



ANNUAL REPORT 2017

BRAC IN UGANDA

2017
ANNUAL
REPORT

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

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

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

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

The changemaker

The activist

The hero

The mentor

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.
We listened and learnt, failed and got up again.
We never stopped trying.
And we never will.

We trust in people, and we take on the impossible,
every day. Changing systems of inequity.
Turning potential into skill.
Ready to go to the end of every last mile,
where there are no other signs.

It takes us all to build a world that
works for us all.

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

As the sun rose this morning,
hundreds of thousands of builders rose with it.

Teachers across eight countries opened the
colourful doors of the world's biggest secular
private education system.
65,000 artisans picked up their needles and
started weaving traditional art into
beautiful clothing.

Credit officers in one of the world's largest
microfinance institutions sat down
with women in the remotest
corners of seven countries.

Whoever you are, wherever you are, doing good is everyone's business.
We have never faced bigger challenges but we have never been more ready.
Join the world's biggest family.

Small is beautiful, scale is necessary.



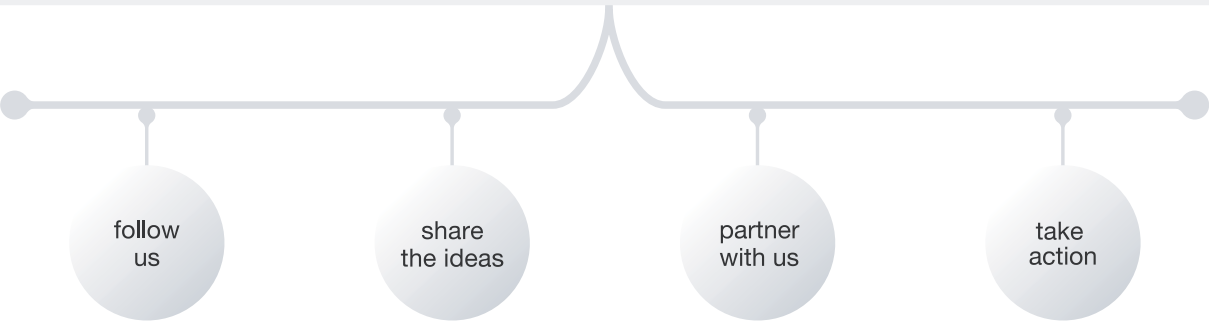
Here at BRAC, we are many things:



and we bring together many different people:



inspired by a single vision.
Building a world that works for all of us takes all of us.
Get onboard:



Join the world's biggest family.



BUILDING A WORLD THAT WORKS FOR ALL OF US

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



VISION, MISSION AND VALUES

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

Empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable women and men to realise their potential.

Integrity Innovation Inclusiveness Effectiveness



SOCIAL DEVELOPMENT

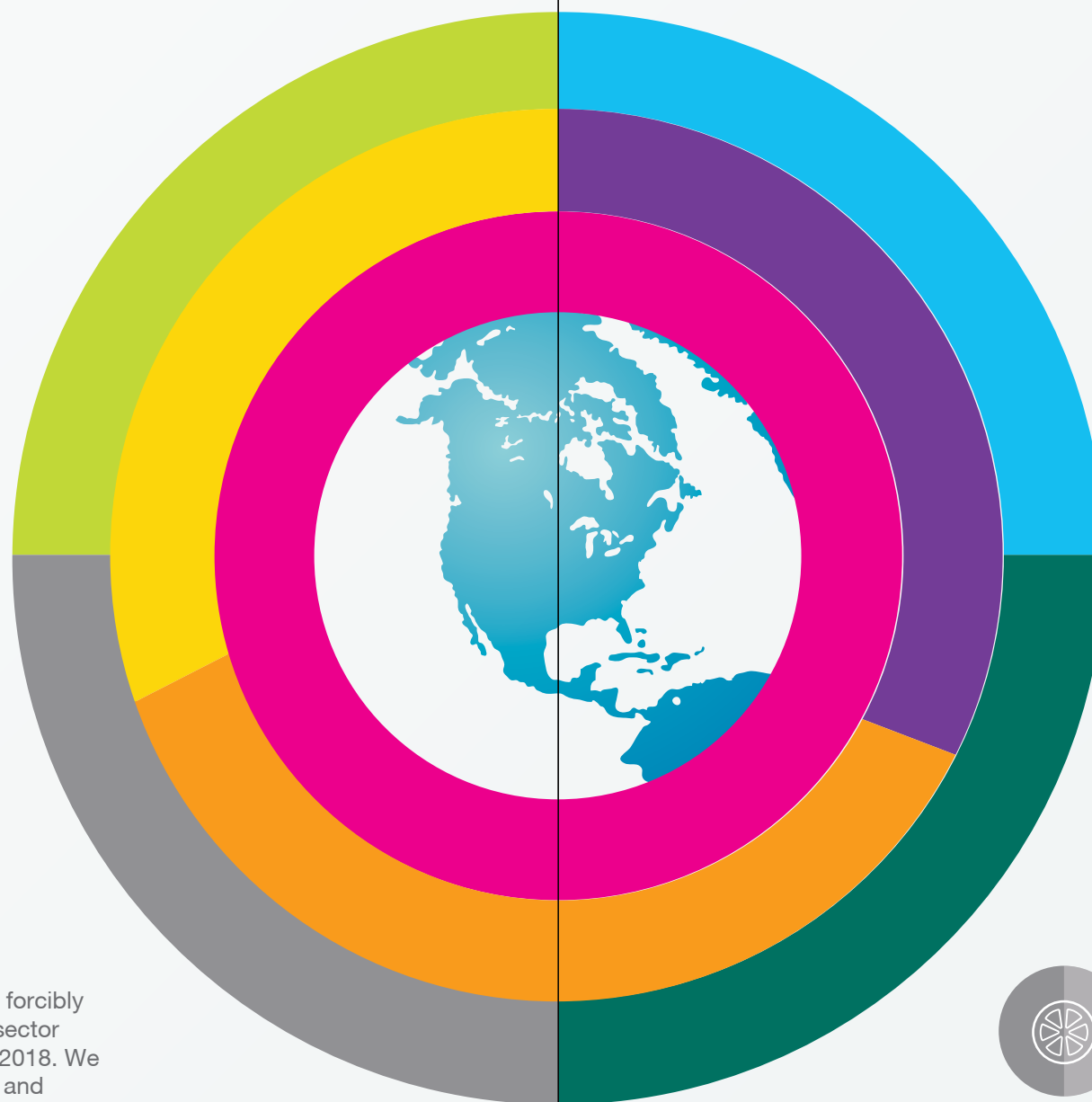
Eliminating extreme poverty, Expanding financial choices, Employable skills for decent work, Climate change and emergencies, Gender equality, Universal healthcare, Pro-poor urban development, Investing in the next generation.

