through a network of 130 branches in 64 districts. The branches are directly supervised and monitored through 25 area offices and eight regional offices.

Small Enterprise loan

BRAC offers small enterprise programme (SEP) to entrepreneurs seeking to expand existing small businesses. The loans enable owners to create new employment opportunities and provide new services. The SEP operates through 90 branches in 39 districts. The programme is supported by the main microfinance platform. The programme targets entrepreneurs, both men and women who would otherwise have limited access to formal financial services – too large for microloans but with not enough collateral to be eligible for commercial banks.

Case Story



Margaret: on the road to recognition

My name is Margret Amoyit and I am a registered nursing officer and mother of three. I used to work as a chemist's assistant, but always dreamed of having my own healthcare centre. I joined BRAC's microfinance programme as a member in 2009. Since joining as a microfinance client, I have been able to start thinking of setting up my own business.

I took my first loan of UGX 400,000(USD 137) with which I rented two rooms and bought medicine. I was able to make profit from selling the medicine. With the profit, I paid off all the instalments and began to build my savings. I began to practice as a physician at my small clinic where I treated patients and provided medicine.

In 2010, I took my second loan of UGX 600,000(USD 205). With the amount in my savings and the second loan, I was able to buy three beds for the second room of the clinic. During the next three years, I took five loans totalling to UGX 8 million (USD 2,911). I bought two plots of land in Kaliro town. In one of the plots, I constructed a seven-room clinic, bought delivery beds and employed 10 people. I want to reach out to more people in my community and plan to expand my clinic in the near future.

Besides working at my healthcare centre, I also provide midwifery services in my community. I have been able to educate my three children and I can also provide support to my close relatives when they need help. In 2013, I won the Citi micro-entrepreneurship silver award. I won a cash prize of UGX 7.5 million (USD 3,000).

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS



HIGHLIGHTS 2014

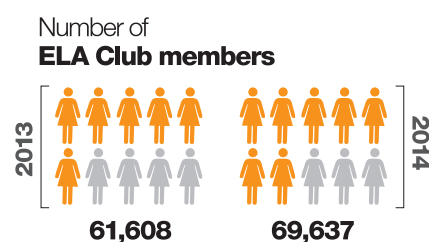
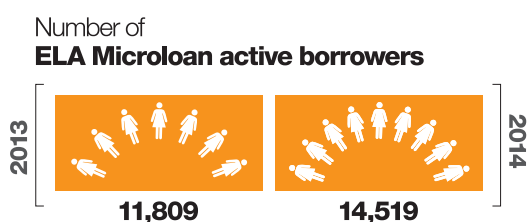
BRAC's empowerment and livelihood for adolescents (ELA) programme is designed to empower teenage girls. The ELA clubs provide safe spaces for them to socialise, and receive mentoring and life skills training. Networks of clubs are active in five countries. We combine this approach with financial literacy training and customised micro-loans, which socially and financially empowers adolescent girls.

This year, **94,654** girls received life skills, livelihood and financial literacy training. **280** adolescent health promoters (**140** girls and **140** boys) were trained on general adolescent health issues through a network of **140** clubs.

In ELA microfinance, loans disbursed increased from USD **4** million to USD **10** million and the number of groups increased from **999** to **1,172**.

1,800 adolescent girls and their goal coaches attended the young women in sports mentorship programme in the Netherlands funded by Women Win.

The building young futures project trained **40** mentors on financial literacy. **200** community-level and **10** district-level workshops were conducted by BRAC. The project trained **200** youth on vocational skills through apprenticeships in hair dressing, catering, and tailoring.



Innovative interventions for adolescent girls

ELA is one of the largest youth empowerment platforms in Uganda. It aims to improve the quality of life of vulnerable girls, aged between 13-22 years. The primary goal is to help them achieve greater economic and social empowerment and become agents of change in their families and communities.

The programme combines safe-spaces with innovative livelihood and life skill training. A customised microfinance programme is provided for older adolescent girls. Community and parent participation is another major tenet of the programme. The girls receive different types of training and develop a set of skills so that they can live and grow as confident and self-reliant individuals.

54 districts of Uganda have been covered, changing the lives of 69,637 adolescent girls. Over 14,000 girls are microfinance clients.

Tenancy project

The tenancy project promotes youth participation in agriculture and ensures sustainability of the ELA clubs through the cultivation and sale of agricultural produce. The clubs provide the farmers with agricultural training and seeds including maize, beans, tomatoes, cabbage and Irish potatoes.

Building young futures

Building young futures is a three-year project funded by Barclays Bank and UNICEF. It is implemented by UNICEF in partnership with BRAC, Uganda Muslim Supreme Council, Uganda Catholic Secretariat and the Province of the Church of Uganda.

The goal of the project is to enhance life skills and improve livelihood skills through apprenticeships. It also aims to increase access to digital technology and small grants. Mentoring and livelihood training for youth enables them to start their own businesses, and encourages savings schemes for small investments. As part of capacity building, ICT training is also provided.

Case Story



Juliet becoming a self-reliant entrepreneur

My name is Juliet Nalumu and I am a vegetable trader. I started selling eggplants and a few vegetables two years ago in a roadside market. I also attempted to sell charcoal, but made very little profit.

I heard about BRAC's ELA programme from one of my friends. When I visited one of the clubs to see its activities, I immediately wanted to become a member. After joining, I received life skills education on reproductive health and family planning, and livelihood training.

To launch my vegetable business, I applied for an ELA micro-loan of UGX 300,000 (USD 118). Since then, my business has raised a capital of UGX 1million (USD 393). The livelihood and financial literacy training has helped my business grow, and improve my savings, budgeting and customer service. I believe customer service is very important. I was selected as a cashier at an ELA microfinance group, which I enjoy doing. Doing this along with my own business has helped me to become more confident.

Now I am able to provide expenses for myself and my sisters. Moreover, I share with them lessons that I learn from the club, including healthy living, different communicable and non-communicable diseases, reproductive health and early pregnancy. I plan to take more loans and start a retail shop in a nearby town centre. I also plan to apply for a course in hairdressing at a vocational college and start a beauty salon.



HIGHLIGHTS 2014

BRAC's education programme has become the largest secular and private education system in the world, reaching seven countries in total. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. BRAC primary schools are designed to give a second chance at learning to disadvantaged children who have been left out of the formal education system due to extreme poverty, violence, displacement or discrimination. Our non-formal primary schools complement the mainstream school system with innovative teaching methods and materials. At the secondary level, we provide need-based training and student mentoring to improve mainstream education.

This year, **1,712** scholars were selected to take part in the Mastercard Foundation scholars programme. About **115** scholars have successfully completed advanced secondary-level schooling. They will now be attending university and tertiary institutions. A total of **485** scholars were provided training in various community services.

We have also launched a Scholars Alumni Network for this programme. It aims to build a strong community among alumni of the programme through meaningful connections.

Comprehensive support for Ugandan scholars

BRAC and the MasterCard Foundation are partners in implementing a scholarship programme targeting financially disadvantaged, but academically meritorious students. The scholarship provides recipients with access to quality secondary education. In Uganda, the need for such programme is particularly relevant, as the transition from primary to secondary schooling remains a major barrier for students to attain education.

The programme works with top secondary schools in Uganda where scholarship recipients are placed. The schools are supportive and provide continuous guidance from mentor teachers, who help students, adapt to the environment.

It also provides a set of holistic financial, social, and academic support and supports the scholars in the post-secondary education transition. This includes leadership and community service training and access to internships. To ensure a successful programme, its stakeholders are engaged through an annual forum for parents, a forum for head teachers, network with district officials and NGOs at the district level. The aim is to help educate 5,000 youth, and enable them to contribute to the economic growth and social development of their country.

Scholars programme

2013

600 scholars
was awarded
scholarship



42.9 % girls

2014

1,712 scholars
was awarded
scholarship



52 % girls

Number of students awarded scholarship

Case Story



Hoping for a brighter future

I am Nantayi Brandy Ssuubi. I live with my mother and my four siblings in Kyengera, Wakiso. My mother is the only bread earner of our family, working as a vendor at Kyengera market. With my mother's limited income, it's very difficult for her to support the entire family.

I attended a universal primary education (UPE) school where I did not have to pay school fees. However, I had to buy my school books and educational materials. I used to miss classes to help my mother lay bricks or sell pancakes to earn money for daily expenses. But I did not give-up studying and I managed to excel in my final examinations. The school offered me half a bursary, but unfortunately, my mother could not provide the remaining half. Luckily, I was able to receive full bursary from St Mark's college, in Namagooma for finishing my lower secondary education. In college, I focused on my studies and finished as one of the school's best students. I was even featured in one of the national dailies for being such a good student.

With the support from my head teacher I applied for the MasterCard Foundation scholars programme. I joined the scholars programme in 2014 and I am studying biology, chemistry, mathematics. Someday I would like to become a surgeon.

At school, I am the president of the high achievers' club, speaker of the student government, mobiliser of the catholic community and a class monitor. This scholarship has given me the opportunity to educate myself and now I look forward to helping others like myself.



HIGHLIGHTS 2014

BRAC's health programme combines preventive, promotive, curative and rehabilitative services. We aim to improve reproductive, maternal, neonatal, and child healthcare services. To enhance the quality of life, we work to raise the nutritional status of children and mothers, reduce vulnerability to communicable diseases, and combat non-communicable diseases. Through our low-cost essential healthcare services, we serve the disadvantaged, socially-excluded and hard-to-reach population. BRAC's approach utilises trained frontline community health promoters that creates an effective bridge between underserved communities and formal healthcare systems. We ensure community empowerment and mobilisation to bring cost-effective basic healthcare services to the door-steps of clients. We work in collaboration with the government, NGOs, donors, private sectors and academic institutions to bring the most needed healthcare services to the communities.

This year, the programme expanded to **four** branches. Through **2,808** CHPs, we reached a total of **1.6** million people across **71** districts in Uganda. We treated **149,973** patients with general illness and **81,083** diarrhoea patients. **809,492** women were provided with ante- and postnatal care. **297,938** children under five were immunised.

Our CHPs conducted **82,058** health forums, reaching **1,034,450** participants. As part of capacity development, **557** CHPs and **62** health staff were trained.



Treatment of
malaria of
children under-5

2013

75,415

2014

178,897

This year we successfully rolled out the revolving fund for the health programme in **128** branches and secured funds for input supplies, medicine and health products.

This year we started the second phase of partnership with Clinton Health Access Initiatives (CHAI), expanding to **57** branches to decrease diarrhea among children under 5 and we entered in a new partnership with Uganda Health Marketing Group (UHMG) on maternal and child health-related activities.

Healthcare through community caregivers

BRAC's health programme in Uganda aims to improve the health status of those living in BRAC intervention areas. Special focus is given on children under five-years of age and women of reproductive age (15-49 years). This involves community-based health interventions including preventive and basic curative components through BRAC community health promoters (CHPs).

We aim to lower morbidity and mortality among children under five from diseases such as diarrhoea, pneumonia and malaria. We also focus on maternal health through pregnancy-related care, improve access to basic essential healthcare services in poor, rural areas, and improve nutritional status of smallholder families, pregnant women, children under two, and adolescent girls.



Treatment of diarrhea of children under-5

Case Story



Vicentina, a compassionate health promoter

My name is Vicenta Achola and I am a community health promoter living in Keyi A in northwest Uganda. Keyi A is located three and a half kilometres west of BRAC's Gulu branch office. Like most other villages in northwest Uganda, those living here are farmers. We are all trying to cope with life after the civil war.

BRAC's health programme started operating in my village in 2010. I volunteered to work as a CHP, spending two to three hours every week discussing health issues with community members. I even spoke to women in my village's microfinance group. We discussed hygiene and sanitation, using clean and safe water, family planning, and ways of preventing malaria and diarrhoea. I also provide antenatal and post-natal care service to mothers.

Since I started working as a CHP, my awareness about health issues has improved, especially regarding pregnancy. I measure blood pressure of pregnant mothers and refer them to the local hospital if any complications arise. I buy health products from BRAC at a fair price and sell them to others in my community. This helps me make a steady income. Many pregnant women come to me for antenatal care. Most of them also buy medicine and other health products for their family members from me.

I am happy because my community values basic health services and understands the dangers of not seeking proper care when they are ill. My family is proud of the services I provide to my community members. Earning a decent living has helped me send my son to school.

AGRUCULTURE AND FOOD SECURITY



HIGHLIGHTS 2014

Operating in six countries, **BRAC's agriculture** programme builds capacity of farmers. It promotes the use of efficient farming techniques and proven technologies, linking them with market actors. BRAC produces and markets quality seeds at fair prices. Research is conducted to develop better varieties and practices for the agricultural sector. Credit is offered to support poor farmers.

This year **61** community agriculture promoters and **74** model farmers successfully graduated from our **15** branches in Iganga. **126** model farmers received seeds, and **415** general farmers were trained on basic agronomic practices in **15** villages. **24** programme assistants, **three** area coordinators and **one** regional coordinator received refresher training in agronomy and seed marketing at our agriculture research and production centre.

Through community connector's project community promoters increased from **543** to **936**.

Community Agriculture Promoter

cumulative

2012 **890**
2013 **1,000**
2014 **1,000**



General Farmers Trained

cumulative

2012 **104,563**
2013 **128,960**
2014 **132,848**

Assisting Ugandan farmers to improve productivity

Our agriculture programme in Uganda aims to improve the livelihood and food consumption of rural populations. To improve productivity, subsistence agriculture is changed to commercial farming. This increases income, creates more jobs in rural areas, and ensures food security for the poor. BRAC is helping farmers in Uganda improve productivity in several ways. This includes training and access to information on crop production. Credit services are provided by the microfinance programme. Community agriculture promoters (CAPs) supply high quality inputs (ie, disease-resistant seeds, fertiliser and pesticides) at an affordable cost.

Each branch office has project assistants who oversee the agriculture programme. At the community level, services are delivered through CAPs. They are self-employed entrepreneurs who serve as outreach agents. CAPs are typically farmers who are women, selected from BRAC's microfinance members.

Through the Japan Social Development Fund under World Bank, we aim to improve the nutrition status of 19,200 vulnerable smallholder households in Mbarara and Masaka. The three-year project was initiated in January 2014. It will promote the cultivation and consumption of nutrient-rich crops including bio-fortified high beta carotene; it is a precursor of vitamin A enriched orange flesh sweet potato. The project also aims to improve the nutrition status of children under two years of age, adolescent girls, and pregnant women. The intervention began in four branch offices including Lukya, Kiotera, Kabwohe and Ibanda.

Our social enterprise has established its own seed production and processing centre in Nakaseke. Agriculture research for development takes place at the centre, in conjunction with the National Agricultural Research Organisation and National Crop Resources Research Institute. They evaluate the yield and adaptability of orange flesh sweet potato, maize and rice.

Community connector project

Community connector (CC) is a five-year integrated agriculture and nutrition project. It is designed and funded by USAID Uganda as part of the US government's global Feed the Future initiative. The aim is to improve food security and the nutritional status of women and children in 45 of the most hard-to-reach sub-counties of Uganda. The project works through sustainable, community-based agriculture and nutritional education. Livelihood interventions include supporting agricultural-based income activities (ie, potato and onion farming), promoting good nutrition and breastfeeding practices, and establishing community-based savings and loan groups. In addition to BRAC, CC is implemented through a partnership between eight different organisations.

Case Story



Serving as a model farmer

My name is Kiwika Sarah and I am a 55-year-old widow and mother of six children. I am a model farmer in Kaiti North, Namutumba.

I have been a BRAC microfinance borrower since 2011. A year later, I was selected as a model farmer, because I was doing well. I was provided with basic training, which helped me improve my farming practices. I learned about early planting, proper spacing, timely weeding, cereal and vegetable production, kitchen gardening, improved seed usage, fertiliser application, line sowing, proper spacing and post-harvest handling.

Since 2012 I have trained 50 general farmers in Kaiti North and South about these practices. In 2013 I started growing long purple eggplant and red creole onion in my kitchen garden to demonstrate these methods to other general farmers.

I have grown onions and sold them to make a good profit. Later, I expanded to a quarter acre piece of land to produce onions. This year I harvested 300kgs of onions and sold them for UGX 450,000 (USD 160).

I encourage farmers in my community to engage in vegetable production along with traditional crops to boost their income. Apart from growing maize, sweet potatoes, cassava and beans, I provide support for cultivating tomatoes, onions, green peppers and eggplant in my community. This helps raise production and household income, while improving the nutritional status, especially for children.

POULTRY AND LIVESTOCK



HIGHLIGHTS 2014

BRAC's poultry and livestock programme aims to promote improved practices and modern technologies amongst poultry and livestock farmers. Through capacity development, boosting livestock productivity and reducing mortality to provide them with a supply of high quality inputs, management of small and medium farm enterprises result in more efficiency. BRAC also produces and markets day-old chicks, poultry feed and bull semen at fair prices to ensure the market of milk and meat where needed. Poor farmers are given credit in the form of loans as support.

As of December 2014, **1,456** community livestock promoters (CLPs) have been developed and are providing services to poultry and livestock rearers. **23** livestock artificial insemination promoters (LAIPs) inseminated **9,425** cows. **2,000** model poultry rearers and **2,000** model livestock rearers were trained. They actively demonstrate proper animal husbandry practices to general farmers. This year, about **4.2 million** doses of poultry vaccinations have been used.

The average monthly income of CLPs and LAIPs is USD **19** and USD **75** respectively.

This year, we have established a youth entrepreneurship intervention; chick rearer units were formed in **25** branch offices to promote self-employment amongst empowerment and livelihood for adolescents (ELA) club members.

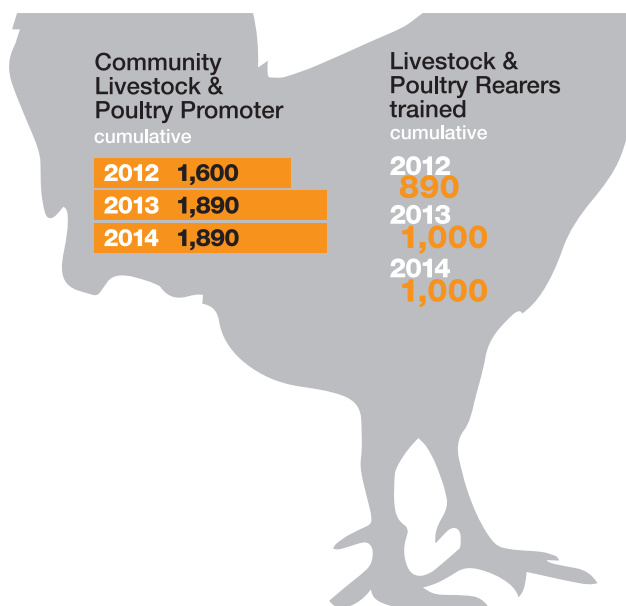
Assisting poultry and livestock farmers in Uganda

The programme operates through a network of 100 branches in 64 districts. The goal is to improve productivity and increase the income of farmers. This is done through training and supporting franchised entrepreneurs who can provide information, vaccination services, access to essential inputs and artificial insemination services. BRAC Uganda educates rural farmers through community-level demonstrations, with the help of BRAC-supported model poultry rearers and model livestock rearers.

Our CLPs provide door-to-door vital services. They administer vaccinations, educate farmers about housing, feeding, management and disease prevention, and provide other livestock-related services (ie, de-worming). CLPs earn a livelihood by charging a fee for the services they provide.

Our trained LAIPs help improve cattle breeds. They are supplied with all the necessary equipment they require.

LIVESTOCK PROGRAMME



Case Story



Deborah Aguti, a well-known community livestock promoter

I am Deborah Aguti. I am a single mother with one child, and I live in Central, Serere. I used to rear local birds without providing the right supplements in their feed. I used human drugs like amoxicillin to treat the birds whenever they got ill. Many of them died young. The income I had was also very low.

