BRAC UGANDA
ANNUAL REPORT 2018

CONTENT

LETTER FROM THE EXECUTIVE DIRECTOR

Gender inequity is a pervasive problem locally, nationally and globally. Not only does it affect the individual lives of both women and men, but it stunts economic growth and hinders sustainable development.

Gender gaps persist in social, economic, cultural and political spheres. Women, until today, do not have equal access to education, healthcare, decent work or representation in political and economic decision-making processes, and are often paid less than men for the same work. Out of the total number of people in the world who are illiterate, women make up 66%.

Human rights allow people to live with dignity, freedom, equality and justice. Gender equity is a fundamental human right, and an essential prerequisite to eradicating poverty and building a peaceful and sustainable world. It is why the United Nations set Sustainable Development Goal 5 as a call to achieve gender equality and empower women and girls everywhere. As an organisation working towards a more equitable future for all, we are committed to advancing our efforts in meeting this goal.

Our empowerment and livelihood for adolescents (ELA) programme socially and financially empowers teenage girls in Liberia, Nepal, Sierra Leone, Tanzania, and Uganda. 20,649 girls accessed life skills and financial literacy training in 2018. We work in countries with the highest rates of child marriage and teenage pregnancy, with a holistic combination of social awareness, life skills and mentoring giving girls a second chance at education and increasing their confidence.

When girls are socially aware of their rights, they find the confidence to assert themselves and resolve conflict. Through our education programmes in Afghanistan, Liberia, Philippines, Tanzania, and Uganda, we helped 25,016 girls in 2018 understand that education is a necessity to avoid early marriage, poverty, and inequity.

Approximately 1.7 billion adults in the world do not have access to formal financial services, and over half of them are women, according to the World Bank. We provide households living in poverty with financial access, create self-employment opportunities, and harness the entrepreneurial skills of women. We reached around 600,000 women in six countries in Africa and Asia through our microfinance programme in 2018.

We focus on women and young people by supporting them to increase their income and improve food security and wellbeing through our agriculture, food security and livelihood programme across Africa and Asia.

We look forward to continuing on the journey to strengthen our efforts for a gender-equal world. We will reach an additional 192,000 girls by 2020 with robust livelihood training programmes that will ensure sustainable economic independence. We want to see a future where women all over the world have the opportunity to reach their full potential.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

BRAC Uganda took its transformation agenda to a higher level in 2018. Our contribution to poverty reduction, especially women and the youth, was evident and appreciated by the Government of Uganda and our development partners. We applied BRAC's experience and know-how to address the root causes of inequality.

Uganda hosts the largest number of refugees in Africa, and the ongoing influx means services are overstretched. Through our Emergency Preparedness and Response Programme we supported social and economic empowerment of 200 adolescents and 100 women in Kiryandongo refugee settlement through training on life skills, financial literacy, livelihood training, and agricultural inputs. We have equipped both refugee and host population with skills to engage in income generating activities. We were also able to deliver timely and high-quality assistance in the Bududa area following the catastrophic landslides in October.

Uganda, like any other developing country, is currently faced with the burden of youth unemployment. Over 500,000 people are expected to enter the labour market every year, and the market is only able to provide 8,000 jobs annually. Against these data, BRAC Uganda made an effort to roll out vocational training and skills oriented projects to curb the unemployment rates.

Through working in partnership with Young Women Christian Association, we secured a one-year project funding from the Belgium Development Agency to implement Skills Development Interventions in Kiryandongo Refugee Settlement and host communities. The aim of the project is to enable 360 Youths, women and girls to acquire relevant vocational, apprenticeship, and micro-enterprise skills and transit to the world of work.

Additionally, BRAC Uganda has diversified its MasterCard Scholars' programme to incorporate a transitional support extension project. It will promote a transtionary approach for tertiary training that builds technical skills of scholars to be more practical, innovative, and employable over its three-year life span. Another achievement in 2018 was BRAC Uganda's expansion of its Early Childhood Development programme from 40 'Play Labs' to 120.

BRAC Uganda continues to develop and use innovative technologies to strengthen its results. Within our Health programme, we developed the 'Medic Mobile' app, which is currently being used by our 4,082 Community Health Promoters (CHPs) countrywide. It is a tool which our CHPs use during their home visits, and assists in guiding them through their screening for high-risk pregnancies, assessing, and diagnosing.

To the Government of Uganda, and to partners, civil society, the private sector, and elsewhere, I say "Thank You" for the strong relationships. This year yet again, we prove that by working with and in partnership, we make what seems impossible, possible.

Also, I thank the BRAC Uganda team for their unfailing dedication.

Sincerely,

Hasina

Hasina Haque
Country Representative
BRAC Uganda

BUILDING A WORLD WE WANT

The idea behind Stichting BRAC International is to change systems of inequity. We act as a catalyst, creating platforms for people to realise their potential. Set up as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. The entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

SOCIAL DEVELOPMENT

Facilitating social transformation through eight programmatic priorities: Eliminating extreme poverty, expanding financial choices, employable skills for decent work, climate change and emergencies, gender equality, universal healthcare, pro-poorurban development, investing in the next generation.

HUMANITARIAN RESPONSE

Ensuring that the most vulnerable, marginalised populations can mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises. We provided nearly 60,000 people with life-saving assistance in Myanmar, following the devastating flood in July 2018, in close collaboration with the government and other stakeholders.

SOCIAL ENTERPRISES

Solutions for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.

BRAC BANGLADESH

We were born in Bangladesh and now we operate in 11 countries across Asia and Africa. BRAC is a global leader in developing cost-effective, evidence-based programmes, and has been ranked the #1 NGO in the world for the last four years consecutively by NGO Advisor.

AFFILIATES

BRAC USA

The North American affiliate of BRAC. BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

BRAC UK

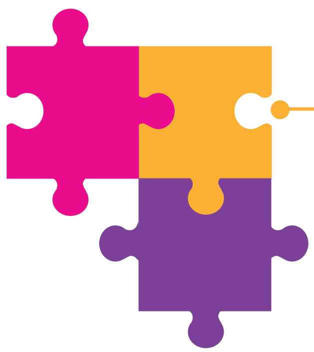
The European affiliate of BRAC. BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.

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 men and women to realise their potential.



VALUES

INTEGRITY
INNOVATION
INCLUSIVENESS
EFFECTIVENESS

SAFEGUARDING FOR ALL

WHAT IS SAFEGUARDING?

'Safeguarding' refers to the ways of protecting individuals from any kind of misconduct or harassment including - sexual harassment, oppression, intimidation, humiliation, violence, discrimination, neglect and exploitation.

BRAC'S SAFEGUARDING POLICY IS MEANT FOR:

- Stakeholders
- Partners and donors
- Employees and volunteers

WHO ARE MOST PRONE TO SAFEGUARDING RISKS?

- Children
- Adolescents
- Women
- Adults with special needs
- People with disabilities

SAFEGUARDING RESPONSIBILITIES OF BRAC'S EMPLOYEES AND VOLUNTEERS

- Ensure safeguarding for everyone involved, starting from the programme design to its implementation.
- Ensure employees of all parties involved are aware of safeguarding-related issues before signing a contract with a donor and/or partner organisation.
- Verify the moral values of all applicants during recruitment.
- Develop a clear understanding of what constitutes as harassment, and share that information with others.
- Inform relevant authorities immediately upon witnessing an incident of harassment.

SAFEGUARDING IS EVERYONE'S RESPONSIBILITY

ABOUT US

STICHTING BRAC INTERNATIONAL

Set up in 2009 as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

> Gender equality is a prerequisite for a just and humane society
>
> **Sir Fazle Hasan Abed**
> Founder & Chairperson, BRAC

BRAC INTERNATIONAL HOLDINGS B.V.

Set up in 2010 as a private limited liability company under the laws of the Netherlands and is a wholly-owned subsidiary of Stichting BRAC International. It is a socially responsible for profit organisation, engaging people in economic activities, and creating sustainable income generating activities for themselves. It provides funding for the social development programmes under Stichting BRAC International. The core focus is to provide microfinance services to people who are financially constrained and marginalised, and people who do not have access to the financing facilities offered by banks and other non-bank financial institutions.

OUR AFFILIATES

Founded in 2006 to raise our profile globally. They play a critical role building awareness, developing new business plans, mobilizing resources, and maintaining effective partnership with institutional donors, foundations, NGOs, research organisations as well as the media. They collaborate with international counterparts to design and implement cost-effective and evidence-based poverty innovations worldwide.

BRAC USA

The North American affiliate, BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

BRAC UK

The European affiliate, BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.

STICHTING BRAC INTERNATIONAL MANAGEMENT AS OF 31 JULY, 2018

MANAGEMENT BOARD

FARUQUE AHMED
EXECUTIVE DIRECTOR
BRAC International

SHAMERAN ABED
SENIOR DIRECTOR
Microfinance, Ultra Poor Graduation
BRAC and BRAC International

LAMIA RASHID
DIRECTOR
Africa Region
BRAC International

M ANOWAR HOSSAIN
DIRECTOR
Asia Region
BRAC International

OTHER DIRECTORS

HANS ESKES
DIRECTOR
BRAC International Holding B.V.

DIRK BROER BOOY
SENIOR DIRECTOR
Programme Development, Resource Mobilisation and Learning,
BRAC and BRAC International

MUNMUN CHOWDHURY
CHIEF PEOPLE OFFICER
BRAC International

MOUTUSHI KABIR
DIRECTOR
Communications and Outreach
BRAC and BRAC International

NANDA DULAL SAHA
DIRECTOR
Internal Audit
BRAC and BRAC International

KENNETH CAROL VAN TOLL
DIRECTOR
Fundraising
BRAC International

STICHTING BRAC INTERNATIONAL SUPERVISORY BOARD

Sir Fazle Hasan Abed KCMG
Founder and Chairperson

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Sir Fazle was born in 1936 in Bangladesh. He studied Accountancy in London, qualifying as a Cost Management Accountant in 1962. While he was working as a senior corporate executive at Pakistan Shell, the 1970 cyclone and 1971 Liberation War in Bangladesh dramatically changed the direction of his life. He left his job and moved to London, where he helped initiate Action Bangladesh and HELP Bangladesh in support of the Liberation War.

Early in 1972, after the war was over, he returned to the newly-independent Bangladesh, finding the economy in ruins. The return of 10 million refugees, who had sought shelter in India during the war, called for urgent relief and rehabilitation efforts. Sir Fazle established BRAC to address the needs of refugees in a remote area of north-eastern Bangladesh, guided by a desire to help the poor develop their own capacity to better manage their lives.

Today BRAC is one of the largest NGOs in the world, operating across eleven countries in Africa and Asia. Its primary objectives are to alleviate poverty and empower the poor. In 2019, for the fourth consecutive year, BRAC was ranked first among the world's top 500 NGOs by Geneva-based 'NGO Advisor' in terms of impact, innovation and sustainability.

Sir Fazle has been honoured with numerous national and international awards for his achievements in leading BRAC, including the LEGO Prize (2018), Laudato Si' Award (2017), Jose Edgardo Campos Collaborative Leadership Award, South Asia Region (2016), Thomas Francis, Jr. Medal in Global Public Health (2016), World Food Prize (2015), Trust Women Hero Award (2014), Spanish Order of Civil Merit (2014), Leo Tolstoy International Gold Medal (2014), CEU Open Society Prize (2013), Inaugural WISE Prize for Education (2011), Entrepreneur for the World Award (2009), David Rockefeller Bridging Leadership Award (2008), Inaugural Clinton Global Citizen Award (2007), Henry R. Kravis Prize in Leadership (2007), Palli Karma Shahayak Foundation (PKSF) Award for lifetime achievement in social development and poverty alleviation (2007), UNDP Mahbubul Haq Award for Outstanding Contribution to Human Development (2004), Gates Award for Global Health (2004), Gleitsman Foundation International Activist Award (2003), Schwab Foundation's Social Entrepreneurship Award (2003), Olof Palme Prize (2001), InterAction Humanitarian Award (1998) and Ramon Magsaysay Award for Community Leadership (1980).

He is also recognised by Ashoka as one of the 'global greats' and is a founding member of its prestigious Global Academy for Social Entrepreneurship. He was a member of the Commission on Health Research for Development (1987-90), the Independent South Asian Commission on Poverty Alleviation (1991-92) and the High-level Commission on Legal Empowerment of the Poor (2005-2008). In 2009, he was appointed Knight Commander of the Most Distinguished Order of St. Michael and St. George by the British Crown in recognition of his services to reducing poverty in Bangladesh and internationally. Sir Fazle was a member of the Group of Eminent Persons appointed by the UN Secretary-General in 2010 to advise on support for the Least Developed Countries. In 2014 and 2017, he was named in Fortune Magazine's List of the World's 50 Greatest Leaders.

The many honorary degrees received by Sir Fazle Hasan Abed include those from Princeton University (2014), the University of Oxford (2009), Columbia University (2008) and Yale University (2007). He was a visiting scholar at Harvard University in 1981.

Sylvia Borren
Vice Chair

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Sylvia Borren has worked all her life within and for civil society organisations, both professionally and as a volunteer.

She was part of the Dutch and global women's and sexual rights movements (COC, ILGA, IWC for a just and sustainable Palestinian-Israeli peace) and is now advisor to the UN Women National Committee Netherlands and ATRIA (the Institute on gender equality and women's history). Ms Borren was part of the anti-poverty movement (director of Oxfam Novib 1994-2008, co-chair of the Global Call to Action against Poverty and EEN) and is now the Vice Chair of the Stichting BRAC International Supervisory Board.

She was on two national governmental advisory commissions (for Youth Policy and the Advisory Council on International Affairs), co-chair of the Worldconnectors (a Dutch think tank), on the board of a large mental health institute (Altrecht), worked as an organisational consultant with De Beuk for many years, led the project Quality Educators for All with the trade union Education International, and continues to be a member of the Worldconnectors.

Ms Borren was recently director of Greenpeace Netherlands (2011-2016), part of the Forest Stewardship Council Netherlands, and is now on the advisory commission of Staatsbosbeheer, which manages nature reserves.

She is now a freelance consultant at 'Working for Justice' and a senior adviser for Governance & Integrity.

Dr Debapriya Bhattacharya
Member

Stichting BRAC International Supervisory Board

Dr Debapriya Bhattacharya, a macroeconomist and public policy analyst, is a Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dhaka, where he was its first Executive Director. He was the Ambassador and Permanent Representative of Bangladesh to WTO and UN Offices in Geneva and Vienna and former Special Advisor on LDCs to the Secretary General of UNCTAD. Earlier, he was a Senior Research Fellow at the Bangladesh Institute of Development Studies (BIDS).

He studied in Dhaka, Moscow, and Oxford. Visiting positions held include Senior Fulbright Fellow at the Center for Global Development, Washington DC. He serves on the boards and working groups of various leading institutions and editorial boards of reputed journals including Oxford Development Studies. He was General Secretary of the Bangladesh Economic Association for three consecutive terms.

Dr Bhattacharya chairs the Southern Voice, a network of 50 think tanks from Africa, Asia, and Latin America, dedicated to following up and reviewing the implementation of the Sustainable Development Goals (SDGs). He led the pioneering multi-country studies on shaping the 2030 Agenda of the United Nations, data deficits of SDG monitoring, and early signals of SDG implementation in the developing countries. He also chairs LDC IV Monitor, an independent partnership of eight international organisations and academic institutions engaged in monitoring the outcome of the fourth United Nations Conference on the Least Developed Countries.

He serves as the Convenor of the Citizen's Platform for SDGs, Bangladesh - a platform of more than 100 NGOs and private sector bodies, seeking to contribute to the delivery of the SDGs at the country level.

He recently edited the volume Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises, Routledge (2018); Southern Perspectives on the Post-2015 International Development Agenda, Routledge, London (2017); team leader of the study Quest for Inclusive Transformation of Bangladesh: Who Not to be Left Behind (2017).

Shabana Azmi
Member

Stichting BRAC International Supervisory Board

Shabana Azmi is an internationally celebrated film and theatre actress. She has won five national and five international awards for best actress.

She is a highly respected social activist and tireless campaigner for the rights of women, slum dwellers, and the underprivileged. She heads the Mijwan Welfare Society (MWS), an NGO that works for empowerment of the girl child in rural India. MWS works on education, primary health and sanitation, skill development, and employment generation.

Ms Azmi was nominated to The Rajya Sabha by the President of India in 1997. She is a recipient of the Padmashri and Padma Bhushan. She was awarded the Gandhi International Peace Prize in 2006. At the bicentennial celebrations of international human rights in Paris in 1989, she was honoured along with Mother Theresa by President Mitterand of France. She also won the Crystal Award at the World Economic Forum 2006. She has been conferred five Doctorates by renowned universities, both national and international. She has received the prestigious Martin Luther King, Rosa Park, and Chavez Awards and is a visiting professor at the University of Michigan. A former UN Goodwill Ambassador for Population and Development, she continues to work on issues of public health. She has recently been nominated as Global Leadership Ambassador for Women in Public Service Project initiated by Hillary Clinton.

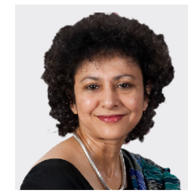
Shafiqul Hassan
Member

Stichting BRAC International Supervisory Board

Shafiqul Hassan is the managing director of Echo Sourcing Limited UK and Echotex Limited Bangladesh. Echotex received Bangladesh's National Environmental Award, Metropolitan Chamber of Commerce and Industry, Dhaka's Environmental Award, and J Sainsbury plc's Corporate Social Responsibility Award in 2010. Echotex was also awarded Best Clothing Supplier in 2011 as well as Best Clothing Supplier and Supplier of the Year in 2012 by J Sainsbury plc.

Mr Hassan co-founded a premium clothing label called Ninety Percent, launched in 2018, that shares ninety percent of its distributed profits between social and environmental causes, along with the people who are involved in making the clothes. He is the co-founder of Children's Hope, an NGO that works to educate slum children in Dhaka.

He obtained his undergraduate degree from City University, London and postgraduate degrees from Aston University, Birmingham, UK.



Irene Khan
Member

Stichting BRAC International Supervisory Board

Irene Zubaida Khan is director general of the International Development Law Organization (IDLO). The first woman to hold this office, she took up her position on January 1, 2012.

An international thought leader on human rights, gender, and social justice issues, Ms Khan was secretary general of Amnesty International from 2001 to 2009. Prior to that, she worked for the UN High Commissioner for Refugees for 21 years at headquarters and in various field operations. She was visiting professor at the State University of New York Law School (Buffalo) in 2011.

Irene sits on the boards of several international human rights and development organisations. She is the recipient of numerous honorary degrees and prestigious awards, including the City of Sydney Peace Prize in 2006 for her work to end violence against women and girls. Her book, The Unheard Truth: Poverty and Human Rights, has been translated into seven languages.

Born in Bangladesh, Ms Khan studied law at the University of Manchester and Harvard Law School.

Parveen Mahmud FCA
Member

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

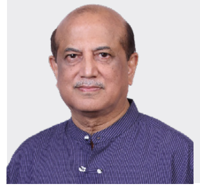
Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananynna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



Dr Mushtaque Chowdhury
Vice Chairperson

Stichting BRAC International Supervisory Board

Dr Mushtaque Chowdhury is a professor of population and family health at Columbia University's Mailman School of Public Health, New York and has worked as a MacArthur/Bell Fellow at Harvard University.

Dr Chowdhury is one of the founding members of the Bangladesh Education Watch and Bangladesh Health Watch. He is on the board and committees of several organisations and initiatives, including the Advisory Boards of the London School of Economics' South Asia Centre and the Lead Group for Scaling Up Nutrition Movement at the UN. He is a founding member of the Board of Trustees of the Humanitarian Leadership Academy in London and is the chair of the Asia-Pacific Action Alliance on Human Resources for Health (AAAH). Dr Chowdhury is also a member of the Technical Advisory Committee of Compact2025 at International Food Policy Research Institute (IFPRI), Expert Group on scaling up in Education at the Results for Development (R4D), and Leaders Group of Sanitation and Water for ALL (SWA) at Unicef Headquarters. He is also a senior adviser at the Bangladesh Institute of Development Studies (BIDS).

Dr Chowdhury was a coordinator of the UN Millennium Task Force on Child Health and Maternal Health, set up by former UN Secretary General Kofi Annan.

Dr Chowdhury has received a number of awards, including Humanitarian Award from the Distressed Children International at Yale University in 2013, the Medical Award of Excellence from Ronald McDonald House Charities in USA in 2017, and the Most Impactful Book Award from the University Press Limited in 2018.

Dr Chowdhury has published several books and over 200 articles in peer-reviewed international journals, including the The Lancet, Journal of International Development, and The Scientific American.

Dr Chowdhury holds a PhD from the London School of Hygiene and Tropical Medicine, an MSc from the London School of Economics, and a BA from the University of Dhaka.

Dr Fawzia Rasheed
Member

Stichting BRAC International Supervisory Board

Dr Fawzia Nazli Rasheed is a programme and governance analyst. She has worked within 30 countries to evaluate and develop initiatives, national plans, and broker intergovernmental collaborations and public private partnerships. As Senior Policy Adviser at separate junctures to the World Health Organisation, UNAIDS, and The Global Fund, she undertook organisational reforms and developed strategic plans. She has also supported programme development in Asia and Africa for several INGOs, including CARE International, and Médecins Sans Frontières International.

She is currently Senior Advisor to the Aga Khan Development Network and a technical review panel member for AmplifyChange.

Her governance work includes conceptualising a performance-based funding system to strengthen country oversight for all programmes of The Global Fund; developing the Electoral Integrity Initiative (currently based within the Kofi Annan Foundation); and analysis of governance issues related to natural resource extraction for the Africa Progress Panel towards improved stewardship and banking reforms. As a board member/trustee of organisations, she has drafted constitutions and deployed anonymous, transparent tools for board elections and evaluations.

Dr Rasheed has a PhD in immunology/medicine from the London School of Hygiene and Tropical Medicine.

Victoria Sekitoleko
Member

Stichting BRAC International Supervisory Board

Victoria Balyejusa Sekitoleko is a former Minister of Agriculture in the Ugandan government. She was a representative of the United Nations Food and Agriculture Organization (FAO) in China, Mongolia, and South Korea, and previously served as the FAO's representative in Ethiopia to the African Union and to the Economic Community for Africa.

Ms Sekitoleko is currently the chair of the governing board of the Uganda Agribusiness Alliance, which unites all those involved in the industry to optimise their ability to profitably and sustainably pursue the many global opportunities in the world's largest industry.

In 2010, Victoria founded the Uganda Community Cultural Center which trades as Speakers Forum. This trains professionals to become skilled presenters and also supports community libraries.

Ms Sekitoleko was educated at Makerere University in Kampala, where she attained a BSc in Agriculture majoring in Farm Management and Extension.

GROUP FINANCE AND AUDIT COMMITTEE

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

Ms. Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Abhijit Gupta, Acting Secretary of the Committee

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

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

UGANDA GOVERNANCE AND MANAGEMENT

BRAC UGANDA NGO
Local Board Members
Dr AMR Chowdhury -Chair
Faruque Ahmed
Shib Narayan Kairy
Shameran Abed

BRAC UGANDA MICROFINANCE LIMITED
Local Board Members
Directors
Dr A M R Chowdhury-Chair
Faruque Ahmed

BRAC SOCIAL BUSINESS ENTERPRISES
Local Board Members
Directors
Dr A M R Chowdhury-Chair
Faruque Ahmed
Shib Narayan Kairy
Shib Narayan Kairy
Shameran Abed

COUNTRY ADVISORY COUNCIL
Members
Joyce R Mpanga
Victoria Sekitoleko
Margaret Musana Akora
Hon Justice Augustus Kania Okaasai S Opolot
David T Baguma
Dr Sabrina Bakeera Kitaka

MANAGEMENT

Hasina Akhter - Country Representative, BRAC Uganda
Jimmy Onesmus Adiga - Chief Executive Officer, BRAC Uganda Microfinance Limited
Khallifa Nazim Uddin - Country Head of Accounts
Tabu Francis Drachi - Programme Manager, Youth and Education
Jane Kyokusiima Karemire – Manager Proposal Development and Fundraising
Siki Kigongo – Communication Manager
December Walter – Monitoring and Evaluation Manager
George Mukisa – Manager Internal Audit
Inshallah Franco – Health Programme Manager

DEVELOPMENT PARTNERS

EDUCATION

SITUATION

Early marriage, teenage pregnancy, abuse, and tuition fees keep many children, especially girls, out of schools. Girls in Uganda face discrimination and harsh barriers when trying to gain an education despite government efforts. 83% of the youth in Uganda are unemployed primarily because only 1 in 4 children who start primary school make it to secondary school. Although around 70,000 students graduate secondary school each year, but only less than 40% enroll into higher education.

Early learning and development is compromised by the lack of pre-schools and other early childhood development (ECD) programmes and qualified teachers. Only one out of every 10 children between the ages 3 to is enrolled in pre-primary education.

OUR INTERVENTION

BRAC Uganda believes every child has the right to education regardless of who they are and where they are from. Through our Education programme we focus on raising awareness on gender and child rights and developing child-friendly learning atmosphere. Our programme complements mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. In addition, our programme provides vocational training with support from local vocational and technical institutes.

BRAC Uganda, in partnership with the MasterCard Foundation, provides a holistic package of support including school fees, uniforms, learning materials, accommodation, and stipend. The aim of the programme is to empower young people from communities who do not have access to quality secondary education.

With funding from The Lego Foundation, we established the Play Lab project in December 2016. Through this project, we provide educational initiatives for children aged 3 to 5, with a goal to ensure physical, cognitive, language-communication, and social-emotional development of children through play in a joyful, creative, and child friendly environment.

MOVING FORWARD

We have diversified MasterCard Scholars' program to incorporate a transitional support extension project through Technical and Vocational Education and Training (TVET). It will seek to promote more practical tertiary training and build technical skills of scholars to be more practical, innovative, and employable over its three-year span. Within the ECD space, we hope to increase the momentum regarding the discourse around learning through play, beyond the 3-years piloting phase.

LIVE, LOVE, LAUGH

I am Veronica Najemba, 24 years old, and a Play Leader at Tookekulu Play Lab in Kamila, Bamunanika, Uganda. I am married and a mother to a 2-year-old girl. I completed my ordinary level studies in 2014.

My journey as a Play Leader started in February 2018, when some of the community leaders approached me on a new project. The role involved dealing with children between the ages of 3-5. When I heard about the training that was required to start as a Play Leader I was ecstatic, as I always wanted to be a part of the ECD team.

In the beginning my job was very challenging. I had to run the Tookekule community ECD centre single-handedly. In the beginning, community members had numerous questions about the authenticity of the project, and some parents even sent their children to school thinking the project would provide all scholastic materials and food. I also had to face community members criticizing the curriculum we follow, including simple writing techniques and our play based learning model.

With time the conditions stabilised, Centre Management Committee (CMC) members, who also doubled as community leaders played a big role in making the parents understand their responsibilities. When the parenting sessions came on board, parents comprehended the aim of Play Lab and started supporting their children. The parents are required to pay for food and other maintenance fees. Recently, some parents have voluntarily bought photo storybooks for the children. When they see BRAC staff's commitment and persistence in making a change, community people start to believe that the project is here to stay.

By the end of year one, parents were amazed by their children's development. Seeing the little ones sing, trace, and perform different tasks, community members say Play Lab children are remarkable.

HIGHLIGHTS

Completed recruitment and selection of **5000** scholars.

84% of scholars have been enrolled to universities and other tertiary institutions.

Partnered with **104** top performing secondary schools and **6** technical and vocational institutions.

Provide **125** teachers with refresher training.

Exposed **1648** A level scholars to transformative leadership during a three day leadership congress.

66 alumni joined technical and vocational institutions under the transitions support project.

Established **120** Play Labs in **4** districts.

76 Play Labs are now attached with government school.

The project also provided orientation training to **76** Head Teachers and 4 Centre Coordinating Tutors.

The programme has so far fully sponsored over **5,128** scholars at secondary level, **84%** of whom have been enrolled to universities and other tertiary institutions.

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS

SITUATION

Uganda has the world's youngest population with over 78% of its population below the age of 30. With just under 8 million youth aged 15-30. The country also has one of the highest youth unemployment rates in Sub-Saharan Africa as these youths are not engaged in education, employment, or any training. Additionally, 58% of girls aged 15-19 have experienced physical or sexual violence in the last twelve months. Many adolescent girls are victims of rape or experiences early pregnancy. Uganda has a teenage pregnancy rate of 24.8% among girls aged 15-19 years. Rural adolescent girls face additional challenges due to gendered social norms that place high value on girls' reproductive capabilities while reinforcing harmful practices such as early and forced marriage.

OUR INTERVENTION

BRAC Uganda reaches out to vulnerable adolescent girls through the Empowerment and Livelihoods for Adolescents (ELA) programme. In hard-to-reach and low resource communities, vulnerable Ugandan girls are at high risk of gender-based violence, unintended pregnancy, early marriage, and HIV.

We provide life-saving and life-transforming services, prevent unintended pregnancies, improve awareness on harmful practices, and empower adolescents financially. We create safe spaces by establishing clubhouses for girls aged 13-24, especially for those who are vulnerable, dropped out of school, and at risk of early marriage and pregnancy.

Through our ELA clubs we empower girls with different life-skills lessons, financial literacy, and boost their self-respect and self-defense. In the clubs, they are able to freely express themselves, and share their experiences and challenges.

MOVING FORWARD

We have begun to integrate boys in the ELA clubs living within the communities; together with the adolescent girls, these boys are offered trainings and mentorship. As a result it will promote adolescent and women empowerment, and will contribute to the broader social empowerment of the young people to become youth voices and make independent health decisions, live productive lives, and contribute to reduced early marriage, teenage pregnancy, and Gender-Based Violence (GBV).

OVERCOMING AN OBSTACLE

I walked barefoot for 60 kilometres, across dangerous mountain terrains in North-East Uganda in a bid to avoid getting married. I was just 13. Orphaned at 9, I was told by my father's relatives that I had to marry a much older, wealthy man. I escaped because I was afraid of becoming a wife and a mother at my age.
It is common for girls aged 15-19 in the Karamoja region to get married off by their relatives. I am Scholastica Nacap, I returned home from the mountains to move against the tide.