Country offices: Afghanistan, Bangladesh, Liberia, Myanmar, Nepal, Pakistan, Philippines, Sierra Leone, South Sudan, Tanzania, Uganda



HUMANITARIAN RESPONSE

We have been providing life-saving services to forcibly displaced Myanmar nationals through a multi-sector response since the influx began in September 2018. We are working closely with the government, local and international NGOs and other stakeholders through the Inter Sector Coordination Group.



SOCIAL ENTERPRISES

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



INVESTMENTS

Socially responsible companies that assist us in our mission. Our network of investments help us strive towards the goal of self-sustainability.



BRAC UNIVERSITY

An educational institution's goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow's leaders. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.



STICHTING BRAC INTERNATIONAL



AFFILIATES

BRAC USA
BRAC UK

CONTENTS

- 07 Chairperson's foreword
- 08 Letter from the Executive Director
- 09 Message from the Country Representative
- 10 BRAC across the world
- 12 Agriculture, food security and livelihood Health
- 14 Education
- 16 Empowerment and livelihood for adolescents
- 18 Emergency preparedness and response
- 20 Health
- 22 Microfinance
- 24 Targeting ultra poor
- 26 Power of belief
- 27 Life saving health education
- 28 Dreams became reality
- 29 Governance and management: BRAC International
- 31 Governance, management: BRAC in Uganda
- 32 Development partners
- 33 Country map
- 34 Financials

CHAIRPERSON'S FOREWORD



Over recent years, significant investments have been made to ensure the survival and optimal development of children during the first decade of life. Globally, the under-five mortality rate has decreased significantly. Around 20,000 fewer children died every day in 2016 than in 1990. However, this progress has not been universal. Inequities in child mortality between high-income and low-income countries remain large. Reducing these inequities across countries and saving more children's lives by ending preventable child deaths are important priorities.

We also need to focus on the second decade of children's lives. A safe, healthy passage from adolescence into adulthood is the right of every child. To fulfil this right, families and societies need to ensure that adolescents and youth acquire the knowledge and skills required to lead productive and fulfilling lives. Calls for investment in children and young people have increased dramatically in recent years. More and more countries agree that policies, which help young people fulfil their potential, also drive economic development.

Challenges persist in both the education and skills sectors. We need to ensure that all children complete their primary schooling and go on to secondary school. Additional efforts are required to empower girls to believe that they are capable of doing everything boys can. The lack of improvement in the quality and outcomes of education is another concern.

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues

of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today's learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people's human qualities and values, such as empathy, cooperation and integrity.

Political instability and conflict are leaving young people vulnerable to violence, disrupting their schooling and access to basic health services and, in many cases, inflicting psychological trauma. We must accelerate efforts to protect children and young people from violence, drug abuse, conflict and poverty, to enable them to lead more productive lives and contribute to society.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR



There are more young people today than at any other time in human history. Children and young people make up almost 40% of the world's population, with specific needs and aspirations for the future, which poses both immense opportunities and challenges. While we as a global community have made significant progress in ensuring a better life for all, there is always more work to be done. One in five children, adolescents and youth is out of school. That is 263 million children and youth across the world.

Today's young people will be tomorrow's leaders - in our families, in our workplaces, in our communities. Over a third of the Sustainable Development Goal (SDG) targets highlight the role of young people and the importance of their empowerment, participation, and wellbeing. The SDGs highlight that young people are a driving force for development – however they need to be provided with the skills and opportunities needed to reach their potential. Therefore we at BRAC International have shifted our strategy to focus on ensuring children and youth have better opportunities.

We have invested in Early Childhood Development programmes in Tanzania, Uganda and Liberia. A dollar invested in early childhood development yields a seven-fold return in the future. Having a strong foundation from an early age leads to more productive citizens in the future.

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school and 15 million girls of primary-school age will never enter school.

We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

In Sub-Saharan Africa alone, 14.2% of the youth population is unemployed, representing massive untapped potential for growth. Everyone should be able to contribute and reap development dividends and our ELA programme ensures just that for our out-of-school adolescent girls. With specialised skills and entrepreneurial lessons, our programme enables them to unlock their potential and contribute to society. We give our girls access to microloans so they can start their own enterprises.