In 2013 I joined BRAC as a community livestock promoter and was trained on modern management systems and practices. I learned about vaccinating and feeding birds. With modern vaccines my birds are now healthy and grow in large numbers. I provide vaccination services in my community, helping raise healthy birds and cattle while making an income. In few months' time I have gained popularity in my community.

On average I vaccinate 320 birds every month. I also received 20 one-day-old chicks from BRAC and added them to my stock. I also raise cross-breed piglets and hope to own a poultry coop soon. My profitable poultry and pig-rearing venture requires all my time. All my hard work has enabled me to make enough money to support my family.

KARAMOJA INITIATIVE



HIGHLIGHTS 2014

BRAC's Karamoja initiative is a holistic programme in response to the significant challenges faced by the disadvantaged north-eastern sub-region of Uganda. The programme revolves around youth development and education. It believes that changing the outlook of the younger generation of Karamojongs is critical to sustainable development of the sub-region and in contributing to social development in line with the millennium development goals.

In 2014, we have carried out conflict analysis in **120** centres, **810** youth were provided livelihoods training, **200** caregivers of early childhood development (ECD) centres were trained on child care and **721** children were mainstreamed to primary grade one education.

1,840 girls saved UGX **99** million (USD **3** million) in loans and invested into their businesses.

Karamoja Initiative

BRAC runs 100 early childhood development (ECD) centres where three to five-year-old learners receive basic education from a caregiver. These caregivers are selected from the community to manage their lessons and are trained to meet the standards of the education ministry. Learners from the age of six are mainstreamed into primary education in nearby formal primary schools. BRAC's youth development centres (YDCs) provide girls of ages 13-21 years with life skills, financial literacy and a range of livelihood training. BRAC established an income-generating fund (IGF), a savings scheme where girls save and create a loan fund. They subsequently borrow and run their businesses using these funds.

Case Story



Teresa's open air salon

I am Teresa Kolibi, a 23-year-old resident of Karamoja region in north-east Uganda. I could not complete my primary education because I had to help with the household work.

I knew a girl who is a mentor of BRAC's youth development centre (YDC). She invited me to visit the centre and suggested that I get training in running a business.

As a young Karamojong girl, the invitation to one of BRAC's YDCs was exciting for me. I grew up in a place where it was common for parents to marry off daughters at a young age and prefer that only sons attend school. I decided that I had to stand on my own if I wanted to provide a better future for my children.

This year I received hairdressing training at YDC. After the training I began to plait hair for some of my friends in an open space under a tree. My friends were so pleased that they started to refer me to other women in my community. Many of them liked the style of my work.

I have now bought plastic chairs for my customers. With my income I am better able to take care of myself and my baby. I want to get further training on hairdressing.

SUPPORT PROGRAMMES

Finance and accounts unit

The finance and accounts unit plays a vital role in budget preparation, funding negotiation, cost management, fund management, financial recording and financial reporting. The unit installed the enterprise resource project (ERP) software across all branches to help ensure interconnectivity of all BRAC branches in Uganda, and address the challenges of real-time access to report at different levels.

Internal audit department

Internal audit department (IAD) is an independent support programme designed for objective assurance and consulting services to add value and improve BRAC International's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal audit is a catalyst for improving the effectiveness and efficiency of our programmes by providing insight and recommendations based on data analysis. With a commitment to integrity and accountability, the internal audit department provides value to governing bodies and executive management as an objective source of independent advice. The department also assists management by providing risk-based audit reports for efficiency and effectiveness based on the internal audit charter, the terms of reference for the audit review committee and the internal audit manual approved by the finance and audit committee.

This year the internal audit manual has been implemented in BRAC Uganda.

In 2015, internal assessment will be done through ongoing monitoring of the performance of internal audit activity from the performance of internal audit activity from head office and periodic assessments by peer review will evaluate conformance with the definition of internal auditing, code of ethics, and standards. Additionally, implementation of BRAC Internal Audit Management System (BIAMS) software will be done in BRAC Uganda for data management, report writing and archiving.

Monitoring department

BRAC's monitoring department in Uganda is an internal mechanism, to ensure quality, accountability and transparency of the programmes. It ensures regular collection and analysis of information to assist timely decision making and provide the basis for evaluation and learning. The monitoring department undertakes monitoring activities on key inputs and outputs. The department is also responsible to report on progress of projects and quality of inputs delivered. The objective is to facilitate better project implementation and achieve greater impact.

A separate microfinance monitoring in Uganda plays a fundamental role in the flow of fair and authentic information.

Currently, 13 staff are working in monitoring department

Human resource department

The human resource department (HRD) in BRAC Uganda caters to 2,396 local and expatriate staff dispersed across the country. With the goal to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees, a country-specific human resources policies and procedures (HRPP) manual was developed in 2013. Under the leadership of a local country head of human resource (HR) and training, a country-wide rollout of workshops was completed to operationalise the HRPP. The goal was to provide all field level employees with an understanding of new policies, due benefits and the processes required to fulfil them.

From country management to grassroots level, orientation sessions on a new performance management system were also conducted. Clear guidelines were provided for more focused performance management. Performance-related rewards were discussed to help develop low performers through a new performance improvement process while consistently upholding the values of BRAC. The HR team further ensures employee commitment to BRAC International's 15 policies under the code of conduct, particularly in regards to child protection and gender equality.

The HR team has initiated various new interventions including employee recognition programmes. This includes appreciation letters for outstanding performers, values orientation for all

new staff, an electronic leave tracking system, and dress code policy. Measures have been taken to bring more structure to existing processes like discipline and exit management and staff motivation schemes like higher study nominations. A new microfinance dedicated HR personnel has been recruited to address the unique needs of this programme.

To streamline operations, an enterprise resource planning (ERP) system has been developed to automate tracking and update staff records, ensuring smoother local and international transfers, contract renewals and leave management.

The BRAC learning centre develops internal staff as well as external organisations in Uganda. Capacity building training ranges from operational and account management courses for the microfinance and small enterprise programmes, to communication skills development and pregnancy care-related courses for the health programme, and life skills and financial literacy training for ELA. In 2014, training of trainers (ToT) on disaster management and orientation on performance management system (PMS) were given to a total of 1,875 staff from different programmes.

Risk management services

This year showed significant progress in advancing the maturity of our organisation's risk management processes. There has been continuous strengthening of the risk management framework at both operational and at strategic levels to identify risks and to put in place control measures to mitigate their impact.

At the operational level, the country risk management committee monitors and improves the embedding and strengthening of risk management culture at the branch level, oversee the management of handling/ commissioning of key risks and the overall management of closure of incidents impacting the programmes activities.

At the strategic level, the finance and audit committee receives bi-annual risk management reports on progress against the framework, emerging risks, performance against the key risks and reporting of the risk register review. Next year, risk management services will continue refinement of the organisational metrics and top risks with dashboards to ease monitoring with primary effort focused on analysis and mitigation of key areas of concern. We will also help to support efforts towards achieving BRAC Uganda's strategies and objectives using data to measure progress.

Information technology

The information technology (IT) department support all programmes and departments ensure smooth online operations. It ensures smart and efficient business operations through application management, data management, MIS and accounts reporting, network administration, software installation, hardware troubleshooting, end user support and training, and field office support. This year, IT setup the country office's optical fibre internet connection, which reduced data drops and quickened internet connectivity. Dynamic host configuration protocol (DHCP) server was implemented as part of proper internet protocol (IP) management. Automation at three new microfinance branch offices and one new area office was completed. First level ERP (sbiCloud based application) support activities were decentralised to regional IT officers to ensure swift solutions. IT conducted several ERP trainings for branch and area level users, incorporated a new private automatic branch exchange (PABX) system at the country office, completed the pilot of HR module, and initiated the data migration phase.

Research and evaluation unit

The research and evaluation unit (REU) aims to ensure evidence-based development efforts in BRAC Uganda programmes. As an independent unit within BRAC, it follows its guiding principles of rigour and transparency for impact evaluation, stocktaking lessons learned and disseminating knowledge. Using digital data collection tools and scholars from around the world has enriched the opportunity and confidence of the unit in its objectives and services. Thus it has experienced and substantially contributed for programmes' performance on multi-sectoral issues at BRAC and empirical knowledge creation at academic level.

Loan review unit

The loan review unit is a support unit for the microfinance programme, acting as a quality controller for the programme. The unit's work ensures that borrowers take loans within their reach, preventing future indebtedness.

Procurement

The procurement department purchases goods, equipment and related services. As BRAC expands its operations in Uganda, the level of goods procured is increasing in volume and value. This makes it necessary for the department to sharpen its audit trail through the maintenance of necessary documents, files and records as stipulated by national and international procurement norms and standards. The department aims to operate in a timely manner with the minimum number of steps and layers, while being responsive to the end users.

Compliance services

Our integrated compliance services are focused on internal, regulatory and donor compliance. It continues to evolve with a commitment to excellence, expansion of compliance culture, and instilment of a sense of compliance with individual job responsibilities. This year, compliance has been strengthened in two key areas. First, frontline managers of all branches of all programme components have been brought under the umbrella of internal control questionnaire. Second, all project proposals made and approved in this year were reviewed and verified in compliance with the specific projects requirements. Compliance related to regulatory affairs were also reviewed and reported bi-annually.

BRAC IN UGANDA

BRAC ACROSS THE WORLD

USA

Initiated: 2007

An independent charity to raise profile and funds for BRAC globally

UK

Initiated: 2006

An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE

Initiated: 2008

Programme Focus:
MF, EHC, Ag, P&L, HRLE, ELA and FSN

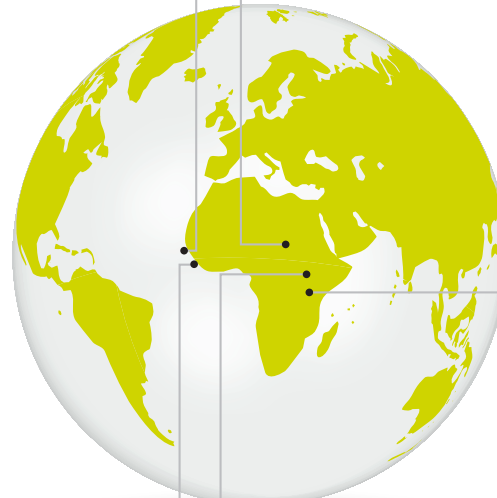
Population reached:
1.1 million

SOUTH SUDAN

Initiated: 2007

Programme Focus:
MF, Ag, BEP, AGI, EHC, MLP, NP, YLP and TUP

Population reached:
1.3 million



HAITI

Initiated: 2010

Programme Focus:
BLBC

NETHERLANDS

Initiated: 2009

BRAC International registered as a charity (Stichting)

LIBERIA

Initiated: 2008

Programme Focus:
MF, SEP, Ag, P&L and EHC

Population reached:
0.56 million

UGANDA

Initiated: 2006

Programme Focus:
MF, SEP, BEP, SP, EHC, Ag, P&L, ELA and KI

Population reached:
4 million

TANZANIA

Initiated: 2006

Programme Focus:
MF, SEP, Ag, P&L, BEP and ELA

Population reached:
2.64 million

AFSP - Agriculture and Food Security Programme Ag - Agriculture Programme AGI - Adolescent Girls Initiative ARCs - Adolescent Reading Centres
DECC - Disaster, Environment and Climate Change EHC - Essential Health Care ELA - Empowerment and Livelihood for Adolescents FSN - Food Security and Nutrition
HRLS - Human Rights and Legal Aid Services IDP - Integrated Development Programme KI - Karamoja Initiative
P&L - Poultry and Livestock RS - Road Safety SEP - Small Enterprise Programme SP - Scholarship Programme

AFGHANISTAN

Initiated: 2002

Programme Focus:
MF, SEP, BEP, ARCs, EHC,
NSP and TUP

Population reached:
4.72 million

PAKISTAN

Initiated: 2007

Programme Focus:
MF, SEP, BEP, TUP, EHC and
Ag

Population reached:
2.77 million



MYANMAR

Initiated: 2013

Programme Focus:
MF

Population reached
2,483 borrowers

PHILIPPINES

Initiated: 2012

Programme Focus:
BEP

Population reached:
38,084 learners



BANGLADESH

Initiated: 1972

Programme Focus:
MF, BEP, HNPP, TUP, IDP, WASH, HRLS, CEP, AFSP, DECC, GJD, RS, MGP
and Enterprises

Population reached:
120 million

BEP - BRAC Education Programme **BLBC** - BRAC Limb and Brace Centre **CEP** - Community Empowerment Programme
GJD - Gender Justice and Diversity **HNPP** - Health, Nutrition and Population Programme **HRLE** - Human Rights and Legal Empowerment
MF - Microfinance **MGP** - Migration Programme **MLP** - Malaria Programme **NP** - Nutrition Programme **NSP** - National Solidarity Programme
TUP - Targeting the Ultra Poor **WASH** - Water, Sanitation and Hygiene **YLP** - Youth Lead Programme

GOVERNANCE

BRAC Uganda

BRAC UGANDA (NGO)

Local Board members

Dr AMR Chowdhury

Mr Faruque Ahmed

Mr Tanwir Rahman

Mr Shameran Bahar Abed

BRAC UGANDA MICROFINANCE LTD

Local Board members

Directors:

Dr AMR Chowdhury

Mr Faruque Ahmed

Mr Tanwir Rahman

Mr Shameran Bahar Abed

BRAC SOCIAL BUSINESS ENTERPRISE UGANDA LIMITED

Directors:

Dr AMR Chowdhury

Mr Faruque Ahmed

Mr Tanwir Rahman

MANAGEMENT

Bhuiyan Muhammad Imran	Country Representative, BRAC Uganda
Md Hannan Ali	Programme Manager, Agriculture
AFM Moniruzzaman	Programme Manager, Poultry and Livestock Programme
Daniel Businge	Country Head of Accounts
Md Rafiqul Islam	Programme Manager, Microfinance
Anupam Sengupta	Programme Manager, Empowerment and Livelihood for Adolescents Programme
Albert Ssimbwa	Manager, Karamoja Initiative
Diana Kagwa	Manager, Building Young Futures
Sharmin Sharif	Programme Manager, Health Programme
Mirembe Charlotte Valeria	Country Lead, Human Resources and Training
Md Atiqur Rahman	Country Head of Internal Audit
Abdullah Al Murad Chowdhury	Software Engineer In-charge, IT Department
Mohammed Samir Ahmed	Manager, Procurement and Logistics
Robert Mpiira	Programme Manager, Research and Evaluation Unit
Bindi Jhaveri	Project Manager, Community Connector
Pamba Obara John	Senior Manager Public Relations
Md Ejazul Haque Fakir	Manager, Monitoring
Adepo Emmanuel Okaalet	Manager, Communication
Dr Jenipher Twebaze Musoke	Coordinator, Research BRAC Africa Programme
Tabu Francis	Programme Manager, Scholarship
Ruhul Quddus Azad	Programme Manager, Small Enterprise Programme
Abu Sufian	Senior Trainer and In-charge, BLC
Samiron Kanti Roy	Senior Farm Manager

DEVELOPMENT PARTNERS



FINANCIALS - NGO

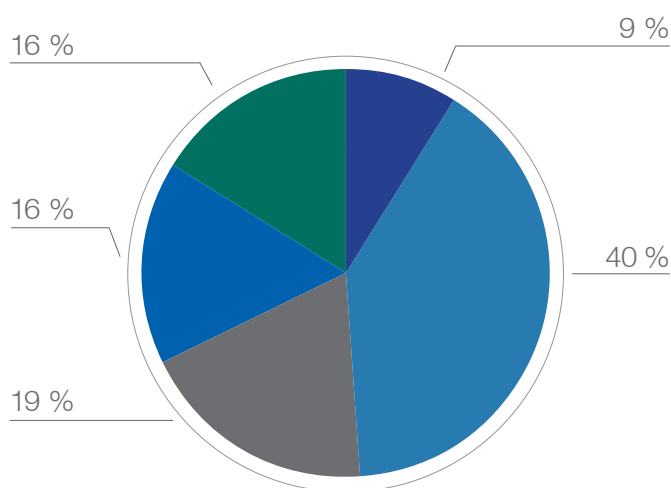
BRAC Uganda completed another eventful year with grants received amounting to USD 15,259,687 in 2014 as compared to USD 9,863,837 in 2013. Total Project expenses for the year were USD 10,461,964 (USD 7,198,873 in 2013) which represents an increase of 32%. Out of the total expenses, majority are expensed in Scholarship program supported by MasterCard Foundation. The cost for the major development programs are as shown below. Almost 91% of total expenditure is being used for direct program service with only 9% as administration expenses.

Total Equity as at 31 December 2014 stands at USD 15,384,105 as against USD10,942,801 in 2013.

Programme Cost by Nature of Programme

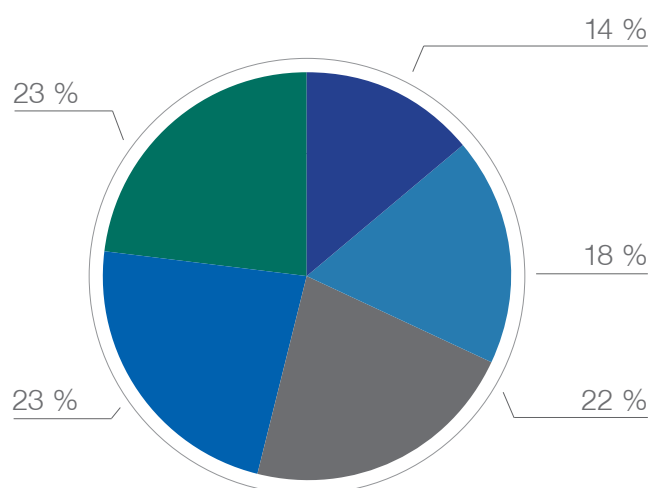
Programme	Year 2014		Year 2013	
	USD	%	USD	%
Health	993,391	9%	982,775	14%
Education	4,148,711	40%	1,331,728	18%
ELA	1,993,611	19%	1,585,188	22%
Agriculture and Livestock	1,661,598	16%	1,630,016	23%
Others	1,664,653	16%	1,669,167	23%
Total	10,461,964	100.0%	7,198,873	100.0%

Year 2014



Health	9%	Agriculture and Livestock	16%
Education	40%	Others	16%
ELA	19%		

Year 2013



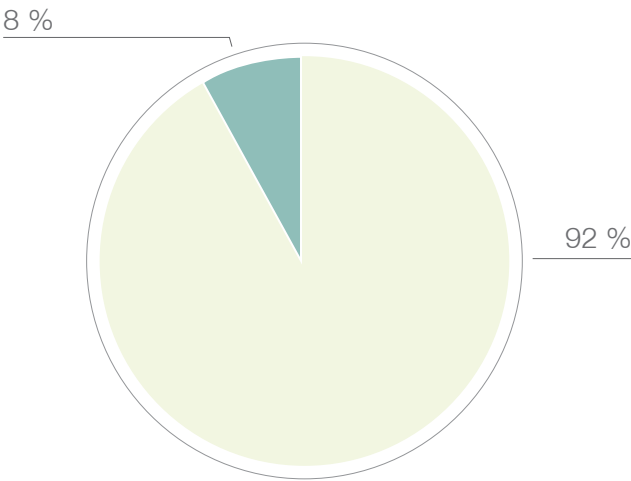
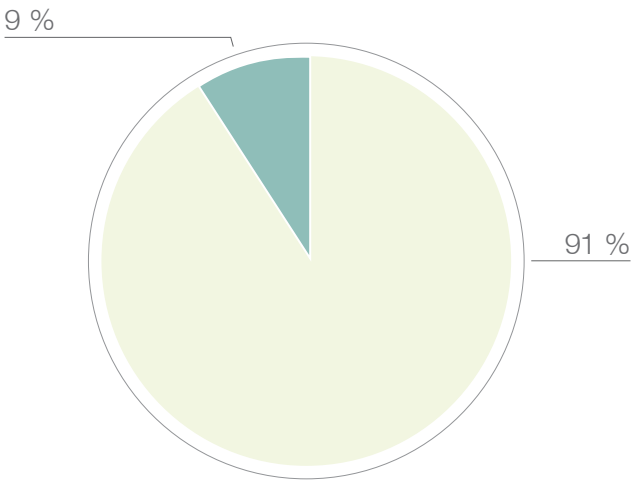
Health	14%	Agriculture and Livestock	23%
Education	18%	Others	23%
ELA	22%		

Programme Cost by Nature of Expenses

Expenses	Year 2014		Year 2013	
	USD	%	USD	%
Programme expenses	9,520,387	91%	6,622,885	92%
Admin expenses	941,577	9%	575,988	8%
Total	10,461,964	100.0%	7,198,873	100.0%

Year 2014

Year 2013



Programme expenses Admin expenses

FINANCIALS - NGO

Awards and Recognition in 2013

BRAC Uganda became First Runner up in the prestigious Financial Reporting (FiRe) Award in 2014, organized by the Institute of Certified Public Accountants of Uganda (ICPAU), New Vision, Capital Markets Authority (CMA) and Uganda Securities Exchange (USE) for the overall design and presentation of its annual report under NGO category. For the last 3 years BRAC Uganda has won 4 prestigious trophies in Financial Reporting setting up a standard that has never been achieved by any other NGO in the country.