I started living an exemplary life by running a small bakery and restaurant. Now I make doughnuts and sell cooked beans, chapatis, and tea. I am not married, and I don't plan to anytime soon. I don't think a man can deceive and lure me if I have my own earnings. I want to be busy expanding my business and encouraging others to empower themselves.

I use some of the money I earn to support my sisters and motivate them to study harder. My relatives wanted to marry them off too, but I was assertive to let them know that a girl child, just like a boy, should be educated. Girls can also become lawyers, teachers, engineers, and bankers.

I also Mentor at a BRAC ELA club to empower fellow girls. I advise the girls to shun early pregnancy and early marriages. I tell them not to get deceived by boys and ruin their future. I encourage them to go to school, learn, and be brave. I encourage the ELA girls to engage in small businesses for daily earnings.

Now I am in touch with my family, and they have learned to respect my rights and wants.

HIGHLIGHTS

1,331 ELA clubs in **46** branches.

We have **51,126** ELA club members till December 2018.

Provided **8,469** girls with training in life–skills and financial literacy training.

Provided **1409** adolescent girls with livelihood training.

Provided **130** girls with apprenticeship training.

EMERGENCY PREPAREDNESS AND RESPONSE

SITUATION

Uganda is regularly affected by multiple natural hazards, including droughts, earthquakes, floods, landslides, and volcanoes. Floods alone impact nearly 50,000 people and over $62 million in gross domestic product every year. Uganda also hosts over 1.3 million refugees and is expected to receive more in 2019. Environmental degradation, underdeveloped irrigation systems, and lack of disaster preparedness at the community level are increasing drought risk in Uganda. Furthermore, it is estimated that climate change is likely to increase average temperatures up to 1.5 degrees centigrade by 2030 and 4.3 degrees centigrade by 2080, which will cause higher incidences of droughts and water scarcity.

OUR INTERVENTION

We launched our Emergency Preparedness and Response Programme in 2017 in partnership with the Bill & Melinda Gates Foundation for developing local emergency preparedness and response capacities in Uganda. To strengthen humanitarian localization through a participatory, community-based, and inclusive approach, our project works in two schools, two communities, and two local governments in the refugee resettlements of Kiryandongo and Arua.

We supported social and economic empowerment of 200 adolescents and 100 women in Kiryandongo refugee settlement through training on life skills, financial literacy, livelihood training, agricultural inputs, and start-up kits for income-generating activities.

MOVING FORWARD

In Kiryandongo refugee settlement, we working to boost the self-reliance of 500 adolescents and women, among whom 70% are refugees and 30% are from the host community. We will continue to work alongside communities, local governments, and other stakeholders to build a culture of disaster preparedness and resilience in Uganda.

COURAGE TO RISE

Living within a refugee settlement is not easy. Conflicts always occur, not only within the various tribes, but also among the host and refugee communities. If I had never gotten the opportunity to attend a mixed group for training, I might have never realized our similarities.

I am Achola Alice. I am 44 years old and a part of the Kiryandongo refugee settlement.

Through the training programme from BRAC Uganda, we received training on life skills, financial literacy, livelihood training, agricultural inputs, and start-up kits for income-generating activities. We attended the training on a daily basis and I've learnt how to work in groups and be a team player. Understanding group dynamics, roles, and responsibilities are the only way we can live in harmony.

After the completion of the training, we were given 5 piglets. One had died within the first 2 weeks as we knew nothing about animal rearing. But after applying proper rearing techniques, our piglets are now 11 months old, and one of the female pigs has given birth to a new piglet. We are hoping to sell some of the piglets once they are grown, which will bring us capital to invest in new ventures. While working with diverse people in the group, I now look out for everyone as I would do for myself. I have learned that we are all the same. Their worries and concerns about their children's future are exactly like mine.

I thank BRAC Uganda Emergency Preparedness and Response Programme for this life changing experience.

HIGHLIGHTS

Conducted baseline survey for Arua and Kiryandongo.

Developed emergency structures and built capacity in 2 communities and 2 schools.

Developed 1 School–based Disaster Preparedness Plan in Kiryandongo, and 2 Community Disaster Preparedness Plan.

Conducted Orientation on Simulation and Disaster Preparedness Plan in 2 schools and in 2 communities.

Developed Established and built partnerships with 1 National DRR coordination agency and 1 Academic.

Built partnership with 2 Local radio stations in Arua and Kiryandongo.

Procured and distributed emergency response Equipments in 2 schools and 2 communities.

HEALTH

SITUATION

Millions of children become ill or die because they lack access to healthcare, 45% of all child death result from malnutrition. Approximately 81 babies die each day in Uganda and the neonatal mortality rate (NMR) is 19 deaths per 1,000 live births. Ugandans in rural areas lack access to healthcare facilities and many walk or ride their bicycles to a healthcare center in need. One of Uganda's prominent concerns is the inequalities in access to health care facilities. Residents of Uganda's rural areas are challenged in finding accessible healthcare facilities. Without organized transportation, many Ugandans must walk or ride their bicycles to a health center. Many Ugandan health centers cannot guarantee having the medicines or other services necessary to these patients. This has become a growing concern for women, especially those living within rural areas, with 51% of the population lacking contact with public healthcare facilities.

OUR INTERVENTION

BRAC Uganda provides healthcare services to over 3.4 million Ugandans through 4,084 trained Community Health Promoters (CHPs) working in 72 districts. These health workers educate, create demand, order services, and connect communities with facilities. Currently, we deliver an integrated package of maternal, newborn, child and adolescent healthcare, nutrition, awareness on non-communicable diseases and family planning. Our key focus is maternal care, for which we employ a multi-faceted approach. We promote preventive, curative, and antenatal care with doorstep delivery of vital medicines and health services.

MOVING FORWARD

We are expanding our offerings to include a WASH segment under the Sanitation-4-Health (S4H) initiative. This intervention will be rolled out with the existing CHPs who help households move up the sanitation ladder from open defecation and use of unimproved toilet to having an ungraded basic toilet with a Sato. BRAC Uganda will continue to be at the forefront of global efforts to end preventable child deaths, with a focus on maternal healthcare, newborn and child health, nutrition, alleviating hunger, and preventing and treating HIV and AIDS.

AWARENESS IS BLISS

BRAC's Health programme was introduced in Keyi, a village in Gulu, in 2010 shortly after the infamous Lord's Resistance War in Northern Uganda.

I attended school up to Senior Four, got married, and had six children. There was an immense information gap on awareness of preventable diseases in our communities. In addition to poverty, we lacked access to child and adolescent healthcare, nutrition, awareness, maternal care, and family planning.

I am Achola Vicentina. I am 54 years old. I volunteered to participate in the Health programme trainings since its inception and never looked back.

Now I spend 2-3 hours every week discussing health issues with community members, especially those in the BRAC Microfinance loan groups. I am grateful for the learnings I acquired through the training and the ample respect I receive from community people. Whenever I walk around the village, people recognize me as their 'doctor' and women confide in me about different issues.

I am thankful to BRAC Uganda that I could support my children through school and earn the love and respect of so many. My family and I are living an informed, healthy, and happy life.

HIGHLIGHTS

Established in 135 branches across 72 districts, supporting a total of 4,084 trained and certified Community Health Promoters (CHPs).

CHPs treated 233,253 children under five for malaria with Co–artem.

CHPs referred a total of 49,102 children with severe malaria to government health centers. 80% of the referred children were followed up on.

60,417 children under five were treated for diarrhea with the Ministry of Health approved ORS and Zinc.

89,780 children under five were treated for pneumonia with the Ministry of Health approved dispersible Amoxicillin.

CHPs provided basic antenatal care to 536,031 mothers and postnatal care to 33,286 mothers.

Trained 4,082 health promoters on mobile application and transitioned them to real time mobile based reporting.

20% drop in maternal mortality rate in 72 of the districts our Health programme operates in.

27% reduction in under five mortality rate in CHP catchment areas.

MICROFINANCE

SITUATION

More than half of Uganda's population now has access to financial services. The reforms in the financial sector that started in the 1990s have improved people's access to financial services through banks, regulated microfinance institutions and mobile financial services providers.

Uganda still faces significant financial inclusion challenges. Around 76% of Uganda's adults live in rural and hard-to-reach areas with limited access to financial services. More than 65% of the population are unable to access credit from formal financial institutions. Only 16% keep their savings at a formal deposit-taking institution. As a result, a significant proportion of the population is unable to invest in productive assets and continue to rely on subsistence activities, particularly in the agricultural sector.

OUR INTERVENTION

BRAC began its microfinance operations in Uganda in 2006 and now has the largest network of branches in Uganda with 158 branches covering 84 districts of the country.

We specifically focus on providing financial services to women predominantly living in rural and low-income communities, who are unable to access financial services to meet their needs. We offer two main products - individual microloans for women delivered through groups, and enterprise loans targeting both male and female small-scale entrepreneurs.
We also offer tailored products for refugees, adolescent girls, participants of the agriculture and food security programme and community health promoters of the health programme.

MOVING FORWARD

We are in the process of transforming into a Tier 2 deposit-taking bank which will enable us to offer a broad range of financial services to our clients.

NOT JUST ANOTHER BRICK IN THE WALL

I am a 53 year old single mother and I strive to give my children the best. My son and his wife moved to another town to try to earn more money. I decided to raise 3 of my grandchildren so they are not deprived of love and care. Their children are now my responsibility. At my age, raising 3 toddlers isn't an easy journey, but I will still do it happily.

I am Justine Birungi, I have always been proud of my decisions and worked very hard to build a name for myself in this community.

At present, I run the one and only cinema at our village. Every day, each person pays 200 shillings to enter, and I make up to 60,000 shillings a day (around USD 16). When there are football games over the weekend, I take home nearly 200,000 shillings. Most of my clients are youths who are in search of entertainment, and I'm their only resort.

When I took my first loan from BRAC Uganda, I was not skeptical or nervous. Because I believed in myself. My first loan was of 500,000 Ugandan Shillings; with which I bought chairs and tents to rent out for events. Right after I was able to pay the money back, I took another loan six months later of 1.9 Million Ugandan Shillings.

I started my business all alone, but now I am able to employ people. I hired four staff to help me with my work so I have enough time to look after the children.

Every time it rains, my small cinema building floods; my dream now is to build a masonry building. That's what I am currently saving for.

I thank BRAC Uganda for my financial standing, allowing me to grow, and enabling me to provide my grandchildren a healthy life.

HIGHLIGHTS

97% of the clients we serve are women.

158 branches with **218,598** Borrowers, an increase of 12% from 2017 .

189,475 Microfinance borrowers, **12,765** SEP borrowers, and **13,973** ELA borrowers.

A total loan disbursement of **USD 105.48** million, an increase of **11%** from 2017

USD 84.56 million was disbursed in microfinance loans, USD 15.78 million was disbursed in SEP loan and USD 4.44 million was disbursed in ELA loan.

Opened **4** new branch offices and expanded enterprise loans to **9** branches.

ULTRA–POOR GRADUATION

SITUATION

Uganda is the world's youngest country with 78% population below the age of 30 and has one of the highest youth unemployment rates at 13.3%. The country remains among the poorest in the world. According to the Uganda Bureau of Statistics, 21.4% of Ugandans live below the poverty line. Uganda has one of the highest rates of youth unemployment in the world and a large segment of its population live in remote areas where employment opportunities are limited. Moreover, in Uganda, 14% of the population have a disability (NPHC, 2014) and 80% of persons with disabilities live below the poverty line (UN Health Survey, 2006). Safety net programmes are of limited availability which increases the vulnerability of households to fall back into poverty. Ugandan families are often large with a lack of finances and resources. Additionally, diseases, and infant and child mortality rates remain high at 131 deaths per 1,000 births. Lack of access to education and basic healthcare causes poverty to pass down through generations.

OUR INTERVENTION

BRAC Uganda UPG programme contributes to alleviating poverty through a youth-focused initiative. This Cartier Philanthropy funded pilot project is a tailored response designed to address the unique needs of 1650 ultra-poor youths in Luwero and Kiryandongo districts of Uganda through a comprehensive, time-bound, sequenced set of interventions. The project combines support for immediate needs, such as consumption stipends, with longer-term investments in life skills and livelihood technical training, asset transfers, enterprise development, savings and planning for the future to transition ultra-poor youth and their families into sustainable livelihoods.

MOVING FORWARD

Our assessment in 2018 found a positive trend in income generation, savings behaviour, and WASH practices among participants. We are conducting an independent evaluation of the project to capture key learnings and generate global evidence around the effectiveness of youth-focused Graduation programmes.

In Uganda, BRAC is set to scale the Ultra-Poor Graduation programme by launching a three-year-long project called the "Partnerships for Disability-Inclusive Ultra-Poor Graduation" programme, starting in August 2019. Funded by DFID, Cartier Philanthropy, Big Lottery Fund, and Medicor Foundation this project i will target to enrol 2,700 participants, among which a minimum of 15% would be people with disabilities and 70% of whom will be women.

THINK DIFFERENTLY, LIVE BETTER

Though I received backlash from the people in my village, I still chose to look at life differently. Fellow youths teased me because I was still living with my parents and didn't have any children of my own. Most men my age in the village were already having their fifth or sixth child.

I am Paul Muwanga, 28 years old, from Luwero, Uganda.

I was born and raised in a family of five. My father always urged me to fend for my 2 sisters, because if he passed away, I would have to take sole responsibility of the family. I started working odd jobs since I was 5, where I fetched water for people's animals. Despite being irregular at school, I managed to complete my primary level. Later, I joined secondary school, where I worked on the school farm to be exempted from paying school fees. My dream was to study engineering, but I never had the opportunity to continue with advanced level of schooling.

In 2016, I joined the UPG programme where I was given 3 pigs, potato vines, and 50 kilograms of beans. Together with my father, we expanded our farm where we rear pigs, plant matooke, maize, and several other cash crops.

My family now has access to better food and health. I have managed to build my father a 2-bedroom brick house, and fully furnished it. I have always had a dream of building a community school with my family's name. Now I am able to purchase a land and building materials. I am very happy with the lifestyle my family and I have been living since. Although, it was too late for me to save my sisters from early marriage, but I help them financially as much as possible.

I have surrounded myself with people from humble backgrounds like me, who are hardworking and ambitious entrepreneurs in Luwero. Unlike youth my age, I am against impregnating them before marriage, hence I decided to formally marry the girl of my dreams.

HIGHLIGHTS

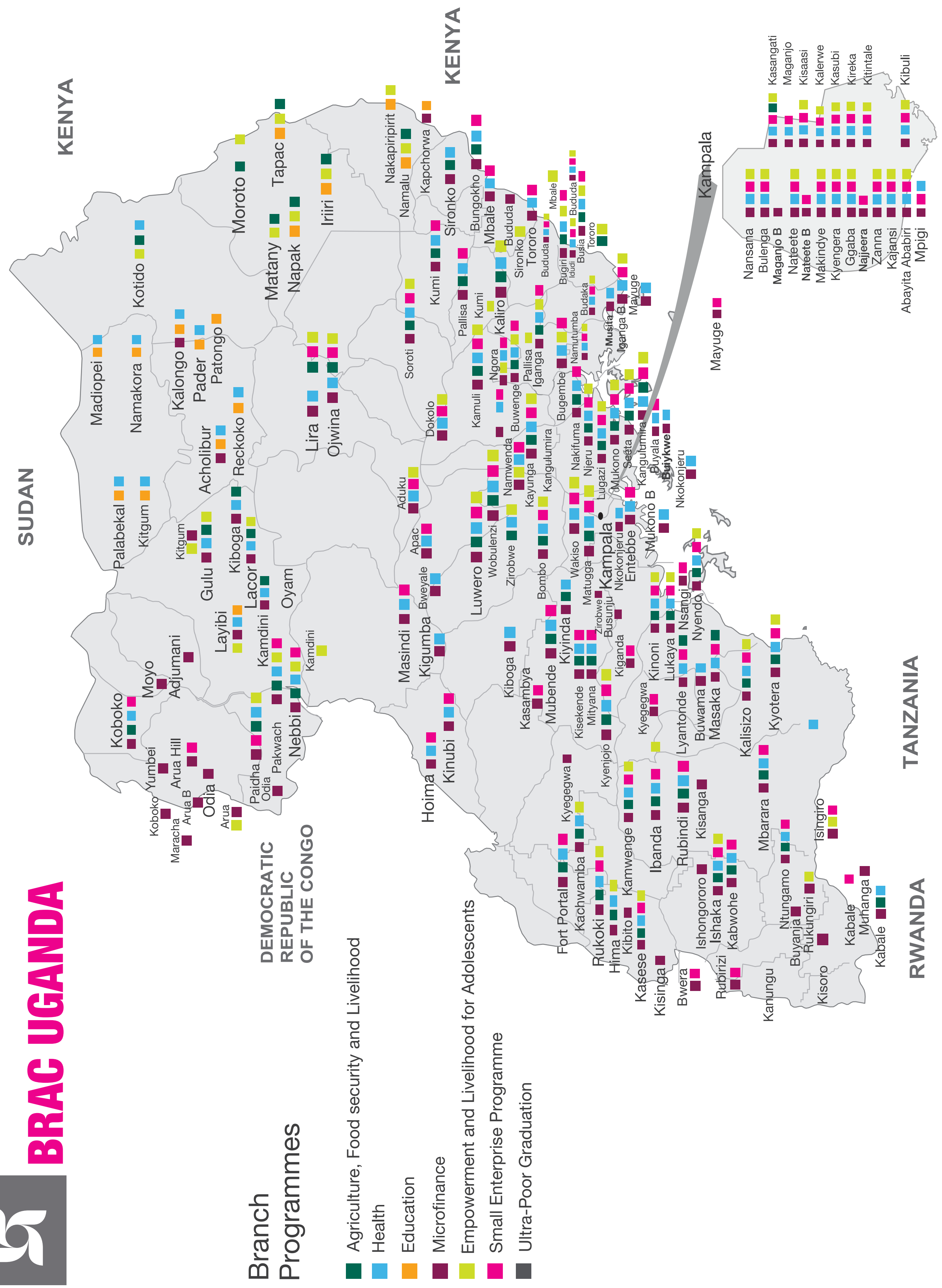
Reached **1,650** youths within the **2,475** households identified.

1,650 youths received productive assets and livelihoods and financial literacy training in Uganda.

95% of participants have secured at least two income sources in Uganda.

97% of targeted youth are applying at least two new skills acquired through the livelihoods training in Uganda.

1,546 youths are actively saving through **100** village saving groups in Uganda.



BRAC UGANDA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

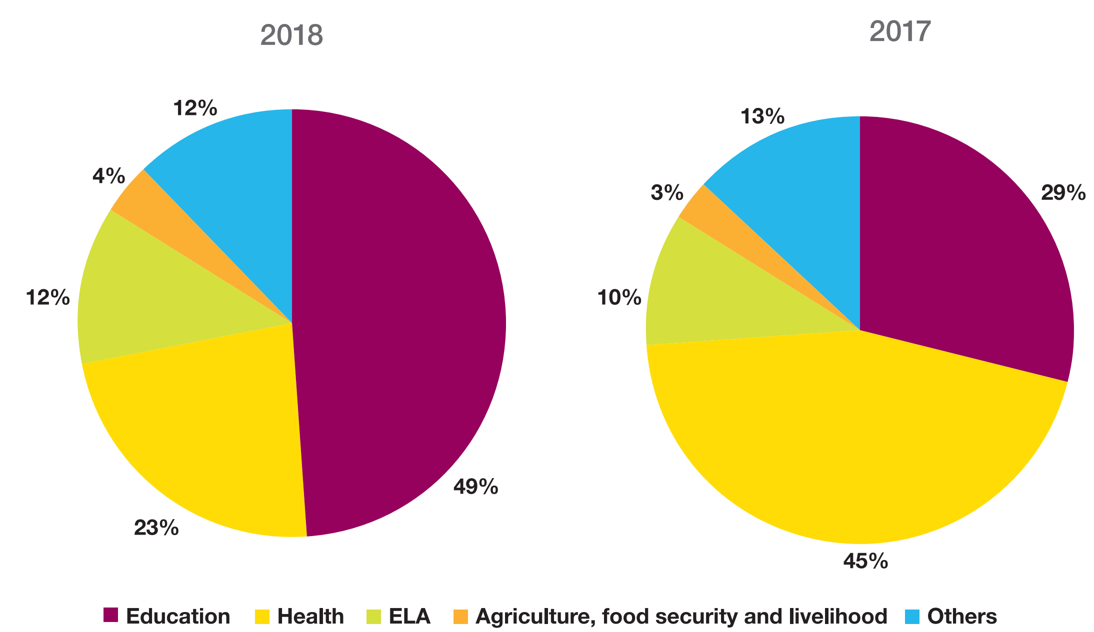
FINANCIAL HIGHLIGHTS – NGO

BRAC Uganda received grants amounting to USD 16,275,968 in 2018 as compared to USD 13,637,712 in 2017. Total Project expenses utilized for the year were USD 16,388,153 (USD 15,367,845 in 2017) which represents an increase of 6.6%. Out of the total expenses, majority are expensed in Scholarship program supported by Master Card Foundation. The expenses incurred for the major development programs are as shown below. Almost 90% of total expenditure is being used for direct program service with only 10% as administration expenses.

Total Equity as at 31 December 2018 stands at USD 13,445,672 as against USD 13,824,180 in 2017. Showing an decrease of 2.7%.

PROGRAMME COST

PROGRAMME	2018	2017
	USD	USD
Health	3,792,039	4,510,336
Education	7,992,983	6,886,714
ELA	1,953,490	1,486,016
Agriculture, food security and livelihood	702,389	510,788
Others	1,947,252	1,973,989
Total	**16,388,153**	**15,367,845**



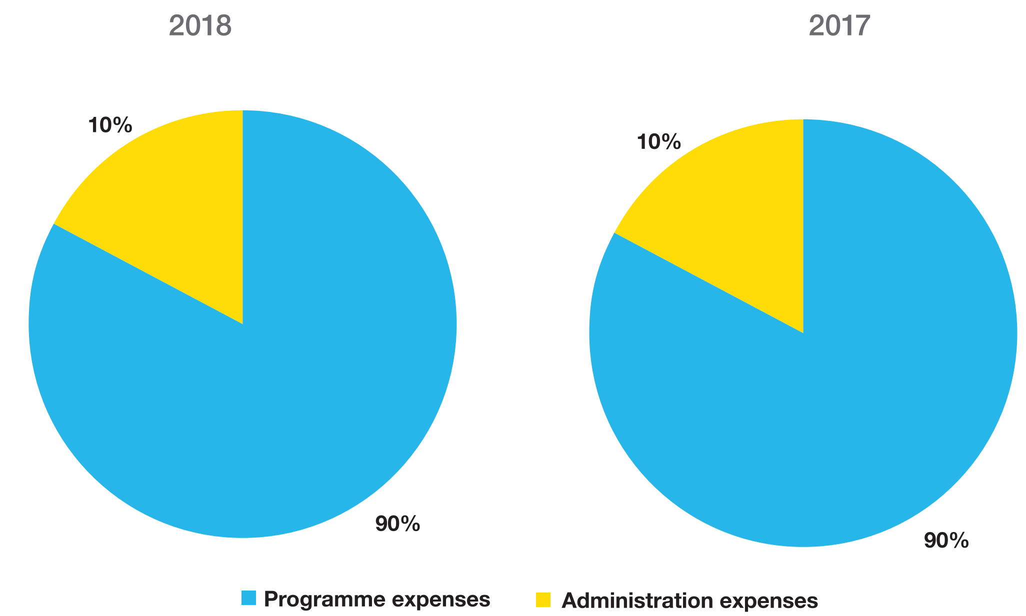
CONTRIBUTION TO GOVERNMENT EXCHEQUER

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

	2018	2017
	USD	USD
Withholdings tax	291,482	154,886
NSSF contribution	249,119	215,962
Total	**540,601**	**370,848**

PROGRAMME COST

EXPENSES	2018	2017
	USD	USD
Programme expenses	14,749,338	13,856,366
Admin expenses	1,638,815	1,511,477



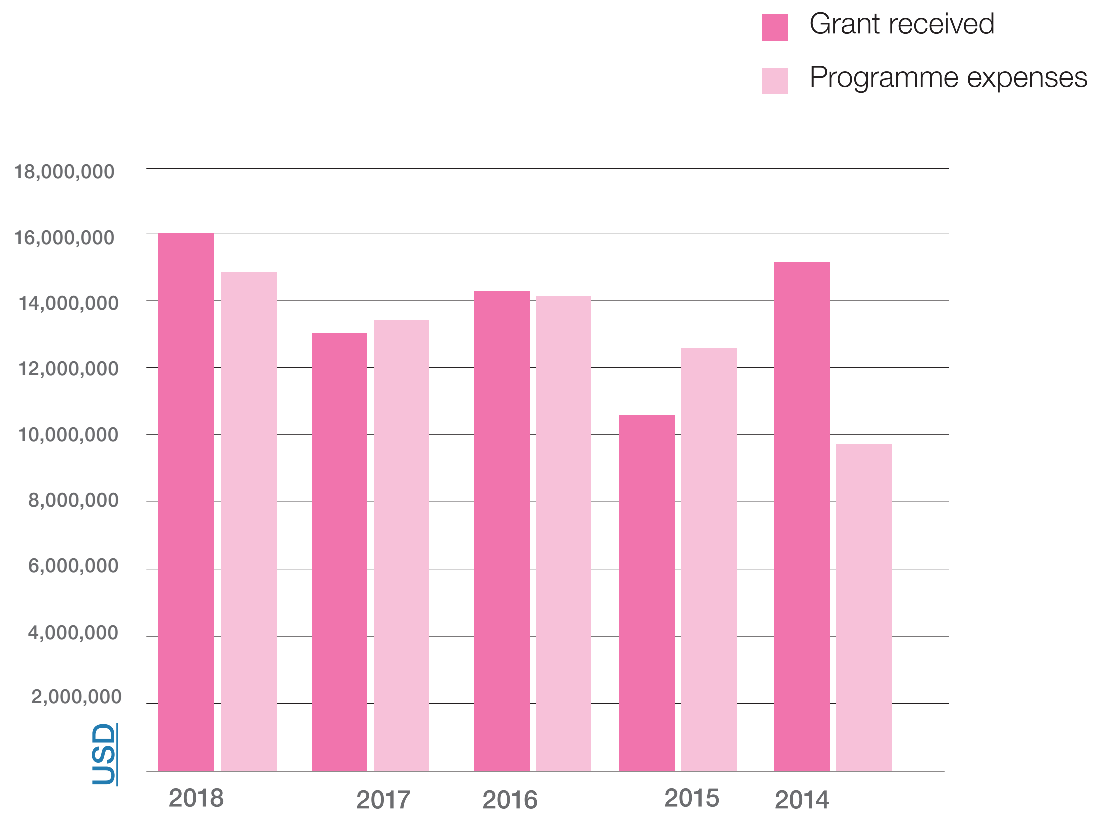
BRAC Uganda received two awards in the annual prestigious Financial Reporting (FiRe) Award held for 2017, organized by the Institute of Certified Public Accountants of Uganda (ICPAU). BRAC Uganda received a Certificate of Recognition for Outstanding Achievement in the General Sub-Category (NGOs). BRAC Uganda was also announced as the Winner, Non-Governmental Organisations Category, out-reporting 21 other NGOs.

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

FIVE YEAR PERFORMANCE REVIEW

CURRENCY	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
INCOME STATEMENT					
Grant Income	15,226,113	14,780,581	14,805,944	13,926,160	10,335,634
Other Income	1,538,217	2,030,853	1,156,550	713,406	685,983
Program expenses	15,174,462	13,856,366	14,172,754	12,749,375	9,520,387
Admin expenses	1,213,691	1,511,477	1,574,750	1,260,927	941,577
FINANCIAL POSITION					
Net equity	13,445,672	13,824,180	12,283,405	11,841,142	15,384,105
Cash at bank	13,525,555	13,377,136	12,264,858	11,182,587	13,713,844
Grants Received	16,275,968	13,637,712	14,280,233	11,095,499	15,259,687
OPERATIONAL STATISTICS					
Number of Programmes	8	8	8	8	8

LAST FIVE YEARS' GRANT RECEIEVED VS. PROGRAMME EXPENSES



FINANCIAL HIGHLIGHTS – MICROFINANCE

Net Income

BRAC Uganda Finance Ltd. completed 2018 by registering pretax profit of USD 6,560,626 compared to USD 8,177,666 in 2017. The reduction was mainly attributed to the increase in operating expense due to transformation coupled with the slow growth in the the first half of 2018.

Operating Expenses

Total operating expenses for the year 2018 were USD 13,878,712 against USD 11,930,596 in 2017 showing an increase of 16%. The increment is due to additional expenses for the transformation to a regulated credit institution (tier II) company.

Provisions for Impairment Losses

In 2018, amount charged for impairment on loans was USD 914,877 compared to USD 1,474,270 in 2017. Portfolio at Risk (PAR>30) is 3.24% this year against 2.73% in 2017. The company followed most stringent provisioning policy to be inline with Uganda Central Bank guidelines for regulated tier-II entity.

Financial Position

In 2018, BRAC total assets grew by 18% to USD 65,508,016 compared to the previous year's total assets of USD 55,677,033 further consolidating its position in the market.

Loans and advances to customers increased by 12% and is now 73% of total assets.

Security deposits increased by 10% and net equity decreased to USD 15,821,455 from USD 30,055,591 in 2017 due to dividend decleration an amount USD 17,808,845.