Our newly-launched Skills Development Programme in Nepal connects children and youth to apprenticeships and equips them with the skills needed to not only affect change in their own lives but also in the communities they are a part of.

Our extraordinary strides in the field of development mean that we are ready to provide a better, more equitable life for our children. As our future change-makers, children hold incredible potential for innovation. It is our responsibility to give them what they deserve. We cannot let their potential go unrealised.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE



For more than a decade, BRAC International has been operating in Uganda. Through our economic and social programmes, we have advanced women's empowerment, provided education for children and adolescent girls, addressed gender based violence issues, improved livelihoods and skills for smallholder farmers, and improved access to finance, working towards achieving large-scale impact.

This year has been exciting for us, we began to pursue a shift in our microfinance program's regulatory status that allowed us to broaden the landscape of financial services we provide to Uganda's rural poor. Since its inception, our microfinance program has disbursed over UGX 1.6 trillion / \$ 423 million across its group and individual lending products. After the transformation, BRAC will become a regulated Credit Institution, allowing it to expand its suite of services for clients – most notably, to savings accounts.

We have also continued to systematically engage the community members as partners in development, by training them, for example to work as caregivers and model farmers for their neighbors. In health and nutrition, our population reach has grown from an initial 1.6 million to over 3.4 million people, and our impact is visible with a 27% mortality reduction among children under 5. In education, 1606 scholars have graduated from our program and 78% of them have been enrolled in universities and other tertiary institutions.

With a growing population of 41.5 million people, nearly 60% of Uganda's population are adolescents

aged below 20. Our empowerment and livelihood for adolescents' (ELA) program is Uganda's largest youth platform with over 55,000 adolescent girls, who have received 46,851 life skills and vocational trainings. The girls learn about critical social issues including sexual and reproductive health, prevention of early marriage, gender-based violence, and combating drug abuse.

They say the only constant is change, and as an organisation we strive to adapt and strengthen our approaches to fit the ever changing landscape of the developmental sector we operate in. We are proud to be working with the Government of Uganda to manage the social risks in the road and infrastructure development sector, Ministry of Gender, Labour and Social Development, and the Uganda National Road Authority in particular.

The success of our various programmes and our growth would not be possible without the collaboration of government agencies and our partners. My hope is that we shall continue to strengthen these relationships and challenge ourselves to learn more, transform, and empower people and communities together.

Hasina Akhter
Country Representative
BRAC International in Uganda

BRAC ACROSS THE WORLD

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

11 SIERRA LEONE
Initiated: 2008
AFSP, ELA, EPR, Health, MF

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

12 SOUTH SUDAN
Initiated: 2007
Education, ELA, Health

13 TANZANIA
Initiated: 2006
AFSP, Education, ELA, WASH, MF

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

03 NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

04 AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, Health, CCAP

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

07 MYANMAR
Initiated: 2013
EPR, MF

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

10 PHILIPPINES
Initiated: 2012
Education

14 UGANDA
Initiated: 2006
AFSP, Education, TUP, ELA, EPR, Health, MF

08 NEPAL
Initiated: 2015
ELA, Health, WASH, SDP

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

DMCC : Disaster, Management and Climate Change
ELA : Empowerment and Livelihood for Adolescents
EPR : Emergency Preparedness and Response
GJD : Gender Justice and Diversity
HNPP : Health, Nutrition and Population Programme

HRLS : Human Rights and Legal Aid Services
HCMP : Humanitarian Crisis Management Programme
IDP : Integrated Development Programme
MF : Microfinance
MG : Migration

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

AGRICULTURE, FOOD SECURITY AND LIVELIHOOD



Agriculture is a core sector in Uganda’s economy contributing 26% to the GDP in 2015/16. This sector also employs 82% of Uganda’s workforce, consisting largely of subsistence smallholder farmers. We started our agriculture and food security programme in 2008 to help farmers in Uganda improve their productivity and sustain food security. We engage in applied and adaptive research to develop better crop varieties and input packages, extend best practices to the farmers, produce and market quality seeds at fair prices, offer credit support to impoverished farmers, and promote the use of efficient farming techniques and proven technologies.

WHAT WE DO

We are changing subsistence agriculture to more commercial farming as these practices are expected to generate greater income, create more jobs in the rural areas and ensure better food security. Our activities include training on good agronomic practices through our community agriculture promoters, providing access to information on crop production, providing credit services through our microfinance programme, and supplying high quality inputs (disease resistant seeds, fertilizers and pesticides) at an affordable cost. The promoters and marketing agents also provide market linkage to smallholder farmers for input supplies.

Enhancing smallholder family nutrition

We are operating a programme titled ‘An innovative, integrated approach to enhance smallholder family nutrition’, funded by the Japan Social Development Fund (JSDF). We will improve the nutrition of 19,200 smallholder households by promoting the cultivation, consumption and adoption of nutrient-rich crops like Orange Fleshed-Sweet Potato. We will also improve child, adolescent and maternal health through reduction of malnutrition levels and promotion of dietary diversity.

BRAC Seed and Tissue Culture Lab

We established an agricultural research centre in Nakaseke District in 2009 and registered a seed marketing social enterprise in 2011 to provide Ugandan farmers with higher quality seeds at a fair price. The centre conducts applied research on plant tissue culture, vegetables, and maize. Our researchers focus on discovering new varieties that meet the needs of both regional farmers and consumers alike.

The seed enterprise works through contract growers for production and seed dealers for marketing the maize, rice and vegetable seed that are marketed under the BRAC Seed brand.