Five Year Performance Review

In USD	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
	USD	USD	USD	USD	USD

Income Statement

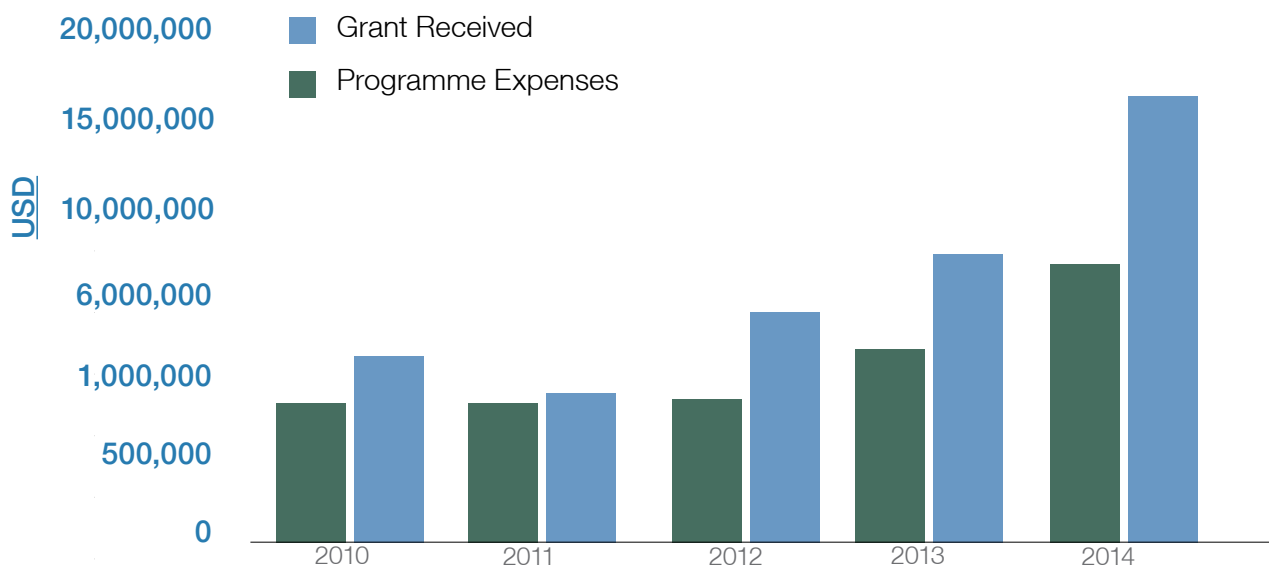
Grant Income	10,335,634	6,907,212	5,364,579	5,496,233	5,088,899
Other Income	685,983	727,595	945,946	773,070	208,775
Programme Expenses	9,520,387	6,622,885	4,928,175	4,771,700	4,762,885
Admin Expenses	941,577	575,988	487,402	415,316	435,261

Financial Position

Net equity	15,384,105	10,942,801	7,662,469	4,548,430	4,345,476
Cash at bank	13,713,844	10,874,446	7,482,055	4,278,798	4,102,610
Grants Received	15,259,687	9,863,837	7,884,544	5,115,392	6,388,886

Operational Statistics

Number of Programmes	8	8	8	8	6
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Last Five Years' Grant Received vs. Programme Expenses

FINANCIALS - MICROFINANCE

Net Income

BRAC Uganda Microfinance Ltd. completed 2014 by registering pretax profit of USD 5,093,467 compared to USD 3,655,529 in 2013. Interest income increased by 24% in 2014.

Operating expenses

Total operating expenses for the year were USD 8,038,041 against USD 7,906,616 in 2013 showing an increase of 2%.

Provisions for Impairment losses

In 2014, amount charged for impairment on loans was USD\$ 617,621 compared to USD \$ 462,921 in 2013, an increase of 25%. Portfolio at Risk (PAR>30) is 0.59% this year against 0.66% in 2013.

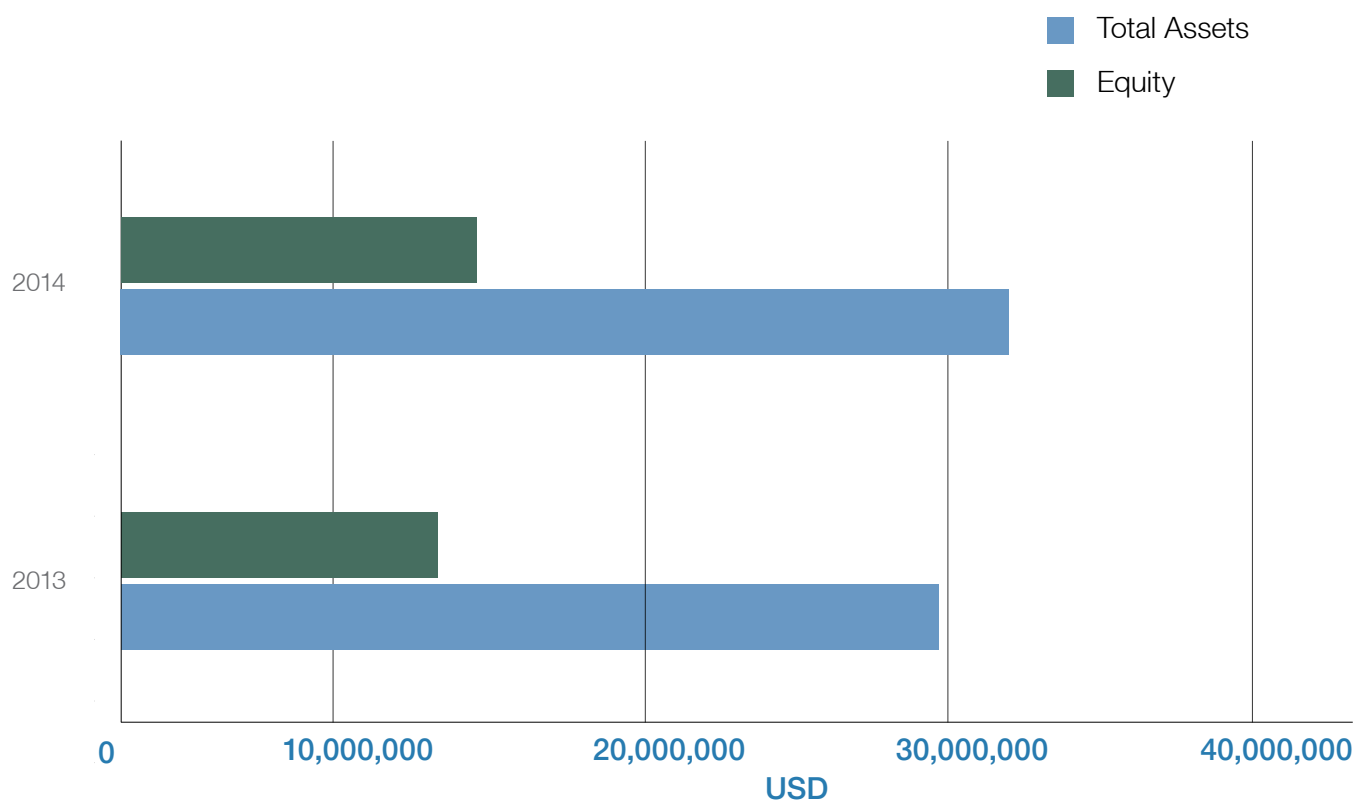
Financial Position

In 2013, BRAC Uganda's total assets grew by 14% to USD 33,749,841 compared to the previous year's total assets of USD \$ 29,315,223 further consolidating its position in the market.

Loans and advances to customers increased by 25% and is now 91% of total assets. Security deposits increased by 21% and net equity grew to USD 14,588,372 from USD 12,979,731 in 2013, the percentage growth for equity being 12%. The growth of equity is entirely attributed to increase in profitability.

Total Assets vs. Equity

Figures in USD



FINANCIALS - MICROFINANCE

Value Added Statements

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

Figures in (USD)	Year 2014		Year 2013	
	USD	%	USD	%

Value added:

All Incomes

Service Charge on Loans	14,409,432	114%	11,035,440	103%
Income from Fixed Deposits	277,968	2%	382,665	4%
Membership & Appraisal Fees	869,950	7%	647,293	6%
Grant Income	940,689	7%	1,940,739	18%
Foreign Exchange Gains	2,123	0%	43,977	0.4%
Operating Expenses	(3,264,542)	-26%	(2,894,402)	-27%
Loan Loss Provision	(617,621)	-5%	(462,921)	-4%
Total Value Added	12,617,999	100%	10,692,791	100%

Distribution of Value Addition	Year 2014		Year 2013	
	USD	%	USD	%

Employees

Salary and Allowances	4,635,227	37%	4,882,253	46%
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Local Authorities

Government Taxes (Income tax)	1,454,398	12%	1,091,017	10%
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Creditors

Interest	2,751,033	22%	2,025,048	19%
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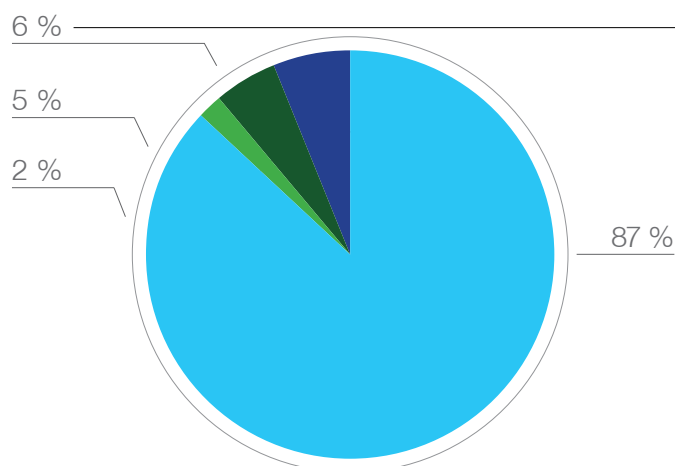
Growth

Retained income	3,639,069	29%	2,564,512	24%
Depreciation	138,272	1%	129,961	1%

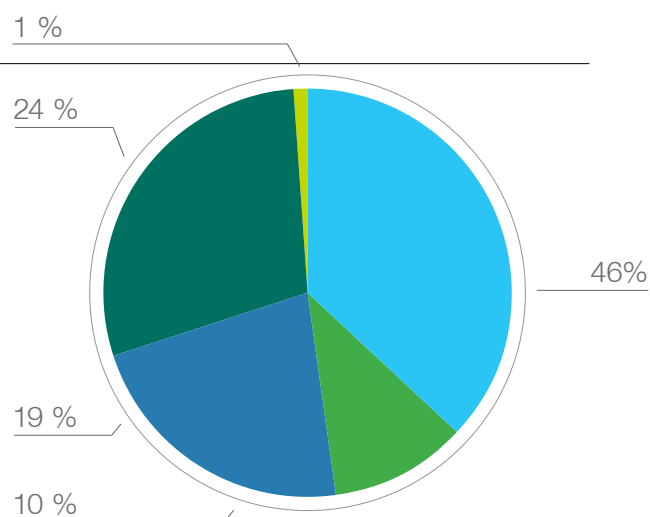
Total Value Added	12,617,999	100%	10,692,791	100%
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FINANCIALS - MICROFINANCE

Value Created



Value Distributed



■ Service Charge on Loans 87%
 ■ Grant Income 6%
■ Income from Fixed Deposits 2%
 ■ Foreign Exchange Gains 0%
■ Membership and Appraisal Fees 5%

■ Salary and Allowances 46%
 ■ Retained Income 24%
■ Government Taxes (Income Tax) 10%
 ■ Depreciation 1%
■ Membership and Appraisal Fees 19%

Five Year Performance Review

In USD	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
	USD	USD	USD	USD	USD

Income Statement

Operating Income	16,500,162	14,050,114	13,709,289	9,931,908	9,933,032
Net Profit before tax	5,093,467	3,655,529	4,411,187	2,526,675	2,470,260

Financial Position

Total Asset	33,749,841	29,315,223	26,838,503	24,048,643	23,780,717
Loans to Customers (net)	30,887,847	23,201,682	17,343,327	16,549,290	14,293,430
Cash at Bank	797,645	2,795,733	4,429,780	2,231,187	1,799,338

Returns and ratio

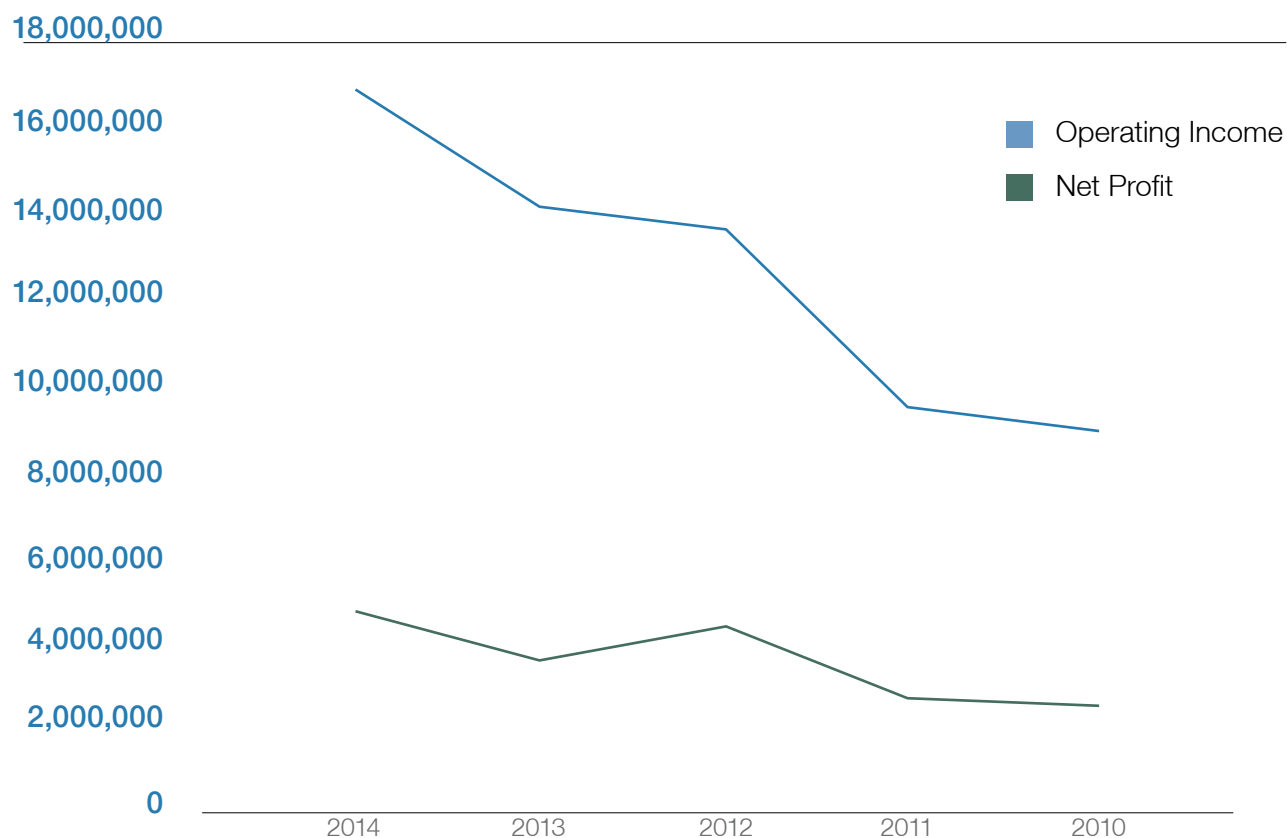
Return on Asset	48%	40%	42%	34%	32%
Cost to Income	69%	76%	68%	75%	75%

Operational Statistics

Total borrowers	158,831	129,104	118,150	120,901	107,686
Cost per Loan	36	43	41	33	33
PAR>30	0.59%	0.66%	1.90%	2.53%	2.20%

FINANCIALS - MICROFINANCE

Operating Income vs. Net Profit
Figures in USD



Budget Performance

BRAC Uganda and BRAC Uganda Microfinance Ltd registered a good performance with a combined burning rate of 90%. This was as a result of good budgetary control measures in place and the commitment of the organisation to achieve the intended objectives.

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS AND OFFICERS

DIRECTORS

Dr. A M R Chowdhury	-	Chairperson
Mr. Faruque Ahmed	-	Member
Mr. Tanwir Rahman	-	Member
Mr. Shameran Bahar Ahmed	-	Member (Appointed on 18 March 2014)

ADMINISTRATORS

Mr. Abul Kashem Mozumder	-	Country Representative
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PRINCIPAL PLACE OF BUSINESS: Off Entebbe Road, Nyanama
Plot 90, Busingiri Zone
P O Box 31817
Kampala Uganda

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

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

AUDITORS

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

BANKERS

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

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

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

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2014, which disclose the state of affairs of BRAC Uganda Limited.

(a) Registration

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

The two entities effectively commenced trading separately on 1 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 18 March 2010 as company limited by guarantee under the names of BRAC Uganda.

(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. Our 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- 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 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- 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, 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 2014 are set out on page 45.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

(g) Composition of Directors

The directors who served during the year are set out on page 37.

(h) Directors benefits

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

(f) Corporate Governance

The directors are committed to the principles of good corporate governance and recognise 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 2014 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 authorised auditors, as well as recruitment and development of key personnel.

(g) 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.

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

(h) 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:

- Agriculture and Poultry
- Education
- Health
- Empowerment and Livelihood for Adolescents (ELA)
- Research and Evaluation
- Training
- Accounts and Finance
- Internal Audit
- Monitor
- Branch Review
- IT and MIS
- Human resources
- Procurement, Logistics and Transportation

(i) Related Party Transactions

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

(j) 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.

(k) Future Development and Outlook

- Internship opportunities at BRAC Uganda offices for 115 students from the scholarship program who have completed their Uganda Advance Certificate of Education examinations
- Scholarship opportunities for 2300 students for both S.1 to S.5
- New Partnership with CIFF/ELMA foundation for 104 health branches. This will involve training of 2080 Community Health Promoters and project assistants on full integrated community case management of Diarrhoea, malaria and Pneumonia and all other pregnancy related care.
- In Building Young Future project, 300 youth, boys and girls, will access interest free finance to start up businesses.
- Continue operating 1505 adolescent clubs and equip the members with life skills through livelihood trainings.
- Training on health and nutrition for 4600 farmers.
- Continue research and evaluation studies to assess the impact of BRAC programs and conduct operational research studies to help improve program implementation.
- Expand cross – sector initiative to train ELA youth entrepreneurs in value chain skills, including day old Kuroiler chick rearing and poultry feed mixing.
- Continue building capacity of staff in social development skills and leadership abilities.