Contribution to Government Exchequer

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

	2018 USD	2017 USD
Income tax	1,948,918	2,086,306
Withholdings tax	176,633	268,859
NSSF contribution	582,076	510,966
	2,707,627	**2,866,131**

TOTAL ASSETS VS. EQUITY

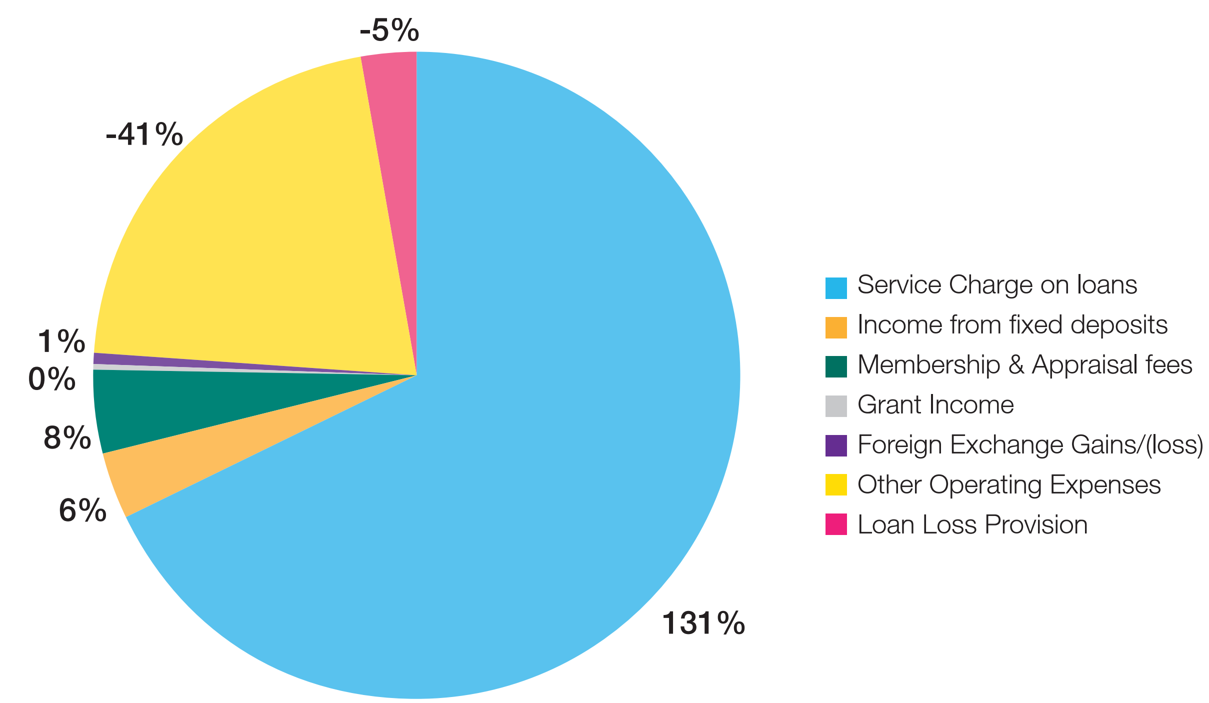
Figures in USD

VALUE ADDED STATEMENTS

A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Uganda Finance 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.

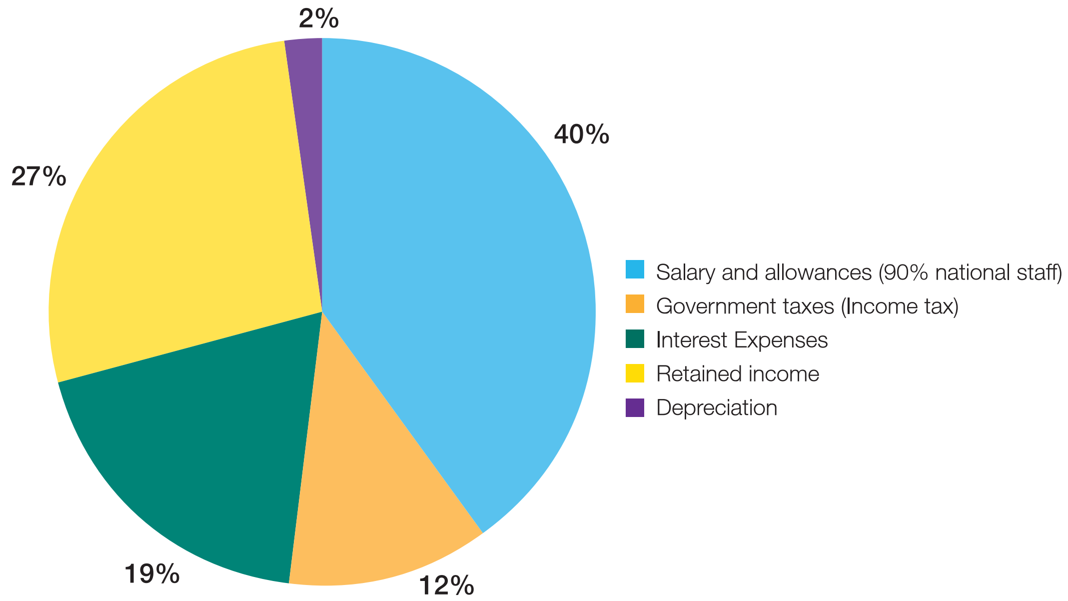
FIGURES IN (USD)	2018		2017	
	Amount	%	Amount	%
Value added:				
All incomes				
Service Charge on loans	21,902,428	131%	22,143,895	133%
Income from fixed deposits	1,106,773	6%	629,916	4%
Membership & Appraisal fees	1,371,904	8%	1,242,085	7%
Grant Income	14,431	0%	80,352	0%
Foreign Exchange Gains/(loss)	105,711	1%	(51,711)	0%
Other Operating Expenses	(6,911,817)	-41%	(5,876,787)	-35%
Loan Loss Provision	(914,877)	-5%	(1,474,270)	-9%
Total value added	**16,674,553**	**100%**	**16,693,480**	**100%**

VALUE ADDED



DISTRIBUTION OF VALUE ADDITION	2018		2017	
	Amount	%	Amount	%
EMPLOYEES				
Salary and allowances	6,686,349	40%	5,935,609	36%
LOCAL AUTHORITIES				
Government taxes (Income tax)	1,948,918	12%	2,086,306	12%
CREDITORS				
Interest Expense	3,147,032	19%	2,462,005	15%
GROWTH				
Retained income	4,611,708	27%	6,091,360	36%
Depreciation	280,546	2%	118,200	0.7%
TOTAL VALUE ADDED	**16,674,553**	**100%**	**16,693,480**	**100%**

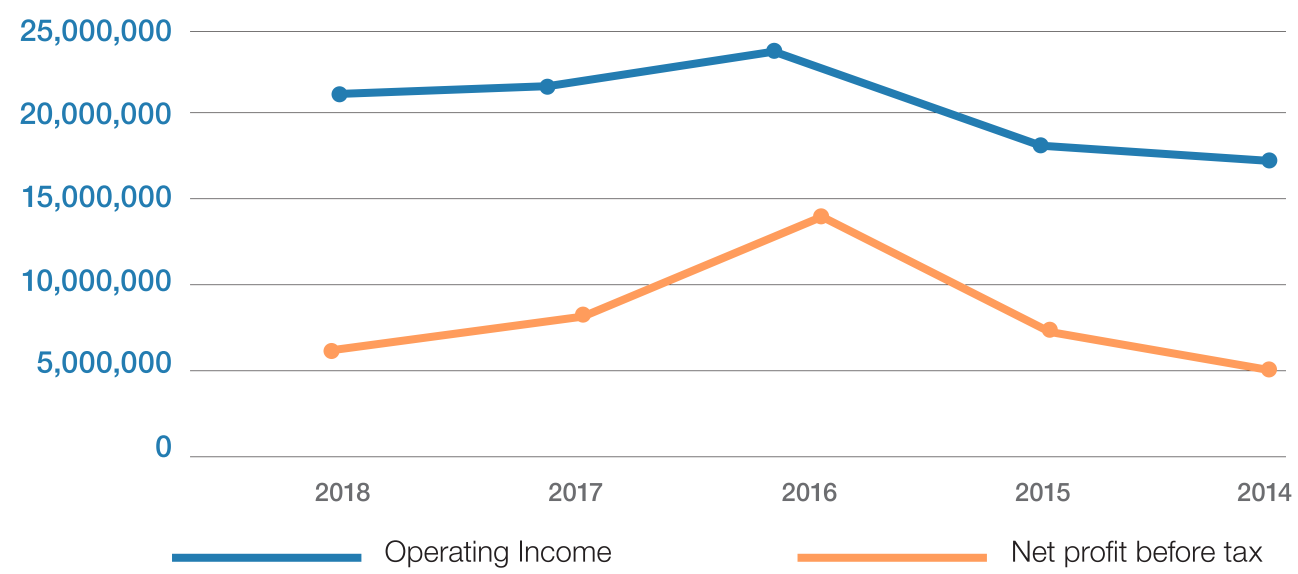
VALUE DISTRIBUTED



FIVE YEAR PERFORMANCE REVIEW

Currency	2018	2017	2016	2015	2014
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	21,354,215	21,582,532	23,643,330	18,714,493	16,500,162
Net profit before tax	6,560,626	8,177,666	14,217,378	7,823,898	5,093,467
Financial Position					
Total Asset	65,508,016	55,677,033	49,285,449	42,836,209	33,749,841
Loans to customers(net)	47,620,176	42,340,971	43,917,939	38,328,404	30,887,847
Cash at bank	3,988,967	2,167,803	1,650,719	1,755,855	797,645
Returns and Ratio					
Return on Asset	10%	15%	29%	13%	11%
Cost to Income	80%	75%	75%	71%	69%
Operational Statistics					
Total borrowers	218,598	194,616	213,709	194,732	158,831
Cost per Loan	52	48	36	24	36

OPERATING INCOME VS NET PROFIT



DIRECTORS

Mr. Faruque Ahmed * - Chairperson
Lamia Rashid* - Member

ADMINISTRATORS

Ms. Hasina Akhter * - Country Representative
*Bangladeshi

PRINCIPAL PLACE OF BUSINESS: Plot 880, Heritage Road Nsambya
P O Box 31817
Kampala Uganda

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

COMPANY SECRETARY: Khalifa Nazim Uddin
Head of finance, BRAC Uganda
Plot 880, Heritage Road Nsambya, Kampala, Uganda

AUDITORS

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

BANKERS

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

Post Bank Uganda Ltd
Post Bank House
Plot 416 Nkrumah Road
P O Box 7189
Kampala, Uganda

Tropical Bank Ltd
Plot 27 Kampala Road
P O Box 9487
Kampala, Uganda
Plot 416 Nkrumah Road
P O Box 7189
Kampala, Uganda

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

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

Pride Microfinance Limited (MDI)
Victoria Office Park, Block B, Bukoto,
Plot 6-9, Ben Kiwanuka Okot Close
P O Box 7566 Kampala, Uganda
Plot 6/6A Kampala Road
P O Box 3072
Kampala, Uganda

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

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

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

The directors have pleasure in submitting their report and the audited financial statements of BRAC Uganda ("the company") for the year ended 31 December 2018, which disclose the state of affairs of the company.

(a) Registration

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

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

(b) Vision

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

(c) Mission

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

(d) Our Values

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

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

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

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

(e) Principal activities

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

(f) Results from operations

The results for the company for the year ended 31 December 2018 are set out on page 47.

(g) Composition of Directors

The directors who served during the year are set out on page 38.

(h) Directors benefits

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

(i) Corporate Governance

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

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

In 2018 the board of directors had two directors. The board continued to carry out its role of formulating policies and strategies of the company, reviewing the business plan, ensuring that the accounting system is maintained in accordance with acceptable standards, the books of the company are kept properly, and that the accounts are checked by authorized auditors as well as recruitment and development of key personnel.

(j) Risk management

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

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

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

(k) Management Structure

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

- Agriculture and Poultry
- Education
- Health
- Empowerment and Livelihood for Adolescents (ELA)
- Research and Evaluation
- Training
- Emergency Response Program
- Accounts and Finance
- Internal Audit
- Monitoring
- Branch Review
- Information Technology(IT) and Management Information System (MIS)

BRAC UGANDA
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

- Human resources
- Communication and Public Relations
- Proposal Development
- Procurement, Logistics and Transportation

(l) Related Party Transactions

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

(m) Corporate Social Responsibility

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

(n) Key achievements in 2018

- 668,966 Children Under age 5 were assessed by Community Health Promoters (CHPs) using the CHP mobile based application, of which 546,345 (82%) were treated for malaria, pneumonia, and diarrhea. The Scholarship Programme completed the midterm undertaken by Advisem Canadian consulting firm.
- 13,448 children under the age of 5 with danger signs were referred to health facilities, and 89,101 (78%) were followed up by the CHPs.
- 86,479 pregnant mothers were identified in communities by CHPs using the CHP mobile application, of which 86,222 (99%) delivered at health facilities under skilled care. About 170,000 health education sessions / forums were provided by CHPs on health-related messages.
- Health Management Information System (rollout to all staff and branches) and improve on Android Application - New additions/ upgrades.
- 486 scholars graduated in 2018. The third Leadership Congress was conducted and 1,600 advanced level scholars attended.
- 278 adolescents (99.2%) benefitted from the livelihoods/apprenticeship training and start-up kits under Scope project.
- The cumulative number of IEC materials developed was 7,702 out of which 4,317 materials were distributed in 2018.
- 331 school level managers and teachers were reached through 21 awareness meetings held in 20 schools for SMC/PTAs and teachers were conducted. Sensitization focuses on GBV and VAC.
- 90.3% of 1,650 participants ready for graduation from ultra-poverty with the set 6 graduation indicator criteria.
- Across 2018, goats increased from 5,217 that was transferred to 9,143 (75% increase), pigs from 1,134 to 3,269 a 188% asset growth increase enabling participants diversify the income generating sources.
- USD 64,697 saved by 1,545 (93%) of participants in 100 VSLA groups.
- 1,292 accounting for about 80% Scholars transitioned into University.
- 2,092 Alumni Associations registered and National Coordination offices opened.
- 64 beneficiaries were skilled under TVET and enabled to join the world of work.
- In 101 Partner Secondary schools, career guidance focusing on TVET was under taken.
- 7 Partnerships were created with TVET Institutions also 1 MoU was signed with VSO to support implementation of the TVET Program.
- 3,417 Children were on enrolment as at year end.
- 160 play leaders received basic training.

- 682 parenting sessions conducted also 255 material development workshops held.

(o) Expectations for the year ending 31 December 2019

- 500 Scholars will be selected to join Senior 5 and supported for 2 years and 1,231 scholars to be graduated in 2019 in scholarship project.
- 200 beneficiaries to be supported under TVET by skilling them and enabled to join the world of work.
- 48,000 households will be reached with Sato pans under Sanitation for Health (S4H) project.
- Community Health Promoters loan and revolving fund initiative pilot to continue and % U5 referrals followed up: 80%
- 80 Teachers & 80 Head Teachers will be trained during the year in Play Lab Curriculum & Model. We are targeting 80 Centers once project commences in Early childhood development (ECD)project. New 30 center will be open under EELAY project.
- We will receive new project in ECD and fund will be $450,000
- UNFPA continue suppor ELA program under this project 616 ELA club will be open with 4 new districts also 360 Members will benefit from Livelihood support program.
- 1,350 Target Ultra poor beneficiaries will be graduate in 2019. A new project was received under this program funded by UKAID. Under this project we will reach 1,500 beneficiaries inclusive 15% disabilities person.

(p) Solvency

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

(q) Employee's Welfare

Management/employee relationship'

There were continuous good relations between employees and management for the year 2018. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2018.Grievance handling guidelines were circulated to all employees to create awareness about employee rights.

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

Training

Training and development of staff capacity is one of the key priorities of the company. During the year, 46 line managers had special training in People Leadership Program, 101 staff had training in BRAC values, Human Resource Policies and Procedures (HRPP) and Performance Management System (PMS), 7 staff had a Training of Trainers (TOT) in PMS, 27 staff were trained in Psychosocial, 8 driver received training Defensive Driving & Chauffeur Training, 1 Finance and Accounts staff were trained on Understanding Uganda's Tax Regulations, Compliance, Offences & Penalties and 7 staff received training in First Aid by the Uganda Red Cross. There were also several program related trainings within programs. The company will continue to train, retrain and develop its staff to improve staff delivery and innovation.

Medical assistance

The company maintains a medical insurance scheme which covers all staff.

Retirement benefits

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

(r) Gender Parity

In 2018, the company had 633 staff (605 in 2017). The female staff were 75% (81.5% in 2017).

(s) Auditors

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

(t) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 28 February 2019.

By order of the Board

SECRETARY

Date: 28 February 2019

BRAC UGANDA
STATEMENTS OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Non- Governmental Organizations Act 2016, 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 11 to 37 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 Non- Governmental Organizations Act 2016. 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 2018. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 28 February 2019 and were signed on its behalf by:

Head of Finance: Nazim Uddin .... Country Representative: ....

Director: Lamia Rashid .... Director: ....

Date: 28.02. 2019

KPMG

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
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P O Box 3509
Kampala, Uganda
Reg No. AF0026

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

To the members of BRAC Uganda
Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRAC Uganda ("the company"), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set out on pages 11 to 37.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Uganda as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Non- Governmental Organizations Act 2016.

Basis of opinion

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

Other Information

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

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

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

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), the Non- Governmental Organizations Act 2016, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Date: 27 March, 2019

BRAC UGANDA

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Grant income	3	56,841,213	52,842,054	15,226,113	14,780,581
Other income	4	5,742,381	7,260,504	1,538,217	2,030,853
Total income		**62,583,594**	**60,102,558**	**16,764,330**	**16,811,434**
Staff costs and other benefits	6	(10,733,618)	(9,926,210)	(2,875,225)	(2,776,484)
Training, workshops & seminars	7	(8,428,821)	(6,817,424)	(2,257,837)	(1,906,918)
Occupancy expenses	8	(1,281,596)	(1,566,214)	(343,302)	(438,090)
Program supplies, travel and other general expenses	9	(40,355,216)	(36,296,660)	(10,809,993)	(10,152,629)
Depreciation	11	(380,020)	(335,072)	(101,796)	(93,724)
Total expenses		**(61,179,271)**	**(54,941,580)**	**(16,388,153)**	**(15,367,845)**
Operating surplus		**1,404,323**	**5,160,978**	**376,177**	**1,443,589**
Taxation	10	-	-		-
Surplus reserve		**1,404,323**	**5,160,978**	**376,177**	**1,443,589**
Other Comprehensive income					
Foreign exchange (loss)/ gains	5	(128,182)	133,107	(34,336)	37,232
Total Comprehensive income		**1,276,141**	**5,294,085**	**341,841**	**1,480,821**

The notes set out on pages 51 to 69 form an integral part of these financial statements.

BRAC UGANDA
STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
ASSETS					
Non-current assets					
Property and equipment	11	1,453,962	1,520,122	391,350	418,527
Current assets					
Cash and bank	12	50,250,820	48,586,830	13,525,555	13,377,136
Inventory	13	937,096	1,435,095	252,230	395,117
Due from related parties	14	876,620	13,947	235,952	3,840
Other receivables	15	317,513	5,134,796	85,462	1,413,734
Total Current Assets		52,382,049	55,170,668	14,099,199	15,189,827
Total Assets		53,836,011	56,690,790	14,490,549	15,608,354
Liabilities					
Other payables	16	2,746,539	3,014,699	739,261	830,020
Due to related parties	17	1,135,439	3,465,565	305,616	954,154
Total Liabilities		3,881,978	6,480,264	1,044,877	1,784,174
Capital fund					
Donor funds	18	28,396,866	29,929,500	7,643,326	8,240,320
Retained surplus		21,557,167	20,281,026	5,802,346	5,583,860
Total Capital Fund		49,954,033	50,210,526	13,445,672	13,824,180
Total liabilities and capital fund		53,836,011	56,690,790	14,490,549	15,608,354

The financial statements on pages 47 to 69 were approved by the board of directors on 28 February 2019 and were signed on its behalf by

Head of Finance: .... Country Representative: ....

Director: .... Director: ....

Date:28.02.2019

The notes set out on pages 51 to 69 form an integral part of these financial statements.

BRAC UGANDA
STATEMENTS OF CHANGES IN CAPITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Donor Funds	Retained Surplus	Total Capital fund	Total Capital Fund
		Ushs '000	Ushs '000	Ushs '000	USD
At 1 January 2017		**28,766,547**	**14,986,941**	**43,753,488**	**12,283,405**
Donations received during the year	18.1(a)	49,533,261	-	49,533,261	13,637,712
Utilised during the year	18.1&2	(52,842,054)	-	(52,842,054)	(14,780,581)
Transfers to donor	18.1	(147,235)	-	(147,235)	(40,537)
Donor Receivable		4,618,981	-	4,618,981	1,271,718
Surplus for the year		-	5,294,085	5,294,085	1,480,821
Currency translation		-	-	-	(28,358)
At 31 December 2017		**29,929,500**	**20,281,026**	**50,210,526**	**13,824,180**
Donations received during the year	18.1(a)	60,540,733	-	60,540,733	16,275,968
Utilised during the year	18.1&2	(56,841,213)	-	(56,841,213)	(15,299,432)
Transfers to donor	18.1	(613,173)	-	(613,173)	(162,948)
Donation received against previ-ous year	18.1	(4,618,981)	-	(4,618,981)	(1,243,249)
Surplus for the year		-	1,276,141	1,276,141	343,487
Currency translation		-	-	-	(292,334)
At 31 December 2018		**28,396,866**	**21,557,167**	**49,954,033**	**13,445,672**

The notes set out on pages 51 to 69 form an integral part of these financial statements.

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Net cash generated from operating activities	19	**3,510,484**	**4,093,348**	**943,387**	**1,151,699**
Cash flows from investing activities					
Acquisition of fixed assets	11	(313,860)	(356,896)	(84,479)	(99,828)
Net cash used in investing activities		**(313,860)**	**(356,896)**	**(84,479)**	**(99,828)**
Cash flows from financing activities					
Increase in grants received in advance		(1,532,634)	1,162,952	(596,994)	320,189
Net cash (used)/ generated from financing activities		**(1,532,634)**	**1,162,952**	**(596,994)**	**320,189**
Net increase in cash and cash equivalents		**1,663,990**	**4,899,404**	**261,914**	**1,372,060**
Currency translation		-	-	(113,495)	(259,782)
Cash and cash equivalents at the start of the year		48,586,830	43,687,426	13,377,136	12,264,858
Cash and cash equivalents at year end	12	**50,250,820**	**48,586,830**	**13,525,555**	**13,377,136**

The notes set out on pages 51 to 69 form an integral part of these financial statements.

1. THE REPORTING ENTITY

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

BRAC Uganda effectively commenced operations as an independent entity on 1 January 2010. The core elements of the business model are BRAC's community outreach – based delivery methodology and its unwavering focus on the poorer end of the poverty spectrum. These two principles distinguish BRAC from other 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 Non-Governmental Organizations Act 2016.

(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

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

The financial statements include figures, which have been translated from Uganda Shillings (Shs'000) to United States Dollars (USD) at the year end rate of USD 1: Ushs 3,715 (2017: Ushs 3,632) for balance sheet items and USD 1: Ushs 3,733 (2017: Ushs 3,575) for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements.

(iv) Use of estimates and judgment

The preparation of financial statements 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 23.

a. Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

	Percentage(%)
Motor vehicles, motor cycles and bicycles	20%
Computers	20%
Furniture and Fixtures	10%
Equipment	15%
Buildings	4%

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

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

b. Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shillings 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 Shillings 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 Shillings at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

c. Impairment

(i) Financial assets

At each statement of financial position 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

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

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

(ii) Non-financial assets

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

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

d. Inventory

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

e. Other Receivables

Other receivables comprise of prepayments, deposits and other recoverable which arise during the normal course of business. They are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable is established when there is objective evidence that the company 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 statement of financial position date and include: cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements.

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.

h. Revenue recognition

Revenue is recognized on an accruals basis.

i. Grants

(i) Donor Grants

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities in the 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 Comprehensive Income as grant income. Grants utilized to reimburse program related expenditure 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 may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants). For ongoing projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as Grants receivable.

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

A portion of BRAC Uganda donor grants are for the funding of projects and programs, and for these grants, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period. For donor grants restricted to funding procurement fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed asset.

(iii) Other income

Other income comprises of other project incomes 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 realised and unrealised foreign exchange differences.

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 Statement of financial position 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. 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.

m. 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.

n. Fundraising Costs

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

BRAC UGANDA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

o. Adoption of new and revised standards

i. New standards, amendments and interpretations effective and adopted by the Company during the year
The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2018: The adoption of these new standards has not resulted in material changes to the company's accounting policies.

New amendments or interpretation effective for annual periods beginning on or after 1 January 2018 are summarised below:

New amendments or interpretation	Effective date
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (2014)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (Amendments to IFRS 4)	1 January 2018
Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28)	1 January 2018

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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Company assessed the potential impact on its financial statements which was not significant 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 adoption of this standard is not expected to have a significant impact the financial statements of the Company.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

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

The amendments cover three accounting areas:
Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

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

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

The adoption of the amendment will not have an impact on the financial statements of the company.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

.
The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The adoption of this standard is not expected to have a significant impact the financial statements of the Company.

ii. New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018

At the date of authorisation of the financial statements of BRAC Uganda for the year ended 31 December 2018, the following Standards and Interpretations were in issue but not yet effective;

New standard or amendments	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle- various standards	1 January 2019
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 Insurance contracts	1 January 2021

IFRS 16: Leases

On 13 January 2016, the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.
The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;
(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

The adoption of the amendment will not have an impact on the financial statements of the company.

IFRS 17

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The standard is not applicable to the client since the entity does not deal in insurance contracts.

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

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

The effective date for these changes has now been postponed until the completion of a broader review.

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

q. Comparative

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

3. GRANT INCOME

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Agriculture, poultry& Livestock	2,523,167	1,820,040	675,883	509,088
Education	27,646,675	23,385,792	7,405,743	6,541,297
Health	12,873,049	15,834,749	3,448,317	4,429,177
Empowerment and Livelihood of Adolescents	6,489,851	5,111,696	1,738,443	1,429,805
Research & Evaluation	3,258,474	2,473,630	872,851	691,905
TUP	1,298,142	2,964,870	347,734	829,311
Play Lab	2,173,325	1,190,147	582,171	332,899
Emergency Preparedness and response	578,530	61,130	154,971	17,099
	56,841,213	52,842,054	15,226,113	14,780,581

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

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Other project income	5,024,332	6,140,287	1,345,872	1,717,515
Bank interest income	718,049	1,120,217	192,345	313,338
	5,742,381	7,260,504	1,538,217	2,030,853

Other project income relates to the income from the training program and health program revolving fund.

5. FOREIGN EXCHANGE GAINS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Foreign exchange (loss)/gains	(128,182)	133,107	(34,336)	37,232
	(128,182)	133,107	(34,336)	37,232

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

6. STAFF COSTS AND OTHER BENEFITS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Salaries	8,836,572	8,644,718	2,367,062	2,418,035
Bonus	504,885	182,540	135,244	51,059
10% employer NSSF contribution	929,997	772,087	249,119	215,962
Wages	362,784	-	97179	-
Gratuity expenses	99,380	-	26,621	-
Insurance for staff	-	326,865	-	91,428
	10,733,618	9,926,210	2,875,225	2,776,484

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. TRAINING, WORKSHOPS AND SEMINARS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
External member trainings	7,972,433	6,418,559	2,135,584	1,795,351
Staff training	456,388	398,865	122,253	111,567
	8,428,821	6,817,424	2,257,837	1,906,918

8. OCCUPANCY EXPENSES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Rental charges	1,171,404	1,396,481	313,785	390,613
Utilities	110,192	169,733	29,517	47,477
	1,281,596	1,566,214	343,302	438,090

9. PROGRAM SUPPLIES, TRAVEL AND OTHER GENERAL EXPENSES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Legal and Other fees	228,359	175,196	61,171	49,005
Audit fees	109,377	75,636	29,299	21,156
Maintenance & general expenses	7,128,673	4,679,616	1,909,565	1,308,947
Printing, stationary and supplies	427,045	811,017	114,393	226,852
Telephone expenses	648,752	326,497	173,782	91,325
Program supplies	23,756,823	23,482,708	6,363,765	6,568,406
Fixed assets write-off	-	16,594	-	4,642
Inventory write-off	403,493	12,634	108,083	3,534
Software Maintenance Cost	160,257	181,732	42,928	50,833
Head Office logistics expenses	2,446,975	2,701,840	655,474	755,738
Travel and transportation	5,045,462	3,833,190	1,351,533	1,072,191
	40,355,216	36,296,660	10,809,993	10,152,629

Program supplies mainly comprise of tuition, Scholarship, training materials, health kits, stipends, learning materials, technical support to projects and supplies for the beneficiaries.

10. TAXATION

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

Uganda Revenue Authority issued an exempt organization ruling to BRAC Uganda for the year 31 December 2018 in a notice DT-1109 dated 09 September 2018.

11. PROPERTY AND EQUIPMENT

	Furniture Ushs(000)	Building Ushs(000)	Equipment Ushs(000)	Motor Vehicles Ushs(000)	Total Ushs(000)	Total USD
Cost						
At 1 January 2017	**800,072**	**221,701**	**1,316,214**	**813,334**	**3,151,321**	**1,127,541**
Additions	76,307	-	82,799	197,790	356,896	99,828
Disposals	-	-	-	-	-	-
Currency translation	-	-	-	-	-	(261,471)
At 31 December 2017	**876,379**	**221,701**	**1,399,013**	**1,011,124**	**3,508,217**	**965,898**
Additions	39,745	-	138,584	135,531	313,860	84,479
Currency translation	-	-	-	-	-	(21,623)
At 31 December 2018	**916,124**	**221,701**	**1,537,597**	**1,146,655**	**3,822,077**	**1,028,754**
Depreciation						
At 1 January 2017	**380,107**	**10,758**	**675,835**	**586,323**	**1,653,023**	**706,907**
Charge for the year	83,621	8,868	147,107	95,476	335,072	93,724
Currency translation	-	-	-	-	-	(253,260)
At 31 December 2017	**463,728**	**19,626**	**822,942**	**681,799**	**1,988,095**	**547,371**
Charge for the year	85,924	8,868	157,234	127,994	380,020	101,796
Currency translation	-	-	-	-	-	(11,763)
At 31 December 2018	**549,652**	**28,494**	**980,176**	**809,793**	**2,368,115**	**637,404**
Net Book Value						
At 31 December 2018	**366,472**	**193,207**	**557,421**	**336,862**	**1,453,962**	**391,350**
At 31 December 2017	**412,651**	**202,075**	**576,071**	**329,325**	**1,520,122**	**418,527**

12. CASH AND BANK

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Cash in hand		6,595	2,578	1,775	710
Cash at bank	12.a	50,244,225	48,584,252	13,523,780	13,376,426
		50,250,820	48,586,830	13,525,555	13,377,136

12. a) Cash at bank

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Standard Chartered Bank	45,902,499	44,070,002	12,355,157	12,133,544
Bank of Africa	67,979	76,531	18,297	21,071
DFCU	8,501	5,168	2,288	1,423
Pride Microfinance Ltd	242	3,379	65	930
Equity Bank	21,417	25,645	5,765	7,061
Post Bank	44,860	26,171	12,075	7,205
Centenary Bank	61,028	58,515	16,426	16,111
Tropical Bank	4,685	3,260	1,261	896
Stanbic Bank	4,133,014	4,315,581	1,112,446	1,188,185
	50,244,225	**48,584,252**	**13,523,780**	**13,376,426**

13. INVENTORY

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Stock and consumables	937,096	1,435,095	252,230	395,117
	937,096	**1,435,095**	**252,230**	**395,117**

Stock and consumables includes the amount of the stock of health materials, poultry and agriculture that were not yet sold as at 31 December 2018. These materials are normally sold at subsidized rates to low income earners in communities.