HIGHLIGHTS

Introduced six vegetable varieties excluding beans
one new vegetable variety was added to the product line

Established 500 seed dealers around the country

Strategically established marketing team in eight major geographical regions of Uganda

Provided 740 farmers with access to the variety of BRAC seed supplies

Participated in 4 agricultural shows with interface of 75% of the farmers in Uganda

Conducted 3 trials for new seed varieties, have identified varieties that promise to out-compete the existing ones on the Ugandan market

Reached 19,200 smallholder farmers to promote the orange fleshed sweet potato

EDUCATION



52% of Ugandans are under 15 years old and it is common for classes to be over packed with inadequate facilities and unmotivated students and teachers. The number of children excelling has dropped significantly due to a lack of funds for those hoping to achieve a higher quality education at private schools. Our interventions address the problem of talented students accessing quality higher education institutions.

WHAT WE DO

Our Secondary Level Scholarship initiative was launched in November 2012, in partnership with the MasterCard Foundation to empower young people from families that otherwise could not afford to access and complete their education in eight years from 2013-2021. This programme gives opportunities to academically talented but economically marginalised youths through facilitating their access to quality secondary education.

We provide selected youths with a holistic package of support including school fees, uniforms, learning materials, accommodation and stipend. Additionally, they are included in leadership trainings and mentorship sessions that foster an element of give back within their communities and peers through civic participation, with the intent of building a strong alumni network.

We are also implementing an Early Childhood Development initiative titled ‘The Play Lab Project’ with the Lego Foundation. The Play Labs are well-designed spaces where we ensure physical, cognitive, language-communication and social-emotional development of children through play in a joyful, creative and child friendly environment. This is an educational initiative for children aged 3-5.

HIGHLIGHTS

Established 80 play labs in 6 districts

Enrolled 2,409 learners

Supported 80 play leaders

Completed recruitment and selection of 5,000 scholars

Graduated 1,100 scholars

78% of scholars have been enrolled to universities and other tertiary institutions

Partnered with 105 top performing schools in the country

Provided 125 teachers have with refresher training and a teacher–mentor handbook has been launched

Provided 478 senior five students with community service training

EMPOWERMENT AND LIVELIHOOD ADOLESCENTS



60% of Uganda's population are adolescents aged below 20. 8.8 million young people aged 15-24 are not engaged in education, employment, or under any training. We started our empowerment and livelihood for adolescents programme in 2008 to improve the quality of life for vulnerable adolescent girls, and also providing an opportunity for a better life through mentorship, life skills training and microfinance. We target girls from disadvantaged backgrounds across the country and aid them in developing a set of skills so that they can live and grow as confident, empowered individuals contributing to change in their own families and communities.

WHAT WE DO

We combine safe-spaces with innovative livelihood and life skill training, and a customised microfinance programme for older adolescent girls. Community and parent participation is another major tenant of the programme. Needs tend to vary according to age groups. Younger girls are different from older ones, school-going girls have different aspirations from out-of-school girls and teen mothers require different information from others. Thus, these varying needs are considered in the designing of every programme component.

Currently, our ELA components includes; End Child Marriage (ECM), Adolescent Health Programme (AHP), GOAL Project (ECPR), and Overcoming Vulnerability of Adolescents and Youth through Economic Empowerment (OVAYEE).



HIGHLIGHTS

Operated **1,331** clubs and **66** branches with **55,127** members

Covered two new districts with **15** new safe spaces

Provided **20,831** girls with training in life skills and **19,831** with financial literacy training

Provided **2,207** adolescent girls with livelihood training and inputs in hairdressing, tailoring, crafts, poultry & livestock and agriculture

Provided **2,800** girls with apprenticeship training and were given **2,800** start up supplies

Provided **2,360** young farmers with **23,600** kg of BRAC seed for cultivating

Provided **281** survivors of violence with a specialised package of psychosocial support including treatment

EMERGENCY PREPAREDNESS AND RESPONSE



Uganda is prone to disasters from both natural and human-made hazards. In the last 15 years, Uganda has faced more than 50 disasters which have killed 1,195 people and affected more than 4 million. Uganda has also become host to the largest number of refugees in the world, which is around 1.3 million people.

We started our emergency preparedness and response programme in 2016 with funding from the Bill & Melinda Gates Foundation to build our country programme's emergency response capacity. Launched in November 2017, the second phase of the programme will focus on developing a disaster preparedness model and building the capacity of local actors and BRAC in refugee settlements of Uganda.

WHAT WE DO

In partnership with the Bill & Melinda Gates Foundation, BRAC International and BRAC Uganda are piloting a model for developing local emergency preparedness and response capacities. Through a participatory, community-based inclusive approach, our project will work with schools, communities and local governments in the refugee settlements of Kiryandongo to strengthen humanitarian localization.

HIGHLIGHTS

Monitored monthly country safety and security situations and developed **46** weekly safety and security reports

Updated Country Risk Assessment and Multi Hazard Risk Assessment on quarterly basis
Developed Country Crisis Management Plan

Formed and trained **25** member Emergency Response Teams

Responded to the May 2017 famine in Teso

Support in one Post Disaster Need Assessment (PDNA) and rehabilitation intervention— flood with the government and partners



HEALTH



Only 49% of Ugandans have contact with public healthcare facilities. 70% of Ugandan doctors and 40% of nurses are based solely in urban areas meaning that they serve only 12% of the Ugandan population.

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

WHAT WE DO

We apply our proven and unique model of community health workers (called community health promoters) who integrate community based primary health care services with built-in entrepreneurial activities to address their sustainability while improving access to quality basic health care services and products at the doorsteps of the communities across Uganda.