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

(l) Key Achievement in 2014

The following are the key achievements for the year:

- 1,712 additional scholars were recruited on the program for S1 to S5 entry. 115 Scholars completed advanced secondary level and will be joining University and Tertiary Institutions.
- Under the Karamoja Program savings scheme, 1,840 youth saved UGX 99 Million (USD 38,313) which they invested into their businesses through on lending. 810 youth were trained in livelihoods, 200 care givers completed training in Child Care Certification and 721 children were mainstreamed from ECD into primary one level education.
- ELA groups in 2014 increased by 173 and 916 adolescents received vocational training in different disciplines including hair dressing, tailoring, vehicle mechanics, electric installation, plumbing and catering.
- 126 model farmers received free seeds and 415 general farmers were trained on basic agronomic practices.
- Under the community connector project, promoter activities were expanded from 4 districts to 10 districts and the number of promoters increased by 393.
- The health Program expanded by 4 additional branches, 149,973 malaria patients were treated, 81,083 diarrhoea patients were treated and BRAC established new partnerships with the Clinton Health Initiative and Uganda Health Marketing Group on maternal and childhood diarrhea management.

(m) Solvency

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. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

(n) Employee's Welfare

Management/employee relationship

There were continuous good relations between employees and management for the year 2014. 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 such as 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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

(n) Employee's Welfare (continued.)

Medical assistance

The company reimburses medical expenses incurred by employees for medical treatment.

Retirement benefits

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

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

(o) Gender Parity

The company had 753 employees in 2014 with being 698 female and 55 male, whilst in 2013 the company had 714 employees with being 649 female and 65 male.

(i) Auditors

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

(g) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 31 March 2015.

Signed.....

Date: 31 March 2015

SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2014, 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 45 to 67 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.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards and Companies Act of Uganda.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 31 March 2015 and were signed on its behalf by:

Director

:



Director

:



Date: 31 March 2015

BRAC UGANDA

Financial Statements

For the year ended 31 December 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda which comprise the statement of financial position as at 31 December 2014 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 as set out on pages 35 to 67. We have not audited the memorandum figures reported in United States Dollars (US\$) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

The company directors are responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Uganda as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

Report on other legal requirements

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

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



KPMG

Certified Public Accountants

P O Box 3509

Kampala, Uganda

Date: 21 April 2015

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 Shs '000	2013 Shs '000	2014 USD	2013 USD
Grant income	3	26,707,277	17,723,906	10,335,634	6,907,212
Other income	4	1,772,580	1,867,010	685,983	727,595
Foreign exchange gains	5	768,700	26,770	297,485	10,433
Total income		29,248,557	19,617,686	11,319,102	7,645,240
Staff costs and other benefits	6	(6,608,816)	(6,097,278)	(2,557,591)	(2,376,180)
Training, Workshops & Seminars	7	(3,391,007)	(1,844,457)	(1,312,309)	(718,806)
Occupancy expenses	8	(1,222,963)	(751,635)	(473,283)	(292,921)
Other general & administrative expenses	9	(15,497,499)	(9,540,560)	(5,997,484)	(3,718,067)
Depreciation	11	(313,432)	(238,379)	(121,297)	(92,899)
Operating Surplus		2,214,840	1,145,377	857,138	446,367
Taxation	10	-	-	-	-
Surplus Reserve		2,214,840	1,145,377	857,138	446,367

The notes form an integral part of these financial statements.

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
ASSETS					
Non-current assets					
Property and equipment	11	1,073,847	981,017	393,351	390,999
Current assets					
Cash and bank	12	37,438,794	27,283,984	13,713,844	10,874,446
Inventory	13	527,007	357,431	193,043	142,460
Due from related parties	14	2,780,197	-	1,018,387	-
Other receivables	15	895,366	16,520	327,973	6,584
		41,641,364	27,657,935	15,253,247	11,023,490
Total Assets		42,715,211	28,638,952	15,646,598	11,414,489
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other payables	16	654,627	778,442	239,791	310,260
Due to related parties	17	61,977	405,024	22,702	161,428
		716,604	1,183,466	262,493	471,688
Capital fund					
Donor funds	18	32,702,400	20,374,119	11,978,901	8,120,414
Retained surplus		9,296,207	7,081,367	3,725,634	2,868,496
Currency translation		-	-	(320,430)	(46,109)
		41,998,607	27,455,486	15,384,105	10,942,801
Total liabilities and capital fund		42,715,211	28,638,952	15,646,598	11,414,489

The financial statements on pages 35 to 67 were approved by the board of directors on 31 March 2015 and were signed on its behalf by:

Director 

Director : 

Date: 31 March 2015

The notes form an integral part of these financial statements.

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

STATEMENT OF CHANGES IN CAPITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2014

	Donor funds	Retained surplus	Total capital fund	Total capital fund
	Shs '000	Shs '000	shs '000	US\$
At 1 January 2013	14,292,929	5,935,990	20,228,919	8,062,542
Donations received during the year	23,805,096	-	23,805,096	9,487,882
Transfers to SOFP/SOCI	(17,723,906)	-	(17,723,906)	(7,064,132)
Surplus for the year	-	1,145,377	1,145,377	456,509
At 31 DECEMBER 2013	20,374,119	7,081,367	27,455,486	10,942,801
Donations received during the year	39,431,032	-	39,431,032	15,259,687
Transfers to SOFP/SOCI	(26,707,275)	-	(26,707,275)	(10,335,633)
Transfers to other projects	(395,476)	-	(395,476)	(153,048)
Surplus for the year	-	2,214,840	2,214,840	857,137
Currency translation	-	-	-	(1,186,839)
At 31 December 2014	32,702,400	9,296,207	41,998,607	15,384,105

The notes form an integral part of these financial statements.

BRAC UGANDA**Financial Statements**

For the year ended 31 December 2014

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Net cash (used in)/generated from operating activities	19	(1,767,209)	1,817,086	(595,001)	708,140
Cash flows from investing activities					
Proceeds from sale of fixed assets		-	34,560	-	13,469
Acquisition of fixed assets		(406,262)	(401,478)	(157,222)	(156,461)
Net cash used in investing activities		(406,262)	(366,918)	(157,222)	(142,992)
Cash flows from financing activities					
Increase in grants received in advance		12,328,281	6,081,189	4,515,854	2,369,910
Net cash generated from financing activities		12,328,281	6,081,189	4,515,854	2,369,910
Net increase in cash and cash equivalents		10,154,810	7,531,357	3,763,631	2,935,058
Currency Translation		-	-	(924,233)	241,560
Cash and cash equivalents at the start of the year	14	27,283,984	19,752,627	10,874,446	7,697,828
Cash and cash equivalents at year end		37,438,794	27,283,984	13,713,844	10,874,446

The notes form an integral part of these financial statements.

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 December 2014

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

1. THE REPORTING ENTITY

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

The organization was incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non-Microfinance Programs got incorporated as independent companies in August 2008 and September 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 in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period.

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

(iii) Functional and presentation currency

The financial statements include figures, which have been translated from Uganda Shillings (Shs '000) to United States Dollars (US\$) at the year end rate of US\$ 1: Ushs 2,730 for balancesheet items and US\$ 1: Shs 2,584 for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements.

Notes to the financial statements for the year ended 31 December 2014 continued

(iv) 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 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 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 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 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 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%
Equipments	15%

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

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

b. Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the foreign exchange rate applicable for settlement. The foreign currency gain or loss on the monetary items is the difference between 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 statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2014 continued

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 amortised acquisition cost and current fair value out of equity to profit or loss.

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

(ii) Non financial assets

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

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

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.

Notes to the financial statements for the year ended 31 December 2014 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 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.

h. Revenue recognition

Revenue is recognized on an accruals basis.

Other income

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

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

i. Grants

(i) Donor Grants

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

The portion of the grants utilized to purchase property and fixed assets are transferred as deferred Income in liabilities and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the statement of income as grant income. Grants utilized to reimburse program related expenditure, the amounts are recognized as Grant Income for the period.

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.

Notes to the financial statements for the year ended 31 December 2014 continued

(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

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 8 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

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.

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For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 December 2014 continued

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. Fund raising 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.

p. Adoption of new and revised standards

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. The directors have considered all of these Standards and Interpretations and found none to be applicable to the business of the entity and therefore do not expect any impact on future financial statements.

q. Comparatives

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

BRAC UGANDA
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Notes to the financial statements for the year ended 31 December 2014 continued

3. GRANT INCOME

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Agriculture, poultry& Livestock	4,298,352	3,504,509	1,663,449	1,365,748
Education	10,720,269	3,539,539	4,148,711	1,379,399
Health	2,566,923	2,623,283	993,391	1,022,324
Empowerment and Livelihood of Adolescents (ELA)	5,151,491	4,011,712	1,993,611	1,563,411
Research & Evaluation	2,551,805	2,274,084	987,541	886,237
Regional Training centre	-	-	-	-
Karamoja	351,055	670,368	135,858	261,250
Disaster Preparedness	45,520	-	17,616	-
Community Connector	1,021,862	1,100,411	395,475	428,843
	26,707,277	17,723,906	10,335,634	6,907,212

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

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Other project income	956,453	1,088,247	370,144	424,102
Bank interest income	816,127	778,763	315,839	303,493
	1,772,580	1,867,010	685,983	727,595

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

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Foreign exchange gains	768,700	26,770	297,485	10,433
	768,700	26,770	297,485	10,433

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 Shs at rate ruling at balance sheet date.

6. STAFF COSTS AND OTHER BENEFITS

	2 014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Salary as per payroll	5,867,778	5,370,157	2,270,811	2,092,813
Bonus	169,520	117,393	65,604	45,749
10% employer NSSF contribution	571,518	609,728	221,176	237,618
	6,608,816	6,097,278	2,557,591	2,376,180

The number of staff employed by the organization is 753 (2013: 714)

BRAC UGANDA
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Notes to the financial statements for the year ended 31 December 2014 continued

7. TRAINING, WORKSHOPS AND SEMINARS

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
External member trainings	3,003,562	1,493,636	1,162,369	582,087
Staff training	387,445	350,821	149,940	136,719
	3,391,007	1,844,457	1,312,309	718,806

8. OCCUPANCY EXPENSES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Rental charges	1,172,931	695,466	453,921	271,031
Utilities	50,032	56,169	19,362	21,890
	1,222,963	751,635	473,283	292,921

9. OTHER GENERAL & ADMINISTRATIVE EXPENSES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Legal fees & audit fees	85,391	99,901	33,046	38,933
Maintenance & general expenses	4,170,489	1,848,156	1,613,966	720,248
Printing, stationary and supplies	123,284	476,732	47,711	185,788
Telephone expenses	112,870	12,388	43,680	4,828
Program supplies	8,744,552	4,360,968	3,384,115	1,699,520
Other general expenses	-	77,463	-	30,188
Self insurance scheme	16,261	3,673	6,293	1,431
Provision for stock shortages	-	132,937	-	51,807
HO logistics expenses	183,814	566,055	71,135	220,598
Travel and transportation	2,060,838	1,962,287	797,538	764,726
	15,497,499	9,540,560	5,997,484	3,718,067

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.

BRAC Uganda tax exemption for two years expired on 31 December 2012. As at the reporting date, this exemption had not yet been renewed. BRAC Uganda Ltd (BRAC Uganda) has filed an application for renewal.

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Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

11. PROPERTY AND EQUIPMENT

	Furniture Shs '000	Equipments Shs '000	Motor vehicles Shs '000	Total Shs '000	Total US\$
Cost					
At 1 January 2013	493,326	516,548	660,597	1,670,471	632,755
Additions	55,422	67,963	278,093	401,478	160,015
Disposals	-	-	(111,272)	(111,272)	(44,349)
At 31 DECEMBER 2013	548,748	584,511	827,418	1,960,677	748,421
Additions	38,174	70,477	297,611	406,262	157,222
Currency translation					(38,632)
At 31 December 2014	586,922	654,988	1,125,029	2,366,939	897,011
Depreciation					
At 1 January 2013	132,542	223,529	489,382	845,453	320,248
Charge for the year	52,428	80,342	105,609	238,379	92,899
Disposals	-	-	(104,172)	(104,172)	(41,519)
Currency translation	-	-	-	-	(14,206)
At 31 DECEMBER 2013	184,970	303,871	490,819	979,660	357,422
Charge for the year	58,692	98,248	156,492	313,432	121,297
Currency translation	-	-	-	-	(5,059)
At 31 December 2014	243,662	402,119	647,311	1,293,092	473,660
At 31 December 2014	343,260	252,869	477,718	1,073,847	393,351
At 31 DECEMBER 2013	363,778	280,640	336,599	981,017	390,999

12. CASH AND BANK

	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Cash in hand	1,014	2,251	372	898
Standard Chartered Bank Uganda Limited	32,764,355	27,281,733	12,001,595	10,873,548
Stanbic bank	807,182	-	295,671	-
Fixed deposit	3,866,243	-	1,416,206	-
	37,438,794	27,283,984	13,713,844	10,874,446

As at 31 December 2014, BRAC Bangladesh held cash amounting to Shs 470 million (2013: Shs 965 million) in Citibank Uganda and Standard Chartered Bank Uganda Limited while BRAC Southern Sudan held cash amounting to Shs 2,744 million (2013: Nil) in Stanbic Bank. All these accounts are in the names of BRAC Uganda. BRAC Uganda has no control over this money and as such it is not recorded in its books.

The fixed deposit was placed at Standard Chartered Bank at an interest rate of 11.25 percent. It matures in January 2015.

13. INVENTORY

	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Stock and consumables	527,007	357,431	193,043	142,460
	527,007	357,431	193,043	142,460

Stock and consumables includes the amount of the stock of health materials that were not yet sold as at 31 December 2014. These materials are normally sold at subsidized rates to low income earners in communities.

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Notes to the financial statements for the year ended 31 December 2014 continued

14. DUE FROM RELATED PARTIES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Receivable from BRAC Microfinance	2,691,145	-	985,767	-
Receivable from Stichting BRAC International	89,052	-	32,620	-
	2,780,197	-	1,018,387	-

15. OTHER RECEIVABLES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Advances to third parties	428,288	16,520	156,882	6,584
Prepaid Taxes	466,378	-	170,834	-
Other receivables	700	-	257	-
	895,366	16,520	327,973	6,584

Prepaid taxes relate to payments made to the Uganda Revenue Authority (URA) during the year for alleged PAYE arrears following a URA tax assessment. The assessment was subsequently withdrawn following an objection on 21 August 2014. A refund claim was filed by the company's tax consultants on 7 November 2014. The tax consultants are of the view that this amount is recoverable from the authority.

16. OTHER PAYABLES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Accrual for expenses	54,219	12,627	19,861	5,033
Bonus provision	27,228	21,757	9,974	8,672
Provision for NSSF	86,318	77,142	31,618	30,746
Self Insurance Fund - scheme	20,374	3,673	7,463	1,464
VAT Payable	8,184	192,715	2,998	76,809
Provision for audit fees	64,428	59,118	23,600	23,562
Withholding tax provision	31,365	14,283	11,489	5,693
Salary provision	259,400	308,328	95,081	122,889
Provision for PAYE	103,111	88,799	37,770	35,392
	654,627	778,442	239,791	310,260

BRAC Uganda sets aside monthly amounts equivalent to 1% of the basic salary of local employees, to constitute a self insurance 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 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.

17. DUE TO RELATED PARTIES

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
BRAC Bangladesh	-	39,590	-	15,779
Stitching BRAC International	61,977	365,434	22,702	145,649
	61,977	405,024	22,702	161,428

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

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Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

18. DONOR FUNDS

	Note	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Donor funds received in advance	18.1	31,478,248	19,242,797	11,530,494	7,669,509
Donor funds-investment in fixed assets	18.1 b	1,224,152	1,131,322	448,407	450,906
		32,702,400	20,374,119	11,978,901	8,120,414

18.1 Donor funds received in advance

	Note	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Opening balance		19,242,797	13,450,535	7,699,509	5,360,915
Donations received during the year	18.1 a	39,431,032	24,748,366	15,259,687	9,863,837
Transfer to MF program		(395,476)	(943,271)	(153,048)	(375,955)
Transferred to deferred income - investment in fixed assets		(406,262)	(289,165)	(157,222)	(115,251)
Transferred to statement of income and expenses		(26,393,843)	(17,723,668)	(10,214,336)	(7,064,037)
Currency translation		-	-	(874,096)	-
Closing balance		31,478,248	19,242,797	11,530,494	7,669,509

18.1 a Donations received during the year

	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
MasterCard Foundation	10,481,460	9,902,431	4,056,295	3,946,764
MasterCard Foundation (Scholarship)	21,887,756	10,730,658	8,470,494	4,276,866
BRAC USA	158,772	497,273	61,444	198,196
Living Goods	866,910	520,848	335,491	207,592
Clinton Health Initiative	61,335	-	23,736	-
Particip GMBH	71,683	-	27,741	-
IFS	138,072	-	53,433	-
Women Sports	163,698	-	63,351	-
LSE(Tenancy)	291,566	-	112,835	-
Stockholm university	174,452	-	67,512	-
BARR Foundation	646,250	-	250,097	-
UHMG	118,575	-	45,888	-
UNICEF	213,005	1,019,289	82,432	406,253
Building Young Future	1,372,216	427,491	531,043	170,383
Village Enterprise	433,620	-	167,810	-
World Bank - AGI	188,776	-	73,056	-
JSDF (World Bank)	1,227,062	-	474,869	-
ASARECA	17,859	123,548	6,911	49,243
FAO	50,254	-	19,448	-
FHI	867,711	1,526,828	335,801	608,540
	39,431,032	24,748,366	15,259,687	9,863,837

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18.1 b Donations –investment in fixed assets

	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Opening balance	1,131,322	842,395	450,905	335,749
Transferred from donor funds received in advance	406,262	289,165	157,222	115,251
Depreciation charged during the year	(313,432)	(238)	(121,297)	(95)
Currency translation	-	-	(38,423)	-
Closing balance	1,224,152	1,131,322	448,407	450,905

19. CASH FLOW FROM OPERATING EXPENSES

	2014 Shs '000	2013 Shs '000	2014 US\$	2013 US\$
Excess of income over expenditure	2,214,840	1,145,377	857,138	446,367
Depreciation	313,432	238,379	121,297	92,899
Gain on disposal of fixed assets	-	(27,460)	-	(10,701)
Cash flows before changes in working capital	2,528,272	1,356,296	978,435	528,565
Changes in working capital				
(Increase)/decrease in inventory	(169,576)	11,757	(62,116)	4,582
(Increase)/decrease in receivables	(878,846)	75,127	(321,922)	29,278
Increase in related party receivables	(2,780,197)	-	(1,018,387)	-
(Decrease)/Increase in related party payables	(343,047)	16,764	(125,658)	6,533
(Decrease)/Increase in other payables	(123,815)	357,142	(45,353)	139,182
Net cash from operations	(1,767,209)	1,817,086	(595,001)	708,140

20. 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 2014.

21. CURRENCY

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

Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

22. USE OF ESTIMATES AND JUDGMENT

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

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

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

(i) Impairment

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

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

(ii) Provisions and contingencies

A provision is recognized if as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. For provisions included in the financial statements see note 16.

23. 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.

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Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

Exposure to credit risk

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

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Cash and Cash equivalents	37,438,794	27,283,984	13,713,844	10,874,446
Receivables and other assets	3,675,563	16,520	1,346,360	6,584
	41,114,357	27,300,504	15,060,204	10,881,030

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

	2014	2013	2014	2013
	Shs '000	Shs '000	US\$	US\$
Between 0-30 days	895,366	16,520	327,973	6,584
Between 31-60 days	2,780,197	-	1,018,387	-
	3,675,563	16,520	1,346,360	6,584

Liquidity risk

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

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

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Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date.