14. DUE FROM RELATED PARTIES

		2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Finance Limited		372,420	-	100,241	-
BRAC Social Business Enterprise		504,200	-	135,711	-
BRAC Bangladesh	-	13,947	-	3,840	-
		876,620	**13,947**	**235,952**	**3,840**

Due from related parties relates to amounts owing from BRAC Uganda Finance Limited and BRAC Uganda Social Enterprise Limited for the settlements of staff costs and operating expenditures. The fair value of these related party receivables approximates their carrying amounts. This amount will be settled during the ordinary course of business and bear no interest.

15. OTHER RECEIVABLES

		2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Advances to third parties		317,513	515,814	85,462	142,016
Donor receivables	-	4,618,982	-	1,271,718	-
		317,513	**5,134,796**	**85,462**	**1,413,734**

16. OTHER PAYABLES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Accrued expenses	1,778,849	1,946,301	478,796	535,864
Bonus	-	27,271	-	7,508
NSSF	212,534	102,259	57,206	28,154
VAT payable	47,531	325,353	12,794	89,578
Audit fees	50,416	75,636	13,570	20,824
Withholding tax	188,282	316,374	50,678	87,106
Salary	88,099	-	23,713	-
PAYE	380,828	221,505	102,504	60,986
	2,746,539	**3,014,699**	**739,261**	**830,020**

17. DUE TO RELATED PARTIES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Bangladesh	37,355	-	10,055	-
Stichting BRAC International	1,098,084	1,736,752	295,561	478,170
BRAC IT Services Limited (bits)	-	181,732	-	50,035
BRAC Uganda Microfinance Ltd		1,547,081	-	425,949
	1,135,439	**3,465,565**	**305,616**	**954,154**

Related party payables relate to amounts owing to BRAC Bangladesh, Stichting BRAC International and BRAC Finance Limited, for the settlements of staff costs and operating expenditures incurred on behalf of BRAC Uganda. The fair value of these related party payables/receivables approximates their carrying amounts. Stitchting BRAC International is the parent of BRAC Uganda. BRAC Bangladesh is an affiliate company of BRAC Uganda. Payable to Bits relates to annual software maintenance fees payable to BRAC International. The amounts bear no interest and are settled in normal course of business.

18. DONOR FUNDS

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Donor funds received in advance	**18.1**	26,841,056	28,307,530	7,224,563	7,793,752
Donor funds-investment in fixed assets	**18.2**	1,555,810	1,621,970	418,763	446,568
		28,396,866	**29,929,500**	**7,643,326**	**8,240,320**

18.1 Donor funds received in advance

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Opening balance		28,307,530	27,166,402	7,619,280	7,479,571
Donations received during the Year	**18.1a**	60,540,733	49,533,261	16,275,968	13,637,712
Donation received against previous year		(4,618,981)		(1,243,249)	
Transferred to donor*		(613,173)	(147,235)	(165,041)	(40,537)
Transferred to deferred income - investment in fixed assets		(313,860)	(356,897)	(84,479)	(98,262)
Donor Receivables		-	4,618,981	(15,197,145)	1,271,718
Utilized during the year		(56,461,193)	(52,506,982)	-	(14,456,450)
Currency translation		-	-	19,229	-
		26,841,056	**28,307,530**	**7,224,563**	**7,793,752**

*Transfer to donors relates to project fund balances transferred by BRAC Uganda to sub recipient of the project.

18.1 a) Donations received during the year

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
MasterCard Foundation (Scholarship and TVET)	26,913,652	24,336,378	7,242,770	6,700,397
BRAC USA (Youth Research)	-	3,578		985
BRAC USA (PEDL Youth Research)	67,253	-	18,042	-
Emergency Preparedness	-	381,921	-	105,152
IDRC	2,764,367	725,173	751,591	199,658
Living Goods (Health)	17,367,132	12,608,294	4,677,636	3,471,370
Vision Spring (Eye care)	-	59,488	-	16,379
Women win	813,849	506,986	215,145	139,586
Oak Foundation	519,007	-	137,924	-
Capacity Building(Market Survey)	235,282	-	62,903	-
Stockholm university (Research study)	17,362	222,887	4,680	61,366
Sanitation for Health(Tetra Tech)	202,559	-	53,733	-
NANNY	568,013	-	151,153	-
NORAD-ELLAY	194,743	-	50,971	-
Capacity (IGC)	145,045	-	39,084	-
JSDF (Agriculture)	1,870,281	1,227,821	499,141	338,049
World Bank –(ADP)	80,622	1,237,142	21,969	340,615
Lego Foundation	2,113,214	1,240,124	561,577	341,436
ECM (ELA)	3,069,252	4,140,709	826,121	1,140,038
ELA -SCOPE MoGender	309,538	135,274	83,642	37,244
S.Sudan refugees fund(BRAC USA)	-	501,523	-	138,081
TUP (BRAC UK)	1,015,953	1,497,386	274,865	412,267
IERC (BRAC USA-Mobile Money)	-	247,847	-	68,239
BRAC USA (IERC)	1,467,358	64,615	387,839	17,790
Menstral (Research)	-	35,479	-	9,768
Skills Development Project Enable	253,374	-	68,198	-
ADP- ENABEL KARAMOJA Project	158,843	-	42,754	-
SDF-KIRYANDONGO	287,788	-	75,324	-
Qatar Foundation	-	132,954	-	36,606
UNRA -World bank	46,155	-	12,423	-
Stanford University	60,091	227,682	16,483	62,686
	60,540,733	**49,533,261**	**16,275,968**	**13,637,712**

18.2 Donations – investment in fixed assets

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Opening balance	1,621,970	1,600,145	436,571	440,559
Transferred from donor funds received in advance	313,860	356,897	84,479	98,262
Depreciation charged during the year	(380,020)	(335,072)	(102,287)	(92,253)
Closing balance	**1,555,810**	**1,621,970**	**418,763**	**446,568**

19. CASHFLOW FROM OPERATING EXPENSES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Excess of income over expenditure	1,276,141	5,294,085	341,841	1,480,821
Depreciation	380,020	335,072	101,796	93,724
Cash flows before changes in working capital	1,656,161	5,629,157	443,637	1,574,545
Changes in working capital				
Decrease in inventory	497,999	(397,197)	142,887	(109,358)
Decrease in other receivables	4,817,283	(3,353,493)	1,328,272	(923,298)
Increase in related party receivables	(862,673)	(13,947)	(232,112)	(3,840)
Decrease in other payables	(268,160)	(17,109)	(90,759)	(4,711)
Decrease in related party payables	(2,330,126)	2,245,937	(648,538)	618,361
Net cash generated from operations	**3,510,484**	**4,093,348**	**943,387**	**1,151,699**

20. SUBSEQUENT EVENTS

The company has evaluated the subsequent events through the date of signing these financial statements and there were no significant events to be reported in these financial statements.

21. CURRENCY

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

22. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2018 (2017: Nil).

23. USE OF ESTIMATES AND JUDGMENT

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

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

BRAC Uganda makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management identifies all significant accounting policies and those that involve high judgment and in particular the significant areas of estimation and un-certainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements. These are:

(i) Impairment

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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.

24. FINANCIAL RISK MANAGEMENT

Introduction and overview
The company has exposure to the following risks from financial instruments:

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

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

Risk management framework

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

The Board of BRAC Bangladesh International, the parent company, has established the Group Audit and Risk Committee, Remuneration Committee, Investment Committee, Group Executive Committee and Subsidiary Companies Executive Committee which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and 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.

i) 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.

Management of the risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the Country Representative and the Monitoring department.

Exposure to credit risk

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

	2018 Shs '000	2017 Shs '000	2018 USD	2017 USD
Cash and Cash equivalents	50,250,820	48,586,830	13,525,555	13,377,136
Other receivables	317,513	5,134,796	85,462	1,413,734
	50,568,333	**53,721,626**	**13,611,017**	**14,790,870**

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

	2018 Shs '000	2017 Shs '000	2018 USD	2017 USD
Between 0 - 30 days	232,831	3,537,795	62,669	974,041
Between 31 - 60 days	84,682	1,597,001	22,793	439,693
	317,513	**5,134,796**	**85,462**	**1,413,734**

ii) Liquidity risk

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

BRAC Uganda manages its debt maturity profile, operating cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, BRAC Uganda maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, BRAC Uganda maintains banking facilities of a reasonable level. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to Liquidity risk

The table below indicates the company liquidity at the statement of financial position date and an analysis of the liquidity period of the company's financial assets and liabilities.

2018

	Matured Ushs '000'	Less than 30 days Ushs '000'	Between 31-60 Day Ushs '000'	Over 60 Days Ushs '000'	Total Ushs '000'
ASSETS					
Cash and bank	50,250,820	-	-	-	50,250,820
Due from related parties	-	396,620	-	480,000	876,620
Other receivables	-	232,831	84,682	-	317,513
	50,250,820	**629,451**	**84,682**	**480,000**	**51,444,953**
LIABILITIES AND CAPITAL FUND					
Other payables	-	1,345,804	796,496	604,239	2,746,539
Due to related parties	-	340,632	567,720	227,087	1,135,439
	-	1,686,436	1,364,216	831,326	3,881,978
Liquidity gap	**50,250,820**	**(1,056,985)**	**(1,279,534)**	**(351,326)**	**47,562,975**

2017

	Matured Ushs '000'	Less than 30 days Ushs '000'	Between 31-60 Day Ushs '000'	Over 60 Days Ushs '000'	Total Ushs '000'
ASSETS					
Cash and bank	48,586,830	-	-	-	48,586,830
Due from related parties	-	13,947	-	-	13,947
Other receivables	-	3,537,795	1,597,001	-	5,134,796
	48,586,830	**3,551,742**	**1,597,001**	**-**	**53,735,573**

LIABILITIES AND CAPITAL FUND					
Other payables	-	1,507,349	904,409	602,941	3,014,699
Due to related parties	-	1,039,669	1,732,782	693,114	3,465,565
	-	2,547,018	2,637,191	1,296,055	6,480,264
Liquidity gap	**48,586,830**	**1,004,724**	**(1,040,190)**	**(1,296,055)**	**47,255,309**

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

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

i. Interest rate risk

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

ii. Foreign exchange risk

BRAC Uganda foreign exchange risks comprise transactions risk which arise from donor grants received in currencies other than the local currency and minimal foreign currency deposits and cash at bank placed with licensed financial institutions. Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level. The company's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss.

Exposure to Foreign currency risk

The following significant exchange rates applied during the year:

	Closing Rate 2018 Ushs	2017 Ushs	2018 Ushs	Average Rate 2017 Ushs
USD	3,715	3,632	3,733	3,575

The table below summarises the company's exposure to foreign exchange risk;

Ushs equivalent	2018 USD'000	2017 USD'000
Bank Balances	36,771,286	29,496,645
Donor receivable	-	4,618,982
Due to related parties	1,098,084	1,918,484
Due from related parties`	-	13,947
	37,869,370	**36,048,058**

Sensitivity Analysis

A reasonably strengthening (weakening) of the US dollar against the Uganda Shilling at 31 December 2018 would have affected the measurement of the above financial instruments denominated in a foreign currency as shown below:

	2018	+/-5%	2017	+/-5%
Ushs equivalent	**USD'000**	**Ushs'000**	**USD'000**	**Ushs'000**
Bank Balances	36,771,286	1,838,564	29,496,645	1,474,832
Donor receivable	-	-	4,618,982	230,949
Due to related parties	1,098,084	54,904	1,918,484	95,924
Due from related parties`	-	-	13,947	697
	37,869,370	**1,893,468**	**36,048,058**	**1,802,402**

iv) Operational risk

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

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each BRAC Program. This responsibility is supported by the development of company level standards for the management of operational risk in the following areas:

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

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

25. CAPITAL RISK MANAGEMENT

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

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

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer

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price quotations. For all other financial instruments, the company determines fair values using other valuation techniques.
For financial instruments that trade infrequently and have little price transparency, the fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments e.g. quoted equity securities. These items are exchange traded positions.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

	Carrying amount financial assets	Carrying amount financial liabilities
31 December 2018		
Financial assets		
Cash and cash equivalents	50,250,820	-
Other receivables	317,513	-
Due from related parties	876,620	-
Financial liabilities		
Other payables	-	(2,746,539)
Due to related parties	-	(1,135,439)

The following table sets out the carrying amounts and fair values of financial assets and financial liabilities not measured at fair value. The carrying amounts of the financial assets and liabilities approximate their fair values and thus the fair value information has not been presented.

27. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2018.

28. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Stichting BRAC International, a foundation registered in Netherland.

29. EVENTS AFTER THE REPORTING PERIOD

There are no reportable events after the reporting period.

BRAC Uganda has the following projects. These projects offer different services and are managed separately. The following summary describes the operations of each project.

Projects	Operations
Agriculture-MCF	This segment has funds for agriculture from MasterCard Foundation and ASARECA. Funding stopped but there are a few activities still ongoing using the balance of funds from the previous year and the project has ended.
Japanese Social Development Fund	These are funds from the Japanese Social Development Fund -for Agriculture targeting the rural grass root farmer in Western and Central Uganda.
Poultry –MCF	These are funds from MasterCard Foundation to boost poultry farming project. The funding stopped and the project has ended.
Health-Revolving fund	This has 3 projects which include: primary health care, Tuberculosis project and a revolving fund project. The first 2 projects ended but the revolving fund project is still active. The revolving fund project is self-sustaining-Funds from the project are used to purchase health products for sale by the Community Health Promoters(CHP), who refund the money with a small margin after selling the health products.
Vision Spring	This project aims to increase access to presbyopia screening and affordable glasses for low income people in Uganda.
Sanitation 4 health	This project will introduce a series of contemporary and integrated water, sanitation and hygiene intervention at community and household level.
Living Goods	This is a health project that focuses on mainly children and mothers. Focuses mainly on maternal health and treatment of common diseases like malaria, diarrhoea, and pneumonia.
Scholarship	These are projects offering education by giving scholarships for secondary school education to bright students from poor families.
TVET	Technical Vocational and Education Training (TVET) support for 20% of the Scholars and strengthen career education support services to the Scholars. Increase the transition into further education or employment to at least 95% from current 77%.
ELA-Others	These projects focus on the empowerment and livelihood of adolescents. The focus is girls between the ages 11-21; giving them life skills and building their capacity. The funding is from UNRA, Enable and World bank.
OAK Foundation	This is an empowerment and livelihood of adolescents project through formation of clubs
Women Win	This is an empowerment and livelihood of adolescents project through sports
TRAINING	This is the training arm of BRAC Uganda; where staff are trained in different aspects like BRAC values, leadership skills. The running projects pay a minimal sum for the staff to be training and to help in sustainability.
Research	This has all the research and independent evaluation funds / projects. BRAC Uganda has an independent research unit that carries out all the research and evaluation required by the projects and the entity as a whole.
UNICEF Project	The project was focuses on children and their welfare and project has ended.
Play Lab	This is an education project (Early Child Development) targeting children between the ages of 3 and 5.
Emergency Preparedness and response	This is a project focusing on emergency rescue. It focuses on areas where there is disaster, natural calamities and refugee camps.
EELAY- NORAD	This project will provide education and livelihood opportunities to out of school adolescent girls in Uganda. In addition, it will also provide early learning opportunities for children aged 3 – 6 years and enter primary schools in Uganda.
Targeting the Ultra Poor	This project targets the very poor in the Community; especially the youths and women, by providing them with start-up capital and animal assets, and offering them training.
End Child Marriage(ECM)	This is an “End Child Marriage” projects which targets the adolescent girls, giving them life skills and apprentice.

Building Young Futures(BYF)	This project focuses on empowering and giving skills to adolescents; following the Empowerment of Livelihood Adolescents(ELA) model—financial literacy, vocational training, livelihood training.
BARR Foundation	This project focuses on reducing fertility rates, teenage pregnancy and the risk of maternal mobility, increase in use of contraceptives and girls’ income generation activities.
Adolescent Health Promoter	Adolescent Health Promoter- Using the ELA model, to support health related aspects in youths like sexual reproductive training, sanitation.
Community Connector	It was an Agricultural project funded by USAID to improve the food security and nutrition of children and women. It ended.

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (CONT'D)

Statement of Comprehensive Income for the year ended 31 December 2018 (Amount in Uganda Shillings)

	Agriculture -MCF Ushs(000)	JSDF Ushs(000)	Poultry -MCF Ushs(000)	Health -MCF Ushs(000)	Vision Spring Ushs(000)	USAID Sanitation Ushs(000)	LIving Goods Ushs(000)	TVET Ushs(000)	Scholarship Ushs(000)	ELA Others Ushs(000)	OAK Foundation Ushs(000)
INCOME											
Grant Income	-	2,523,167	-	-	126,751	119,118	12,627,180	1,515,734	26,130,941	1,729,587	483,242
Other Income	750	17,489	1,244	437,888	-	9,788	779,014	-	411,884	1,636,111	(7,206)
TOTAL INCOME	**750**	**2,540,656**	**1,244**	**437,888**	**126,751**	**128,906**	**13,406,194**	**1,515,734**	**26,542,825**	**3,365,698**	**476,036**
EXPENDITURE											
Manpower and compensation	-	342,667	-	514	34,460	45,528	4,468,392	73,859	1,566,073	225,459	100,871
Travelling and transportation	-	181,183	-	1,699	39,223	8,990	2,082,120	2,402	552,230	198,778	47,145
Training, workshops and seminars	-	611,002	-	-	19,175	24,908	1,371,217	26,452	3,847,277	536,456	272,114
Occupancy expenses	-	43,873	-	362	-	2,400	489,993	-	179,176	-	-
Other general & administrative expenses	-	1,345,781	-	199,801	33,893	37,292	3,572,663	1,412,264	19,969,301	1,447,277	20,222
HO logistic expenses	-	-	-	-	-	-	1,563,043	-	-	90,270	42,756
Depreciation	40,293	47,934	9,382	22,242	-	-	138,304	757	35,807	26,077	-
TOTAL EXPENSES	**40,293**	**2,572,440**	**9,382**	**224,618**	**126,751**	**119,118**	**13,685,732**	**1,515,734**	**26,149,864**	**2,524,317**	**483,108**
Surplus/ Reserve	**(39,543)**	**(31,784)**	**(8,138)**	**213,270**	**-**	**9,788**	**(279,538)**	**-**	**392,961**	**841,381**	**(7,072)**
Foreign exchange gain/(loss)	**-**	**(1,440)**	**-**	**-**	**-**	**-**	**(497,477)**	**-**	**339,722**	**-**	**-**
Total Comprehensive Income	**(39,543)**	**(33,224)**	**(8,138)**	**213,270**	**-**	**9,788**	**(777,015)**	**-**	**732,683**	**841,381**	**(7,072)**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Comprehensive Income for the year ended 31 December 2018 (Amount in Uganda Shillings)

	Women Win Ushs(000)	BYF Ushs(000)	Training Ushs(000)	Research Ushs(000)	Community Connector Ushs(000)	Emergency Preparedness Ushs(000)	EELAY-NORAD Ushs(000)	Play Lab Ushs(000)	TUP Ushs(000)	ECM Ushs(000)	Unicef Ushs(000)	Total Ushs(000)
INCOME												
Grant Income	905,270	-	-	3,258,474	-	578,530	15,760	2,157,565	1,298,142	3,371,752	-	56,841,213
Other Income	26,973	4	544,431	1,872,888	293	2,111	516	-	-	8,203	-	5,742,381
TOTAL INCOME	**932,243**	**4**	**544,431**	**5,131,362**	**293**	**580,641**	**16,276**	**2,157,565**	**1,298,142**	**3,379,955**	**-**	**62,583,594**
EXPENDITURE												
Manpower and compensation	137,355	-	146,255	1,600,411	-	125,125	1,208	292,551	511,942	1,060,948	-	10,733,618
Travelling and transportation	72,318	-	79,205	436,131	-	359,489	3,626	305,026	241,454	434,443	-	5,045,462
Training, workshops and seminars	236,624	-	(30,187)	522,000	-	58,523	7,514	396,714	110,634	418,398	-	8,428,821
Occupancy expenses	-	-	69,587	39,219	-	-	-	80,954	28,579	347,453	-	1,281,596
Other general & administrative expenses	376,152	-	100,768	2,243,434	-	34,232	3,411	885,651	398,154	797,100	-	32,877,396
HO logistic expenses	81,886	-	-	150,914	-	-	-	196,090	-	307,399	-	2,432,358
Depreciation	934	1,306	7,298	23,164	-	1,161	-	579	7,379	14,214	3,189	380,020
TOTAL EXPENSES	**905,269**	**1,306**	**372,926**	**5,015,273**	**-**	**578,530**	**15,759**	**2,157,565**	**1,298,142**	**3,379,955**	**3,189**	**61,179,271**
Surplus/ Reserve	**26,974**	**(1,302)**	**171,505**	**116,089**	**293**	**2,111**	**517**	**-**	**-**	**-**	**(3,189)**	**1,404,323**
Foreign exchange gain/(loss)	**-**	**-**	**-**	**31,013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(128,182)**
Total Comprehensive Income	**26,974**	**(1,302)**	**171,505**	**147,102**	**293**	**2,111**	**517**	**-**	**-**	**-**	**(3,189)**	**1,276,141**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Comprehensive Income for the year ended 31 December 2018 (Amount in United States Dollars)

	Agriculture -MCF USD	JSDF USD	Poultry -MCF USD	Health -MCF USD	Vision Spring USD	USAID Sanitation USD	Living Goods USD	TVET USD	Scholarship USD	ELA Others USD	OAK Foundation USD
INCOME											
Grant Income	-	675,883	-	-	33,953	31,908	3,382,456	406,021	6,999,722	463,306	129,447
Other Income	201	4,685	333	117,297	-	2,622	208,675	-	110,332	438,267	(1,930)
TOTAL INCOME	**201**	**680,568**	**333**	**117,297**	**33,953**	**34,530**	**3,591,131**	**406,021**	**7,110,054**	**901,573**	**127,517**
EXPENDITURE											
Manpower and compensation	-	91,791	-	138	9,231	12,196	1,196,951	19,785	419,506	60,394	27,020
Travelling and transportation	-	48,534	-	455	10,507	2,408	557,739	643	147,926	53,247	12,629
Training, workshops and seminars	-	163,670	-	-	5,136	6,672	367,309	7,085	1,030,574	143,701	72,892
Occupancy expenses	-	11,752	-	97	-	643	131,255	-	47,996	-	-
Other general & administrative expenses	-	360,496	-	53,521	9,079	9,989	957,013	378,305	5,349,197	387,684	5,417
HO logistic expenses	-	-	-	-	-	-	418,694	-	-	24,181	11,453
Depreciation	10,793	12,840	2,513	5,958	-	-	37,048	203	9,592	6,985	-
TOTAL EXPENSES	**10,793**	**689,083**	**2,513**	**60,169**	**33,953**	**31,908**	**3,666,009**	**406,021**	**7,004,791**	**676,192**	**129,411**
Surplus/ Reserve	**(10,592)**	**(8,515)**	**(2,180)**	**57,128**	**-**	**2,622**	**(74,878)**	**-**	**105,263**	**225,381**	**(1,894)**
Foreign exchange gain/(loss)	**-**	**(386)**	**-**	**-**	**-**	**-**	**(133,260)**	**-**	**91,002**	**-**	**-**
Total Comprehensive Income	**(10,592)**	**(8,901)**	**(2,180)**	**57,128**	**-**	**2,622**	**(208,138)**	**-**	**196,265**	**225,381**	**(1,894)**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Comprehensive Income for the year ended 31 December 2018 (Amount in United States Dollars)

	Women Win USD	BYF USD	Training USD	Research USD	Community Connector USD	Emergency Preparedness USD	EELAY-NORAD USD	Play Lab USD	TUP USD	ECM USD	Unicef USD	Total USD
INCOME												
Grant Income	242,496	-	-	872,851	-	154,972	4,222	577,949	347,734	903,193	-	15,226,113
Other Income	7,225	-	145,837	501,692	79	565	138	-	-	2,199	-	1,538,217
TOTAL INCOME	**242,496**		**145,837**	**137,4543**	**79**	**155,537**	**4,360**	**577,949**	**347,734**	**905,392**	**-**	**16,764,330**
EXPENDITURE												
Manpower and compensation	36,793	-	39,177	428,704	-	33,517	323	78,366	137,134	284,199	-	2,875,225
Travelling and transportation	19,372	-	21,217	116,827	-	96,297	972	81,708	64,679	116,375	-	1,351,535
Training, workshops and seminars	63,385	-	(8,086)	139,829	-	15,677	2,013	106,268	29,636	112,076	-	2,257,837
Occupancy expenses	-	-	18,640	10,505	-	-	-	21,685	7,655	93,074	-	343,302
Other general & administrative expenses	100,760	-	26,993	600,951	-	9,170	914	237,240	106,654	213,517	-	8,806,900
HO logistic expenses	21,935	-	-	40,425	-	-	-	52,527	-	82,343	-	651,558
Depreciation	250	350	1,955	6,205	-	311	-	155	1,976	3,808	854	101,796
TOTAL EXPENSES	**242,495**	**350**	**99,896**	**1,343,446**	**-**	**154,972**	**4,222**	**577,949**	**347,734**	**905,392**	**854**	**16,388,153**
Surplus/ Reserve	**7,226**	**(350)**	**45,941**	**31,097**	**79**	**565**	**138**	**-**	**-**	**-**	**(854)**	**376,177**
Foreign exchange gain/(loss)	**-**	**-**	**-**	**8,308**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34,336)**
Total Comprehensive Income	**7,226**	**(350)**	**45,941**	**39,405**	**79**	**565**	**138**	**-**	**-**	**-**	**(854)**	**341,841**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Financial Position for the year ended 31 December 2018 (Amount in Uganda Shillings)

	Agriculture -MCF Ushs(000)	JSDF Ushs(000)	Poultry -MCF Ushs(000)	Health -MCF Ushs(000)	Vision Spring Ushs(000)	USAID Sanitation Ushs(000)	LIving Goods Ushs(000)	TVET Ushs(000)	Scholarship Ushs(000)	ELA Others Ushs(000)	OAK Foundatio Ushs(000)	BARR Foundation Ushs(000)
ASSETS												
Cash and bank	381,825	277,616	318,531	3,659,607	9,219	86,164	229,219	428,274	28,905,514	1,625,407	465,523	192,350
Receivables and other Current Assets	170,862	(101,102)	(430,526)	567,818	308,653	80,093	400,907	1,127	54,170	540,919	2,268	980
Property and equipment	10,223	113,172	16,415	28,150	-	-	350,852	23,926	34,294	402,938	17	-
TOTAL PROPERTY AND ASSETS	**562,910**	**289,686**	**(95,580)**	**4,255,575**	**317,872**	**166,257**	**980,978**	**453,327**	**28,993,978**	**2,569,264**	**467,808**	**193,330**
LIABILITIES AND CAPITAL FUND												
LIABILITIES												
Other Current liabilities	(97,283)	171,113	(626)	(10,447)	317,782	36,989	1,120,879	15,830	789,821	(351,326)	(5,060)	(604)
Related Party Payables	491,673	(75,274)	341,027	(28,740)	67,353	(140,268)	339,837	(1,975,981)	(1,956,301)	(584,764)	502,556	161,414
Total Liabilities	**394,390**	**95,839**	**340,401**	**(39,187)**	**385,135**	**(103,279)**	**1,460,716**	**(1,960,151)**	**(1,166,480)**	**(936,090)**	**497,496**	**160,810**
CAPITAL FUND												
Donor funds	81,096	(210,571)	(430,587)	447,177	(67,263)	83,441	120,970	2,413,478	22,195,795	(259,036)	(32,713)	60,685
Retained Surplus	**87,424**	**404,418**	**(5,394)**	**3,847,585**	**-**	**186,095**	**(600,708)**	**-**	**7,964,663**	**3,764,390**	**3,025**	**(28,165)**
Total Capital Fund	**168,520**	**193,847**	**(435,981)**	**4,294,762**	**(67,263)**	**269,536**	**(479,738)**	**2,413,478**	**30,160,458**	**3,505,354**	**(29,688)**	**32,520**
TOTAL LIABILITIES AND CAPITAL FUND	**562,910**	**289,686**	**(95,580)**	**4,255,575**	**317,872**	**166,257**	**980,978**	**453,327**	**28,993,978**	**2,569,264**	**467,808**	**193,330**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Financial Position for the year ended 31 December 2018 (Amount in Uganda Shillings)