We leverage our microfinance platform to reach 3.4 million people across 72 districts and 135 branch offices. We offer preventive, curative and antenatal care with doorstep delivery of vital medicines and health services through 4,082 trained community health promoters.

The health promoters are all women selected from the microfinance groups. This holistic approach to development ensures that healthcare reaches the doorsteps of those who most need it.



HIGHLIGHTS

Established **135** branches across **72** districts supporting a total of **4,082** community health promoters

Referred **3,618 TB** cases and **101,517** malaria cases to health centres

Treated **309,778** children under-five affected by malaria

Treated **278,731** children under five affected by diarrhoea

Immunised **1,225,532** children under-five and referred **178,523** children to health centres

Provided basic antenatal care to **355,019** mothers

Provided postnatal care to **71,277** mothers

Trained **2,507** health promoters on mobile application and transitioned **4,082** health promoters to utilise mobile application

MICROFINANCE



Uganda's economy has slowed down to an average growth rate of 4.5%. This has meant that more than 65% of the population are unable to access formal financial institutions for credit. As a result, the ability of the population to increase their productivity has been hindered. Access to finance is crucial aspect in fight against poverty. Therefore, we provide financial services for the people in poverty, with an emphasis on women in rural areas, the youth and adolescents.

WHAT WE DO

Our approach differs from other microfinance institutions because we realise that poverty is multi-dimensional, and the needs of people differ greatly. Therefore, we implement an approach where we provide loans with a combination of additional services such as livelihood and financial literacy training. Our major products are; a microloan targeted at women entrepreneurs delivered through our group lending platform and a small enterprise loan product for both male and female 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.

Currently, we are in the process of transforming into a regulated institution which will enable us to offer a wider range of financial services to our clients.

HIGHLIGHTS

Reached **194,616** clients

Disbursed **USD 96.96** million in microloans

Disbursed **USD 10,683** for small enterprise loans

Disbursed a total of **297,037** loans

Disbursed micro loans to **1,599** returnee refugees



TARGETING ULTRA POOR



More Ugandans are slipping into poverty with the number of people in poverty increasing from 6.6 million in 2012/13 to 10 million in 2016/17. The income poverty levels have risen from 19.7% to 27%. To combat this, we started the Targeting the Ultra-Poor Graduation programme in Uganda in 2016 to improve the socioeconomic situation of those at the base of the economic pyramid. BRAC utilises three-step targeting approach and use participatory rural appraisals tools (Transact walk, Wealth ranking and household visits for verification) and methods to identify and select ultra-poor and marginalised people for inclusion in its Graduation programmes.

WHAT WE DO

We use an integrated approach consisting of asset transfers, technical skills trainings and personalized healthcare support.

The indicators are positive changes in food security, diversified income sources, asset ownership, improved housing, school enrolment and social acceptance. After completion of the two-year grant phase, the ultra poor members participate in our mainstream development programmes.

We are currently targeting 1,650 young people aged 15 to 30 years old living in six sub-counties across Luwero and Kiryandongo districts of Uganda with funding from the Cartier Charitable Foundation and the AESTUS Foundation.



HIGHLIGHTS

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

Transferred **6,226** goats, **1,107** pigs, **11,600** chicken and **206** petty trades to support development on household income as productive livelihood assets to the households

Reached **130** villages in **85** communities in Luwero and Kiryandongo districts

Participants' capacity is built through a series of trainings organized and conducted in 86 village training spots

969 participants are able to eat at least 2 meals a day

668 youths have diversified their livelihood assets

1,650 of project participants have at least two sources of incomes

1,396 households are applying at least **2** new techniques and skills acquired through livelihoods training to their agricultural or livestock production.

POWER OF BELIEF

By the age of 17 Babirye Sirina has overcome more than many people do in a lifetime. At the tender age of 12, Sirina was raped by a group of four men.

“My mother was preparing dinner and realized that we had no salt, so I was sent to the nearby shop to collect some. As I returned, I was met by a group of four boys who proceeded to rape me, in turns. It was too much to bear, and I was left on the floor fighting to remain conscious.”

Sirina was a victim of gender-based violence, one of the most intimate abuses of human rights that is sweeping across the country, and the continent at large. In Africa, 1 out of 5 girls have been sexually abused in their childhood directly impacting their sexual and reproductive health and rights.

Sirina, like very few victims, sought help and was referred to a hospital one week later. On arrival, she was informed that her pregnancy results had come back positive. “At this point, my life turned dark. As my pregnancy wore on, I became the talk of the village. My friends deserted me, my mother began torturing me psychologically, and I was forced to drop out of school. I thought my only way out was suicide. I had become an outcast, and somehow, this pregnancy was my fault.”

Forced to make a life for herself and her newborn, Sirina began doing meagre jobs to earn an allowance. She was making less than 2000 ugshs (50 cents) a day and it was not enough for both her and her child. “Foolishly, I took solace in a man who wooed me with petty cash and



gifts. I was ignorant, naïve and vulnerable and ended up pregnant again. The man I thought was my refuge ran away upon hearing the news, and I was left abandoned yet again.”

1 million girls under 15 give birth every year in Africa, and Sirina’s story has been echoed across the globe. BRAC’s ELA program is allowing adolescent girls to learn and tackle critical social issues including sexual and reproductive health, early marriage, gender-based violence, all within safe spaces. Sirina joined the program after the birth of her second child, and slowly she has become a more hopeful individual. “I know later this year, I’m going to get my savings from this Sacco and I’ll start my clothes selling business. And maybe one day, I’ll make enough money to return and complete my primary education. I’ll start small but I believe I’ll grow big someday, no man can deceive me again” she says with a smile on her face.