	Matured	Less than	Between	Over	Total
	Ushs '000	30 days	31- 60 Days	60 days	Ushs '000
		Ushs '000	Ushs '000	Ushs '000	
ASSETS					
Cash and bank	33,572,551	3,866,243	-	-	37,438,794
Related Party Receivables	-	-	2,780,197	-	2,780,197
Other receivables	-	895,366	-	-	895,366
Inventory	-	-	527,007	-	527,007
Property and equipment	-	-	-	1,073,847	1,073,847
	33,572,551	4,761,609	3,307,204	1,073,847	42,715,211
Capital fund and liabilities					
Other current liabilities	-	(654,627)	-	-	(654,627)
Due to related parties	-	(61,977)	-	-	(61,977)
Donor funds	-	(9,805,835)	(19,627,953)	(3,268,612)	(32,702,400)
	-	(10,522,439)	(19,627,953)	(3,268,612)	(33,419,004)
Net assets/(liabilities)	33,572,551	(5,760,830)	(16,320,749)	(2,194,765)	9,296,207

Exposure to Foreign currency risk

BRAC Uganda 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 Limited 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.

The following significant exchange rates applied during the year:

	Closing Rate		Average Rate	
	2014	2013	2014	2013
	Ushs	Ushs	Ushs	Ushs
USD	2,730	2,509	2,584	2,566

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

24. SEGMENTAL REPORTING

Statement of comprehensive income for the year ended 31 December 2014 (Amount in Uganda Shillings)

	Agriculture & Poultry Ushs(000)	Health Program Ushs(000)	Education Program Ushs(000)	ELA Program Ushs(000)	Regional Training Ushs(000)	Research Ushs(000)	Karamoja Project Ushs(000)	Disaster Preparedness Ushs(000)	Community Connector Ushs(000)	Total Ushs(000)
INCOME										
Grant Income	4,298,352	2,566,923	10,720,269	5,151,491	-	2,551,805	351,055	45,520	1,021,862	26,707,277
Other Income	378,594	161,889	347,381	218,728	599,100	41,623	-	-	25,265	1,772,580
Exchange gains/losses	139,615	58,634	452,982	58,584	(5)	58,890	-	-	-	768,700
TOTAL INCOME	4,816,561	2,787,446	11,520,632	5,428,803	599,095	2,652,318	351,055	45,520	1,047,127	29,248,557
EXPENDITURE										
Manpower and compensation	1,598,018	1,225,917	630,610	1,992,523	124,569	768,879	68,655	-	183,383	6,592,554
Travelling and transportation	478,566	345,725	225,866	518,931	74,023	222,432	23,258	22,846	149,190	2,060,837
Training, workshops and seminars	503,146	384,009	794,242	1,126,527	7,381	318,475	43,670	18,524	195,033	3,391,007
Occupancy expenses	323,912	225,273	20,445	492,296	78,688	28,216	40,945	-	13,188	1,222,963
Other general & administrative expenses	1,306,628	327,163	8,970,212	1,014,010	43,346	1,209,068	97,278	4,150	481,069	13,452,924
Depreciation	83,299	58,836	78,894	7,204	3,215	4,735	77,249	-	-	313,43
TOTAL EXPENSES	4,293,569	2,566,923	10,720,269	5,151,491	331,222	2,551,805	351,055	45,520	1,021,863	27,033,717
Surplus/ Reserve	522,992	220,523	800,363	277,312	267,873	100,513	-	-	25,265	2,214,841
Taxation	-	-	-	-	-	-	-	-	-	-
NET SURPLUS FOR THE YEAR	522,992	220,523	800,363	277,312	267,873	100,513	-	-	25,265	2,214,841

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

Statement of financial position as at 31 December 2014 (Amount in Uganda Shillings)

	Agriculture & Poultry	Health Program	Education Program	ELA Program	Regional Training	Research	Karamoja Project	Disaster Preparedness	Community Connector	Total
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
ASSETS										
Cash and bank	2,721,024	2,538,073	23,729,496	2,882,336	63,545	1,060,369	450,855	51,467	75,386	33,572,551
Fixed Deposits	1,000,000	300,000	-	2,266,243	-	300,000	-	-	-	3,866,243
Receivables and other										
Current Assets	527,298	1,044,542	344,504	(113,925)	1,650,039	749,872	(2,578)	-	2,818	4,202,570
Property and equipment	147,656	141,015	143,664	48,981	77,728	65,282	230,285	-	219,236	1,073,847
TOTAL PROPERTY										
AND ASSETS	4,395,978	4,023,630	24,217,664	5,083,635	1,791,312	2,175,523	678,562	51,467	297,440	42,715,211
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other current liabilities	209,392	154,096	63,106	165,545	37,699	18,873	3,519	-	2,397	654,627
Due to related parties	7,043	24,029	-	23,679	-	-	-	-	7,226	61,977
Total Liabilities	216,435	178,125	63,106	189,224	37,699	18,873	3,519	-	9,623	716,604
CAPITAL FUND										
Donor funds	2,408,067	2,776,187	23,076,745	2,407,370	98,660	1,123,169	460,888	51,467	279,847	32,702,400
Retained Surplus	1,771,476	1,069,318	1,057,813	2,487,041	1,654,953	1,033,481	214,155	-	7,970	9,296,207
Total Capital Fund	4,179,543	3,845,505	24,154,558	4,894,411	1,753,613	2,156,650	675,043	51,467	287,817	41,998,607
TOTAL LIABILITIES AND CAPITAL FUND	4,395,978	4,023,630	24,217,664	5,083,635	1,791,312	2,175,523	678,562	51,467	297,440	42,715,211

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

24. SEGMENTAL REPORTING

Statement of comprehensive income for the year ended 31 December 2014 (Amount in United States Dollars)

	Agriculture & Poultry	Health Program	Education Program	ELA Program	Regional Training	Research	Karamoja Project	Disaster Preparedness	Community Connector	Total
	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$
INCOME										
Grant Income	1,663,449	993,391	4,148,711	1,993,611	-	987,541	135,857	17,616	395,458	10,335,634
Other Income	146,515	62,651	134,435	84,647	231,850	16,108			9,777	685,983
Exchange gains/losses	54,031	22,691	175,303	22,672	(2)	22,790				297,485
TOTAL INCOME	1,863,995	1,078,733	4,458,449	2,100,930	231,848	1,026,439	135,857	17,616	405,235	11,319,102
EXPENDITURE										
Manpower and compensation	618,428	474,426	244,044	771,100	48,208	297,554	26,569	-	70,969	2,551,298
Travelling and transportation	185,204	133,795	87,409	200,825	28,647	86,080	9,001	8,841	57,736	797,538
Training, workshops and seminars	194,716	148,610	307,369	435,962	2,856	123,249	16,900	7,169	75,478	1,312,309
Occupancy expenses	125,353	87,180	7,912	190,517	30,452	10,920	15,846		5,103	473,283
Other general & administrative expenses	505,661	126,611	3,471,444	392,419	16,775	467,906	37,646	1,606	186,172	5,206,240
Depreciation	32,236	22,769	30,532	2,788	1,244	1,832	29,895			121,296
TOTAL EXPENSES	1,661,598	993,391	4,148,710	1,993,611	128,182	987,541	135,857	17,616	395,458	10,461,964
Surplus/ Reserve	202,397	85,342	309,739	107,319	103,666	38,898	-	-	9,777	857,138
Taxation	-	-	-	-	-	-	-	-	-	-
NET SURPLUS FOR THE YEAR	202,397	85,342	309,739	107,319	103,666	38,898	-	-	9,777	857,138

BRAC UGANDA
Financial Statements
For the year ended 31 December 2014

Notes to the financial statements for the year ended 31 DECEMBER 2014 continued

Statement of financial position as at 31 December 2014 (Amount in United States Dollars)

	Agriculture & Poultry	Health Program	Education Program	ELA Program	Regional Training	Research	Karamoja Project	Disaster Preparedness	Community Connector	Total
	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$	USD\$
ASSETS										
Cash and bank	996,712	929,697	8,692,123	1,055,801	23,277	388,414	165,148	18,852	27,614	12,297,638
Fixed Deposits	366,300	109,890		830,126		109,890	-	-	-	1,416,206
Receivables and other Current Assets	193,149	382,616	126,192	(41,731)	604,410	274,678	(944)	-	1,033	1,539,403
Property and equipment	54,086	51,654	52,624	17,942	28,472	23,913	84,353	-	80,307	393,351
TOTAL PROPERTY AND ASSETS	1,610,248	1,473,857	8,870,939	1,862,137	656,158	796,895	248,558	18,852	108,954	15,646,598
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other Current liabilities	76,700	56,445	23,116	60,639	13,809	6,913	1,289	-	880	239,791
Due to related parties	2,580	8,802	-	8,674	-	-	-	-	2,646	22,702
Total Liabilities	79,280	65,247	23,116	69,313	13,809	6,913	1,289	-	3,526	262,493
CAPITAL FUND										
Donor funds	882,076	1,016,918	8,460,346	881,821	36,139	411,417	168,823	18,852	102,509	11,978,901
Retained Surplus	648,892	391,692	387,477	911,004	606,210	378,564	78,445	-	2,920	3,405,204
Total Capital Fund	1,530,968	1,408,610	8,847,823	1,792,825	642,349	789,982	247,268	18,852	105,429	15,384,105
TOTAL LIABILITIES AND CAPITAL FUND	1,610,248	1,473,857	8,870,939	1,862,137	656,158	796,895	248,558	18,852	108,955	15,646,598

BRAC UGANDA MICROFINANCE LIMITED

Financial Statements

For the year ended 31 December 2014

BRAC UGANDA MICROFINANCE LIMITED
DIRECTOR, OFFICERS AND ADMINISTRATION

DIRECTORS

Dr. A M R Chowdhury	Chairperson
Mr. Faruque Ahmed	Member
Mr. Tanwir Rahman	Member
Mr. Shameran Bahar Abed	Member (Appointed on 18/03/2014)

ADMINISTRATORS

Mr. Abul Kashem Mozumder	Country Representative
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PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

Tanwir Rahman
Director Finance,
BRAC and BRAC International
BRAC Centre, 75 Mohakhali,
Dhaka 1212, Bangladesh

AUDITORS

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

BANKERS

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

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

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

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

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

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 in 31 December 2014

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2014, which disclose the state of affairs of BRAC Uganda Microfinance Limited ("the Company"), in accordance with section 157 of the Ugandan Companies Act (CAP 110).

(a) Registration

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

On 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 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 groundbreaking 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 Company provides Microfinance activities to improve the livelihood of poor people in over 73 districts in Uganda focusing on extending loan facilities.

BRAC UGANDA MICROFINANCE LIMITED

Financial Statements

DIRECTORS' REPORT (contd.)

For the year ended in 31 December 2014

(f) Financial Performance

The Company's performance during the year ended 31 December 2014 is as follows:

- Interest income on loans increased by 31% from Ushs 28,317million in 2013 to Ushs 37,234 million in 2014.
- Loans and advances to customers increased by 45% from Ushs 58,213 million in 2013 to Ushs 84,324 million in 2014. Loan disbursement increased by 35% from Ushs 138,784 million in 2013 to Ushs 188,050 million in 2014. Loan realisation increased by 28% from Ushs 126,080 million in 2013 to Ushs 161,567 million in 2014.
- Operating expenses increased by 2% from Ushs 20,288 million in 2013 to Ushs 20,770 million in 2014.
- Total Assets increased by 25% from Ushs 73,552 million in 2013 to Ushs 92,137 million in 2014
- During the year, the Company had an attributable profit of Ushs 9,403 million (2013 – profit of Ushs 6,581 million). All the profit for the year was transferred to reserves.

(g) Results from operations

The results for the Company for the year ended 31 December 2014 are set out on page 77.

(h) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 69.

(i) Directors Benefits

No director has received or become 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 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 2014 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.

BRAC UGANDA MICROFINANCE LIMITED

Financial Statements

DIRECTORS' REPORT (contd.)

For the year ended in 31 December 2014

(k) Risk Management (contd.)

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 Country Representative who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

- Micro Finance Program (MF)
- Small Enterprise Program (SEP);
- Empowerment and livelihood for Adolescent (ELA)
- Microfinance for Returnee Refugees (IDP)
- Accounts and Finance;
- Public relations
- Staff Development Unit
- Internal audit;
- Monitoring Unit;
- Loan Review Unit;
- Branch Review Unit;
- IT and MIS;
- Human resources;
- Brac Learning Centre;
- Communications and
- Procurement, logistics and transportation

(m) Retated Party Transactions

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

(n) Future Development Plans

- Start a pilot of mobile banking in 4 branches in the month of April 2015.
- Recruit a CEO and CFO for BRAC Uganda Microfinance transformation into tier 3.
- Increase the number of borrowers by 13,000.
- Continue building capacity of branch managers and credit officers in customer care and leadership skills.

(o) KEY ACHIEVEMENTS IN 2014

- Increase in number of active borrowers by 29,723.
- Empowerment and Livelihood of Adolescents (ELA) microfinance branches increased by, Microfinance increased by 3 and SEP increased by 6.

(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.

BRAC UGANDA MICROFINANCE LIMITED

Financial Statements

DIRECTORS' REPORT (contd.)

For the year ended in 31 December 2014

(q) GENDER PARITY

In 2014, the company had a total staff of 1419. The female staff are 1179 and male 240.

(r) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year 2014. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2014.

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. 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 reimburses medical expenses incurred by employees for medical treatment to a limit of USD 200 equivalent to Ushs 546,000.

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.

BRAC UGANDA MICROFINANCE LIMITED

Financial Statements

DIRECTORS' REPORT (contd.)

For the year ended in 31 December 2014

(s) Auditors

The auditors, KPMG, being eligible have expressed their willingness to continue in office in accordance with the terms of Section 167(2) of the Ugandan Companies Act 2012.

(t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 31 March 2015.

By order of the Board

Signed.....

Secretary

Date: 31 March 2015

BRAC UGANDA MICROFINANCE LIMITED

Statement of directors' responsibilities

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda and for such internal controls as the directors determine 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 77 to 113 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 2014. 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.

The auditor is responsible for reporting on whether the annual financial statements give a true and fair view of the state of affairs of Brac Uganda Microfinance Limited in accordance with the International Financial Reporting Standards and Companies Act of Uganda.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 31 March 2015 and were signed on its behalf by:

Director:  _____

Director:  _____

Date: 31 March 2015

BRAC UGANDA MICROFINANCE LIMITED

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

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda Microfinance Limited which comprise the Statement of financial position as at 31 December 2014, 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 as set on pages 77 to 113. We have not audited the memorandum figures reported in United States Dollars (US\$) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

As stated on page 75, the Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of BRAC Uganda Microfinance Limited as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

Report on other legal requirements

As required by the 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 statement of financial position and the statement of comprehensive income are in agreement with the books of account.



KPMG

Certified Public Accountants
P O Box 3509
Kampala, Uganda
Date: 14/04/2015

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Interest Income on Loans and Advances	4	37,233,971	28,316,940	14,409,432	11,035,440
Other Interest Income	5	718,270	981,918	277,968	382,665
Interest expense	6 (a)	(3,809,575)	(3,810,045)	(1,474,294)	(1,484,819)
Other finance costs on borrowings	6 (b)	(3,299,093)	(1,386,229)	(1,276,739)	(540,229)
Net interest income		30,843,573	24,102,584	11,936,367	9,393,057
Membership fees and other charges	7	2,247,951	1,660,951	869,950	647,293
Foreign exchange gains	8	5,487	112,845	2,123	43,977
Grant income	21.4	2,430,740	4,979,937	940,689	1,940,739
Total operating income		35,527,751	30,856,317	13,749,129	12,025,066
Impairment losses on loans and advances to customers	14	(1,595,934)	(1,187,856)	(617,621)	(462,921)
Operating income after impairment charges		33,931,817	29,668,461	13,131,508	11,562,145
Staff costs	9	(11,977,427)	(12,527,862)	(4,635,227)	(4,882,253)
Other operating expenses	10	(8,435,576)	(7,427,034)	(3,264,542)	(2,894,402)
Depreciation	17	(357,296)	(333,480)	(138,272)	(129,961)
Profit before tax		13,161,518	9,380,085	5,093,467	3,655,529
Income tax expense	11a	(3,758,163)	(2,799,549)	(1,454,398)	(1,091,017)
Net profit for the year		9,403,355	6,580,536	3,639,069	2,564,512
Other comprehensive income		-	-	-	-
Total comprehensive income		9,403,355	6,580,536	3,639,069	2,564,512

The notes are an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
ASSETS					
Cash and Bank	12	2,177,570	7,014,495	797,645	2,795,733
Short term deposits	13	971,368	4,908,885	355,812	1,956,511
Loans and advances to customers	14	84,323,823	58,213,019	30,887,847	23,201,682
Other assets	16	1,096,905	1,036,313	401,796	413,039
Related Party Receivables	15(a)	-	206,765	-	82,409
Deferred tax asset	11(b)	2,452,947	814,289	898,515	324,547
Property and equipment	17	1,114,458	1,358,126	408,226	541,302
Total assets		92,137,071	73,551,892	33,749,841	29,315,223
LIABILITIES AND EQUITY					
Liabilities					
Loan security fund	18	15,562,293	11,395,342	5,700,474	4,541,786
Related party payables	15 (b)	2,860,785	73,234	1,047,907	29,189
Borrowings	19	27,058,060	25,706,924	9,911,377	10,245,884
Other liabilities	20	5,887,661	3,593,585	2,156,651	1,432,278
Tax payable	11(c)	942,013	216,663	345,060	86,355
Total liabilities		52,310,812	40,985,748	19,161,469	16,335,492
Equity					
Donor funds	21	5,514,075	7,657,315	2,019,808	3,051,939
BRAC contribution	22	835,000	835,000	316,288	316,288
Retained earnings		33,477,184	24,073,829	12,262,704	9,594,990
Currency translation		-	-	(10,428)	16,514
Total Equity		39,826,259	32,566,144	14,588,372	12,979,731
Total liabilities and Equity		92,137,071	73,551,892	33,749,841	29,315,223

The financial statements on pages 12 to 51 were approved by the board of directors on 31 March 2015 and were signed on its behalf by:

Director: 

Director: 

The notes are an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CAPITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2014

	Donor Funds Ushs '000	Retained Earnings Ushs '000	BRAC Contribution Ushs '000	Total capital fund Ushs	Total capital fund USD
At 1 January 2013	6,211,283	17,493,293	835,000	24,539,576	9,301,535
Donations received during the year	6,425,969	-	-	6,425,969	2,561,167
Transfers to SOFP/SOCI	(4,979,937)	-	-	(4,979,937)	(1,942,253)
Profit for the year	-	6,580,536	-	6,580,536	2,564,512
Currency Translation	-	-	-	-	494,770
At 31 December 2013	7,657,315	24,073,829	835,000	32,566,144	12,979,731
At 1 January 2014	7,657,315	24,073,829	835,000	32,566,144	12,979,731
Donations received during the year	287,500	-	-	287,500	121,614
Transfers to SOFP/SOCI	(2,430,740)	-	-	(2,430,740)	(940,689)
Profit for the year	-	9,403,355	-	9,403,355	3,639,069
Currency Translation	-	-	-	-	(1,211,352)
At 31 December 2014	5,514,075	33,477,184	835,000	39,826,259	14,588,373

The notes are an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CASH FLOW STATEMENT
For the year ENDED 31 DECEMBER 2014

	Notes	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Net cash (outflow)/inflow from operating activities	23	(3,197,238)	361,425	(1,237,322)	140,852
Cash flow from investing activities					
Acquisition of fixed assets		(113,628)	(305,038)	(43,974)	(118,877)
Decrease in Short term deposits		3,937,517	5,803,013	1,523,807	2,261,502
Net cash inflow from investing activities		3,823,889	5,497,975	1,479,833	2,142,625
Cash flow from financing activities					
Increase in borrowings		1,351,136	(9,052,099)	522,885	(3,527,708)
Income tax paid		(4,671,472)	(2,933,457)	(1,807,845)	(1,143,202)
Donor fund (decrease)/ increase		(2,143,240)	1,446,032	(829,427)	563,535
Net cash outflow from financing activities		(5,463,576)	(10,539,524)	(2,114,387)	(4,107,375)
Net (decrease) in cash and cash equivalents		(4,836,925)	(4,680,124)	(1,871,876)	(1,823,898)
Cash and cash equivalents at beginning of the year		7,014,495	11,694,619	2,795,733	4,429,780
Currency translation		-	-	(126,212)	189,851
Cash and cash equivalents at end of the year	12	2,177,570	7,014,495	797,645	2,795,733

The notes are an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. THE REPORTING ENTITY

BRAC Uganda Microfinance Limited got incorporated as a company limited by guarantee on 27 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 30 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 (Micro Finance), Health, Education and social Development, Human Rights and Services to create and protect the livelihoods of poor people.