	Women Win Ushs(000)	BYF Ushs(000)	AHP Ushs(000)	Training Ushs(000)	Research Ushs(000)	IDP-Project Ushs(000)	Community Connector Ushs(000)	Emergency Preparedness Ushs(000)	EELAY-NORAD Ushs(000)	Play Lab Ushs(000)	TUP Ushs(000)	ECM Ushs(000)	Unicef Ushs(000)	Total Ushs(000)
ASSETS														
Cash and bank	665,041	-	65,666	1,347,718	8,297,632	-	-	375,495	-	1,842,372	537,229	436,157	104,261	50,250,820
Receivables and other														
Current Assets	1,350	-	-	469,670	8,527	-	423	23,365	-	17,233	2,276	12,216	-	2,131,229
Property and equipment	4,457	4,289	-	238,462	79,414	-	-	8,383	-	2,801	42,464	75,635	18,070	1,453,962
TOTAL PROPERTY AND ASSETS	**670,848**	**4,289**	**65,666**	**2,055,850**	**8,385,573**	**-**	**423**	**407,243**	**-**	**1,862,406**	**581,969**	**524,008**	**122,331**	**53,836,011**
LIABILITIES AND CAPITAL FUND														
LIABILITIES														
Other Current liabilities	54,602	9,970	(4,630)	67,225	222,904	-	(2,933)	9,747	1,688	82,311	42,683	242,881	33,023	2,746,539
Related Party Payables	704,158	(358,495)	1,146	(609,083)	3,053,756	(309)	(294,754)	170,888	(181,187)	1,118,180	461,743	246,893	(320,029)	1,135,439
Total Liabilities	**758,760**	**(348,525)**	**(3,484)**	**(541,858)**	**3,276,660**	**(309)**	**(297,687)**	**180,635**	**(179,499)**	**1,200,491**	**504,426**	**489,774**	**(287,006)**	**3,881,978**
CAPITAL FUND														
Donor funds	24,760	186,340	82,532	98,659	2,199,323	-	251,455	235,555	178,984	681,206	78,957	(23,377)	-	28,396,866
Retained Surplus	(112,672)	166,474	(13,382)	2,499,049	2,909,590	309	46,655	(8,947)	515	(19,291)	(1,414)	57,611	409,337	21,557,167
Total Capital Fund	**(87,912)**	**352,814**	**69,150**	**2,597,708**	**5,108,913**	**309**	**298,110**	**226,608**	**179,499**	**661,915**	**77,543**	**34,234**	**409,337**	**49,954,033**
TOTAL LIABILITIES AND CAPITAL FUND	**670,848**	**4,289**	**65,666**	**2,055,850**	**8,385,573**	**-**	**423**	**407,243**	**-**	**1,862,406**	**581,969**	**524,008**	**122,331**	**53,836,011**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Financial Position as at 31 December 2018 (Amount in United States Dollars)

	Agriculture	JSDF	Poultry -MCF	Health	Vision -MCF	USAID Sanitation	Living Spring	TVET	Scholarship Goods	ELA Others	OAK Foundation	BARR Foundation
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS												
Cash and bank	102,772	74,723	85,737	985,023	2,481	23,192	61,697	115,275	7,780,234	437,496	125,301	51,773
Receivables and other Current Assets	45,989	(27,213)	(115,881)	152,834	83,077	21,557	107,909	303	14,580	145,593	610	264
Property and equipment	2,752	30,462	4,418	7,577	-	-	94,436	6,440	9,231	108,455	5	-
TOTAL PROPERTY AND ASSETS	**151,513**	**77,972**	**(25,726)**	**1,145,434**	**85,558**	**44,749**	**264,042**	**122,018**	**7,804,045**	**691,544**	**125,916**	**52,037**
LIABILITIES AND CAPITAL FUND												
LIABILITIES												
Other Current liabilities	(26,185)	46,057	(168)	(2,812)	85,534	9,956	301,697	4,261	212,589	(94,563)	(1,362)	(163)
Related Party Payables	132,339	(20,261)	91,791	(7,736)	18,129	(37,755)	91,471	(531,857)	(526,560)	(157,396)	135,269	43,447
Total Liabilities	**106,154**	**25,796**	**91,623**	**(10,548)**	**103,663**	**(27,799)**	**393,168**	**(527,596)**	**(313,971)**	**(251,959)**	**133,907**	**43,28**
CAPITAL FUND												
Donor funds	21,828	(56,677)	(115,897)	120,362	(18,105)	22,459	32,561	649,614	5,974,240	(69,723)	(8,805)	16,334
Retained Surplus	23,531	108,853	(1,452)	1,035,620	-	50,089	(161,687)	-	2,143,776	1,013,226	814	(7,581)
Total Capital Fund	**45,359**	**52,176**	**(117,349)**	**1,155,982**	**(18,105)**	**72,548**	**(129,126)**	**649,614**	**8,118,016**	**943,503**	**(7,991)**	**8,753**
TOTAL LIABILITIES AND CAPITAL FUND	**151,513**	**77,972**	**(25,726)**	**1,145,434**	**85,558**	**44,749**	**264,042**	**122,018**	**7,804,045**	**691,544**	**125,916**	**52,037**

BRAC UGANDA
PROJECT REPORTING (UNAUDITED) (C0NT'D)

Statement of Financial Position for the year ended 31 December 2018 (Amount in United States Dollars)

	Women Win	BYF	AHP	Training	Research	IDP-Project	Community Connector	Emergency Preparedness	EELAY-NORAD	Play Lab	TUP	ECM	Unicef	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS														
Cash and bank	179,003	-	17,675	362,753	2,233,398	-	-	101,069	-	495,895	144,601	117,394	28,063	13,525,555
Receivables and other														
Current Assets	363	-	-	126,417	2,295	-	114	6,289	-	4,638	613	3,293	-	573,644
Property and equipment	1,200	1,154	-	64,185	21,375	-	-	2,257	-	754	11,430	20,355	4,864	391,350
TOTAL PROPERTY AND ASSETS	**180,566**	**1,154**	**17,675**	**553,355**	**2,257,068**	**-**	**114**	**109,615**	**-**	**501,287**	**156,644**	**141,042**	**32,927**	**14,490,549**
LIABILITIES AND CAPITAL FUND														
LIABILITIES														
Other Current liabilities	14,697	2,684	(1,246)	18,09459	59,997	-	(789)	2,624	454	22,155	11,489	65,372	8,889	739,261
Related Party Payables	189,532	(96,493)	308	(163,941)	821,952	(83)	(79,336)	45,996	(48,768)	300,970	124,283	66,454	(86,139)	305,616
Total Liabilities	**204,229**	**(93,809)**	**(938)**	**(145,847)**	**881,949**	**(83)**	**(80,125)**	**48,620**	**(48,314)**	**323,125**	**135,772**	**131,826**	**(77,250)**	**1,044,877**
CAPITAL FUND														
Donor funds	6,664	50,155	22,215	26,556	591,971	-	67,681	63,403	48,175	183,354	21,252	(6,291)	-	7,643,326
Retained Surplus	(30,327)	44,808	(3,602)	672,646	783,148	83	12,558	(2,408)	139	(5,192)	(380)	15,507	110,177	5,802,346
Total Capital Fund	**(23,663)**	**94,963**	**18,613**	**699,202**	**1,375,119**	**83**	**80,239**	**60,995**	**48,314**	**178,162**	**20,872**	**9,216**	**110,177**	**13,445,672**
TOTAL LIABILITIES AND CAPITAL FUND	**180,566**	**1,154**	**17,675**	**553,355**	**2,257,068**	**-**	**114**	**109,615**	**-**	**501,287**	**156,644**	**141,042**	**32,927**	**14,490,549**

BRAC UGANDA FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS

Hon (rtd) Mr Justice Augustus Kania**	- Chairperson
Mr. David Tumwesigye Baguma**	- Member
Ms. Margaret Mary Musana Akora**	- Member
Mr. Shameran Abed*	- Member
Mr. Saif Md Imran Siddique*	- Member (Resigned on 12 September 2018)
Ms. Hasina Akhter *	- Member
Mr. Adiga Onesmus Jimmy **	- Managing Director/CEO
Mr. Emmanuel Emaasit**	- Executive Director/COO

*Bangladeshi ** Ugandan

PRINCIPAL PLACE OF BUSINESS:

Kabuusu- Rubaga, Uganda
Plot 201, Mengo
P.O. Box 31817
Kampala, Uganda

REGISTERED OFFICE:

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

COMPANY SECRETARY:

John Nambale
P.O Box 31817
Kampala, Uganda

AUDITORS
KPMG
Certified Public Accountants
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

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

Post Bank Uganda Limited
Plot 4/6 Nkurumah road
P. O Box 7189
Kampala – Uganda

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

DFCU Bank
Plot 2 Jinja Road, UDB Towers
P.O Box 70
Kampala, Uganda

Pride Microfinance
Victoria Office Park
Block B, Bukoto
Kampala, Uganda

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

Centenary Bank Uganda Limited
Mapeera House
Plot 44-46 Kampala road
P.O Box 1892
Kampala, Uganda

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

The directors have the pleasure in submitting their report and financial statements of BRAC Uganda Finance Limited ("the Company") for the year ended 31 December 2018, which disclose the state of affairs of the Company.

(a) REGISTRATION

BRAC Uganda Finance Limited a company limited by shares was incorporated on 06 June 2017 with BRAC International Holdings B.V as the majority shareholder and acquired/assumed the business, assets and liabilities of BRAC Uganda Microfinance Ltd (by guarantee) with effect from 01 January 2018 following a re-organization of the company limited by guarantee.

On 07 March 2019, BRAC Uganda Finance Limited was awarded a license by Bank of Uganda authorizing the company to operate as a Credit Institution. Therefore in addition to the lending, the company will also accept call and time deposits.

Prior to 06 June 2017, the business was being carried on/conducted by BRAC Uganda Microfinance Limited incorporated on 27 August, 2008 under the Companies Act of Uganda as an independent company limited by guarantee. The company prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non-Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively.

On 30 September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate (or are in any way connected with the Microfinance activity it had been operating in Uganda) to BRAC Uganda Microfinance Limited (by guarantee).

The Company effectively commenced trading independently on 1 January, 2010 as BRAC Uganda Microfinance Limited (by guarantee).

(b) VISION

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

(c) MISSION

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

(d) OUR VALUES

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

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

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

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

(e) PRINCIPAL ACTIVITIES

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

Following the license to operate as a credit institution (Tier 2 financial institution) granted by Bank of Uganda, BRAC will include the provision of call and time deposits as part of the financial services offered to people in Uganda.

(f) FINANCIAL PERFORMANCE

The Company's performance during the period ended 31st December 2018 is as follows:

- Interest income on loans slightly increased by Ushs 2.5 billion compared to the same period of 2017 from Ushs 79.3 billion as at 31 December 2017 to Ushs 81.8 billion as at 31 December 2018.
- Net Loans and Advances to customers increased by 15% from Ushs 153.7 billion in December 2017 to Ushs 176.9 billion as at 31st December 2018.
- Loan disbursements increased by 11% from Ushs 352.1 billion in December 2017 to Ushs 391.9 billion in December 2018.
- Net profits reduced by 21% from Ushs 21.8 billion in December 2017 to Ushs 17.2 billion in December 2018. The reduction was mainly attributed to the increase in operating expenses due to transformation coupled with the slow growth in the first half of 2018.
- Total Assets increased by 20% from Ushs 202.2 billion in December 2017 to Ushs 243.4 billion as at 31st December 2018 mainly due to the portfolio growth, cash and cash equivalent and property plant and equipment.
- Total debt increased from Ushs 59.6 billion in December 2017 to Ushs 80.3 billion as at 31 December 2018. The increase was mainly due to the drawdown of the headroom balances we had from Club loans.

(g) RESULTS FROM OPERATIONS

The results for the Company for the period ended 31st December 2018 are set out on page 91.

(h) COMPOSITION OF DIRECTORS

The directors who served during the year and up to the date of this report are set out on page 81.

(i) DIRECTORS BENEFITS

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

(j) CORPORATE GOVERNANCE

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

- The Board of Directors met regularly throughout the period;
- 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 2018 the Board of Directors had eight directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

(k) RISK MANAGEMENT

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

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

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

(l) MANAGEMENT STRUCTURE

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

- Finance and accounting
- Credit
- Internal audit
- Monitoring unit
- ICT
- Human resources and training
- Business development and strategy
- Procurement, logistics and administration
- Legal
- Risk management and compliance

(m) RELATED PARTY TRANSACTIONS

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

(n) FUTURE DEVELOPMENT PLANS

Strategically focusing on attracting savings from our customers and general public for purposes of financial inclusion. This will be achieved through transformation from a non-deposit taking institution to a credit institution (Tier 2). The license to operate as a credit institution was granted by the Central Bank on the 07 March 2019.

Develop and implementation of digital finance strategy and continue enhancing technology to improve efficiency in our operations. This will be achieved through scaling up the mobile banking platform and upgrading our current Enterprise Resource Planning system.

Implementation of Change management Strategy.

A new core banking system (Orbit-R) is to be rolled out in 2019, this is expected to improve efficiency and drive our strategy.

Staff training and capacity building to enhance productivity, motivation and retention

Obtain new funding for the business growth.

(o) KEY ACHIEVEMENTS IN 2018 TO DATE

- BRAC Board members and management were vetted by Bank of Uganda.
- 25 out of 32 branches have been refurbished.
- Procurement of a core banking software, implementation is over 95% complete. Go live is expected in 2019.
- New partnerships with Triple Jump and Caplus for digital financial service strategy and change management strategy respectively.
- New share holders were identified to take up 51% shares in the new company. The share transfer agreement was signed on 23 December 2018. The process is expected to be completed within April 2019.

(p) SOLVENCY

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

(q) GENDER PARITY

In December 2018, the company had 1,928 staff (1,892 in 2017). The female staff were 85.3% (85% in 2017).

(r) EMPLOYEES' WELFARE

Management/employee relationship

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

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

Training and development of staff capacity is one of the key priorities of the Company. This year, a number of staff attended various trainings Delinquency management and credit appraisal training, customer care training and CBS training.

Medical assistance

The Company took over the full cost for medical insurance scheme in 2017, which covers all staff. We plan to add employees' dependents gradually.

Retirement benefits

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

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

(S) AUDITORS

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

(T) APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors at a meeting held on 29 March, 2019.

By order of the Board

Signed: ……………………………………..   Date: 11 April 2019

SECRETARY

The Company's directors are responsible for the preparation and fair presentation of the financial statements, set out on page 14 to 76 comprising the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the Company.

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

The directors accept responsibility for the financial statements set out on pages 14 to 76 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 2018. 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 auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 29 March 2019 and were signed on its behalf by:

Director……………………………………………………

Director……………………………………………………

Date: 15.04.2019

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

Telephone +256 414 340315/6
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC FINANCE UGANDA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Brac Uganda Finance Limited ("the Company") which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information set out on pages 14 to 76.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of BRAC Uganda Finance Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda.

Basis for Opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances to customers Refer to notes 3(b), and (c), accounting policy note 4 (IFRS 9-transition), and 27(c) (Credit risk) to the financial statements	
As described in the notes to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the level of impairment. **Subjective estimate** The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are: **Economic scenarios** **IFRS 9 requires the Bank to measure** Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.	Based on our risk assessment and industry knowledge, we have examined the expected credit losses for loans to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our audit procedures in this area included, among others: Our audit procedures in this area included, among others: - Involving our own data and analytics specialists in evaluating the appropriateness of the Bank's IFRS 9 impairment methodologies and independently assessing the accuracy of probability of default, loss given default and exposure at default computations and assumptions;

Key audit matters(Continued)

Impairment of loans and advances to customers Refer to notes 3(b), and (c), accounting policy note 4 (IFRS 9-transition), and 27(c) (Credit risk) to the financial statements	
Significant Increase in Credit Risk ('SICR') For the loans to customers, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the company's ECL calculation as these criteria determine whether a 12-month or lifetime expected credit loss is assessed. **Model estimations** Inherently, judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD') and ultimately the Expected Credit Loss (ECL). **Disclosures and transitional adjustments** The disclosures regarding the company's application of IFRS 9 are key to understanding the transition from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results.	- Involving our own financial risk management specialists in: assessing the appropriateness of the company's methodology for determining the economic scenarios used and the probability weightings applied to them; assessing the economic variables used which included agreeing them to independent external sources; and assessing the overall reasonableness of the economic forecasts applied by the company; and reviewing management considerations of the ECL impact of economic uncertainty in the market; - Selecting a sample of facilities from the company's loan book and carrying out tests to establish whether significant facilities are correctly staged/classified and valued based on IFRS; -Testing of a sample of key data inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts and PD assumptions applied; -Evaluating the appropriateness of the Bank's IFRS 9 methodologies including the SICR criteria used; -Testing the impairment calculations to check if the correct parameters – Probability of Default (PDs, Loss Given Default (LGDs), and Exposure at Default (EADs) are determined by considering local economic/portfolio factors; and -Assessing whether the disclosures appropriately disclose the key judgements and assumptions used in determining the expected credit losses

Other information

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

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

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

Responsibilities of directors for the Financial Statements

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

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

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

i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were considered necessary for the purposes of our audit;
ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) The statements of financial position and comprehensive income are in agreement with the books of account.
The engagement partner on the audit resulting in this independent auditors' report is CPA Asad Lukwago- P0365.

KPMG
Certified Public Accountants
Plot 2 & 4A Nakasero Road
P O Box 3509
Kampala, Uganda
Date: 16.04.2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Interest income on loans and advances	5	81,777,094	79,261,193	21,902,428	22,143,895
Other interest income	6	4,132,357	2,254,705	1,106,773	629,916
Interest expense	7 (a)	(10,588,104)	(7,892,580)	(2,835,821)	(2,205,019)
Other finance costs on borrowings	7 (b)	(1,161,968)	(919,847)	(311,211)	(256,986)
Net interest income		**74,159,379**	**72,703,471**	**19,862,169**	**20,311,806**
Membership fees and other charges	8	5,122,278	4,445,883	1,371,904	1,242,085
Foreign exchange gains/(losses)	9	394,692	(185,096)	105,711	(51,711)
Grant income	23.4	53,881	287,611	14,431	80,352
Total operating income		**79,730,230**	**77,251,869**	**21,354,215**	**21,582,532**
Expected credit losses on financial assets	16	(3,415,875)	(5,276,957)	(914,877)	(1,474,270)
Operating income after impairment charges		**76,314,355**	**71,974,912**	**20,439,338**	**20,108,262**
Staff costs	10	(24,964,822)	(21,245,740)	(6,686,349)	(5,935,609)
Other operating expenses	11	(25,806,648)	(21,035,198)	(6,911,817)	(5,876,787)
Depreciation	19.1	(1,047,474)	(423,083)	(280,546)	(118,200)
Profit before tax		**24,495,411**	**29,270,891**	**6,560,626**	**8,177,666**
Income tax expense	12.1	(7,276,668)	(7,467,662)	(1,948,918)	(2,086,306)
Net profit for the year		**17,218,743**	**21,803,229**	**4,611,708**	**6,091,360**
Other comprehensive income		**-**	**-**	**-**	**-**
Items that will not be classified to profit or loss					
Currency translation		-	-	(649,924)	(563,122)
Total comprehensive income		**17,218,743**	**21,803,229**	**3,961,784**	**5,528,238**

The notes set out on pages 95 to 138 form an integral part of these financial statements.

BRAC UGANDA FINANCE LIMITED

STATEMENTS TO FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
ASSETS					
Cash and Bank	13	14,820,011	7,873,635	3,988,967	2,167,803
Short term deposits	14	26,295,366	30,247,031	7,077,684	8,327,744
Loans and advances to customers	15	176,920,858	153,785,794	47,620,176	42,340,971
Other assets	18	2,806,691	2,755,716	755,451	758,716
Deferred tax asset	12.2	1,201,022	1,052,670	323,268	289,827
Income tax recoverable	12.3	948,826	412,184	255,387	113,484
Related party receivable	17.1	-	1,784,903	-	491,427
Property and equipment	19.1	12,337,697	4,311,500	3,320,826	1,187,061
Capital works in progress	19.2	8,048,185	-	2,166,257	-
Total assets		**243,378,656**	**202,223,433**	**65,508,016**	**55,677,033**
LIABILITIES AND EQUITY					
Liabilities					
Related party payables	17.2	68,121,215	875,603	18,335,567	241,075
Loan security fund	20	32,003,770	28,315,745	8,614,163	7,796,014
Other liabilities	22	3,519,887	3,530,467	947,416	972,024
Borrowings and managed funds	21	80,292,700	59,623,004	21,611,655	16,415,664
Donor funds	23.1&2	660,422	714,303	177,760	196,665
Total liabilities		**184,597,994**	**93,059,122**	**49,686,561**	**25,621,442**
Equity					
Share capital		43,000,000	-	11,838,945	-
Donor funds	23.3	-	4,490,123	-	1,260,562
BRAC contribution	24	-	835,000	-	234,419
Retained earnings		15,780,662	103,839,188	4,247,537	29,151,934
Translation reserve		-	-	(265,027)	(591,324)
Total Equity		**58,780,662**	**109,164,311**	**15,821,455**	**30,055,591**
Total liabilities and Equity		**243,378,656**	**202,223,433**	**65,508,016**	**55,677,033**

The financial statements on pages 91 to 138 were approved by the board of directors on 29 March, 2019 and were signed on its behalf by:

Chief Finance Officer

Chief Executive Officer

Director

Director

The notes set out on pages 95 to 138 form an integral part of these financial statements.

BRAC UGANDA FINANCE LIMITED

STATEMENTS TO CHANGESAS IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Donor Funds	Retained Earnings	BRAC Contribution	Total Equity	Total Equity
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs	USD
At 1 January 2017	**-**	**4,696,623**	**82,035,959**	**835,000**	**87,567,582**	**24,585,045**
Transfers to SOCI	-	(206,500)	-	-	(206,500)	(57,692)
Profit for the year	-	-	21,803,229	-	21,803,229	6,091,360
Currency translation	-	-	-	-	-	(563,122)
At 31 December 2017	**-**	**4,490,123**	**103,839,188**	**835,000**	**109,164,311**	**30,055,591**
At 31 December 2017 (USD)	**-**	**1,236,240**	**28,589,455**	**229,896**	**30,055,591**	
At 1 January 2018	-	4,490,123	103,839,188	835,000	109,164,311	30,055,591
Adoption of IFRS 9 net of tax (Note 4.1)	-	-	(1,438,081)	-	(1,438,081)	(387,075)
Restated balance at 1 January 2018	**-**	**4,490,123**	**102,401,107**	**835,000**	**107,726,230**	**29,668,516**
Transfers to share capital	-	(4,490,123)	(37,674,877)	(835,000)	(43,000,000)	(11,573,918)
Profit for the year	-		17,218,743		17,218,743	4,611,708
Currency translation	-	-	-	-	-	(649,924)
Transactions with owners						
Issue of share capital	43,000,000	-	-	-	43,000,000	11,573,918
Dividends	-	-	(66,164,311)	-	(66,164,311)	(17,808,845)
At 31 December 2018	**43,000,000**	**-**	**15,780,662**	**-**	**58,780,662**	**15,821,455**
At 31 December 2018 (USD)	**11,573,918**	**-**	**4,247,537**	**-**	**15,821,455**	

The notes set out on pages 95 to 138 form an integral part of these financial statements.

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Net cash inflow from operating activities	26	18,303	21,360,815	4,941	5,881,153
Cash flow from investing activities					
Acquisition of fixed assets	19.1	(9,181,077)	(3,564,689)	(2,471,187)	(981,446)
Acquisition of soft ware	19.2	(5,556,826)	-	(1,495,680)	-
Investment in WIP	19.2	(2,491,359)	-	(670,577)	-
Investment in short term deposits	14	(23,583,499)	-	(6,347,756)	-
Net cash out flow from investing activities		(40,812,761)	(3,564,689)	(10,985,200)	(981,446)
Cash flow from financing activates					
Net receipts from borrowings and managed funds	21.1	20,669,696	6,840,603	5,563,474	1,883,385
Net cash inflow from financing activities		20,669,696	6,840,603	5,563,474	1,883,385
Net (decrease)/increase in cash and cash equivalents		(20,124,762)	24,636,729	(5,416,785)	6,783,092
Cash and cash equivalents at 1 January		38,120,666	13,483,937	10,495,547	3,896,648
Currency translation		-	-	(234,968)	(184,192)
Cash and cash equivalents at 31 December	13	17,995,904	38,120,666	4,843,794	10,495,548

The notes set out on pages 95 to138 form an integral part of these financial statements.

1. THE REPORTING ENTITY

BRAC Uganda Finance Limited a company limited by shares was incorporated on 06 June 2017 with BRAC International Holdings B.V as the majority shareholder and acquired/assumed the business, assets and liabilities of BRAC Uganda Microfinance Ltd (by guarantee) with effect from 01 January 2018 following a re-organization of the company limited by guarantee.

On 07 March 2019, BRAC Uganda Finance Limited was awarded a license by Bank of Uganda authorizing the company to operate as a credit institution. Therefore in addition to the lending, the company will also accept call and time deposits.

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

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

The company prior to incorporation in 2017 was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and commenced its 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 institutions in the microfinance industry in the world.

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) and Companies Act of Uganda

(iii) Functional and presentation currency

These financial statements are presented in thousands of Uganda shillings (Ushs '000), which is the company's functional currency.

The financial statements include United States Dollar memorandum figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US $) at the year-end rate of US $1 = Ushs 3,715.25 (2017: 3,632.08) for statement of financial position items and US $ = Ushs 3,733.70 (2017: 3,579.37) for statement of comprehensive income. Foreign exchange translation differences are transferred to equity. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates and judgment

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. 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.

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

(i) Impairment

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

The company regularly reviews its loan portfolio and other assets and makes judgments in determining whether expected credit losses should be recognized. The methodology and assumptions used for estimating both the expected credit losses and forward looking factors are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Provisions

A provision is recognized for an obligation as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. For provisions included in the financial statements see note 22.

b) Changes in significant accounting policies

The company has initially adopted IFRS 9 from 1 January 2018. A number of other standards are also effective from 1 January 2018 but they do not have a material effect on the company's financial statements. Due to the transition method chosen by the company in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (see Note 4) and
- additional disclosures related to IFRS 9 see Note 4;

Except for the changes below, the company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

1. IFRS 9 Financial instruments;

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to The Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below. The full impact of adopting the standard is set out in see Note 4.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the company classifies financial assets under IFRS 9, see Note 4.

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IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the company classifies financial liabilities under IFRS 9, see Note 4.

Impairment of financial assets;

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then The Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 4.

2. IFRS 15 Revenue from contracts with Customers

IFRS 15, revenue from contracts with customers, which replaced IAS 18, revenue and IAS 11, construction contracts, has been applied effective from 1 January 2018. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. the five-step model requires the company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognize revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the company recognizes revenues or when revenue should be recognized gross as a principal or net as an agent. Therefore, BRAC will continue to recognize fee and commission income charged for services provided by the company as the services are provided (for example on completion of the underlying transaction). Revenue recognition for interest income on loans and advances is recognized based on requirements of IFRS 9.

The impact of IFRS 15 was limited to the new disclosure requirements (see Note 8).

c) 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 capitalized as part of that equipment.

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

(ii) Depreciation

Depreciation is recognized in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, and intangible assets on a straight line basis.

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.

d) 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 spot rate on the reporting date. 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.

e) Other Assets

Other assets comprise of prepayments, deposits and other recoverables which arise during the normal course of business; they are carried at original invoice amount less provision made for expected credit losses. A provision for impairment of trade receivable is established by estimating the probability of default and incorporating forward looking factors.

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 at inception of the contract and include: cash in hand, deposits held at call with the companys, net of the company 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 Finance Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

h) Income tax

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of tax rates currently enacted.

i) Revenue recognition

Revenue is recognized on an accruals basis.

(i) Interest income on loans and advances

Interest income is recognized in the Statement of Comprehensive Income on accrual basis using the effective interest method.
Interest income includes the amortization of any discount at premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

The calculation of the effective interest rate includes all fees and charges paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(ii) Membership fees and Other charges

Membership fees and other charges are recognized on an accrual basis when a customer obtains control of the goods or services.

(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 Finance Ltd) assets and all realized and unrealized foreign exchange differences.

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

j) Grants

(i) Donor Grants
All donor grants received are initially recognized as either deferred income at fair value and recorded as either liabilities or equity in the grants received in advance account upon receipt in accordance with IAS 32.

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

The portion of the grants utilized to reimburse microfinance program related expenditure, are recognized as grant income for the period in the statement of comprehensive income.

The portion of the grants utilized to disburse company loans, are transferred as deferred income in loans to company members.

Donor grants received in kind, through the provision of gifts and /or services, are recorded at fair value (excluding situations when BRAC Uganda Finance 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 Finance 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. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between the proceeds and the redemption value is amortized to the income statement over the period of the borrowings.

l) Managed funds

The company elected to recognize the funds under fiduciary management as part of assets and the corresponding liability as well.

m) 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.

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) Financial assets and financial liabilities

i. Recognition and initial measurement

The company initially recognizes loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.
A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

p) Financial assets and financial liabilities (Continued)

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the company considers

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

p) Financial assets and financial liabilities (Continued)
ii. Classification (Continued)

Non-recourse loans

In some cases, loans made by the company that are secured by collateral of the borrower limit the company's claim to cash flows of the underlying collateral (non-recourse loans). The company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The company typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating company or is a special-purpose company;
- the company's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the company will benefit from any upside from the underlying assets.

i. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial assets – Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL, and within this category as:
- Held-for-trading; or designated as at FVTPL.

Financial liabilities

The company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL

iii. Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.
From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement,
p) Financial assets and financial liabilities (continued)

iii. Derecognition (continued)

determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

BRAC UGANDA FINANCE LIMITED
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Financial liabilities
The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iv. Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for Write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized Cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted
to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

p) Financial assets and financial liabilities (continued)

Policy applicable before 1 January 2018

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a company of similar transactions such as in the Company's trading activity.

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment

Policy applicable from 1 January 2018

The company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The company measures loss allowances at an amount equal to lifetime ECL, except for the following,
for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash
- shortfalls (i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured financial assets

- If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

-significant financial difficulty of the borrower or issuer;

p) Financial assets and financial liabilities (continued)

-a breach of contract such as a default or past due event;

-the restructuring of a loan or advance by the company on terms that the company would not consider otherwise;

-it is becoming probable that the borrower will enter the companyruptcy or other financial reorganisation; or

-the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the company cannot identify the ECL on the loan commitment component separately from those on the drawn component: The company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, the company assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a Company of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 90 days or more was considered impaired.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the company on terms that the company would not consider otherwise
- indications that a borrower or issuer would enter the bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a Company of assets, such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlated with defaults in the company.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment.

The company considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR).

Loans and advances and held-to maturity investment securities that were not individually significant were collectively assessed for impairment by Companying together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.
An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the credit risk function.

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The collective allowance for Company's of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions.
The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance. Loans that were subject to a collective IBNR provision were not considered impaired.