LIFE SAVING HEALTH EDUCATION



One day, a young mother knocked on my door in the early hours of the morning, desperately asking for medicine for her six-month old son who had fallen ill. She’d been referred to me by a community member who knew I was a community health promoter. Before I gave the mother the medicine she sought, I asked to check on the child’s condition.

Through the health training I’d received from BRAC, I quickly deciphered that the child was anemic and was suffering from an attack. Hurriedly, I referred her to the Gulu health facility and managed to give the mother money for transport that I’d managed to save from the sales of the health materials.

I’m proud to say that the child recovered, and is still one of the children I run my regular checks on. It gives me a sense of satisfaction to say that I contributed to the well-being of a child, close to my very own daughter’s age.

The health programme has given me so much to be appreciative for. I’ve managed to build myself a three-bedroomed home from the sales of my health programme, and I’ve made sales to so many people in my village. My daughter is also about to complete school, after taking almost 3 years out of the system simply because I couldn’t afford it. My life is equally as changed through my participation in this program, as that little boy’s life we managed to save.

DREAMS BECOME REALITY

My name is Nakitende Bariirah. Since childhood, I had nurtured dreams of becoming a doctor. However, after losing my father in primary school, this dream started to seem unattainable because my father was the pillar on which our family depended. Having left eight school-going children, my now single, unemployed mother, opened a small restaurant to sustain us. Owing to my exceptionally good academic performance, I sailed through O'level with support from school bursaries, until A' level, when I was enrolled on the Mastercard Foundation scholars programme at BRAC.

My dream, once unattainable, became a reality after I excelled in the 2017 UACE exams and qualified for medicine and surgery at Makerere University on government scholarship.

I hope to later specialise in cardiology in my medicine career. I also have a dream of owning a heart institute in order to provide specialised assistance to people with heart conditions.

I am very thankful for the scholarship programme for empowering me, as it enabled me to access education in one of the best schools in Uganda and nurtured me into a responsible citizen through the programme's community service, give



back training and leadership congress. I strongly believe in leaving a mark in the lives of others, which has motivated me, to engage the youth in my community in the fight against youth susceptible vices like drugs, early pregnancies and sports betting. I often call for group discussions where we discuss the dangers of this behavior, and I believe this activity had a positive impact on the youths in my community.

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

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

CORPORATE GOVERNANCE

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

Stichting BRAC International has a ten (10) member Supervisory Board.

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no board remuneration applicable for the Supervisory Board.

The current members of the Supervisory Board are:

Chairperson

Sir Fazle Hasan Abed, KCMG

Members

Ms. Sylvia Borren
Dr. Muhammad Musa
Ms. Parveen Mahmud
Dr. Ahmad Mastaqur Raza Chowdhury
Dr. Debapriya Bhattacharya

Ms. Shabana Azmi
Mr. Shafiqul Hassan
Ms. Irene Khan
Dr. Fawzia Rasheed

MANAGEMENT BOARD

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Management Board is appointed by Supervisory Board and their performance is reviewed annually. The Management Board consists of the following members:

Mr. Faruque Ahmed, Executive Director
Mr. Saif Md Imran Siddique, Director
Mr. Shameran Abed, Director
Ms. Lamia Rashid, Director

The gender diversity in the management board is 75/25. The Foundation is trying to bring in more female participation into its Management board. The management board meets on a weekly basis.

BRAC INTERNATIONAL HOLDINGS BV

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

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

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Supervisory Board exists out of the following members:

Sir Fazle Hasan Abed KCMG, Chair
Dr. Muhammad Musa, Member
Ms. Parveen Mahmud, Member
Ms. Sylvia Borren, Member

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

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. Saif Md Imran Siddique, Secretary of the Committee

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

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

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities

in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

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

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

ACCOUNTABILITY AND TRANSPARENCY

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

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

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

BRAC IN UGANDA

GOVERNANCE

Local Board Members

BRAC Uganda NGO

Dr A M R Chowdhury (Chair)
Faruque Ahmed
S N Kairy
Shameran Abed

BRAC Uganda Microfinance Limited

Dr A M R Chowdhury (Chair)
Faruque Ahmed
S N Kairy
Shameran Abed

BRAC Uganda Social Business Enterprises

Dr A M R Chowdhury (Chair)
Faruque Ahmed
S N Kairy

Country Advisory Council Members

Hon Justice Augustus Kania Okaasai S Opolot- Chair
Joyce R Mpanga
Victoria Sekitoleko
Margaret Musana Akora
David T Baguma
Dr Sabrina Bakeera Kitaka

MANAGEMENT

Hasina Akhter - Country Representative, BRAC Uganda
Jimmy Onesmus Adiga - Chief Executive Officer,
BRAC Uganda Microfinance Limited
Emaasit Emmanue- Chief Operation Officer, BRAC Uganda Microfinance Limited
Kigozi Richard Bikaatu- Chief Financial Officer, BRAC Uganda Microfinance Limited
Mugerwa Namulondo Sarah- Country Head of Accounts
Eunice Hasakya –Manager, HR & Training
Sharmin Sharif - Programme Manager, Health Programme
Tabu Francis - Programme Manager, Scholars Programme
Hannan Ali –Programme Manager, JSDF