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

2. BASIS OF PREPARATION

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

(i) Basis of measurement

The financial statements are prepared under the historical cost convention, 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 2,730 for balance sheet items and US \$ = Ushs 2,584 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Use of estimates and judgment

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

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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, and classification of such loans and advances, as follows:

1-30 days	5%
31-90 days	20%
91-180 days	20%
181-365days	75%
366 days and above past due	100%

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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(i) Financial assets (continued)

In assessing collective impairment the company uses statistical modelling 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 actual losses are likely to be greater or less than suggested by historical modelling. 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 recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

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

(e) Other 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 banks, 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.

Other liabilities include a self-insurance fund. BRAC Uganda Microfinance Ltd started to set aside a monthly amount 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 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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.

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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(j) Grants

(i) Donor Grants

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

The portion of the grants utilized to purchase property and fixed assets are transferred as Deferred Income in fixed 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 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(m) Payroll administration costs

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

(n) 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.

(o) 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.

(p) Fund Raising 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.

(q) Adoption of new and revised standards

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.

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

New standard or amendments

Effective for annual periods beginning on or after

• Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
• Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
• Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
• Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

IFRIC 21: Levies (effective for annual periods beginning on or after 1 January 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

ii) **New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014.**

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the company's property, plant and equipment and intangible assets as the company uses the straight line method.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The adoption of these changes will not affect the amounts and disclosures of the company.

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 recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted.

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

IFRS 9: Financial Instruments (2014)

On 24 July 2014 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 amortised 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 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(r) Operating leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. The prepaid operating lease rentals are recorded in the statement of financial position and amortised over the remaining lease term.

(s) Comparatives

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

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
4. INTEREST INCOME ON LOANS AND ADVANCES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Group Loans (Microfinance)	30,094,281	22,924,880	11,646,395	8,934,092
Small Enterprises program	5,027,379	4,050,806	1,945,580	1,578,646
Internally Displaced Persons (IDP)	143,178	108,684	55,409	42,355
Agriculture	-	377	-	147
Empowerment and Livelihood of Adolescents (ELA)	1,969,133	1,232,193	762,048	480,200
Total	37,233,971	28,316,940	14,409,432	11,035,440

5. OTHER INTEREST INCOME

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Short term deposits	611,148	853,400	236,512	332,580
Interest income on current accounts	107,122	128,518	41,456	50,085
Total	718,270	981,918	277,968	382,665

6. a) INTEREST EXPENSE

Lender	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Brac Africa Loan Fund	3,685,742	3,594,533	1,426,371	1,400,831
Triple Jump	-	64,234	-	25,033
BRAC	123,833	151,278	47,923	58,955
Total	3,809,575	3,810,045	1,474,294	1,484,819

b) OTHER FINANCE COSTS ON BORROWINGS

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Service charge	360,313	96,688	139,440	37,680
Restructuring costs	-	703,661	-	274,225
Other provisions	2,938,780	585,880	1,137,299	228,324
Total	3,299,093	1,386,229	1,276,739	540,229

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

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
7. MEMBERSHIP FEES AND OTHER CHARGES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Membership fee	307,025	255,788	118,817	99,684
Loan appraisal fee	1,880,505	1,397,807	727,750	544,742
Loan application fee	6,088	7,356	2,356	2,867
Sale of Pass books	54,333	-	21,027	-
Total	2,247,951	1,660,951	869,950	647,293

8. FOREIGN EXCHANGE GAINS

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Foreign Exchange gains	5,487	112,845	2,123	43,977
Total	5,487	112,845	2,123	43,977

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Salaries	10,855,729	10,787,626	4,202,015	4,204,063
Bonus	326,399	306,935	125,434	119,616
Employer's NSSF Contribution	1,141,660	1,079,859	441,819	420,834
Staff Leave Provision	(346,361)	353,442	(134,041)	137,740
Total	11,977,427	12,527,862	4,635,227	4,882,253

Due to change in the staff leave policy in regards to compensation for days carried forward, the provision for staff leave reduced as at 31 December 2014.

10. OTHER OPERATING EXPENSES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Occupancy expenses (see below)	554,966	770,762	214,770	300,375
Staff training and development	286,434	391,363	110,849	152,519
Travel and transportation	2,559,819	2,200,358	990,642	857,505
Maintenance and general expenses	1,905,667	2,068,499	737,487	806,118
Printing and office stationery	708,354	392,926	274,132	153,128
Insurance claim	53,120	47,479	20,557	18,503
Provision for audit fees	154,861	127,104	59,931	49,534
Internet cost	293,979	35,166	113,769	13,705
legal & other professional services	5,243	207,723	2,029	80,952
VAT/WHT expense	799,030	303,979	309,222	118,464
Self-Insurance scheme fund	37,216	39,725	14,402	15,481
Provision for stolen cash	14,711	4,321	5,693	1,684
HO logistics and management expenses	1,062,176	837,629	411,059	326,434
Total	8,435,576	7,427,034	3,264,542	2,894,402

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
10. OTHER OPERATING EXPENSES (contd.)

Occupancy expenses are analysed as follows;

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Rent	461,947	505,103	178,772	196,845
Utilities	93,019	265,659	35,998	103,530
Total	554,966	770,762	214,770	300,375

11. TAXATION
a) Income tax expense

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Current Tax	5,495,743	3,100,740	2,126,836	1,208,395
Over provision for corporation tax in previous years	(98,921)	(47,607)	(38,282)	(18,553)
Deferred tax (Note 11b)	(1,638,59)	(253,584)	(634,156)	(98,825)
Tax / expense	3,758,163	2,799,549	1,454,398	1,091,017

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.

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Operating profit before taxation	13,161,518	9,380,085	5,093,467	3,655,529
Tax calculated at 30%	3,948,455	2,814,026	1,528,040	1,096,659
Tax effect of:				
Over provision for corporation tax in previous years	(98,921)	(47,607)	(38,282)	(18,553)
Non deductible expense and non taxable income	(91,371)	33,130	(35,360)	12,911
Income Tax charge for the year	3,758,163	2,799,549	1,454,398	1,091,017
Effective corporation tax rate	29%	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 2014

	2013 Ushs '000	Movement Ushs '000	2014 Ushs '000	2013 USD	Movement USD	2014 USD
Property and equipment	967,010	(127,401)	839,609	385,417	(77,868)	307,549
Provisions	(3,658,484)	(5,363,102)	(9,021,586)	(1,458,144)	(1,846,466)	(3,304,610)
Unrealized gains	(22,821)	28,308	5,487	(9,096)	11,106	2,010
	(2,714,295)	(5,462,195)	(8,176,490)	(1,081,823)	(1,913,228)	(2,995,051)
Deferred tax asset @ 30%	(814,289)	(1,638,659)	(2,452,947)	(324,547)	(573,968)	(898,515)
Currency translation	-	-	-	-	(60,188)	-
At 31 December	(814,289)	(1,638,659)	(2,452,947)	(324,547)	(634,156)	(898,515)

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
11. TAXATION (contd.)
c) Tax Payable

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
At 1 January	216,663	96,987	86,355	30,498
Charge for the period	5,495,743	3,100,740	2,126,836	1,208,395
Over provision for corporation tax in previous years	(98,921)	(47,607)	(38,282)	(18,553)
Paid during the year	(4,671,472)	(2,933,457)	(1,807,845)	(1,143,202)
Currency translation	-	-	(22,004)	9,217
At 31 December	942,013	216,663	345,060	86,355

12. CASH AND BANK

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Cash in hand	13,507	2,682	4,948	1,069
Standard Chartered Bank Uganda	46,683	235,834	17,100	93,995
Bank of Africa Uganda Limited	-	230,010	-	91,674
Barclays Bank Uganda Limited	86,987	135,454	31,863	53,987
Centenary Rural Development Bank	128,849	137,146	47,197	54,662
Equity Bank Uganda Limited	226,283	266,189	82,888	106,094
Orient Bank	22,038	-	8,073	-
DFCU Bank	17,999	-	6,593	-
Post Bank Uganda Limited	176,231	85,151	64,553	33,938
Pride Microfinance Limited	26,025	31,652	9,533	12,615
Tropical Bank Uganda Limited	2,079	33,162	762	13,217
Global Trust Bank	-	20,618	-	8,218
Stanbic Bank Uganda Limited	1,430,889	5,836,597	524,135	2,326,264
Cash and bank	2,177,570	7,014,495	797,645	2,795,733

13. SHORT TERM DEPOSITS AT AMORTISED COST

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Bank of Africa Uganda Limited	971,368	4,908,885	355,812	1,956,511
Total	971,368	4,908,885	355,812	1,956,511

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Within 3 months	971,368	4,908,885	355,812	1,956,511
Total	971,368	4,908,885	355,812	1,956,511

The weighted average effective interest rates on deposits due from Banks were 11.2%. (2013: 13%). The carrying book values of the deposits with banks equal the fair value.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
14. LOANS AND ADVANCES TO CUSTOMERS
14.1 Loans and advances

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Group Guaranteed Scheme	68,845,919	46,471,772	25,218,285	18,522,029
Small Enterprises Program	13,831,182	11,131,903	5,066,367	4,436,789
ELA loans	4,259,709	2,968,052	1,560,333	1,182,962
IDP Loans	494,922	275,665	181,290	109,871
Agriculture Loans	3,271	3,271	1,198	1,304
Interest receivable	1,228,181	909,841	449,883	362,631
Gross Loans and Advances	88,663,184	61,760,504	32,477,356	24,615,586
Loan Write Off	(274,782)	(690,494)	(100,653)	(275,207)
Interest Write-off	(31,511)	(118,739)	(11,542)	(47,325)
Gross Loans after Write-off	88,356,891	60,951,271	32,365,161	24,293,054
Impairment loss on loans and advances	(4,033,068)	(2,738,252)	(1,477,314)	(1,091,372)
Net Loans and Advances to Customers	84,323,823	58,213,019	30,887,847	23,201,682

14.2 Movement in Loans and advances

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
At 1 January	60,951,271	48,146,011	24,293,054	18,237,125
Loans disbursed	188,050,450	138,784,187	72,774,941	54,085,809
Loans repayments	(161,566,718)	(126,079,535)	(62,525,820)	(49,134,659)
Interest receivable	1,228,181	909,841	449,883	362,631
Currency Translation	-	-	(2,514,702)	1,064,680
Gross advances to customers	88,663,184	61,760,504	32,477,356	24,615,586
Less Loan Write-off	(274,782)	(690,494)	(100,653)	(275,207)
Less Interest write-off	(31,511)	(118,739)	(11,542)	(47,325)
Gross Loans after Write-off	88,356,891	60,951,271	32,365,161	24,293,054
Impairment loss on loans and advances	(4,033,068)	(2,738,252)	(1,477,314)	(1,091,372)
Net advances to customers	84,323,823	58,213,019	30,887,847	23,201,682

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

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:

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
At 1 January	(2,738,252)	(2,359,629)	(1,091,372)	(893,798)
Net increase in provisions	(1,601,109)	(1,187,856)	(619,624)	(462,921)
Loan write-off	274,782	690,494	100,653	275,207
Interest receivable - write-off	31,511	118,739	11,542	47,325
Currency Translation	-	-	121,487	(57,185)
At 31 December	(4,033,068)	(2,738,252)	(1,477,314)	(1,091,372)
Charge to profit or loss				
Net increase in provisions	1,601,109	1,187,856	619,624	462,921
Direct write offs during the year	-	-	-	-
Bad debt realisation	(5,175)	-	(2,003)	-
Net charge to profit or loss as above	1,595,934	1,187,856	617,621	462,921

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.

	2014	2013
Average interest rate on loan to customers per month	1.83%	1.83%
Highest loan amount (Ushs)	20,000,000	15,000,000
Lowest loan amount (Ushs)	250,000	250,000
Average loan term (weeks)	40	40
Total number of customers	158,831	129,108

14.4 The breakdown of impairment for Loans and advances

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

	Amount	Provision rate	Provision required
For general Provisions			
Current	87,571,736	4%	3,627,615
For specific provision			
1-30 days	265,456	5%	13,273
31-90 days	95,372	20%	19,074
91-180 days	58,739	20%	11,748
181-365 days	16,921	75%	12,691
Above 365 days	348,667	100%	348,667
	785,155		405,453
At 31 December	88,356,891		4,033,068

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
14.5 Sectoral analysis of loans and advances to customers

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Agriculture	6,100,934	4,208,610	2,234,774	1,677,406
Education	6,973,707	4,810,675	2,554,471	1,917,368
Health	-	796,491	-	317,454
Non-farm business	63,360,022	42,911,179	23,208,799	17,102,901
Housing	-	-	-	-
Consumption	522,959	360,753	191,560	143,783
Other	11,399,270	7,863,563	4,175,557	3,134,142
	88,356,892	60,951,271	32,365,161	24,293,054

15. RELATED PARTY DISCLOSURE
(a) RELATED PARTY RECEIVABLES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Stichting BRAC International	-	206,765	-	82,409
	-	206,765	-	82,409

(b) RELATED PARTY PAYABLES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
BRAC Bangladesh	19,461	73,234	7,129	29,189
Brac Uganda	2,691,145	-	985,767	-
Stichting BRAC International	150,179	-	55,011	-
	2,860,785	73,234	1,047,907	29,189

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
BRAC Africa Loan Fund	3,685,742	4,403,752	1,426,371	1,717,532
BRAC Bangladesh	123,833	151,278	47,923	59,001
Total	3,809,575	4,555,030	1,474,294	1,776,533

ii) Interest payment on related party loans

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
BRAC Africa Loan Fund	3,662,778	4,403,752	1,417,484	1,717,532
BRAC Bangladesh	123,833	151,278	47,923	59,001
Total	3,786,611	4,555,030	1,465,407	1,776,533

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
15. RELATED PARTY DISCLOSURE (contd.)
(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR (cont'd)
iii) Related party loans as disclosed in note 19

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Non-Current portion				
BRAC Africa Microfinance Limited.	24,461,307	23,760,428	8,960,186	9,470,079
BRAC Bangladesh	1,547,916	1,547,916	567,002	616,945
Total noncurrent loan	26,009,223	25,308,344	9,527,188	10,087,024
Current portion				
BRAC Africa Microfinance Limited. (prepaid Interest)	(121,083)	(144,050)	(44,353)	(57,413)
Total current portion	(121,083)	(144,050)	(44,353)	(57,413)
Total Related Party loans	25,888,140	25,164,294	9,482,835	10,029,611

All the above related parties share a common ultimate controlling party with the Company.

16. OTHER ASSETS

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Advance to suppliers	208,295	225,961	76,298	90,060
WHT receivable	140,598	98,224	51,501	39,150
Security Deposit (Brac Africa Microfinance Limited)	682,500	638,750	250,000	254,583
Service Charge on Borrowings	65,512	73,378	23,997	29,246
Other receivables	-	-	-	-
Total	1,096,905	1,036,313	401,796	413,039

17. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total USD
Cost					
At 1 January 2013	952,140	1,086,914	261,742	2,300,796	915,797
Disposals	76,205	179,423	49,410	305,038	118,877
Additions	-	-	(57,331)	(57,331)	(22,343)
Currency Translation	-	-	-	-	3,412
At 31 December 2013	1,028,345	1,266,337	253,821	2,548,503	1,015,743
Additions	65,941	47,687	-	113,628	43,974
Currency Translation	-	-	-	-	(84,578)
At 31 December 2014	1,094,286	1,314,024	253,821	2,662,131	975,139
Depreciation					
At 1 January 2013	308,176	467,172	138,880	914,228	390,581
Charge for the year	98,630	178,696	56,154	333,480	129,961
Accumulated Depreciation on Disposal	-	-	(57,331)	(57,331)	(22,344)
Currency Translation	-	-	-	-	(23,756)
At 31 December 2013	406,806	645,868	137,703	1,190,377	474,442
Charge for the year	109,429	197,103	50,764	357,296	138,272
Currency Translation	-	-	-	-	(45,801)
At 31 December 2014	516,235	842,971	188,467	1,547,673	566,913
Net Book Value					
At 31 December 2013	621,539	620,469	116,118	1,358,126	541,301
At 31 December 2014	578,051	471,053	65,354	1,114,458	408,226

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

18. LOAN SECURITY FUND

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Opening balance	11,395,342	9,507,025	4,541,786	3,601,146
Received during the year	7,388,611	15,760,805	6,603,106	6,142,169
Paid off/Adjusted during the year	(3,221,660)	(13,872,488)	(4,990,509)	(5,406,270)
Currency Translation	-	-	(453,909)	204,741
Total	15,562,293	11,395,342	5,700,474	4,541,786

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

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Kiva	1,169,920	542,630	428,542	216,949
Triple Jump	-	-	-	27,884
BRAC Africa Microfinance Limited	24,340,224	23,616,378	8,915,833	9,362,003
BRAC Bangladesh	1,547,916	1,547,916	567,002	639,048
Total	27,058,060	25,706,924	9,911,377	10,245,884

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

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. The first loan tranche was received in December 2007. During the year ended 31 December 2014, an additional sum amounting to USD 261,241 equivalent to Ushs 665,601,000 under the same terms and conditions was received from Kiva. Repayments amounting to USD 41,971 equivalent to Ushs 132,919,000 were made during the year.

In January 2007, Brac Uganda Microfinance obtained a facility of Ushs 2,187,915,685 from BRAC Bangladesh for support of microfinance. It bears interest at 8% per annum. This loan is not secured. In 2013, Ushs 640M had been repaid and the balance of Ushs 1,547M shall be repaid on demand.

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 24,461,380,000 equivalent to USD\$8,960,186 inclusive of restructuring costs amounting to Ushs 703,000,000. It bears interest at 12% per annum. The loan period is 4 years up to June 2017 and paid as one installment in June 2017.

19.1 Analysis of movement in Borrowings

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
At 1 January	25,706,924	34,759,022	10,245,884	13,166,296
Receipts during the year	665,601	302,708	257,586	401,275
Reclassification of transactional costs from other liabilities	703,000	-	280,191	-
Interest Accrued	3,809,575	3,810,045	1,395,449	2,030,087
Payments during the Year	(3,919,531)	(13,164,851)	(1,516,846)	(5,826,335)
Currency translations	92,491	-	(750,887)	474,561
At 31 December	27,058,060	25,706,924	9,911,377	10,245,884

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

20. OTHER LIABILITIES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Accrual for expenses	17,205	31,570	6,300	12,585
Bonus provision	38,885	34,480	14,244	13,743
Provision for staff Leave	544,170	844,874	199,330	336,737
Accrual for audit fees	138,520	127,104	50,740	50,659
Accrual for NSSF	189,458	186,999	69,399	74,531
Provision for cash shortage	-	-	-	-
Salary arrears payable	138,614	171,641	50,774	68,410
Self-Insurance scheme fund	81,773	41,505	29,953	16,542
Stamp duty provision	26,087	26,616	9,556	10,608
Accrual for PAYE	249,208	255,974	91,285	102,022
Withholding Tax Payable	4,198,436	865,843	1,537,889	345,095
VAT Payable	265,305	303,979	97,181	121,155
Restructuring cost (BAML)	-	703,000	-	280,191
Total	5,887,661	3,593,585	2,156,651	1,432,278

BRAC Uganda Microfinance Ltd sets aside a monthly amount equivalent to 1% of the basic salary of local employees, to constitute a self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all local employees. The payment in the event of death or permanent injury is ranging 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.