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss. for available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.
Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

Write-off

The company wrote off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Company Credit determined that there was no realistic prospect of recovery.

viii. Designation at fair value through profit or loss

Financial assets

At initial recognition, the company has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Before 1 January 2018, the company also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Financial liabilities

The company has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

q) Adoption of new and revised standards

i) New and amended standards adopted by the Company

The accounting policies are consistent with those reported in the previous year except for the adoption of the following standards and amendments effective for the current period.

IFRS 15 Revenue from Contracts with Customers (with effect from 1 January 2018)

This Standard replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognizing revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognized reflects the consideration to which The Company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition. The Company adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the Company's revenue.

Performance obligations and revenue recognition policies

Membership fees and other charges are measured based on the consideration specified in a contract with a customer. The company recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2018	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Category A	These are transactional fees based on revenue that mainly comprise of but not limited to membership fee.	• Enforceable arrangement with customer exists. • Performance obligation (PO) – the company admits the client as a member eligible for a loan • Transaction price – annual fees in line with the contractual agreement. • Allocation of price to PO – single performance obligation, no allocation necessary. • PO satisfied – At a point in time when the individual has been admitted as a member. No change in current accounting
Category B	Sale of pass books – It's a fee charged on the sale of pass books to customers.	• Enforceable arrangement with customer exists. • Performance obligation (PO) – the company admits the client as a member eligible for a loan • Transaction price – annual fees in line with the contractual agreement. • Allocation of price to PO – single performance obligation, no allocation necessary. • PO satisfied – At a point in time when the individual has been admitted as a member. No change in current accounting

IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22)

The Standard provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not affect the Company's previously reported financial results or disclosures and did not impact the Company's results upon transition or the Company's accounting policies.

IFRS 9 Financial Instruments (IFRS 9) with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)

IFRS 9 introduced new requirements which included an expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets, refer to Note 3 (p) for more detail. IFRS 9, adopted on 1 January 2018, impacted the Company's results upon transition and materially impacted the Company's accounting policies, refer to Note 4 for more detail.

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018

New amendments or interpretation effective for annual periods beginning on or after 1 January 2019 are summarized below:

New amendments or interpretation	Effective date
IFRS 16 Leases	
IFRIC 23 Uncertainty over Income Tax treatments	
Prepayment Features with Negative Compensation (Amendments to IFRS 9) Ventures	
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)	
Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	

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

IAS 28, IAS 19, are not applicable to the business of the company and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 16 Leases

This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).
The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a Right Of Use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.
The lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17.
In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.
Management is still assessing the impact of this standard on the company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The interpretation is not expected to have a significant impact on the financial statements of the Company.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify those financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendment is not expected to have a significant impact on the financial statements of the Company.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

4. IFRS 9 TRANSITION NOTE

4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The following table shows the original classification in accordance with IAS 39 and the new measurement categories under IFRS 9 together with the impact of changes in measurement, for the company's financial assets as at 1 January 2018.

4. IFRS 9 TRANSITION NOTE

4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount of IAS 39 Ushs. 000	Re-measurement due to adoption IFRS 9 Ushs. 000	New carrying amount under IFRS 9 Ushs. 000
Cash and Bank	Loans and receivables	Amortized cost	7,873,635	-	7,873,635
Short term deposits	Held to Maturity	Amortized cost	30,247,031	-	30,247,031
Loans and advance to customers					
	Loans and receivables	Amortized cost	151,731,392	2,054,402	153,785,794
Other assets	Loans and receivables	Amortized cost	2,755,716	-	2,755,716
Total			**194,662,176**	**2,054,402**	**192,607,774**
Related tax			**-**	**(616,321)**	
Net impact on retained earnings				**1,438,081**	

4.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Adoption of IFRS 9 did not result in a change in the measurement categories nor the carrying values of the financial liabilities of the company.

4.3 RECONCILIATION OF LOSS ALLOWANCES

The following table reconciles the impairment allowance as at 31 December 2017 to the opening expected credit loss allowance, as at 1 January 2018 determined in accordance with IFRS 9.

Financial assets	Original carrying carrying amount under IAS 39 Ushs. 000	Re-measurement due to adoption of IFRS 9 Ushs. 000	New carrying amount under IFRS 9 Ushs. 000
Loans and advances to customers	4,860,353	2,054,403	6,914,756
Total on statement of financial position	**4,860,353**	**2,054,403**	**6,914,756**

5. INTEREST INCOME ON LOANS AND ADVANCES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Company Loans (Microfinance)	64,895,312	64,829,713	17,380,966	18,112,046
Small Enterprises program	13,236,918	11,300,214	3,545,255	3,157,040
Internally Displaced Persons (IDP)	400,859	371,150	107,362	103,691
Agriculture (JSDF Loan)	65,609	45,716	17,572	12,772
Empowerment and Livelihood of Adolescents (ELA)	3,177,875	2,714,400	851,133	758,346
Community Health Promoters (CHP)	521	-	140	-
	81,777,094	**79,261,193**	**21,902,428**	**22,143,895**

6. OTHER INTEREST INCOME

	2018 Ushs'000	2017 Ushs'000	2018 USD	2017 USD
Short term deposits	3,877,893	2,254,705	1,038,620	629,916
Interest income on current accounts	254,464	-	68,153	-
Total	**4,132,357**	**2,254,705**	**1,106,773**	**629,916**

The interest income from loans and advances and other interest income on deposits was earned using the effective interest method. and loss

7. a) INTEREST EXPENSE

Lender	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Africa Microfinance Limited	-	2,236,623		624,865
Bank of Africa	48,693	790,624	13,042	220,884
ResponsAbility Investments	398,512	823,496	106,733	230,067
OikoCredit	1,657,412	1,302,819	443,906	363,980
Stromme Microfinance	834,719	990,000	223,564	276,585
BRAC Bangladesh	-	198,144	-	55,357
FMO Entrepreneurial Development Bank	2,741,969	462,839	734,384	129,307
Triodos Investment Management	2,805,706	463,357	751,455	129,452
Global Partnerships	1,388,742	261,062	371,948	72,935
aBi Trust and Finance	712,351	363,616	190,789	101,587
Total	**10,588,104**	**7,892,580**	**2,835,821**	**2,205,019**

b) OTHER FINANCE COSTS ON BORROWINGS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Service charge	836,266	576,180	223,978	160,973
Other provisions	325,702	343,667	87,233	96,013
Total	**1,161,968**	**919,847**	**311,211**	**256,986**

8. MEMBERSHIP FEES AND OTHER CHARGES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Membership fee	441,321	389,970	118,199	108,949
Loan appraisal fee	3,821,719	3,388,271	1,023,574	946,611
Loan application fee	39,504	33,603	10,580	9,388
Other income	481,334	574,706	128,917	160,561
Income from written off loans	268,826	-	72,000	-
Sale of pass books	69,574	59,333	18,634	16,576
Total	**5,122,278**	**4,445,883**	**1,371,904**	**1,242,085**

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

9. FOREIGN EXCHANGE GAINS/(LOSSES)

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Unrealized foreign exchange gains/ (losses)	331,239	(86,381)	88,716	(24,133)
Realized foreign exchange gains/ (losses)	63,453	(98,715)	16,995	(27,578)
Total	**394,692**	**(185,096)**	**105,711**	**(51,711)**

10. STAFF COSTS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Salaries	20,457,541	17,989,073	5,479,158	5,025,765
Bonus	1,052,132	613,568	281,794	171,418
Employer's NSSF contribution	2,173,292	1,828,935	582,076	510,966
Insurance for staff	1,027,959	737,904	275,319	206,155
Wages	1,467	1,796	393	502
Staff leave provision	252,431	74,464	67,609	20,803
Total	**24,964,822**	**21,245,740**	**6,686,349**	**5,935,609**

11. OTHER OPERATING EXPENSES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Occupancy expenses (11b)	5,441,204	2,900,889	1,457,322	810,447
Staff training and development	1,233,144	680,533	330,274	190,126
Publication and marketing costs	499,702	-	133,836	-
Travel and transportation	8,469,559	7,076,891	2,268,409	1,977,133
Maintenance and general expenses	1,987,078	2,336,130	532,201	652,666
Printing and stationery	1,120,149	1,362,141	300,011	380,553
Insurance for assets	15,637	19,197	4,188	5,364
Internet, telephone and postage costs	840,218	664,575	225,036	185,668
Software maintenance and development costs	783,387	658,000	209,815	183,831
Fixed assets write-off/ loss on disposal of assets	104,539	22,036	27,999	6,156
legal & other professional services	700,360	1,737,650	187,578	485,463
Audit fees	251,179	200,081	67,274	55,898
Office equipment	137,291	-	36,771	-
Bad debts write off	54,430	60,227	14,578	16,826
Donations	1,100,000	1,115,516	294,614	311,651
Loan recovery costs	88,161	-	23,612	-
HO logistics and management expenses	2,980,610	2,201,332	798,299	615,005
Total	**25,806,648**	**21,035,198**	**6,911,817**	**5,876,787**

11 (b). Occupancy expenses are analyzed as follows;

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Rent	2,769,349	1,526,254	741,717	426,403
Utilities	256,613	179,824	68,729	50,239
Security	2,415,242	1,194,811	646,876	333,805
Total	**5,441,204**	**2,900,889**	**1,457,322**	**810,447**

12. TAXATION
12.1 Income tax expense

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Current tax	6,750,634	8,190,140	1,808,030	2,288,152
Under/(Over) provision for corporation tax in prior years	58,065	(1,393,970)	15,552	(389,446)
Deferred tax (credit)/charge (Note 11b)	(148,352)	671,492	(39,734)	187,600
Tax effect of transition adjustment	616,321	-	165,070	-
Tax expense	**7,276,668**	**7,467,662**	**1,948,918**	**2,086,306**

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.

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Operating profit before taxation	24,495,411	29,270,891	6,560,626	8,177,666
Tax calculated at 30%	**7,348,623**	**8,781,267**	**1,968,188**	**2,453,300**
Tax effect of:				
Over / (under) provision for corporation tax in prior year	58,065	(1,393,970)	15,552	(389,446)
Prior year under provision of deferred income tax	(153,865)	(8,272)	(41,209)	(2,311)
Non-deductible expense and non-taxable income	23,845	88,637	6,387	24,763
Income Tax charge for the year	**7,276,668**	**7,467,662**	**1,948,918**	**2,086,306**
Effective corporation tax rate	**30%**	**26%**	**30%**	**26%**

12.2 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 2018 are attributed to the following items:-

	2017 Ushs '000	Movement Ushs '000	2018 Ushs '000	2017 USD	Movement USD	2018 USD
Property and equipment	1,372,653	2,332,800	3,705,453	377,924	619,439	997,363
Impairment and other provisions	(5,320,479)	(2,719,620)	(8,040,099)	(1,464,857)	(699,223)	(2,164,080)
Unrealized foreign exchange gains/(losses)	438,925	(107,686)	331,239	120,847	(31,690)	89,157
	(3,508,901)	**(494,506)**	**(4,003,407)**	**(966,086)**	**(111,474)**	**(1,077,560)**
Deferred tax asset @ 30%	**(1,052,670)**	**(148,352)**	**(1,201,022)**	**(289,827)**	**(33,442)**	**(323,268)**
Currency translation	**-**	**-**	**-**	**-**	**(6,292)**	**-**
Deferred tax asset @ 30%	**(1,052,670)**	**(148,352)**	**(1,201,022)**	**(289,827)**	**(39,734)**	**(323,268)**

12.3 Tax payable /(Recoverable)

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
At 1 January	(412,184)	1,991,510	(113,484)	559,099
Charge for the period	6,750,634	8,190,140	1,808,030	2,288,152
Penalty	-	-	-	-
Overprovision / (Under) for corporation tax in previous years	58,065	(1,393,970)	15,552	(389,446)
Corporation tax paid during the year	(7,222,664)	(9,096,666)	(1,934,545)	(2,504,534)
WHT paid during the year	(122,677)	(103,198)	(32,857)	(28,413)
Currency translation	-	-	1,917	(38,342)
At 31 December	**(948,826)**	**(412,184)**	**(255,387)**	**(113,484)**

In preparation for transformation into a Tier II Financial Institution, the business of BRAC Uganda Microfinance Limited was transferred to BRAC Uganda Finance to enable BRAC Uganda Finance comply with the provisions of the Financial Institutions Act, No. 2 of 2004 (as amended), and be eligible to apply for and acquire a license to conduct/transact financial institutions business as a Tier II company (Credit Institution) in Uganda.

As a result of the re-organization, certain tax considerations required specific attention which are;

1. BRAC Uganda Finance Limited also declared a dividend of Ushs 66 billion to the shareholders (BRAC International Holdings BV). This would attract withholding tax of 15% of the gross amount. The transaction may qualify for treaty relief under the Uganda-Netherlands double taxation agreement if the anti-treaty shopping provisions in section 88(5) of the Income Tax Act are met.

   Under Section 88(5) of the Income Tax Act, the recipient of the income (BRAC International Holdings BV) must be the beneficial owner of the income, have full and unrestricted ability to enjoy that income and determine its future uses; and must have economic substance in the treaty partner state (Netherlands).

   BRAC Uganda Finance Limited has sought a private ruling from URA to confirm whether this dividend payment qualifies for exemption under the treaty.

   The financial statements have been prepared on the basis that the above ruling will be made in favour of the company and as such no tax liabilities have been accrued as the directors believe they have a strong case.

13. CASH AND BANK

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Cash in hand	5,982	1,715	1,610	472
Standard Chartered Bank Uganda	75,141	1,512,958	20,225	416,554
Bank of Africa Uganda Limited	6,468,319	858,037	1,741,019	236,238
Centenary Bank Uganda Limited	247,249	217,005	66,550	59,747
Equity Bank Uganda Limited	83,743	98,772	22,540	27,194
Orient Bank	-	-	-	-
DFCU Bank	51,583	28,101	13,884	7,737
Post Bank Uganda Limited	258,880	133,187	69,680	36,670
Pride Microfinance Limited	27,008	24,357	7,269	6,706
Tropical Bank Uganda Limited	17,903	14,328	4,819	3,945
Stanbic Bank Uganda Limited	7,751,461	4,985,175	2,086,391	1,372,540
Cash and Bank	**14,987,269**	**7,873,635**	**4,033,987**	**2,167,803**
ECL allowance	**(167,258)**	**-**	**(45,020)**	**-**
Net Cash and Bank	**14,820,011**	**7,873,635**	**3,988,967**	**2,167,803**

14. SHORT TERM DEPOSITS AT AMORTISED COST

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Standard Chartered Bank	2,056,774	-	553,605	-
UGAFODE Microfinance	2,058,126	-	553,967	-
Bank of Africa	-	5,061,602	-	1,393,582
DFCU	-	10,009,780	-	2,755,937
Post Bank	2,080,692	1,050,734	560,041	289,293
Pride Microfinance	5,250,110	8,075,662	1,413,124	2,223,426
FINCA MDI	2,847,132	-	766,336	-
Equity Bank	-	3,039,158	-	836,754
Orient Bank	6,223,045		1,675,000	-
Centenary Bank	-	3,010,095	-	828,752
Opportunity Bank	6,076,255	-	1,635,490	-
Total	**26,592,134**	**30,247,031**	**7,157,563**	**8,327,744**
ECL allowance	**(296,768)**	**-**	**(79,879)**	**-**
Net short term deposits	**26,295,366**	**30,247,031**	**7,077,684**	**8,327,744**

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

Within 3 months	3,008,635	30,247,031	809,807	8,327,744
After 3 months	23,583,499	-	6,347,756	-
Total	**26,592,134**	**30,247,031**	**7,157,563**	**8,327,744**

The weighted average effective interest rates on deposits due from the banks were 11.7 %.(2017: 9.75%). The carrying book values of the deposits with the banks approximate the fair value

15. LOANS AND ADVANCES TO CUSTOMERS

15.1Loans and advances

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Group loans	135,164,402	120,363,748	36,380,971	33,139,069
Small Enterprises Program	36,764,912	28,972,666	9,895,676	7,976,880
ELA loans	6,983,477	5,355,697	1,879,679	1,474,554
IDP loans	967,271	777,529	260,351	214,073
CHP	209	1,762	57	485
JSDF loans	221,348	116,564	59,578	32,091
Interest receivable	4,049,913	3,058,181	1,090,078	841,992
Gross Loans and Advances	**184,151,532**	**158,646,147**	**49,566,390**	**43,679,144**
Incurred credit losses	**-**	**(4,860,353)**	**-**	**(1,338,173)**
Expected credit losses				
Stage 1	(4,061,557)	-	(1,093,212)	-
Stage 2	(36,794)	-	(9,904)	-
Stage 3	(3,132,323)	-	(843,099)	-
Net Loans and Advances to Customers	**176,920,858**	**153,785,794**	**47,620,176**	**42,340,971**

The weighted average effective interest rate on loans and advances to customers is 22% (2017: 23%)

15.2 Movement in loans and advances

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

	2018	2017	2018	2017
Ushs '000	Ushs '000	USD	USD	
At 1 January	155,587,966	158,393,441	42,837,153	47,429,260
Loans disbursed	391,855,607	352,154,101	105,472,204	96,956,593
Loan repayments	(365,003,840)	(350,043,804)	(98,244,759)	(96,375,577)
Less write offs	(2,338,114)	(4,915,772)	(629,329)	(1,353,432)
Currency translation	-	-	(958,957)	(3,819,691)
Gross advances to customers	**180,101,619**	**155,587,966**	**48,476,312**	**42,837,153**
Interest receivable	4,347,730	3,518,316	1,170,239	968,678
Less interest write-off	(297,817)	(460,135)	(80,161)	(126,686)
Expected credit losses on loans and advances	(7,230,674)	(4,860,353)	(1,946,214)	(1,338,174)
Net advances to customers	**176,920,858**	**153,785,794**	**47,620,176**	**42,340,971**

15.3 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:

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
At 1 January	4,860,353	4,959,303	1,338,173	1,392,281
Adoption of IFRS 9	2,054,403	-	552,965	-
Charge for the year	2,951,849	5,276,957	790,597	1,452,875
Loan write-off	(2,338,114)	(4,915,772)	(629,329)	(1,353,432)
Interest receivable - write-off	(297,817)	(460,135)	(80,161)	(126,686)
Currency translation	-	-	(26,031)	(26,865)
At 31 December	**7,230,674**	**4,860,353**	**1,946,214**	**1,338,173**
Charge to profit or loss				
Net increase in provisions	2,951,849	5,276,957	790,597	1,474,270
Net charge to profit or loss as above	**2,951,849**	**5,276,957**	**790,597**	**1,474,270**

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

	2018	2017
Highest loan amount (Ushs)	45,000,000	45,000,000
Lowest loan amount (Ushs)	100,000	100,000
Average loan term (weeks)	40	40
Total number of customers	218,598	194,616

15.4 Sectoral analysis of loans and advances to customers

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

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Agriculture	44,982,927	35,444,586	12,107,645	9,758,757
Non-agriculture business	139,168,604	123,201,561	37,458,745	33,920,388
	184,151,531	**158,646,147**	**49,566,390**	**43,679,145**

Impairment and provisioning policies

The company recognizes the allowance for expected credit losses on all loans and advances.

The company at each reporting date, measures the loss allowance for all loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking.

Measurement of Expected Credit Losses

The company measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition.

The expected credit losses shall be determined as follows:
ECL = PD x LGD x EAD

Expected Credit Losses (ECL; The weighted average of credit losses with the respective risks of a default occurring as the weights.

Probability of Default (PD); This relates an estimate of the likelihood of default over a given time horizon.

Loss Given Default (LGD); This relates to an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

Exposure at Default (EAD); This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Further details on how the above parameters are determined are well stipulated in the company's loss provisioning process.

Loans and advances are categorized into the following grades:

Status	Days in arrears	Loan category
Stage 1	0-29	Performing
Stage 2	30- 89	Performing with significant increase in credit risk
Stage 3:	Over 90	Non-performing

16. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Loans and advances (Note 15.3)	2,951,849	5,276,957	790,597	1,474,270
Short term deposits	296,768	-	79,483	-
Cash and Bank	167,258	-	44,797	-
Total	**3,415,875**	**5,276,957**	**914,877**	**1,474,270**

17. RELATED PARTY DISCLOSURE

The ultimate parent company is BRAC International Holdings BV, a company registered in the Netherlands. BRAC Uganda and BRAC Bangladesh are affiliate entities of BRAC Uganda Finance Limited. There are other companies that are related to BRAC Uganda Finance through common shareholding.

17.1 RELATED PARTY RECEIVABLES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Uganda	-	1,784,903	-	491,427
	-	**1,784,903**	**-**	**491,427**

17.2 RELATED PARTY PAYABLES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Bangladesh	17,457	439,592	4,699	121,030
BRAC Uganda NGO	372,419	-	100,240	-
BRAC International Holdings BV-against dividend	66,164,311	-	17,808,845	-
BRAC International Holdings BV-against management expenses	1,567,028	436,011	421,783	120,045
_	**68,121,215**	**875,603**	**18,335,567**	**241,075**

Related party payables/ receivables relate to intercompany transactions which bear no interest, are unsecured and due on demand.

The fair value of these related party payables/receivables approximates their carrying amounts.

17. 3 OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR:

i) Interest expense accrued on related party loans

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Bangladesh	-	433,416	-	119,330
Total	**-**	**433,416**	**-**	**119,330**

ii) Interest payment on related party loans

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Africa Microfinance Limited	-	2,445,251	-	683,151
BRAC Bangladesh	-	169,064	-	47,233
Total	**-**	**2,614,315**	**-**	**730,384**

iii) Related party loans as disclosed in note 21

Current portion	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Bangladesh	-	1,547,916	-	426,179
Total current portion	**-**	**1,547,916**	**-**	**426,179**
Total Related Party loans	**-**	**1,547,916**	**-**	**426,179**

All the above related parties share a common ultimate controlling party with the Company. Refer to Note 21 for detailed terms of these loans.

iv) **Other related party transactions**

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
HO Logistics and management expenses	2,980,610	2,201,332	798,299	615,005
Payable to BRAC IT services	580,610	658,000	155,505	181,163

18. OTHER ASSETS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Prepaid rent	1,400,241	936,733	376,890	227,905
WHT receivable	723,539	328,576	194,749	90,465
Security Deposit (BRAC Africa Microfinance Limited)	-	454,010	-	125,000
Prepaid Insurance	655,422	516,465	176,414	142,195
Swifin Account	1,252	353,732	337	97,391
Receivable from MTN	19,512	6,096	5,252	1,678
Other receivables	6,725	160,104	1,809	44,082
Total	**2,806,691**	**2,755,716**	**755,451**	**728,716**

19.1 PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total USD
Cost					
At 1 January 2017	1,337,046	1,507,861	213,137	3,058,044	858,519
Additions	2,430,200	737,574	396,914	3,564,688	981,446
Disposal	(55,316)	(48,130)	(121,415)	(224,861)	(61,910)
Currency translation	-	-	-	-	(16,565)
At 31 December 2017	**3,711,930**	**2,197,305**	**488,636**	**6,397,871**	**1,761,490**
Additions	5,072,033	4,109,044	-	9,181,077	2,471,187
Disposal	(162,349)	(704,434)	(26,718)	(893,501)	(268,037)
Currency translation	-	-	-	-	(11,892)
At 31 December 2018	**8,621,614**	**5,601,915**	**461,918**	**14,685,447**	**3,952,748**
Depreciation					
At 1 January 2017	**651,940**	**1,030,698**	**183,405**	**1,866,043**	**523,876**
Charge for the year	185,041	170,530	67,512	423,083	118,200
Accumulated depreciation on disposal	(40,216)	(42,811)	(119,728)	(202,755)	(55,823)
Currency translation	-	-	-	-	(11,822)
At 31 December 2017	**796,765**	**1,158,417**	**131,189**	**2,086,371**	**574,431**
Charge for the year	516,764	437,104	93,606	1,047,474	280,546
Accumulated depreciation on disposal	(119,146)	(640,461)	(26,488)	(786,095)	(211,586)
Currency translation	-	-	-	-	(11,469)
At 31 December 2018	**1,194,383**	**955,060**	**198,307**	**2,347,750**	**631,922**
Net Book Value					
At 31 December 2018	**7,427,231**	**4,646,855**	**263,611**	**12,337,697**	**3,320,826**
At 31 December 2017	**2,915,165**	**1,038,888**	**357,447**	**4,311,500**	**1,187,061**

19.2 CAPITAL WORK IN PROGRESS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Core banking system software	5,556,826	-	1,495,681	-
Core banking system hardware	2,305,885	-	620,654	-
Branch refurbishments	185,474	-	49,922	-
	8,048,185	**-**	**2,166,257**	**-**

The items included in the capital works in progress had not been commissioned as at the balance sheet date.

20. LOAN SECURITY FUND

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Opening balance	28,315,745	28,375,966	7,621,491	7,966,302
Received during the year	13,403,089	791,058	3,607,587	217,797
Paid off/adjusted during the year	(9,715,064)	(851,279)	(2,614,915)	(234,378)
Currency translation	-	-	-	(153,707)
Total	**32,003,770**	**28,315,745**	**8,614,163**	**7,796,014**

The Loan Security Fund acts as collateral for the customers' loan obligations (Company loans) to BRAC Uganda Finance 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.

It is repayable on completion of the loan upon claim by the client.

21. BORROWINGS AND MANAGED FUNDS

Borrowed Funds	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
BRAC Bangladesh (i)	-	1,981,332	-	545,509
ResponsAbility Investments AG (iv)	732,445	7,626,643	197,145	2,099,800
Bank of Africa (iii)	-	972,013	-	267,619
Stromme Microfinance (v)	3,749,845	5,624,767	1,009,312	1,548,635
Oiko Credit (vi)	13,374,247	12,816,986	3,599,824	3,528,828
FMO Entrepreneurial Development Bank (viii)	22,372,202	9,463,853	6,021,722	2,605,629
Triodos Investment Management (ix)	22,375,611	9,465,024	6,022,640	2,605,951
Global Partners (x)	11,178,912	4,723,376	3,008,926	1,300,460
aBi Trust and Finance (vii)	4,508,011	6,140,384	1,213,380	1,690,597
Managed Funds				
Kiva (ii)	2,001,427	808,626	538,706	222,636
Total	**80,292,700**	**59,623,004**	**21,611,655**	**16,415,664**

For maturity analysis of the above loans, refer to 27(d).

i) BRAC Bangladesh

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

In 2013, Ushs 640 million was repaid and the balance of Ushs 1,981 million was repayable on demand. The loan was fully paid in August 2018.

ii) Kiva

In November 2007, BRAC Uganda Finance 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. This was with the hope of obtaining capital in the form of loans from the individuals and entities who also access Kiva website and the loan is interest free. The first loan tranche was received in December 2007. BRAC received additional funds of USD 327,060 within the year 2018.

iii) Bank of Africa

In May 2015, BRAC Microfinance obtained a loan from Bank of Africa amounting to Ushs. 9,500,000,000 equivalent to USD 2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 23%. The loan was fully repaid in March 2018.

iv) ResponsAbility Investments AG

In July 2015, a loan agreement was signed with ResponsAbility Investments AG worth USD 4,500,000 to the equivalent of Ushs 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. The outstanding balance of USD 277,778 is due in November 2019.

The loan is not secured.

v) Stromme Microfinance

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

As at 31st December 2018, principal amounting to Ushs.1, 833,000,000 had been repaid. The outstanding loan balance of Ushs 3,749,845,000 includes interest accrued for the year.

vi) Oiko Credit

In October 2016, BRAC Uganda Finance obtained a loan from Oiko credit, the loan agreement was for a total principal loan amount of Ushs 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of Ushs 5 billion each. The first tranche was received on the 23 December 2016 and the second and third tranches of Ushs 10 billion were received on 21 September 2017. The last tranche was received in November 2018 of Ushs 5 billion. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on Brac Uganda Finance's loan portfolio. The interest rate was revised to 14% from 16.1% because this facility is tagged to 182Tb+2% which reduced in the year 2018.

vii) aBi Finance Limited

In July 2017, a loan agreement was signed between BRAC Uganda Finance Limited and aBi Finance limited amounting to Ushs 6 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 14% pa with six months grace period for principal. The amount was disbursed on the 30 July 2017. Principle and interest payments are made on a quarterly basis. The loan is secured by a floating charge on Brac Uganda Microfinance's loan portfolio.

As at 31st December 2018,total funds amounting to Ushs 1,6000,000,000 had been paid and the outstanding loan balance of Ushs.4,508,011,000 included interest accrued in the year.

viii) FMO

In July 2017, BRAC Uganda Finance Limited obtained a loan from FMO, the loan agreement was for a total principal loan amount of USD 6 million equivalent to Ushs for a period of 4 years, at a rate of 16.49% and disbursed in 4 tranches. The first tranche of USD 1,600,000 was disbursed in July 2017 and the second tranche was disbursed in December 2017 of USD 1,000,000 at an interest rate of 15.10%. The final disbursements of Uhs.12,833,706,000 equivalent to USD 3,359,020 was drawn down in 2018.The loan principal repayments will commence in 2020.The loan is not secured.

ix) Triodos

In July 2017, BRAC Uganda Finance Limited obtained a loan from Triodos, the loan agreement was for a total principal loan amount of USD 6 million for a period of 4 years, at a rate of 16.51% and disbursed in 4 tranches. The first tranche of USD 1,600,000 was disbursed in July 2017 and the second tranche was disbursed in December 2017 of USD 1,000,000 at an interest rate of 15.57%. The

final disbursements of Ushs12,833,706,000 equivalent USD 3,359,020 was drawn down in 2018.The loan principal repayments will start in 2020.The loan is not secured.

x) Global Partners

In June 2017, BRAC Uganda Finance Limited obtained a loan from Global partners, the loan agreement was for a total principal loan amount of USD 2 million for a period of 4 years, at a rate of 16.63% and disbursed in 4 tranches. The first tranche of USD 800,000 was disbursed in July 2017 and the second tranche was disbursed in December 2017 of USD 500,000 at an interest rate of 15.10%. The final disbursements of Ushs.6,416,853 equivalent USD 1,679,510 was drawn down in 2018. The loan principal repayments will commence in 2020.The loan is not secured.