DEVELOPMENT PARTNERS

The LEGO Foundation

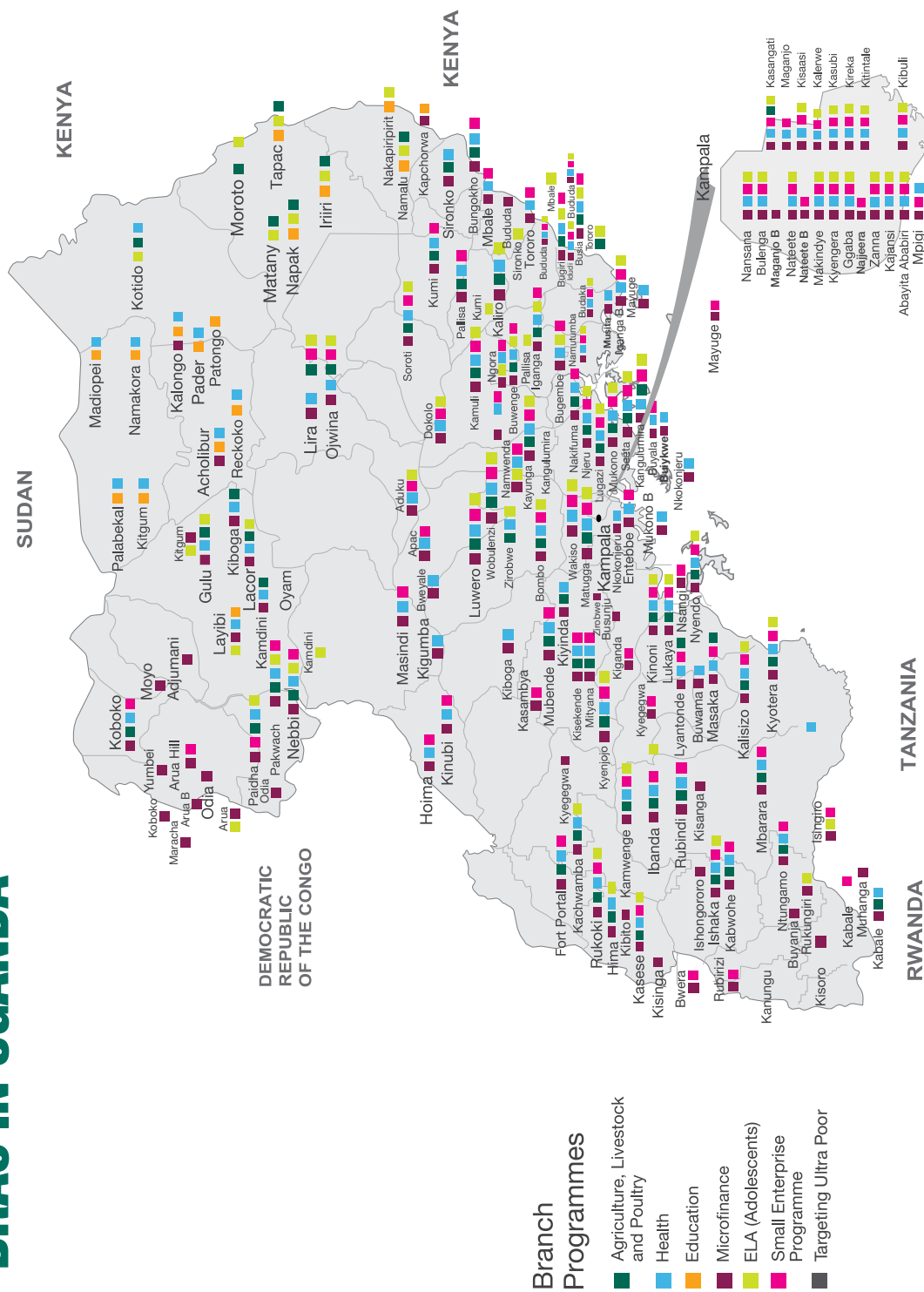
Charitable Foundation
Cartier



NoVo Foundation
create. change.