Restructuring costs have been reclassified to borrowings as these are to be paid with the outstanding principal relating to BRAC Africa Microfinance Limited.

21. DONOR FUNDS

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Donor funds received in advance	21.1	-	5,070,295	-	2,020,843
Donor funds investment in fixed assets	21.2	909,254	1,138,333	333,060	453,700
Donor funds investment in loans to group members	21.3	4,604,821	1,448,687	1,686,748	577,396
Total		5,514,075	7,657,315	2,019,808	3,051,939

21.1 Donor funds received in advance

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Opening balance		5,070,295	3,475,070	2,020,843	1,316,315
Donations received during the year	21.1a	287,500	6,425,969	111,262	2,504,275
Reclassification to Donor funds investment in					
- loans to group members	21.3	(3,156,134)	-	(1,156,093)	-
Transferred to deferred income					
- investment in fixed assets	21.2	26,339	(119,138)	10,193	(46,429)
Transferred to statement of income and expenses	21.4	(2,228,000)	(4,711,606)	(862,229)	(1,836,168)
Currency Translation		-	-	(123,976)	82,850
Closing balance		-	5,070,295	-	2,020,843

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

21.1a Donations received during the year

Name of donor	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
MasterCard Foundation	287,500	4,613,040	111,262	1,797,756
BRAC USA	-	1,812,929	-	706,519
UNHCR (Transfer from Brac Uganda)	-	-	-	-
	287,500	6,425,969	111,262	2,504,275

21.2 DEFERRED INCOME – FIXED ASSETS

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Opening balance		1,138,333	1,287,526	453,700	487,699
Transferred from donor funds received in Advance		(26,339)	119,138	(10,193)	46,429
Depreciation charged during the year	21.4	(202,740)	(268,331)	(78,460)	(104,572)
Currency Translation		-	-	(31,987)	24,144
Closing balance		909,254	1,138,333	333,060	453,700

21.3 DEFERRED INCOME – LOANS TO GROUP MEMBERS

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Opening balance	1,448,687	1,448,687	577,396	548,745
Transferred from donor funds received in Advance	3,156,134	-	1,156,093	-
Currency Translation	-	-	(46,741)	28,651
Closing balance	4,604,821	1,448,687	1,686,748	577,396

21.3 GRANT INCOME

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Transferred to statement of comprehensive income	2,228,000	4,711,606	862,229	1,836,168
Depreciation charged during the year	202,740	268,331	78,460	104,572
Total	2,430,740	4,979,937	940,689	1,940,739

22. BRAC CONTRIBUTION

This fund of Ushs 835,000,000 (USD: 316,288) relates to the initial contribution towards the establishment of BRAC Uganda and was used for starting up the Microfinance programme.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

23. CASHFLOW FROM OPERATING ACTIVITIES

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Cash flow from operating activities				
Adjustments for:				
Profit before tax	13,161,518	9,380,085	5,093,467	3,655,529
Depreciation	357,296	333,480	138,272	129,961
Cash flow before changes in working capital	13,518,814	9,713,565	5,231,739	3,785,490
Changes in working capital				
Increase in loans and advances	(26,110,804)	(12,426,636)	(10,104,800)	(4,842,804)
Increase of receivables and other current assets	(60,591)	(322,840)	(23,449)	(125,814)
Decrease/(increase) of related party receivables	206,765	(206,765)	80,017	(80,579)
Increase/(decrease) of related party payables	2,787,551	(458,083)	1,078,774	(178,520)
Increase of current Liabilities	2,294,076	2,173,866	887,800	847,180
Increase in loan security fund	4,166,951	1,888,318	1,612,597	735,899
Net cash (outflow)/ inflow from operations	(3,197,238)	361,425	(1,237,322)	140,852

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 2014.

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 2014 (2013: 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:

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

27. USE OF ESTIMATES AND JUDGMENT (contd.)

(i) Impairment

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

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

(ii) Provisions and contingencies

A provision is recognized if as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. For provisions included in the financial statements see note 20.

28. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2014.

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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

(b) Credit risk

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

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

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

The provision of unsecured loans to group members is the main aspect of the Company's business. As such, exposure to credit risk and the management of this risk is a key consideration for the board.

The model that the Company uses to mitigate this risk is arrangements with the respective Group members of BRAC Uganda Microfinance Limited customers to contribute for a group member who has defaulted the weekly loan repayment. This model is used exclusively by the Company.

Management of credit risk

As set out above, the main activity of the Company is the provision of unsecured loans to group members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Country Representative 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 VO was properly and appropriately trained and have assessed the feasibility of all member loan applications.

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

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

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

The main criteria considered by the Company are the loan applicant's ability 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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

b) Small Enterprise Product (Individual Loans)

Small Enterprise loans are identified by the Credit Officer who visits the Entrepreneur, assesses the business working capital and profitability. A second visit is done by the Area manager if the loan is below UGX 5M and above UGX 5M, 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 entrepreneur defaults.

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

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 UGX 5M and above UGX 5M the Regional Manager shall approve.

The Loans are repayable monthly.

Monitoring of weekly 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.

Approval of new groups

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

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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

Allowances for impairment

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

Write-off policy

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

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

	Gross advances Ushs '000	Specific provision Ushs '000	Portfolio provision Ushs '000	Net advances Ushs '000
31 December 2014	88,356,891	350,528	4,033,068	84,323,823
31 DECEMBER 2013	60,951,271	350,528	2,387,724	58,213,019

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

Advances to customers that are past due or impaired

	2014 Ushs '000	2013 Ushs '000
Neither past due or impaired	87,571,736	60,331,403
Past due but not impaired	-	-
Impaired	785,155	619,868
Total gross advances to customers	88,356,891	60,951,271

Less: impairment provision

Net advances to customers at 31 December

(4,033,068)	(2,738,252)
84,323,823	58,213,019

Other exposures to credit risk

Other exposures to credit risk	2014	2013
	Ushs '000	Ushs '000
Short Term Deposits	971,368	4,908,885
Cash and Bank	2,130,887	7,014,495
Other Receivable	1,221,215	1,036,313
	4,323,470	12,959,693

Value of security held

All loans and advances are un secured

Cash and cash equivalents

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

(c) Interest rate risk

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

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

Year ended 31 December 2014

	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		-	-	-	-	2,177,570	2,177,570
Short term deposits	11.2%	-	971,368	-	-	-	971,368
Loans and advances							
- to customers	22%	15,000,000	69,323,823	-	-	-	84,323,823
Other Assets		-	-	-	-	1,096,905	1,096,905
Related Party Receivables		-	-	-	-	-	-
Deferred tax asset		-	-	-	-	2,452,947	2,452,947
Property and equipment		-	-	-	-	1,114,458	1,114,458
		15,000,000	70,295,191	-	-	6,841,880	92,137,071
Equity and liabilities							
Loan Security fund		-	-	-	-	15,562,293	15,562,293
Related party payables		-	-	-	-	2,860,785	2,860,785
Borrowings	11.43%	-	-	25,888,140	-	1,169,920	27,058,060
Other liabilities		-	-	-	-	5,887,661	5,887,661
Tax payable		-	-	-	-	942,013	942,013
Equity		-	-	-	-	39,826,259	39,826,259
		-	-	25,888,140	-	66,248,931	92,137,071
Net assets /(liabilities)		15,000,000	70,295,191	(25,888,140)	-	(59,407,051)	-

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)
29. FINANCIAL RISK MANAGEMENT (contd.)

Year ended 31 December 2013

	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		-	-	-	-	7,014,495	7,014,495
Short term deposits	13%	-	4,908,885	-	-	-	4,908,885
Loans and advances to							
- customers	22%	10,449,086	47,763,933	-	-	-	58,213,019
Other Assets		-	-	-	-	1,036,313	1,036,313
Related Party Receivables		-	-	-	-	206,765	206,765
Deferred tax asset		-	-	-	-	814,289	814,289
Property and equipment		-	-	-	-	1,358,126	1,358,126
		10,449,086	52,672,818	-	-	10,429,988	73,551,892
Equity and liabilities							
Loan Security fund		-	-	-	-	11,395,342	11,395,342
Related party payables		-	-	-	-	73,234	73,234
Borrowings	11.43%	-	-	25,162,599	-	544,325	25,706,924
Other liabilities		-	-	-	-	3,593,585	3,593,585
Tax payable		-	-	-	-	216,663	216,663
Equity		-	-	-	-	32,566,144	32,566,144
		-	-	25,162,599	-	48,389,293	73,551,892
Net assets / (liabilities)		10,449,086	52,672,818	(25,162,599)	-	(37,959,305)	-

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.

An analysis of the Company's sensitivity to an increase in market interest rates i.e. resulting loss (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows per currency:

If interest rates moved by 2% the impact to the profit and loss of the Company would be Ushs 759,186,000.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

(d) Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Company and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Company and also from available financial institutions facilities. BRAC Uganda Microfinance Limited manages its debt maturity profile, operating cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, BRAC Uganda Microfinance Limited maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, BRAC Uganda Microfinance Limited maintains banking facilities of a reasonable level.

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2014 to the contractual maturity date.

	Matured	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
ASSETS						
Cash and bank	2,177,570	-	-	-	-	2,177,570
Short term deposits	-	971,368	-	-	-	971,368
Loans and advances to customers	-	13,712,712	70,611,111	-	-	84,323,823
Other assets	-	1,096,905	-	-	-	1,096,905
Related Party receivables	-	-	-	-	-	-
Deferred tax asset	-	-	2,452,947	-	-	2,452,947
Property and equipment	-	-	-	-	1,114,458	1,114,458
	2,177,570	15,780,985	73,064,058	-	1,114,458	92,137,071
Equity and Liabilities						
Loan Security Fund	680,710	2,042,130	12,839,453	-	-	15,562,293
Related party payables	-	-	2,860,785	-	-	2,860,785
Borrowings	-	-	27,058,060	-	-	27,058,060
Other liabilities	-	1,357,911	4,529,750	-	-	5,887,661
Tax payable	-	-	942,013	-	-	942,013
Equity	-	-	-	-	39,826,259	39,826,259
	680,710	3,400,041	48,230,061	-	39,826,259	92,137,071
Net assets / (liabilities)	1,496,860	12,380,944	24,833,997	-	(38,711,801)	-

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

29. FINANCIAL RISK MANAGEMENT (contd.)

e) Market risk

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

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

Management of market risks

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

Currency risk

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

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

Any movement in the foreign exchange rates would not have a significant impact on profit and loss and as such a sensitivity analysis has not been shown.

(f) Operational risks

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

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

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

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

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)

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:

	2014 Ushs'000	2013 Ushs'000
Within one year	461,947	505,103
Above one year	461,947	505,103
	923,894	1,010,206

Amortisation of operating lease prepayments amounted to Ushs 461,947 (2013: Ushs 505,103).

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 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.

BRAC UGANDA MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (contd.)****30. Fair values of financial assets and liabilities (Continued)**

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)
Assets					
Cash and Cash Equivalents	-	2,177,570	-	2,177,570	2,177,570
Short term deposits	-	971,368	-	971,368	971,368
Loans and advances to customers	-	-	84,323,823	84,323,823	84,323,823
Other assets	-	1,096,905	-	1,096,905	1,096,905
Liabilities					
Loan security fund	-	15,562,293	-	15,562,293	15,562,293
Related party payables	-	2,860,785	-	2,860,785	2,860,785
Borrowings	-	27,058,060	-	27,058,060	27,058,060
Other liabilities	-	5,887,661	-	5,887,661	5,887,661
Tax payable	-	942,013	-	942,013	942,013

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

Annual Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Dr. A M R Chowdhury	-	Chairperson
Mr. Faruque Ahmed	-	Member
Mr. Tanwir Rahman	-	Member

ADMINISTRATORS

Mr. Abul Kashem Mozumder	-	Country Representative
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PRINCIPAL PLACE OF BUSINESS: Off Entebbe Road, Nyanama
Plot 90, Busingiri Zone
P O Box 31817
Kampala Uganda

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

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

AUDITORS

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

BANKERS

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2014 CONTINUED

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2014, which disclose the state of affairs of BRAC Social Business Enterprises Limited, ("the Company") in accordance with section 157 of the Companies Act of Uganda.

(a) Registration

BRAC Social Business Enterprises Uganda limited was incorporated as a limited liability company on 9 April, 2010, as an independent Company. Its vision is in line with the vision for BRAC Bangladesh 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 Business Enterprises Uganda limited uses sustainable social businesses to create and protect the livelihoods of poor people.

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- 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 groundbreaking 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 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- 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 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 2014 are set out on page 122.

(g) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 115.

(h) Directors benefits

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2014 CONTINUED

(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 2014 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 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;
- 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.

(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

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2014 CONTINUED

(m) FUTURE DEVELOPMENT PLANS

Continue improving the quality and quantity of seeds through full capacity utilization of the seed processing plant.

(n) KEY ACHIEVEMENTS IN 2014

A tissue culture lab and a seed processing plant building was set up and the machines were fully installed

(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 2014. 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. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment to a limit of USD 200 equivalent to Ushs 546,000..

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 2014, the company had a total staff of 9, female being 3 and male 6.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2014 CONTINUED

(r) Auditors

The auditors, KPMG, being eligible 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 6 April 2015.

By order of the Board

Signed.....

Date: 6 April 2015

SECRETARY

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED
31 DECEMBER 2014

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 2014, 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.

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 122 to 148 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement 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 2014. 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.

The auditor is responsible for reporting on whether the annual financial statements give a true and fair view of the state of affairs of the Company in accordance with the International Financial Reporting Standards and the Companies Act of Uganda.

Approval of the financial statements

The financial statements were approved by the board of directors on 6/4/2015 and were signed on its behalf by:

Director 

Director 

6/4/2015

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

Report on the Financial Statements

We have audited the financial statements of BRAC Social Business Enterprises Uganda Limited which comprise the statement of financial position at 31 December 2014 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 set out on pages 122 to 148. We have not audited the memorandum figures reported in United States Dollars (USD) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

The company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, and for such internal 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Social Business Enterprises Uganda Limited as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of Uganda.

Report on Other Legal Requirements

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

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



KPMG

Certified Public Accountants

P O Box 3509

Kampala, Uganda

Date: 16 April 2015

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2014

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Revenue	4	762,428	616,476	295,057	240,248
Cost of Sales	5	(188,385)	(174,963)	(72,904)	(68,185)
Gross profit		574,043	441,513	222,153	172,063
Staff costs	6	(218,458)	(202,493)	(84,543)	(78,914)
Training, Workshops & Seminars		(3,744)	-	(1,449)	-
Other operating expenses	7	(257,365)	(190,708)	(99,600)	(74,321)
Depreciation	11	(30,109)	(21,597)	(11,652)	(8,416)
Lease amortisation	12	(611)	(426)	(236)	(166)
Profit before tax		63,756	26,289	24,673	10,246
Income tax expense	15(a)	(202,939)	(136,876)	(78,537)	(53,342)
Net loss for the year		(139,183)	(110,587)	(53,864)	(43,096)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(139,183)	(110,587)	(53,864)	(43,096)

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2014

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
ASSETS					
Cash and Bank	8	682,660	657,023	250,059	261,866
Deposit on Letters of Credit	9	-	105,626	-	42,099
Other receivables		900	-	328	-
Inventory	10	40,064	28,668	14,675	11,426
Property and equipment	11	2,132,669	1,285,160	781,198	512,220
Finance lease on leasehold land	12	57,700	40,075	21,136	15,972
Total assets		2,913,993	2,116,552	1,067,396	843,584
LIABILITIES AND CAPITAL FUND					
Liabilities					
Related party payables	13(a)	64,842	26,771	23,752	10,670
Other liabilities	14	41,431	54,393	15,176	21,679
Tax payable	15(c)	25,585	11,746	9,371	4,682
Deferred tax Liability	15(b)	385,922	200,386	141,363	79,867
Total liabilities		517,780	293,296	189,662	116,898
Equity					
Share Capital	16(a)	1,000	1,000	379	379
Funds Designated for issue of Ordinary Shares	16(b)	2,432,274	1,720,134	890,943	685,206
Retained earnings		(37,061)	102,122	(13,575)	42,535
Currency Translation		-	-	(13)	(1,434)
Total Equity		2,396,213	1,823,256	877,734	726,686
Total liabilities and Equity		2,913,993	2,116,552	1,067,396	843,584

The financial statements on pages 126 to 146 were approved by the Board of Directors on 6 April 2015 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
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 DECEMBER 2014

	Share capital Ushs '000	Funds Designated for issue of Ordinary Shares Ushs '000	Retained earnings Ushs '000	Total equity Ushs	Total equity USD
At 1 January 2013	1,000	865,059	212,709	1,078,768	406,793
Issue of Ordinary Shares	-	855,075	-	855,075	333,233
Comprehensive income:					
Loss for the year	-	-	(110,587)	(110,587)	(43,096)
Currency Translation	-	-	-	-	29,756
At 31 December 2013	1,000	1,720,134	102,122	1,823,256	726,686
At 1 January 2014	1,000	1,720,134	102,122	1,823,256	726,686
Issue of Ordinary Shares	-	712,140	-	712,140	275,596
Comprehensive income:					
Loss for the year	-	-	(139,183)	(139,183)	(53,864)
Currency Translation	-	-	-	-	(70,684)
At 31 December 2014	1,000	2,432,274	(37,061)	2,396,213	877,734

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED
31 DECEMBER 2014

	Note	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Cash inflow/(outflow) generated from operations	17	212,915	(22,720)	78,076	(9,055)
Income taxes paid		(3,564)	(35,744)	(1,379)	(13,930)
Cash inflow/(outflow) from operating activities		209,351	(58,464)	76,697	(22,985)
INVESTING ACTIVITIES					
Acquisition of fixed assets		(877,618)	(438,545)	(339,635)	(170,906)
Acquisition of finance lease assets		(18,236)	-	(7,057)	-
Cash outflows from investing activities		(895,854)	(438,545)	(346,692)	(170,906)
FINANCING ACTIVITIES					
Share capital		712,140	855,075	275,596	333,233
Cash inflows from financing activities		712,140	855,075	275,596	333,233
Net increase in cash and cash equivalents		25,637	358,066	5,601	139,342
Cash & cash equivalents at 1 January		657,023	298,957	261,866	113,241
Currency translation		-	-	(17,408)	9,283
Cash & cash equivalents at 31 December	8	682,660	657,023	250,059	261,866

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 2014

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 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 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 preparation

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 judgements, 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 judgement 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 2,730 for balance sheet items and US \$ = Ushs 2,584 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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

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 recognises 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.

Revenue is recognised as follows:

Sales of goods are recognised 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 recognised 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 recognised 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 recognised in the statement of comprehensive income.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out principle, and includes transport and handling costs. Net realisable 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 recognised 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 recognised 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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment

All property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognised 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 recognised 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 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%

The residual value and the useful life 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 recognised in profit or loss unless it is included in the carrying amount of another asset.

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 the 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 recognised 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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation

Current tax for current and prior periods is, to the extent unpaid, recognised 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 recognised 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.

A deferred tax liability is recognised 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 recognised 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 recognised 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 recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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.

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.

(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 recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Fair value determination

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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

Amounts owing by/ (to) related parties

These include amounts owing by/ (to) holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised 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 recognised to reflect irrecoverable amounts.

On amounts receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognised.

(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 recognised amount and there is an intention to settle on net basis, or to realise the asset and settle the liability simultaneously.

(k) Provisions

A provision is recognised 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 pre tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific 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 recognised as a deduction from equity, net of any tax effects.

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (m) 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.

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

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
• Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
• Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
• Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2014

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

IFRIC 21: Levies (effective for annual periods beginning on or after 1 January 2014)

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The adoption of the amendments did not have a significant impact on the financial statements of the company.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m)

ii) *New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014.*

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

<i>New standard or amendments</i>	<i>Effective for annual periods beginning on or after</i>
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

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

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the company's property, plant and equipment and intangible assets as the company uses the straight line method.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The adoption of these changes will not affect the amounts and disclosures of the company.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m)

ii) *New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014*

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 recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted.