Value of security held

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

21.1 Analysis of movement in Borrowings and managed funds

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
At 1 January	**59,623,004**	**52,782,400**	**16,415,664**	**14,818,192**
Receipts during the year	38,299,293	39,751,283	10,308,672	10,944,495
Interest expense	11,750,071	8,812,427	3,162,660	2,462,005
Payments during the year	(29,379,668)	(41,723,106)	(7,907,858)	(11,487,383)
Currency translations	-	-	(367,483)	(321,645)
At 31 December	**80,292,700**	**59,623,004**	**21,611,655**	**16,415,664**

22. OTHER LIABILITIES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Accrued expenses	382,076	915,124	102,839	251,956
Bonus accrual	-	60,416	-	16,634
Accrual for staff leave	345,399	399,710	92,968	110,050
Payable to Brac IT services	-	658,000	-	181,163
Accrual for audit fees	124,872	104,475	33,611	28,765
NSSF Payable	446,133	326,540	120,081	89,905
Salary arrears payable	65,500	11,235	17,630	3,093
Stamp duty provision	-	29,911	-	8,235
WHT Payable	229,096	364,273	61,664	100,293
VAT Payable*	880,580	-	237,019	-
Credit life insurance premium payable	144,931	118,772	39,010	32,701
PAYE payable	706,237	475,589	190,091	130,941
Credit life insurance claim payable	195,063	66,422	52,503	18,288
Total	**3,519,887**	**3,530,467**	**947,416**	**972,024**

*Following URA's ruling regarding the transfer of assets from BRAC Uganda Microfinance Limited to BRAC Uganda Finance Limited, (refer to note 12), the company has provided for the VAT liability based on 18% of the net book value of the property plant and equipment as at 31 December 2017.

The fair value of these other liabilities approximates their carrying amounts.

23. DONOR FUNDS

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Donor funds received in advance	23.1	153,412	153,412	41,293	42,235
Donor funds investment in fixed assets	23.2	507,010	560,891	136,467	154,430
Donor funds investment in loans to company members	23.3	-	4,490,123	-	1,236,240
Total		**660,422**	**5,204,426**	**177,760**	**1,432,905**

Donor funds relate to grants received from various donors to support microfinance operations in hard to reach areas. Part of the grants were meant for capital items needed to set up offices in those areas.

23.1 Donor funds received in advance

	Note	2018 Ushs'OOO	2017 Ushs'000	2018 USD	2017 USD
Opening balance		153,412	153,412	42,235	41,846
Donations received during the year 23.1		-	15,708	-	4,325
Transferred to statement of comprehensive income	23.4	-	(15,708)	-	(4,325)
Currency translation		-		(942)	389
Closing balance		**153,412**	**153,412**	**41,293**	**42,235**

23.1 Donations received during the year

Name of donor	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
FMO	-	15,708	-	4,325
	-	**15,708**	**-**	**4,325**

23.2 Donor funds investment in fixed assets

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Opening balance		560,891	626,294	154,430	175,827
Depreciation charged during the year	23.4	(53,881)	(65,403)	(14,503)	(18,272)
Currency translation		-	-	(3,460)	(3,125)
Closing balance		**507,010**	**560,891**	**136,467**	**154,430**

23.3 Donor funds investment in loans to group members

	Note	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Opening balance		4,490,123	4,696,623	1,236,240	1,319,758
World Bank (JSDF Loan)	23.3b	-	(206,500)	-	(57,692)
Transfer to equity		(4,490,123)	-	(1,208,566)	-
Currency translation		-	-	(27,674)	(25,826)
Closing balance		**-**	**4,490,123**	**-**	**1,236,240**

23.4 Transfers to statement of comprehensive income

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Transferred to statement of comprehensive income from donor funds	-	206,500	-	57,692
Depreciation charged during the year	53,881	65,403	14,431	18,272
Transferred to statement of comprehensive income	-	15,708	-	4,388
Total	**53,881**	**287,611**	**14,431**	**80,352**

24. SHARE CAPITAL

The total number of issued ordinary shares as at 31 December 2018 was 4,300,000 shares at Ushs 10,000 each. The amount recognized as share capital was transferred from the retained earnings of BRAC Uganda Microfinance Limited as at 31 December 2017 as part of the reorganization by the parent company BRAC International Holdings BV. The shares were issued on the 01 January 2018. Each share is entitled to one vote. As at December 2018, the shareholding structure of the company was as below.

NAME	No of Shares Share	Value Ushs '000
BRAC International HOldings B.V	4,299,999	42,999,990
Faruque Ahmed	1	10
		43,000,000

25. DIVIDEND

A dividend was declared on 27 September 2018 of Ushs 15,387 per share (inclusive of applicable taxes) for each common stock held as at 01 January 2018. Consequentlly, Ushs 66 billion was included in the related party under 15.2.

26. CASHFLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Adjustments for:				
Profit before tax	**24,495,411**	**29,270,891**	**6,593,207**	**8,058,989**
Loss on asset write off	107,406	22,108	28,910	6,087
Depreciation	1,047,474	423,083	281,939	116,485
Release of deferred income on donor assets	(53,881)	(65,403)	(14,504)	(18,007)
Release of deferred income on donor funds	-	(206,500)	-	(56,854)
Impairment provision expense	3,415,875	5,276,957	919,436	1,452,875
Cash flow before changes in working capital	**29,012,285**	**34,721,136**	**7,808,988**	**9,559,575**
Changes in working capital				
Increase in loans and advances	(28,141,316)	(2,627,051)	(7,574,542)	(723,291)
Increase in receivables and other assets	(173,653)	(684,804)	(46,740)	(188,543)
Decrease/(increase) in related party receivables	1,784,903	(1,635,967)	480,426	(450,422)
Increase in related party payables	1,081,302	313,408	291,044	86,289
(Decrease)/increase in other Liabilities	(10,579)	430,980	(2,848)	118,659
Increase/(decrease) loan security fund	3,688,025	(60,221)	992,672	(16,580)
Cash inflow/(outflow) from operations	**7,240,967**	**30,457,481**	**1,949,000**	**8,385,687**
Income taxes paid	(7,222,664)	(9,096,666)	(1,944,059)	(2,504,534)
Net cash inflow from operating activities	**18,303**	**21,360,815**	**4,941**	**5,881,153**

27. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The company has exposure to the following risk from financial instruments:

i) Capital risk
ii) Credit risk
iii) Interest rate risk
iv) Liquidity risk
v) Market risk
vi) Operations 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, Company Executive Committee and Subsidiary Companies Executive Committee which are responsible for developing and monitoring group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the Group Executive Committee which comprises of executive directors and senior management and report regularly to the Board of Directors on their activities.

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

b) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to the equity holders of the Company, comprising share capital, accumulated losses and other reserves as disclosed in the statement of changes in equity. Management regularly reviews the capital structure and make adjustments to it in light of changes in the economic conditions.

Management have defined debt as amounts owing to related and third parties. This includes both long and short term loans as well as trade payables where credit has been extended. Equity is defined as the capital invested by shareholders as well as any accumulated reserves and equity loans where applicable. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt; non-interest bearing loans and borrowing, trade and other payables, less cash and cash equivalents, excluding discontinued operations. The company's net debt to equity ratio is analyzed as follows:

	2018 Ushs '000	2017 Ushs '000
Trade and other payables	2,743,818	3,530,467
Due to related parties	68,121,215	875,603
Loans and borrowings	80,292,700	59,623,004
Less: Cash and cash equivalents	(14,987,269)	(7,873,635)
Net debt	**136,170,464**	**56,155,439**
Equity	57,845,418	109,164,311
Capital and net debt	**194,015,882**	**165 ,319,750**
Net debt to equity ratio	**70%**	**34%**

The company's objective when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

i) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) To maintain a strong capital base to support the development of its business.

BRAC Uganda Finance Limited was not regulated as at the balance sheet date, however, since the entity has subsequent to year end been granted a license to operate as a credit institution, going forward capital will be monitored based on Financial Institutions Act requirements.

The company has therefore voluntarily presented the capital adequacy using the format as required by the FIA had it been applicable as at 31 December 2018.

The FIA requires the company to monitor the adequacy of its capital using ratios. These ratios are broadly in line with those for the Basel Committee on Banking Supervision. These ratios measure capital adequacy by comparing the company's eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The risk-based approach applies to both on and off-balance sheet items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

The assets are weighted according to broad categories, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied.

The company is required to maintain a core capital (tier 1) of not less than 8% of total risk adjusted assets plus risk adjusted off statement of financial position items and a total capital (tier 1 + tier 2) of not less than 12% of its risk adjusted asset plus risk adjusted off statement of financial position items.

Tier 1 capital consists of shareholders' equity comprising paid up capital and irredeemable, non-cumulative preference shares, share premium, prior years retained profits, net after tax profits current year to date and general reserves less goodwill and other intangible assets, current years losses, investment in unconsolidated financial subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by Bank of Uganda. Tier 2 capital includes the unencumbered general provisions for losses, revaluation reserves on fixed assets, hybrid capital instruments and subordinated term debt

The table below summarizes the composition of the regulatory capital

	December 2018 (Ushs '000)
CORE CAPITAL (Tier 1)	
Paid- up share capital	43,000,000
Retained earnings	15,780,662
Less: Deductions determined by Bank of Uganda	
Less: goodwill and other intangible assets	(5,556,826)
Less: deferred income tax asset	(1,201,022)
Less: unrealized forex exchange gains	(331,239)
Total Core Capital	**51,691,575**
SUPPLEMENTARY CAPITAL (Tier 2)	
Unencumbered general provisions for losses	1,781,306
Total Supplementary Capital	**1,781,306**
TOTAL CAPITAL (Tier 1+Tier 2)	**53,472,881**

		December 2018 (Ushs '000)	
CAPITAL REQUIREMENT BASIS	Risk Weighting	Financial position Nominal Amount	Capital Req. Basis
Notes and coins	0%	5,982	-
Balances with banks in Uganda	20%	22,975,218	4,595,044
Balances with other finance institutions in Uganda	20%	18,598,203	3,719,641
Loans net of provisions	100%	179,090,981	179,090,981
Premises and other fixed assets	100%	14,829,056	14,829,056
Other assets	100%	2,806,691	2,806,691
TOTAL RISK WEIGHTED ASSETS		**238,306,131**	**205,041,412**

		FIA minimum ratio	Company ratio
Tier 1 Capital	**52,022,814**	**10%**	**25.21%**
Tier 1+Tier 2 Capital	**53,804,120**	**12%**	**26.08%**

c) 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 Finance 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 Finance Limited does not have any significant exposure to any individual customer or counterparty.

The greatest portion of Brac Uganda Finance loan book is unsecured company guaranteed and as such, exposure to credit risk and the management of this risk is a key consideration for the board. To mitigate this risk, the BRAC lending model engages respective company members to exert pressure on company members who have defaulted.

Management of credit risk
As set out above, the main activity of the Company is the provision of unsecured loans to company members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Chief Executive Officer and the monitoring department. However, this must be viewed in light of the overall framework of the exclusive use of "company 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 Manager (BM) for appraisals. The BM will visit the house of the potential borrower/ applicant before recommendation of the loan to the Area Manager AM) for approval. A survey form containing 10 important points is filled.

The BM confirms that the CO was properly and appropriately trained and have assessed the feasibility of all member loan applications.

The loan appraisal work is done by the 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 AM will approve the loan or recommend i.e. to the final authority for approval.

All loans are repayable in equal weekly or bi-weekly installments that are collected by the credit officers during the company meetings through direct cash payments. The collections by the credit officers are subsequently paid directly to branch accountant on a daily basis. Loan proceeds are then
banked on BRAC's branch bank account to eliminate the risk of keeping cash.

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

b) Small Enterprise Product (Individual Loans)

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

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

The loan appraisal is completed by the CO and the AM 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 AM if its below Ushs 5 million and above Ushs 5 million the RM shall approve. The loans installments are repayable monthly.

Monitoring of collections

a) Group guaranteed loan

In the event that a customer does not have sufficient funds for their weekly or bi-weekly installment, the company members contribute on behalf of the member. If the customer has changed residence, the credit officer together with the BM follow up with the local council chairperson about the whereabouts/ new place of residence.

If a customer dies, the outstanding loan balance is paid by the insurance company under the credit life insurance policy.

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 and advances

Impaired loans and advances are those 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 agreement(s).

The company measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition.
The detailed disclosures relating to credit risk have been included in note 14 (loans and advances).

The company's maximum exposure to credit risk is represented by the following balances:

	2018 Ushs '000	2017 Ushs '000
Cash and Bank	14,912,333	7,873,635
Short term deposits	26,565,542	30,247,031
Loans and advances to customers	167,192,068	153,785,794
Other assets	2,452,264	2,755,716
	211,122,207	**194,662,176**

The above table represents the worst case scenario of credit risk exposure to the company at 31 December 2018 and 31 December 2017 without taking into account any collateral held. The exposures are based on carrying amounts as reported in the statement of financial position.

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included under Note 14 of the financial statements.

		2018			2017
	Stage 1	Stage 2	Stage 3	Total	
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans **and** advances at amortised cost	176,246,530	2,985,947	4,919,055	184,151,532	158,646,147
Expected credit loss allowance	(4,061,557)	(36,794)	(3,132,323)	(7,230,674)	(4,860,353)
Carrying amount	**172,184,973**	**2,949,153**	**1,786,732**	**176,920,858**	**153,785,794**

Collateral held and other credit enhancements

The Small Enterprises Program loans are secured by collateral mainly in the form of charges over land, the group guaranteed loans are secured by the loan security fund which is 10% of the customers' approved loan.
The table below shows the collateral coverage for the secured loans as at;

As at 31 December 2018

					Collateral coverage	
	Total loans	Netting off agreements	Exposure after netting off	51-100%	Over 100%	Total secured loans
	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000
Secured loans	36,764,912	-	36,764,912	260,965,800	260,965,800	36,764,912
Unsecured loans	147,386,620	-	147,386,620	-	-	-
Total	**184,151,532**	**-**	**153,119,164**	**260,965,800**	**260,965,800**	**36,764,912**

As at 31 December 2017

					Collateral coverage	
	Total loans	Netting off netting off	Exposure after netting off	51-100%	Over 100%	Total secured loans
	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000	Ushs. 000
Secured loans	28,972,666	-	28,972,666	205,654,646	205,654,646	28,972,666
Unsecured loans	129,673,481	-	129,673,481	-	-	-
Total	**158,646,147**	**-**	**158,646,147**	**205,654,646**	**205,654,646**	**28,972,666**

Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

	12 month ECL
	Ushs. 000
Balance at 1 January 2018	6,914,756
Change during the year	3,415,875
Financial assets derecognized	(2,635,931)

Balance at 31 December 2018	**7,694,700**

ECL disclosures for financial assets

Financial assets	**12 month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	Ushs. 000	**Ushs. 000**	**Ushs. 000**	**Ushs. 000**
Cash and Bank	167,258	-	-	167,258
Short term deposits	296,768	-	-	296,768
Loans and advances	4,061,557	36,794	3,132,323	7,230,674
Total	**4,525,583**	**36,794**	**3,132,323**	**7,694,700**

Inputs, assumptions and techniques used for estimating impairment.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the entity's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
The remaining lifetime probability of default (PD) as at the reporting date; with

The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The entity uses the criteria for determining whether there has been a significant increase in credit risk: quantitative test based on the days past due; and qualitative indicators;

- quantitative test based on the days past due; and
- qualitative indicators;
- a backstop of 30 days past due

Generating the term structure of PD.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The entity collects performance and default information about its credit risk exposures analyzed by type of product and borrower. For some portfolios, information purchased from external credit reference agencies is also used.

The entity employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The entity considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering the grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, The company determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms

The entity monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default

- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The entity considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the entity in full, without recourse by the company to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the entity.; or

Write-off policy

The Company writes off a loan balance, and any related allowances for impairment losses, when the credit department 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 loan can also be written off after 90 days in non-performing category.

d) Interest rate risk

BRAC Uganda Finance Limited exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to company members. BRAC Uganda Finance 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 2018

	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	Non-interest bearing Ushs '000	Total Ushs '000
ASSETS						
Cash and Bank		-	-	-	14,987,269	14,987,269
Short term deposits	10%	10,177,935	16,414,199	-	-	26,592,134
Loans and advances to customers	25%	1,440,731	178,660,887	-	-	180,101,618
Other Assets		-	-	-	2,452,264	2,452,264
		11,618,666	**195,075,086**	**-**	**17,439,533**	**224,133,285**
Equity and liabilities						
Loan Security fund		**-**	**-**	**-**	**32,003,770**	**32,003,770**
Related party payables		-		-	68,121,215	68,121,215
Borrowings and managed funds	14%	508,011	9,442,429	70,342,260	-	80,292,700
Tax payable		-	-	-	580,103	580,103
Other liabilities		-	-	-	2,743,818	2,743,818
		508,011	9,442,429	70,342,260	103,448,906	183,741,606
Net assets /(liabilities)		**11,110,655**	**185,632,657**	**(70,342,260)**	**(86,009,373)**	**40,391,679**

Interest rate risk (continued)

Year ended 31 December 2017

	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	Non-interest bearing Ushs '000	Total Ushs '000
ASSETS						
Cash and Bank	-	-	-	-	7,873,635	7,873,635
Short term deposits	9.57%	23,176,048	7,070,983	-	-	30,247,031
Loans and advances to customers	25%	-	153,785,794	-	-	153,785,794
Related party receivables		-	-	-	1,784,903	1,784,903
Other Assets		-	-	-	2,755,716	2,755,716
	-	-	-	-	412,184	412,184
	8,000,000	**156,435,700**	**-**	**-**	**8,202,904**	**172,638,604**
Equity and liabilities						
Loan Security fund	-	-	-	-	28,315,745	28,315,745
Related party payables	-	-	-	-	875,603	875,603
Borrowings and managed funds	531,025	17,639,680	8,688,474	31,955,199	808,626	59,623,004
Other liabilities	-	-	-	-	3,530,467	3,530,467
	531,025	**17,639,680**	**8,688,474**	**31,955,199**	**33,530,441**	**92,344,819**
Net assets / (liabilities)	**22,645,023**	**143,217,097**	**(8,688,474)**	**(31,955,199)**	**(20,704,003)**	**104,514,444**

The previous tables show the undiscounted cash flows on the Company's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments may vary from this analysis. A realistic 1% increase/decrease in interest rates in the current year would affect profit and loss by Ushs +/-1,061,703,412. The analysis reflects the impact that is reasonably possible at the reporting date. Management monitors the impact of 1% movement in interest rates. The reasonably possible change does not include remote or worst case scenarios or stress tests.

e) Liquidity risk

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

BRAC Uganda Finance 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 Finance Limited maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. In addition, BRAC Uganda Finance Limited maintains the grouping 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 2018 to the contractual maturity date.

	Carrying amount Ushs '000	Gross nominal inflow/ (outflow) Ushs '000	Matured Ushs '000	Less than 3 months Ushs '000	3 months to 1 year Ushs '000	1 to 5 years Ushs '000	Above 5 years Ushs '000
ASSETS							
Cash and the Bank	14,987,269	14,987,269	14,987,269	-	-	-	-
Short term deposits	26,592,134	26,592,134	-	23,525,233	3,066,901	-	-
Loans and advances to customers	180,101,618	180,101,618	-	9,527,941	170,573,677	-	-
Other assets	2,452,264	2,452,264	-	2,452,264	-	-	-
	224,133,285	**224,133,285**	**14,987,269**	**35,505,438**	**173,640,578**	**-**	**-**
Equity and Liabilities							
Loan Security Fund	32,003,770	32,003,770	2,615,019	1,529,140	27,859,611	-	-
Related party payables	68,121,215	68,121,215	1,956,904	30,000,000	36,164,311	-	-
Borrowings and managed funds	80,292,700	80,292,700	-	1,107,747	8,842,693	70,342,260	-
Tax payable	580,103	580,103	-	-	-	-	-
Other liabilities	2,743,818	2,743,818	-	2,743,818	-	-	-
	183,741,606	**183,741,606**	**4,571,923**	**35,380,705**	**72,866,615**	**70,342,260**	**-**
Liquidity gap	**40,391,679**	**40,391,679**	**10,415,346**	**124,733**	**100,773,963**	**(70,342,260)**	**-**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2017 to the contractual maturity date.

	Matured Ushs '000	Less than 3 months Ushs '000	3 months to 1 year Ushs '000	1 to 5 years Ushs '000	Above 5 years Ushs '000	Total Ushs '000
ASSETS						
Cash and the company	7,873,635	7,873,635	7,873,635	-	-	-
Short term deposits	30,247,031	33,196,117	-	33,196,117	-	-
Loans and advances to customers	153,785,794	153,785,794	-	-	153,785,794	-
Related party receivable	1,784,903	1,784,903	-	-	1,784,903	-
Other assets	2,755,716	2,755,716	-	2,755,716	-	-
Tax recoverable	412,184	412,184	-	-	412,184	-
	196,859,263	**199,808,349**	**7,873,635**	**35,951,833**	**155,982,881**	**-**

Equity and Liabilities						
Loan Security Fund						
Related party payables	28,315,745	28,315,745	2,560,984	-	25,754,761	-
Borrowings and managed funds	875,603	875,603	-	-	875,603	-
Bank overdrafts	59,623,004	86,863,604	1,547,000	28,229,958	15,042,973	42,043,673
Other liabilities	3,530,467	3,530,467	-	3,530,467	-	-
	92,344,819	**119,585,419**	**4,107,984**	**31,760,425**	**41,673,337**	**42,043,673**
Liquidity gap	**104,514,444**	**80,229,930**	**3,765,651**	**4,191,408**	**114,309,544**	**(42,043,673)**

f) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

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

g) 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 the company placed with licensed financial institutions. BRAC Uganda Microfinance Limited is exposed to foreign currency fluctuations mainly in respect of term loans denominated in United States Dollars, Great Britain Pound and the Euro.

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

The table below summarizes the company's exposure to foreign currency risk as at 31 December 2018

	2018			2017		
	Ushs '000	USD '000	Total '000	Ushs '000	USD '000	Total '000
ASSETS						
Cash and Bank	14,967,714	19,555	14,987,269	7,149,038	724,597	7,873,635
Short term deposits	26,592,134	-	26,592,134	30,247,031	-	30,247,031
Loans and advances to customers	180,101,618	-	180,101,618	153,785,794	-	153,785,794
Related party receivable	-	-	-	1,784,903	-	1,784,903
Other assets	2,542,264	-	2,542,264	2,755,716	-	2,755,716
Tax recoverable	-	-	-	412,184	-	412,184
	224,203,730	**19,555**	**224,133,285**	**196,134,666**	**724,597**	**196,859,263**
Equity and Liabilities						
Loan Security Fund	32,003,770	-	32,003,770	28,315,745	-	28,315,745
Related party payables	68,121,215	-	68,121,215	-	875,603	875,603
Borrowings and managed funds	79,560,255	732,445	80,292,700	51,187,735	8,435,269	59,623,004
Other liabilities	2,743,818	-	2,743,818	3,530,467	-	3,530,467
Tax payable	580,103	-	580,103	-	-	-
	183,009,161	**732,445**	**183,741,606**	**54,718,202**	**9,310,872**	**92,344,819**

Net position	41,194,569	(712,890)	40,391,679	113,100,719	(8,586,275)	104,514,444

Sensitivity analysis

The following sensitivity analysis reflects the impact that is reasonably possible at the reporting date. Management monitors the impact of 5% movement in foreign exchange rates. The reasonably possible change does not include remote or worst case scenarios or stress tests.

Currency-USD

+5% US$ Movement	(134,334)	(385,534)
-5% US$ Movement	134,334	385,534

h) Operational risks

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

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

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

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

Compliance with Company standards is supported by a program 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.

28. 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:

	2018 Ushs'000	2017 Ushs'000
Within one year	2,769,349	1,526,254
Above one year	-	-
	2,769,349	**1,526,254**

Amortization of operating lease prepayments amounted to Ushs 2,769,349 (2017: Ushs 1,526,254).

BRAC UGANDA FINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. 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 parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

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

	Level 1	Level 2	Level 3	Total fair values (Ushs'000)	Total carrying amount (Ushs'000)
Assets					
Cash and cash equivalents	-	14,912,333	-	14,912,333	14,912,333
Short term deposits	-	26,565,542	-	26,565,542	26,565,542
Loans and advances to customers	-	167,192,068	-	167,192,068	167,192,068
Other assets	-	2,452,264	-	2,452,264	2,452,264
Liabilities					
Loan security fund	-	32,003,770	-	32,003,770	32,003,770
Related party payables	-	68,121,215	-	68,121,215	68,121,215
Borrowings and managed funds	-	80,292,700	-	80,292,700	80,292,700
Tax payable	-	580,103		580,103	580,103
Other liabilities	-	3,519,888	-	3,519,888	3,519,888

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.

30. SUBSEQUENT EVENTS

Transformation into credit institution

On 07 March 2019, BRAC Uganda Finance Limited was awarded a license by Bank of Uganda authorizing it to offer financial services as a credit institution as defined in the Financial Institutions Act, 2003. The company will be allowed to offer acceptance and time deposits.

The name of the company will be changed to BRAC Uganda Bank Limited once the resolution is obtained from BRAC International BV

Tax implications of reorganization

On the 13 March 2019, Uganda Revenue Authority ruled that the disposal of business assets from BRAC Uganda Microfinance to BRAC Uganda Finance qualified as a taxable supply and would therefore attract Value Added Tax (VAT) at a rate of 18%.
The most significant component of the VAT base is the net book value of the property plant and equipment transferred as at 31 December 2017.

A provision for VAT has been included in the other liabilities. (Refer to Note 22)

31. CURRENCY

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

32. CAPITAL COMMITMENTS

The capital commitments amounted to Ushs 476 million as at 31 December 2018.

33. CONTINGENT LIABILITIES

BRAC Uganda Finance is a litigant in three cases involving property provided as security by the borrower.

a) In the case of Semwanga Ezra Vs BRAC (Mayinja Hakim), the plaintiff is suing for payment of Ushs 6,000,000 and interest of 26% p.a for the sale of land by BRAC after the second defendant defaulted on payments.

b) In the case of Ziwwa Leonard Vs BRAC (Florence Nalwoza, Vicent Ntemu), the plaintiff is suing for general damages and costs plus interest on the basis that the defendants are trespassing on plaintiff's land. The land was provided as security on is jointly owned by the plaintiff and guarantor to the borrower.

c) In the case of Kyomuhangi Rosette Vs BRAC, the plaintiff is suing for general damages and costs plus interest on the basis that the defendant's methods of seizing and sale of the land for defaulting on a loan were questionable.

Management is of the view that the company has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the company's operation. Based on legal advice, management is confident that the company shall receive favorable ruling from the outstanding cases.

The tax matter relating to withholding tax on dividends declared disclosed under note 12 has also not been accrued for.

34. ULTIMATE CONTROLLING PARTY

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS

Mr. Faruque Ahmed*	-	Chairperson
Mr. Md. A Saleque*	-	Member
Mr. Saif Md Imran Siddique*	-	Member (Resigned on 12 September 2018)

ADMINISTRATORS

Ms. Hasina Akhter * - Country Representative
* Bangladeshi

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

COMPANY SECRETARY:

Khalifa Nazim Uddin
BRAC Uganda,
Plot 880, Heritage Road Nsambya
P O Box 31817
Kampala Uganda

AUDITORS

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

BANKERS

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

Stanbic Bank Uganda Ltd
Plot 17 Hannington Road, Crested Towers
P O Box 7131
Kampala, Uganda

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2018, which disclose the state of affairs of the company.

(a) INCORPORATION

BRAC Social Business Enterprises Uganda limited was incorporated as a limited liability company on 9 April 2010 as an independent Company. Its vision is to develop a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of 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 realize their potential.

(d) OUR VALUES

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

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

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

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

(e) Principal **activities**

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

(f) **Results** from operations

The results for the Company for the year ended 31 December 2018 are set out on page 9.

(g) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 2.

(h) **Directors** benefits

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

(i) CORPORATE GOVERNANCE

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

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

In 2018 the Board of Directors had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensuring that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

(j) RISK MANAGEMENT

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

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

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

(k) MANAGEMENT STRUCTURE

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

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

(l) RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 14 to the financial statements.

(m) DEVELOPMENT PLANS

BRAC International Holdings BV purchased all 99 shares held by BRAC industries limited. The transaction was completed on 06 January 2016. Authorized share capital increased from UGX 1 million to UGX 10.5 billion.

(n) KEY ACHIEVEMENTS IN 2018

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

(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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018(CONTINUED)

(p) EMPLOYEES' WELFARE

Management/employee relationship

There was continued good relation between employees and management for the year ended 31 December 2018. There were no unresolved complaints received by management from the employees during the year.

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

Training

Training and development of staff capacity is one of the key priorities of the company. During the year, a number of program staff were trained in their program related aspects.

Medical assistance

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

Retirement benefit

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

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

(q) GENDER PARITY

In 2018, the company had a total staff of 26 staff (24 in 2017), female being 50% of the total staff.

(r) Auditors

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

s) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on

1 March 2019.

By order of the Board

Date: 1.03. 2019

SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation and fair presentation of the financial statements set out on pages 9 to 34, comprising the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the company.