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

IFRS 9: Financial Instruments (2014)

On 24 July 2014 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 amortised 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 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 adoption of this standard is expected to have a significant impact the financial statements of the company. The company is assessing the potential impact on its financial statements.

(n) Finance Leases

Assets held by the company under leases that transfer substantially to the company all risks and rewards are classified as finance leases. The leased asset is initially measured at measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

(m) Comparatives

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

4. REVENUE

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Sale of Seeds	284,421	210,905	110,070	82,192
Training Income	406,656	430,386	157,375	167,726
Other Income	8,187	-	3,168	-
Foreign exchange gain/(loss)	63,164	(24,815)	24,444	(9,670)
	762,428	616,476	295,057	240,248

5. COST OF SALES

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Opening stock	28,667	36,224	11,094	14,117
Seed Purchase	94,051	92,864	36,397	36,190
Labour	34,532	24,992	13,364	9,740
Transportation of seeds	2,858	7,845	1,106	3,057
Land preparation	-	876	0	341
Chemical cost	11,272	7,946	4,362	3,097
Irrigation cost	2,132	300	825	117
Fertilizer costs – Chemicals	14,315	14,261	5,540	5,558
Packaging Costs	33,084	15,456	12,803	6,023
Seed processing cost	7,537	2,866	2,917	1,117
Closing stock	(40,063)	(28,667)	(15,504)	(11,172)
	188,385	174,963	72,904	68,185

6. STAFF COSTS

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Salaries	136,406	145,030	52,789	56,520
Bonus	1,512	1,194	585	465
Employer's Contribution	15,552	16,438	6,019	6,406
Other staff costs	64,988	39,831	25,150	15,523
	218,458	202,493	84,543	78,914

7. OTHER OPERATING EXPENSES

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Legal fees and other services	7,771	26,752	3,008	10,426
Provision for audit fees	24,161	22,205	9,350	8,654
Maintenance and general expenses	85,922	43,081	33,252	16,789
Stock Loss Provision	5,488	27,578	2,124	10,747
Other general expenses	19,241	32,128	7,446	12,520
Head Office logistic expenses	25,970	15,908	10,050	6,200
Travel and transportation	88,812	23,056	34,370	8,985
	257,365	190,708	99,600	74,321

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

8. CASH AND BANK

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Standard Chartered Bank Uganda Limited	681,530	655,916	249,645	261,425
Cash on hand	1,130	1,107	414	441
	682,660	657,023	250,059	261,866

9. DEPOSIT ON LETTERS OF CREDIT

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Advance to Suppliers	-	105,626	-	42,099
	-	105,626	-	42,099

10. (a) INVENTORY

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Maize Seeds	19,400	43,652	7,106	17,398
Rice Seeds	26,152	12,594	9,579	5,020
Provision for wastage	(5,488)	(26,726)	(2,124)	(10,747)
Fair Value Adjustment-Write down	-	(852)	-	(340)
Currency Translation	-	-	114	95
	40,064	28,668	14,675	11,426

(b) STOCK PROVISION

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
As at 1 January	(26,726)	-	(10,747)	-
Provision raised during the year	(5,488)	(26,726)	(2,124)	(10,747)
Provisions written off during the year	26,726	-	10,747	-
As at 31 December	(5,488)	(26,726)	(2,124)	(10,747)

Maize and Rice seeds are Agriculture seeds that were not yet sold as at 31 December 2014. 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 2014 (continued)

11. 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 2013	863,158	6,185	19,707	-	889,050	336,761
Additions	9,000	-	2,700	426,845	438,545	170,906
Currency translation	-	-	-	-	-	21,466
At 31 December 2013	872,158	6,185	22,407	426,845	1,327,595	529,133
Additions	-	2,370	276,668	598,580	877,618	339,635
Currency translation	-	-	-	-	-	(60,998)
At 31 December 2014	872,158	8,555	299,075	1,025,425	2,205,213	807,770
DEPRECIATION						
Balance at 1 January 2013	17,263	619	2,956	-	20,838	7,893
Charge for the year	17,635	619	3,343	-	21,597	8,416
Currency translation	-	-	-	-	-	604
At 31 December 2013	34,898	1,238	6,299	-	42,435	16,913
Charge for the year	17,370	856	11,883	-	30,109	11,652
Currency translation	-	-	-	-	-	(1,993)
At 31 December 2014	52,268	2,094	18,182	-	72,544	26,572
NET BOOK VALUE						
At 31 December 2013	837,260	4,947	16,108	426,845	1,285,160	512,220
At 31 December 2014	819,890	6,461	280,893	1,025,425	2,132,669	781,198

12. FINANCE LEASE ON LEASEHOLD LAND

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Cost/Valuation				
At 1 January	42,206	42,206	16,822	15,987
Additions	18,236	-	7,057	-
Currency Translations	-	-	(1,739)	835
At 31 December	60,442	42,206	22,140	16,822
Amortization				
At 1 January	2,131	1,705	850	687
Charge for the year	611	426	236	166
Currency Translations	-	-	(82)	(3)
At 31 December	2,742	2,131	1,004	850
Net Book Value				
At 31 December	57,700	40,075	21,136	15,972

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 2014, the remaining lease period is 93 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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

13. RELATED PARTY TRANSACTIONS

The company has entered into transactions with related parties as follows:

(a) Amount due to related parties

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Stichting BRAC International	59,538	23,540	21,809	9,382
BRAC Bangladesh	5,304	3,231	1,943	1,288
	64,842	26,771	23,752	10,670

Related party payables relate to amounts owing to Stichting BRAC International for the settlements of operating expenditures on behalf of the company.

All these related parties share a common ultimate controlling party with the Company.

(b) Sale of services

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Training income	406,656	430,386	157,375	167,726
	406,656	430,386	157,375	167,726

The company provides training services to related companies including BRAC Uganda and BRAC Uganda Microfinance Limited.

14. OTHER LIABILITIES

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Bonus provision	126	156	46	62
Provision for NSSF	2,273	1,929	833	769
Provision for audit fees	24,161	22,205	8,850	8,850
Salary provision	4,799	21,807	1,758	8,692
Provision for PAYE	4,160	2,849	1,524	1,136
Withholding tax payable	1,647	5	603	2
Accrued expenses	4,265	5,442	1,562	2,168
	41,431	54,393	15,176	21,679

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:

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Corporation tax	22,617	11,606	8,753	4,523
(Over)/Under provision from prior year	(5,214)	140	(2,018)	54
Deferred tax (Note 14 (b))	185,536	125,130	71,802	48,765
Income tax expense	202,939	136,876	78,537	53,342

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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

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:

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Corporation tax	22,617	11,606	8,753	4,523
(Over)/Under provision from prior year	(5,214)	140	(2,018)	54
Deferred tax (Note 14 (b))	185,536	125,130	71,802	48,765
Income tax expense	202,939	136,876	78,537	53,342

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:

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Accounting profit	63,756	26,289	24,673	10,246
Tax at applicable rate 30%	19,127	7,887	7,402	3,704
Tax effect of:				
(Over)/Under provision from prior year	(5,214)	140	(2,018)	54
Non-deductible expenses & non taxable income	189,026	128,849	73,153	49,584
	202,939	136,876	78,537	53,342

(b) DEFERRED TAXATION

The recognised deferred tax liability as at 31 December 2014 is attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

	2013 Ushs '000	Movement Ushs '000	2014 Ushs '000	2013 USD	Movement USD	2014 USD
Property and equipment	687,525	611,738	1,299,263	274,024	201,897	475,921
Provisions	(28,031)	27,905	(126)	(11,172)	11,126	(46)
Unrealized gains	8,460	(21,192)	(12,732)	3,372	(8,036)	(4,664)
	667,954	618,451	1,286,405	266,224	204,987	471,211
Deferred tax asset @ 30%	200,386	185,536	385,922	79,867	61,496	141,363
Currency translation	-	-	-	-	10,306	-
At 31 December	200,386	185,536	385,922	79,867	71,802	141,363

(c) TAX PAYABLE

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
At 1 January	11,746	35,744	4,682	13,539
Charge for the year	22,617	11,606	8,753	4,523
(Over)/Under provision for				
- corporation tax in previous years	(5,214)	140	(2,018)	54
Paid during the year	(3,564)	(35,744)	(1,379)	(13,930)
Currency translation	-	-	(667)	496
At 31 December	25,585	11,746	9,371	4,682

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

16. SHARE CAPITAL AND FUNDS DESIGNATED FOR ISSUE OF ORDINARY SHARES

(a) Share Capital		2014	2013
		Ushs '000	Ushs '000
		1000	1000
Authorized Capital			
Issued and raised shares			
	No of shares	2014 Amount Ushs '000	2013 Amount Ushs'000
As at 1 January	100	1,000	1,000
Issued during the year @10,000	-	-	-
At 31 December	100	1,000	1,000

(b) Funds designated for issue of Ordinary shares

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Funds Designated for issue of ordinary shares	2,432,274	1,720,134	890,943	685,206
	2,432,274	1,720,134	890,943	685,206

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. During the year, the company received an additional Ushs 712,140,000 from BRAC Stichting towards capital. As at 31 December 2014, no resolution had been made for issue of additional shares.

17. Cash flow from operating activities

	2014 Ushs '000	2013 Ushs '000	2014 USD	2013 USD
Profit before tax	63,756	26,289	24,673	10,246
<i>Adjustments for:</i>				
Depreciation	30,109	21,597	11,652	8,416
Amortisation	611	426	236	166
Cash flow before changes in working capital	94,476	48,312	36,561	18,828
Changes in working capital				
(Increase)/Decrease in inventory	(11,395)	7,556	(4,174)	2,945
Decrease/(Increase) in deposit on LCs	105,626	(105,626)	38,691	(41,164)
Increase in related party payables	38,070	641	13,945	250
(Increase) in receivables	(900)	-	(330)	-
(Decrease)/Increase of other payables	(12,962)	26,397	(4,748)	10,287
Currency Translations	-	-	(1,869)	(201)
Net cash inflow/(Outflow) from operations	209,351	(22,720)	78,076	(9,055)

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

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 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.

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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

18. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview (continued)

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

	2014	2013	2014	2013
	Ushs '000	Ushs '000	USD	USD
Cash and Bank	682,660	657,023	250,059	261,866
	682,660	657,023	250,059	261,866

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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

18. FINANCIAL RISK MANAGEMENT (continued)

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 2014	Less than 6 months Ushs '000	6 to 12 months Ushs '000	More than 12 months Ushs '000	Total Ushs '000
Assets				
Cash and cash equivalents	682,660	-	-	682,660
Inventories	40,064	-	-	40,064
Other receivables	900	-	-	900
Total assets	723,624	-	-	723,624
Liabilities				
Other liabilities	41,431	-	-	41,431
Tax payable	29,149	-	-	29,149
Amount due to related parties	64,842	-	-	64,842
Total liabilities	135,422	-	-	135,422
Liquidity gap	588,202	-	-	588,202

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

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

19. 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.
- 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair values</u>	<u>Total carrying amount</u>
Assets					
Cash and Bank	-	-	682,660	682,660	682,660
Inventories	-	-	40,064	40,064	40,063
Other receivables	-	-	900	900	900
Liabilities					
Other liabilities	-	-	41,431	41,431	41,431
Tax payable	-	-	29,149	29,149	29,149
Amount due to related parties	-	-	64,842	64,842	64,842

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

20. 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 judgements 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 judgements 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.

21. CONTINGENT LIABILITIES

There were no known contingent liabilities as at the close of the year.

22. ULTIMATE CONTROLLING PARTY

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

23. 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 2014.

24. CURRENCY

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

25. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2014 (2013: Nil).

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

23. SEGMENTAL REPORTING

Statement of comprehensive income for each division for the year ended 31 December 2014 (Amount in Uganda Shillings) is shown below:

	Agriculture	Training	Total
	Ushs '000	Ushs '000	Ushs '000
Revenue	350,159	412,269	762,428
Cost of Sales	(188,385)	-	(188,385)
Gross Profit	161,774	412,269	574,043
Staff costs & other benefits	(201,819)	(16,639)	(218,458)
Training, Workshops & Seminars	-	-	-
Other operating expenses	(188,183)	(72,926)	(261,109)
Depreciation	(30,109)	-	(30,109)
Amortisation	(611)	-	(611)
Profit before tax	(258,948)	322,704	63,756
Income tax expense	-	(202,939)	(202,939)
Net profit for the year	(258,948)	119,765	(139,183)

Statement of financial position as at 31 December 2014 (Amount in Uganda Shillings)

	Agriculture	Training	Total
	Ushs '000	Ushs '000	Ushs '000
ASSETS			
Cash and Bank	152,301	530,359	682,660
Inventory	40,064	-	40,064
Other receivable	(399,100)	400,000	900
Property and equipment	2,126,188	6,481	2,132,669
Finance lease on leasehold land	57,700	-	57,700
Total assets	1,977,153	936,840	2,913,993
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	56,393	8,449	64,842
Other liabilities	36,840	4,591	41,431
Tax payable	-	25,585	25,585
Deferred tax Liability	149,437	236,485	385,922
Total liabilities	242,670	275,110	517,780
Equity			
Share Capital	1,000	-	1,000
Funds Designated for issue Share Capital	2,432,274	-	2,432,274
Retained earnings	(698,792)	661,731	(37,061)
Total Equity	1,734,482	661,731	2,396,213
Total liabilities and Equity	1,977,152	936,841	2,913,993

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014 (continued)

23. SEGMENTAL REPORTING (continued)

Statement of comprehensive income for the year ended 31 December 2014 (Amount in United States Dollars)

	Agriculture US\$	Training US\$	Total US\$
Revenue	135,510	159,547	295,057
Cost of Sales	(72,904)	-	(72,904)
Gross Profit	62,606	159,547	222,153
Staff costs	(78,104)	(6,439)	(84,543)
Training, Workshops & Seminars	-	-	-
Other operating expenses	(72,827)	(28,222)	(101,049)
Depreciation	(11,652)	-	(11,652)
Amortisation	(236)	-	(236)
Profit before tax	(100,213)	124,886	24,673
Income tax expense	-	(78,537)	(78,537)
Net profit for the year	(100,213)	46,349	(53,864)

Statement of financial position as at 31 December 2014 (Amount in United States Dollars)

	Agriculture US\$	Training US\$	Total US\$
ASSETS			
Cash and Bank	55,787	194,272	250,059
Inventory	14,675	-	14,675
Other receivables	(146,190)	146,518	328
Property and equipment	778,823	2,375	781,198
Finance lease	21,136	-	21,136
Total assets	724,231	343,165	1,067,396
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	20,657	3,095	23,752
Other liabilities	13,494	1,682	15,176
Tax payable	-	9,371	9,371
Deferred tax Liability	54,738	86,625	141,363
Total liabilities	88,889	100,773	189,662
Equity			
Share Capital	379	-	379
Funds Designated for issue Share Capital	890,943	-	890,943
Retained earnings	(255,980)	242,405	(13,575)
Currency Translation	-	(13)	(13)
Total Equity	635,342	242,392	877,734
Total liabilities and Equity	724,231	343,165	1,067,396

SUSTAINABILITY REPORT

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 which is based on recognition of the heterogeneity of the poor and their needs. We strategically link programs in Economic Development (Microfinance), Health, Education and other Livelihood development programs to create and protect the livelihoods of poor people. Our social enterprises, integrated with the various development programs, 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

BRAC 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 Naalya engaged in cleaning the trading center near their school as a way of giving back to the Community. This is a commitment of BRAC Uganda and MasterCard Foundation to observe 08th 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. 2,312 scholars in November 2014 engaged in different environmental conservation activities like cleaning drainage systems, planting trees and also demonstrating to the communities where they live on how to conserve the environment.

Marketplace practices

BRAC had various engagements with different representations in the line ministries purposely for sustaining and strengthening the relationship with Government. On 19 November 2014, the Japanese Social Development (JSDF) project was launched. It was graced by the Japanese ambassador to Uganda and representations from the World Bank and Ministry of Agriculture. The scholars Alumni network was launched on 18th December 2014 and the chief guest was the Commissioner of Private Schools in the Ministry of Education and Sports.

New implementing partners came on board like Stockholm University, Institute of Fiscal studies, BARR foundation, FAO and Uganda Health Marketing Board who in total committed over USD\$ 500,000.

Customer confidentiality

We value our beneficiaries and ensure confidentiality of all information obtained. Staffs are trained on how to ensure confidentiality of our beneficiaries' information. The Organization 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 Uganda continues to be compliant to Country laws and regulations. All operation licenses, work permits are renewed on time. Statutory deductions are also remitted on time. BRAC Human Resource policies are in line with the labor laws.

SUSTAINABILITY REPORT

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 programs and a good succession planning, BRAC Uganda continued focusing on capacity development and staff motivation. The total number of staff is 2,334 out of which 84% are female and 16% male. In a table below, different value adding training courses were achieved in 2014.

Name of the Training Course	Designation	Duration	Participants	Programme
Microfinance managementcourse	CO	5 DAYS	168	Microfinance
Basic training for mentors	Mentors	5 DAYS	159	ELA
Life skills	Mentors	5 DAYS	298	ELA
Financial literacy	Mentors	5 DAYS	311	ELA
Foundation training	PA & AC	5 DAYS	38	ELA
Small enterprise analysis	CO	6 DAYS	48	Small Enterprise Program
BRAC orientation,OCV& MCD	AC,RC,SCO, BM,ABM	5 DAYS	71	Microfinance, Poultry
BRAC orientation, OCV & MFM	BM	5 DAYS	32	Microfinance
Basic training on ERP	BAO, AAM	1 DAY	26	Accounts & Finance
BRAC orientation	Senior level managers	2 DAYS	8	-
PA initial training (JSDF)	PA	5 DAYS	33	Agriculture
Basic training on P&L rearing and Mgt.	AC & RC	5 DAYS	51	Poultry
Basic training on agriculture	PA,AC,RC	5 DAYS	86	Agriculture
Essential health Care	AHC, RHC	5 DAYS	60	Health
TOT on disaster management	Senior level managers	2 DAYS	26	All Programs
Work shop on disaster management	Senior level Managers	1 day	86	All Programs
Mentor-teacher workshop	Mentor-teacher	1 DAY	30	Scholarship
Mentor-teacher refreshers	Mentor-teacher	1 DAY	57	Scholarship
Women-win workshop	Senior level managers	3 DAYS	28	ELA
PMS &HRPP	-	1 DAY	68	-
Goal TOT	Mentors	4 DAYS	27	ELA
Monitoring workshop	Monitors	-	13	Monitoring
Basic training for auditors	Audit officers	2 DAYS	14	Audit
VSLA TOT	Community organizers	5 DAYS	33	Community connector
others	Community organizers	-	92	-

SUSTAINABILITY REPORT

In 2014 Human resource division embarked on streamlining the entire HR function for purposes of improving staff performance and motivation. Various resource documents like the Human Resource policy manual, performance management system, performance improvement plan were rolled out. The division also introduced HR relationship officers for each program. Medical expense reimbursement package and other performance incentive schemes were introduced in the same year. Over 20 expatriate staff left the country and the positions were filled by the national staff.

In a bid to promote BRAC Values, BRAC introduced special awards for staff who meet BRAC core values.

In 2015 there is a plan to roll out a diversity campaign with a theme “Let’s make a difference by celebrating our differences”. Some staff shall be given scholarships and expect several of them to go for exposure visits in Bangladesh and other countries where BRAC is operating.

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.

Employee Turnover

The employee metrics on attrition for the financial year 2014 show an improvement. In 2014 the attrition rate is 9% compared to 11% in 2013. We target to reduce it further to less than 7% in 2015.

NOTES

Photo credit:

BRAC/Nasir Ali Mamun
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