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

The directors accept responsibility for the financial statements set out on pages 9 to 34 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results for the year ended 31 December 2018.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The financial statements were approved by the board of directors on1 March 2019 and were signed on its behalf by:

Director | Director

Date:1.03. 2019

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

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

TO THE MEMBERS OF BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRAC Social Business Enterprises Uganda Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set out on pages 9 to 34.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Social Business Enterprises Uganda Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the General Information, Directors' Report and Statement of Directors' Responsibilities, memorandum figures reported in United States Dollars (USD) and programme reporting but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal Requirements

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

i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;

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

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

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

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

Date: 29.03.2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Restated Ushs '000	2018 USD	2017 Restated USD
Revenue	4	1,119,628	2,410,240	299,916	674,174
Cost of sales	5	(786,203)	(1,117,163)	(210,601)	(312,484)
Gross profit		**333,425**	**1,293,077**	**89,315**	**361,690**
Staff costs	6	(493,819)	(501,222)	(132,279)	(140,198)
Training, workshops & seminars	7	(21,652)	(8,788)	(5,800)	(2,458)
Other operating expenses	8	(589,838)	(686,118)	(158,001)	(191,916)
Depreciation	12	(138,309)	(136,395)	(37,049)	(38,151)
Lease amortization	13	(614)	(614)	(164)	(172)
Impairment of trade receivables		(3,967)	-	(1,063)	-
Loss before tax		(914,773)	(40,060)	(245,041)	(11,205)
Income tax credit	16(b)	120,031	(17,592)	32,153	(4,921)
Net loss for the year		**(794,742)**	**(57,652)**	**(212,888)**	**(16,126)**
Other comprehensive income		-	-	-	-
Total comprehensive loss		**(794,742)**	**(57,652)**	**(212,888)**	**(16,126)**

The notes set out on pages 151 to 170 are an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 Ushs '000	2017 Restated Ushs '000	2018 USD	2017 Restated USD	2016 Ushs '000	2016 USD
ASSETS							
Non-current assets							
Property and equipment	12	1,445,995	1,566,634	389,205	431,332	1,691,283	474,812
Finance lease	13	55,564	56,178	14,956	15,467	56,792	15,944
Tax receivable	16(c)	38,635	38,635	10,399	10,637	26,365	7,402
Total non-current assets		**1,540,194**	**1,661,447**	**414,560**	**457,436**	**1,774,440**	**498,158**
Current assets							
Cash and bank	9	133,549	596,176	35,946	164,142	1,018,411	285,910
Inventory	10	419,751	164,659	112,981	45,335	55,421	15,559
Trade and other receivables	11	90,253	466,847	24,293	128,534	168,162	47,210
Due from related party	14(b)	-	110,387	-	30,393	-	-
Total current assets		**643,553**	**1,338,069**	**173,220**	**368,404**	**1,241,994**	**348,679**
Total assets		**2,183,747**	**2,999,516**	**587,780**	**825,840**	**3,016,434**	**846,837**
LIABILITIES AND EQUITY							
Liabilities							
Due to related party	14(a)	616,746	96,627	166,004	26,604	65,651	18,432
Other liabilities	15	142,125	155,481	38,255	42,808	163,315	45,849
Deferred tax liability	16(b)	28,681	148,712	7,720	40,944	131,120	36,811
Total Liabilities		**787,552**	**400,820**	**211,979**	**110,356**	**360,086**	**101,092**
Equity							
Share Capital	17	2,434,000	2,434,000	655,138	670,139	2,434,000	729,946
Retained earnings		(1,037,805)	164,696	(279,337)	45,345	222,348	15,799
Total Equity		**1,396,195**	**2,598,696**	**375,801**	**715,484**	**2,656,348**	**745,745**
Total liabilities and Equity		**2,183,747**	**2,999,516**	**587,780**	**825,840**	**3,016,434**	**846,837**

The financial statements on pages 147 to 170 were approved by the Board of Directors on 1 March 2019 and were signed on its behalf by:

Head of Finance
BRAC Social Business Enterprise Limited

Country Representative
BRAC Social Business Enterprise Limited

Director

Director

The notes set out on pages 151 to 170 are an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

	Share Capital Ushs'000	Capital Allotment Ushs'000	Retained Surplus Ushs'000	Total Equity Ushs'000	Total Equity USD
At 1 January 2016	1,000	2,432,274	420,954	2,854,228	856,225
Capital allotment	2,433,000	(2,432,274)	-	726	199
Loss for the year	-	-	(198,606)	(198,606)	(58,796)
Currency translation	-	-	-	-	(51,883)
At 31 December 2016	**2,434,000**	**-**	**222,348**	**2,656,348**	**745,745**
At 1 January 2017	2,434,000	-	222,348	2,656,348	745,745
Loss for the year	-	-	(407,508)	(407,508)	(113,985)
Currency translation	-	-	-	-	(12,600)
At 31 December 2017 (As previously reported)	**2,434,000**	**-**	**(185,160)**	**2,248,840**	**619,160**
Impact of restatement on revenue			**349,856**	**349,856**	**96,324**
Restated balance at 31 December 2017	**2,434,000**	**-**	**349,856**	**2,598,696**	**715,484**
Adjustment on initial application of IFRS 9	-	-	(407,759)	(407,759)	(112,26
Restated balance at 1 January 2018	**2,434,000**	**-**	**(243,063)**	**2,190,937**	**603,218**
Loss for the year	-	-	(794,742)	(794,742)	(212,888)
Currency translation	-	-	-	-	(14,529)
At 31 December 2018	**2,434,000**	**-**	**(1,037,805)**	**1,396,195**	**375,801**

The notes set out on pages 151 to 170 form an integral part of these financial statements.

	Notes	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Cash flows from operating activities	**18**	**(444,958)**	**(410,488)**	**(118,765)**	**(112,592)**
Income tax paid	**16(a)**	-	-	-	-
Net cash used from operating activities		**(444,958)**	**(410,488)**	**(118,765)**	**(112,592)**
Cash flows from investing activities					
Purchase of property, plant and equipment	**12**	(17,669)	(11,747)	(4,733)	(3,286)
Net cash used in investing activities		**(17,669)**	**(11,747)**	**(4,733)**	**(3,286)**
Cash flows from financing activities		**-**	**-**	**-**	**-**
Net cash used in financing activities		**-**	**-**	**-**	**-**
Net decrease in cash and cash equivalents		**(462,627)**	**(422,235)**	**(123,498)**	**(115,878)**
Cash at bank at start of year		596,176	1,018,411	164,142	285,910
Currency translation		-	-	(4,698)	(5,890)
Cash at bank at end of year	**9**	**133,549**	**596,176**	**35,946**	**164,142**

The notes set out on pages 151 to 170 are an integral part of these financial statements.

1. The reporting entity

BRAC Social Business Enterprises Uganda Limited (the "Company") is incorporated in Uganda under the Companies Act of Uganda as a limited liability company, and is domiciled in Uganda.

Its vision is to develop a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC Social Enterprise uses sustainable social businesses to create and protect the livelihoods of poor people.

BRAC's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach based delivery methodology and its unwavering focus on people at the poorer end of the poverty spectrum.

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

For Companies Act of Uganda reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of Uganda. The measurement basis applied is the historical cost basis, except for investments at fair value and impaired assets at recoverable amounts.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

This is the first set of the company's financial statements in which IFRS 15 Revenue from contracts with customers and IFRS 19 Financial instruments have been applied. Changes to significant accounting policies are described in Note 3

3 Summary of significant accounting policies

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

(a) Changes in accounting policy and disclosures

The company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they don't have a material effect on the company's financial statements.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods and services. The comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

Under IFRS 15 when determining the transaction price, the company considers the effects of all of the following:

(a) variable consideration
(b) constraining estimates of variable consideration
(c) the existence of a significant financing component in the contract
(d) non-cash consideration; and
(e) Consideration payable to a customer.

IFRS 9 *Financial Instruments*

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial instruments: Recognition and Measurement.

As a result of adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which requires impairment of financial assets to be presented in a separated line item in the statement of profit or loss and OCI.

i) **Classification and measurement of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.
The adoption of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities.
For an explanation of how the company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, (see Note 3 (h))

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 January 2018.
The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				**Ushs '000**	**Ushs '000**
Trade and other receivables	(a)	Loans and receivables	Amortised cost	466,847	59,088
Cash and cash equivalents		Loans and receivables	Amortised cost	596,176	596,176
Total Financial assets				**1,063,023**	**655,264**
Financial Liabilities					
Other payables		Other financial liabilities	Other financial liabilities	155,481	155,481
Total Financial liabilities				**155,481**	**155,481**

(a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of Ushs 407,758,787 in the allowance for impairment over these receivables has been recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

ii) **Impairment of financial assets**

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

Additional information about how the company measures the allowance for impairment is described in Note 3(h).

iii) **Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below;

- The company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information

presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.

- The designation and revocation of the previous designations of certain financial assets and financial liabilities as measured at FVTPL.

New standards, amendments and interpretations

(i) New and amended standards adopted by the Company

New amendments or interpretation effective for annual periods beginning on or after 1 January 2018 are summarised below:

New amendments or interpretation	Effective date
IFRS 15 Revenue from Contracts with Customers (replaces IAS 18)	1 January 2018
IFRS 9 Financial Instruments (replaces IAS 39)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

(ii) New standards and interpretations not yet adopted by 2018

At the date of authorisation of the financial statements of BRAC Social Business Enterprise Uganda Limited for the year ended 31 December 2018, the following Standards and Interpretations were in issue but not yet effective:

New amendments or interpretation	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatment	1 January 2019
Prepayment features with negative compensation (Amendments to IFRS 9)	1 January 2019
Annual improvements to IFRS standards 2015-2017 cycle – various standards	1 January 2020

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

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

Under IFRS 16, Service contracts will continue to be recognised as a charge in the profit and loss account and will not be capitalised. Service cost components of leasing arrangements will need to be separated out from the rental of a right to use asset, unless a "practical expedient" is applied

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.
The application of these amendments will have no material impact on the disclosure or on the amounts recognised in the Company's financial statements.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
(Include entity specific impact of the amendments)

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

Management's assessment indicates that the application of these amendments will have no material impact on the disclosures or on the amounts recognised in the company's financial statements

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Management's assessment indicates that the application of these amendments will have no material impact on the disclosures or on the amounts recognised in the company's financial statements.

Revenue from Contracts with Customers

Policy applicable after 1 January 2018

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS 15 uses the concept of "control" to determine when revenue should be recognised and requires revenue to be recognised based upon the transfer of goods or 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 model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

BRAC Social Business Enterprise Uganda Limited recognises revenue in accordance with the core principle by applying the following five steps:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised in the correct period ("cut-off" issue) and reported only where control of the goods has passed to the customer. This signifies that BRAC SE has satisfied a performance obligation to its customer in accordance with the requirements of the contract with that customer (steps 1, 2 and 5 of the Revenue model).

Revenue must be recognised and measured at the correct valuation after taking account of rebates, trade activities, returns and other adjustments to reported revenue in accordance with the requirements of the contract with that customer (steps 1, 3 and 4 of the Revenue model).

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. Net revenue is shown after excluding value-added tax (VAT), excise duty, rebates and discounts.
Nature and timing of satisfaction of performance obligations, including significant payment terms;

Customers obtain control of the products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are payable within 30 days.

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
Interest income is recognised on a time proportion basis using the effective interest method.

Policy applicable before 1 January 2018

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. Net revenue is shown after excluding value-added tax (VAT), excise duty, 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 has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer and there is no continued management involvement.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Company does not operate any loyalty programmes.

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Uganda Shillings (Ushs) rounded to the nearest thousands. Uganda Shillings is the Company's functional currency.

The financial statements include figures, which have been translated from Uganda Shillings (Shs'000) to United States Dollars (USD) at the year end rate of USD 1: Ushs 3,715 (2017: Ushs 3,632) for balance sheet items and USD 1: Ushs 3,733 (2017: Ushs 3,575) for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

(c) Inventories

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

(d) Trade receivables

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

(e) Property and equipment

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

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

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

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

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increase of the same asset are charged against the revaluation reserve. All other decreases are charged to the profit and loss account.
Depreciation 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 depreciation rates of each asset are reviewed at each financial period-end. Land is not depreciated.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.
The gain or loss arising from the disposal of an item of property and equipment is included in profit or loss when the item is derecognized.
The gain or loss arising from derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

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

(h) Taxation

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

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

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

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

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

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 recognized 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.

Amounts owing by/ (to) related parties

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

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

On amounts receivable an impairment loss is recognized 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 recognized, 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 recognized.

(j) **Offsetting**

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

(k) **Provisions**

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

(l) **Share capital**

Ordinal shares

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

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

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

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

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 will not have an impact on the financial statements of the company

4. REVENUE

	2018 Ushs '000	2017 Restated Ushs '000	2018 USD	2017 Restated USD
Sale of seeds	927,770	1,596,727	248,523	446,624
Vine sale	18,753	85,953	5,023	24,042
Training income	141,709	519,002	37,960	145,171
Other Income	30,042	160,392	8,047	44,864
Bank Interest income	1,354	48,315	363	13,514
Foreign exchange gain/(loss)	-	(149)	-	(41)
	1,119,628	**2,410,240**	**299,916**	**674,174**

5. COST OF SALES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Seed	472,803	747,405	126,652	209,059
Labor	9,599	10,567	2,571	2,956
Transportation of seeds	99,348	129,412	26,612	36,198
Chemical cost	2,215	8,202	593	2,294
Irrigation cost	16,917	859	4,531	240
Fertilizer costs – chemicals	6,566	19,521	1,759	5,460
Packaging costs	111,192	134,163	29,785	37,527
Seed processing cost	47,127	27,484	12,624	7,688
Electricity bill	6,441	16,902	1,725	4,728
Fuel	13,995	22,648	3,749	6,334
	786,203	**1,117,163**	**210,601**	**312,484**

6. STAFF COSTS

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Salaries	424,696	442,890	113,763	123,882
Bonus	24,569	9,695	6,581	2,712
Employer's contribution	44,554	44,757	11,935	12,519
Other staff costs	-	3,880	-	1,085
	493,819	**501,222**	**132,279**	**140,198**

7. TRAINING, WORKSHOP AND SEMINARS

		2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
External member trainings	2	0,521	8,562	5,497	2,395
Staff training		1,131	226	303	63
		21,652	**8,788**	**5,800**	**2,458**

8. OTHER OPERATING EXPENSES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Legal fees and other services	24,725	4,428	6,623	1,239
Audit fees	33,757	32,168	9,042	8,998
Maintenance and general expenses	126,451	136,417	33,872	38,419
Software maintenance cost	49,714	59,616	13,317	16,414
Stock loss provision	-	13,318	-	3,725
Other general expenses	51,823	95,545	13,882	26,725
Head office logistic expenses	39,530	69,597	10,589	19,467
Travel and transportation	184,685	237,891	49,472	66,541
Inventory write off	79,153	37,138	21,204	10,388
	589,838	**686,118**	**158,001**	**191,916**

9. CASH AND BANK

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Cash in hand	157	1,820	42	501
Cash at Bank	133,392	594,356	35,904	163,641
	133,549	**596,176**	**35,946**	**164,142**

10. INVENTORY

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Maize seeds	307,247	104,092	82,699	28,659
Rice seeds	15,892	11,448	4,277	3,152
Bean seeds	23,787	39,048	6,402	10,751
Tomato seeds	23,222	5,570	6,250	1,534
Egg plants	6,252	493	1,684	136
Pumpkins	6,688	1,682	1,800	463
Watermelon	36,663	2,326	9,869	640
	419,751	**164,659**	**112,981**	**45,335**

The inventory is agriculture seeds that were not yet sold as at 31 December 2018. These seeds are normally sold at subsidized rates to low income earners in communities.

11. TRADE AND OTHER RECEIVBLES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Trade receivables	493,793	466,847	132,910	128,534
Less: Provision for impairment losses	(411,726)	-	(110,821)	-
Trade receivables – net	**82,067**	**466,847**	**22,089**	**128,534**
Receivables from others	8,186	-	2,204	-
	90,253	**466,847**	**24,293**	**128,534**

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Impairment of trade receivables was made based on a simplified approach measured at an amount equal to life time credit loss using a provision matrix that is based on historical credit loss experience of the trade receivables.

The carrying amounts of the above trade and other receivables approximate their fair values.

12 PROPERTY AND EQUIPMENT

	Building Ushs '000	Furniture Ushs '000	Equipment Ushs '000	Total Ushs '000	Total USD
COST					
At 1 January 2017	1,296,432	10,437	723,664	2,030,533	570,054
Additions	-	-	11,747	11,747	3,286
Currency translation	-	-	-	-	(11,051)
At 31 December 2017	**1,296,432**	**10,437**	**735,411**	**2,042,280**	**562,289**
Additions	-	3,120	14,549	17,669	4,756
Asset write-off	-	-	-	-	-
Currency translation	-	-	-	-	(12,587)
At 31 December 2018	**1,296,432**	**13,557**	**749,960**	**2,059,949**	**554,458**
DEPRECIATION					
At 1 January 2017	106,536	2,918	229,796	339,250	95,242
Charge for the year	25,929	1,043	109,423	136,395	38,151
Currency translation	-	-	-	-	(2,436)
At 31 December 2017	**132,465**	**3,961**	**339,219**	**475,645**	**130,957**
Charge for the year	25,929	1,174	111,206	138,309	37,049
Currency translation	-	-	-	-	(2,753)
At 31 December 2018	**158,394**	**5,135**	**450,425**	**613,954**	**165,253**
NET BOOK VALUE					
At 31 December 2018	**1,138,038**	**8,422**	**299,535**	**1,445,995**	**389,205**
At 31 December 2017	**1,163,967**	**6,476**	**396,192**	**1,566,634**	**431,332**

13. FINANCE LEASE

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Cost/Valuation				
At 1 January	60,761	60,761	17,058	17,058
Additions	-	-	-	-
Currency Translations	-	-	-	-
At 31 December	**60,761**	**60,761**	**17,058**	**17,058**
Amortization				
At 1 January	4,583	3,969	1,286	1,114
Charge for the year	614	614	164	172
Currency Translations	-	-	652	305
At 31 December	**5,197**	**4,583**	**2,102**	**1,591**
NBV	**55,564**	**56,178**	**14,956**	**15,467**

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 2018, the remaining lease period is 90 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all 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.

14. RELATED PARTY TRANSACTIONS

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

(a) Amount due to related parties	2018 Ushs '000	2017 Restated Ushs '000	2018 USD	2017 Restated USD
Stichting BRAC International	20,744	20,744	5,584	5,711
BRAC Bangladesh	13,580	8,825	3,655	2,430
BRAC International Holdings B.V	78,220	67,058	21,054	18,463
Payable to BRAC Uganda	504,202	-	135,711	-
	616,746	**96,627**	**166,004**	**26,604**

(b) Amount due from related parties

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Receivable from BRAC Uganda	-	110,387	-	30,393
	-	**110,387**	**-**	**30,393**

Related party payables relate to amount owing to BRAC Stichting and BRAC International holding B.V for the settlement of operating expenditures on behalf of the company. The amounts bears no interest and and are settled in the normal course of business.

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

(b) Sale of services

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Training income	141,709	519,002	37,960	145,171
	141,709	**519,002**	**37,960**	**145,171**

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

15. OTHER LIABILITIES

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Bonus provision	-	5,548	-	1,528
Provision for NSSF	11,510	4,271	3,098	1,176
Provision for audit fees	54,800	32,168	14,750	8,857
Provision for PAYE	23,050	7,256	6,205	1,997
Withholding tax & VAT payable	31,959	46,622	8,602	12,836
Payable to Bits	-	59,616	-	16,414
Accrued expenses	20,806	-	5,600	-
	142,125	**155,481**	**38,255**	**42,808**

16. 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

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Corporation tax	-	-	-	-
Deferred tax	(120,031)	17,592	(32,153)	4,921
Income tax expense/(credit)	**(120,031)**	**17,592**	**(32,153)**	**4,921**

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.

Since the Company did not make profit during the year, no corporation tax was charged.

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Accounting loss	(914,773)	(40,060)	(245,041)	(11,205)
Tax at applicable rate 30%	(274,432)	(12,018)	(73,512)	(3,362)
Tax effect of:				
Under provision from prior year	(93,015)	16,738	(24,916)	4,682
Movement in unrecognized tax losses	246,626	8,178	66,064	2,288
Non-deductible expenses	790	4,694	211	1,313
	(120,031)	**17,592**	**(32,153)**	**4,921**

(b) Deferred taxation

The recognized deferred tax liability as at 31 December 2018 is attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

	2017 Ushs '000	Mov't Ushs '000	2018 Ushs '000	2017 USD	Mov't USD	2018 USD
Property and equipment	514,573	(7,392)	507,181	141,674	(5,161)	136,513
Provisions	(18,866)	(392,860)	(411,726)	(5,194)	(105,627)	(110,821)
Unrealized foreign exchange loss	-	149	149	-	41	41
	495,707	**(400,103)**	**95,604**	**136,480**	**(110,747)**	**25,733**
Deferred tax liability @ 30%	148,712	(120,031)	28,681	40,944	(33,224)	7,720
Currency translation	-	-	-	-	1,071	-
At 31 December	**148,712**	**(120,031)**	**28,681**	**40,944**	**(32,153)**	**7,720**

(c) TAX RECIEVABLE	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
At 1 January	36,635	26,365	10,637	7,402
(Over)/Under provision from prior year	-	12,270	-	3,432
Currency translation	-	-	(238)	(197)
At 31 December	**38,635**	**38,635**	**10,399**	**10,637**

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

(a) Share Capital

	2018 Ushs '000	2017 Ushs '000
Authorized Share Capital	**10,500,000**	**10,500,000**

Issued and raised shares	No of Shares	2018 Ushs '000	No of Shares	2017 Ushs '000
As at 1 January	243,400	2,434,000	243,400	2,434,000
Issued during the year @10,000	-	-	-	-
At 31 December	**243,400**	**2,434,000**	**243,400**	**2,434,000**

18. Cash flow from operating activities

	2018 Ushs '000	2017 Restated Ushs '000	2018 USD	2017 Restated USD
Loss before tax	**(914,773)**	**(40,060)**	**(245,041)**	**(11,205)**
Adjustments for:				
Depreciation	138,309	136,395	37,049	38,151
Amortization	614	614	164	172
Cash flow before changes in working capital	**(775,850)**	**96,949**	**(207,828)**	**27,118**
Changes in working capital				
Changes in inventory	(255,092)	(109,238)	(68,661)	(30,076)
Changes in receivables	(31,165)	(310,954)	(8,388)	(85,613)
Changes in related party balances	630,505	(79,411)	169,707	(21,864)
Changes in other liabilities	(13,356)	(7,834)	(3,595)	(2,157)
Net cash outflow from operations	**(444,958)**	**(410,488)**	**(118,765)**	**(112,592)**

19. Going concern

The Company incurred a loss during the year ended 31 December 2018 of Ushs 794,742,000 (2017: Ushs 57,652,000) and as of that date, the Company's current liabilities exceeded its current assets by Ushs 115,318,000. The directors have prepared these financial statements on a going concern basis as they expect the holding and related companies to continue providing financial support to the Company.

In addition, the holding company has made available a grant of USD 100,000 in January 2019 to assist the company in meeting all its obligations.

The directors are confident that the going concern assumption is appropriate in the preparation of the financial statements as the losses are attributed to the fact that the Company has just commenced operations.

The directors believe that the above financial support coupled with a new head of the Company and a new product introduction committee will result in revenue growth.

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

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

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to the equity holders of the Company, comprising share capital, accumulated losses and other reserves as disclosed in the statement of changes in equity. Management regularly reviews the capital structure and make adjustments to it in light of changes in the economic conditions.

Management have defined debt as amounts owing to related and third parties. This includes short term loans and trade payables where credit has been extended. Equity is defined as the capital invested by shareholders as well as any accumulated reserves. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt; trade and other payables, less cash and cash equivalents. The company`s net debt to equity ratio is analysed as follows:

	2018 Ushs '000	2017 Ushs '000	2018 USD	2017 USD
Other liabilities	142,125	155,481	38,255	42,808
Due to related parties	616,746	96,627	166,004	26,604
Less: Cash and cash equivalents	(133,549)	(596,176)	(35,946)	(164,142)
Net debt	**625,322**	**(344,068)**	**168,313**	**(94,730)**
Equity	**1,396,195**	**2,598,696**	**375,801**	**715,484**
Capital and Net debt	**2,021,517**	**2,254,628**	**544,114**	**620,754**
Net debt to equity ratio	**31%**	**(15%)**	**31%**	**(15%)**

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.

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

At 31 December 2018	Fully performing Ushs '000	Past due Ushs '000	Impaired	Total
Total receivables	27,112	466,681	(411,726)	82,067
Cash and Bank	133,549	-	-	133,549
	160,661	**466,681**	**(411,726)**	**215,616)**

Market risk

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

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

Management of market risks

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

Interest rate risk

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

Foreign exchange risk

BRAC Social Business Enterprises Uganda Limited foreign exchange risks comprise of transactions risk which arise from donor grants received in currencies other than the local currency and minimal foreign currency deposits and cash at bank placed with licensed financial institutions. BRAC Social Business Enterprises Uganda Limited has no significant exposure to foreign exchange risk as there are no material foreign denominated balances.

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

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation
The liquidity profile of the company is as follows:

31 December 2018 Assets	Less than 6 months Ushs '000	6 to 12 months Ushs '000	More than 12 months Ushs '000	Total Ushs '000
Cash and cash equivalents	133,549	-	-	133,549
Inventories	419,751	-	-	419,751
Tax receivable	38,635	-	-	38,635
Other receivables	90,253	-	-	90,253
Total assets	**682,188**	**-**	**-**	**682,188**
Liabilities				
Other liabilities	142,125	-	-	142,125
Amount due to related parties	616,746	-	-	616,746
Total liabilities	**758,871**	**-**	**-**	**758,871**
Liquidity gap	**(76,683)**	**-**	**-**	**(76,683)**

b) Operational risk

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

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

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

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

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

21. 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

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spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and Bank	**-**	**-**	**133,549**	**133,549**	**133,549**
Inventories	-	-	419,751	419,751	419,751
Tax receivable	-	-	38,635	38,635	38,635
Other receivables	-	-	90,253	90,253	90,253
Liabilities					
Other liabilities	-	-	142,125	142,125	142,125
Amount due to related parties	-	-	616,746	616,746	616,746

22. USE OF ESTIMATES AND JUDGEMENTS

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

24. Ultimate controlling party

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

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 at year end (2017: nil).

27. Events after the reporting period

There are no reportable events after the reporting period.

28. Restatement

Mangement noted an error that revenue was understand by Ushs 349,856,000 for the period 2017. This misstatement arose from training services provided to BRAC Uganda and BRAC MF which was billed but not recorded in the 2017 financial statements. Management believes that the adjustment of the understated revenue in 2017 provides more relevent information and fair presentation of the company's performance.

The effect of the restatement on key balances is summarised below:

	Previously reported 2017	Revision	Restatement in 2017
	Ushs '000	Ushs '000	Ushs '000
Training income	169,146	349,856	519,002
Loss for the year	(407,508)	349,856	(57,652)
Due to/(from) related party	239,469	(349,856)	(110,387)
Total equity	2,248,840	349,856	2,598,696

	Previously reported 2017	Revision	Restatement in 2017
	USD	USD	USD
Training income	47,312	97,859	145,171
Loss for the year	(113,985)	97,859	(16,126)
Due to/(from) related party	65,931	(96,324)	(30,393)
Total equity	619,160	96,324	715,484

Programme Reporting(Unaudited)

Statement of comprehensive income for the year ended 31 December 2018

Agriculture	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
Revenue	971,741	147,887	1,119,628
Cost of sales	(786,203)	-	(786,203)
Gross profit	**185,538**	**147,887**	**333,425**
Staff costs	(428,150)	(65,669)	(493,819)
Travelling and Transportation	(173,848)	(10,837)	(184,685)
Training, workshops & seminars	(18,773)	(2,879)	(21,652)
Other operating expenses	(354,256)	(54,864)	(409,120)
Depreciation	(138,308)	-	(138,308)
Lease amortization	(614)	-	(614)
Total Expenses	**(1,113,949)**	**(134,249)**	**(1,248,198)**
Loss before tax	**(928,411)**	**13,638**	**(914,773)**
Income tax credit/(expense)	34,260	85,771	120,031
Net loss for the year	**(894,151)**	**99,409**	**(794,742)**
Other comprehensive income	-	-	-
Total comprehensive loss	**(894,151)**	**99,409**	**(794,742)**

Statement of financial position as at 31 December 2018

	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
ASSETS			
Cash and Bank	10,883	122,666	133,549
Inventory	419,751	-	419,751
Tax receivable	38,635	-	38,635
Other receivables	90,087	166	90,253
Property and equipment	978,806	467,189	1,445,995
Finance lease on leasehold land	55,564	-	55,564
Total assets	**1,593,726**	**590,021**	**2,183,747**
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	3,019,519	(2,402,773)	616,746
Other liabilities	1,012	141,113	142,125
Deferred tax liability	8,186	20,495	28,681
Total liabilities	**3,028,717**	**(2,241,165)**	**787,552**
Equity			
Share Capital	2,002,421	431,579	2,434,000
Retained earnings	(3,437,412)	2,399,607	(1,037,805)
Total Equity	**(1,434,991)**	**2,831,186**	**1,396,195**
Total liabilities and Equity	**1,593,726**	**590,021**	**2,183,747**

Programme Reporting(Unaudited)

Statement of comprehensive income for the year ended 31 December 2018

	Agriculture USD	Training USD	Total USD
Revenue	260,301	39,615	299,916
Cost of Sales	(210,601)	-	(210,601)
Gross Profit	**49,700**	**39,615**	**89,315**
Staff costs	(114,688)	(17,591)	(132,279)
Travelling and Transportation	(46,569)	(2,903)	(49,472)
Training, workshops & seminars	(5,029)	(771)	(5,800)
Other operating expenses	(94,895)	(14,697)	(109,592)
Depreciation	(37,049)	-	(37,049)
Amortization	(164)	-	(164)
Total Expenses	**(298,394)**	**(35,962)**	**(334,356)**
Loss before tax	**(248,694)**	**3,653**	**(245,041)**
Income tax credit	9,177	22,976	32,153
Net deficit for the year	**(239,517)**	**26,629**	**(212,888)**

Statement of financial position as at 31 December 2018

	Agriculture USD	Training USD	Total USD
ASSETS			
Cash and bank	2,929	33,017	35,946
Inventory	112,981	-	112,981
Tax receivable	10,399	-	10,399
Other receivables	24,248	45	24,293
Property and equipment	263,456	125,749	389,205
Finance lease	14,956	-	14,956
Total assets	**428,969**	**158,811**	**587,780**
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	812,736	(646,732)	166,004
Other liabilities	273	37,982	38,255
Deferred tax liability	2,204	5,516	7,720
Total liabilities	**815,213**	**(603,234)**	**211,979**
Equity			
Share Capital	538,974	116,164	655,138
Retained earnings	(925,217)	645,880	(279,337)
Total Equity	**(386,243)**	**762,044**	**375,801**
Total liabilities and Equity	**428,970**	**158,810**	**587,780**

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