BRAC IN UGANDA



BRAC UGANDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

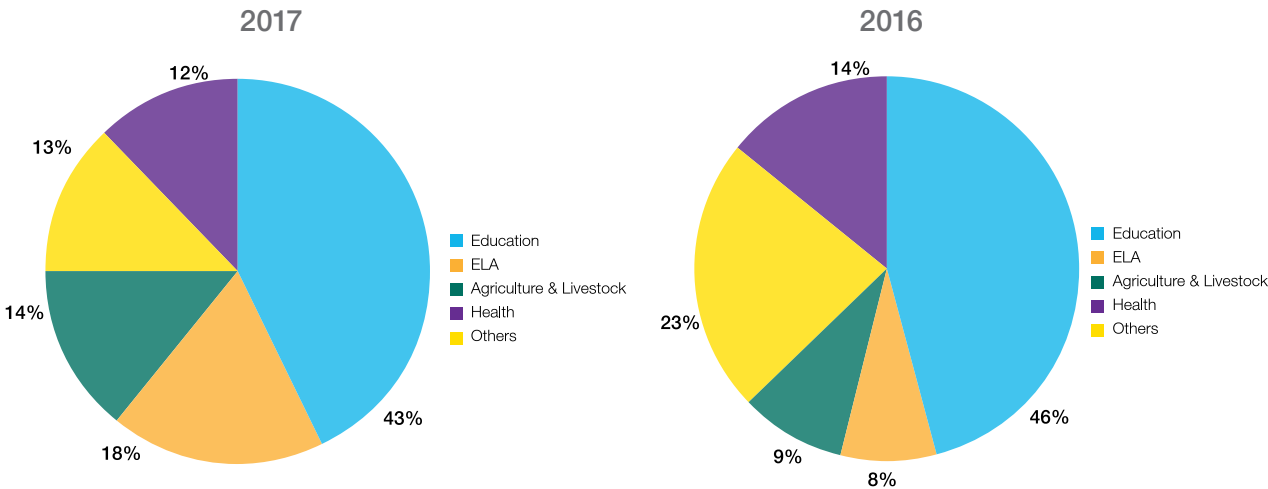
FINANCIAL HIGHLIGHTS – NGO

BRAC Uganda received grants amounting to USD 13,637,712 in 2017 as compared to USD 14,280,233 in 2016. Total Project expenses utilized for the year were USD 15,367,845 (USD 15,747,504 in 2016) which represents an decrease of 2%. Out of the total expenses, majority are expensed in Scholarship program supported by MasterCard 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 2017 stands at USD 13,824,180 as against USD 12,283,405 in 2016. Showing an increase of 13%.

PROGRAMME COST

Programme	2017	2016
	USD	USD
Health	4,510,336	3,621,666
Education	6,886,714	7,258,169
Empowerment and livelihood for adolescents	1,486,016	1,271,594
Agriculture and livestock	510,788	1,378,663
Others	1,973,989	2,217,412
Total	15,367,845	15,747,504



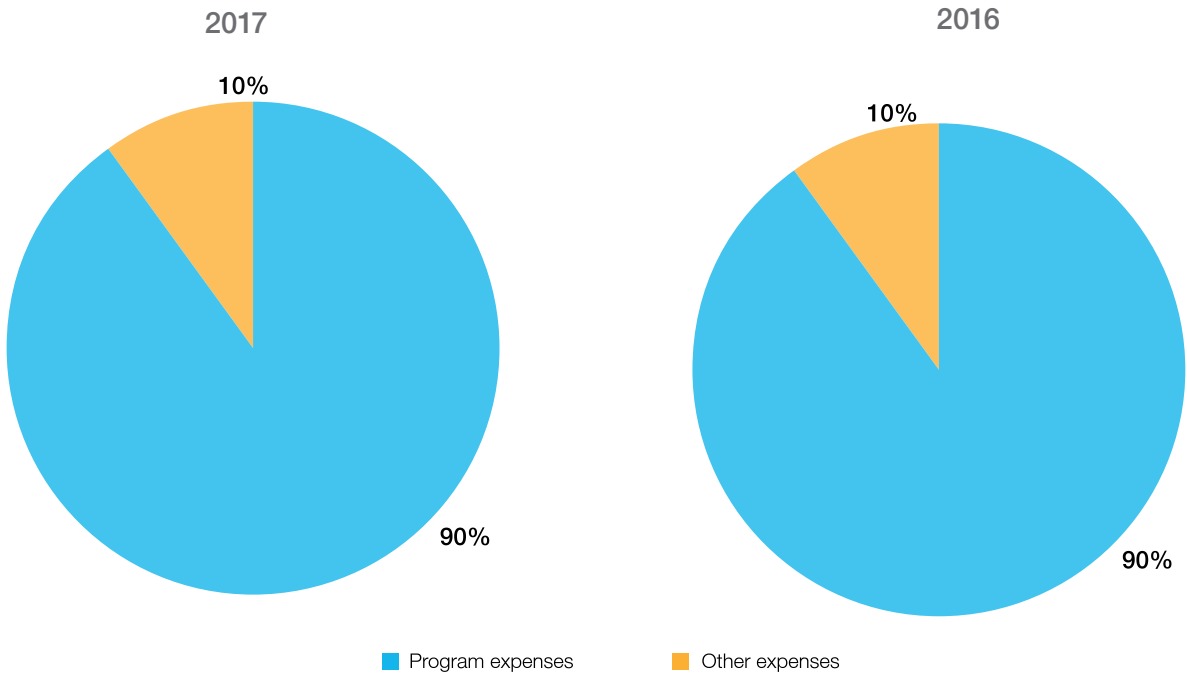
Contribution to Government Exchequer

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:

	2017	2016
	USD	USD
Withholdins tax	154,886	152,632
NSSF contribution	215,962	229,638
Total	370,848	233,819

PROGRAMME COST

Expenses	2017	2016
	USD	USD
Programme expenses	13,856,366	14,172,754
Admin expenses	1,511,477	1,574,750



AWARDS AND RECOGNITION IN 2017

BRAC Uganda received two awards in the annual prestigious Financial Reporting (FiRe) Award held for 2016, 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	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Statement					
Grant Income	14,780,581	14,805,944	13,926,160	10,335,634	6,907,212
Other Income	2,030,853	1,156,550	713,406	685,983	727,595
Program expenses	13,856,366	14,172,754	12,749,375	9,520,387	6,622,885
Admin expenses	1,511,477	1,574,750	1,260,927	941,577	575,988
Financial Position					
Net equity	13,824,180	12,283,405	11,841,142	15,384,105	10,942,801
Cash at bank	13,377,136	12,264,858	11,182,587	13,713,844	10,874,446
Grants Received	13,637,712	14,280,233	11,095,499	15,259,687	9,863,837
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 Microfinance Ltd. completed 2017 by registering pretax profit of USD 8,177,666 compared to USD 14,217,378 in 2016. The decrease is mainly due to additional expenses incurred for transformation and additional provision for increased portfolio risk observed in microfinance sector of Uganda.

Interest income decreased by 3% in 2017. This is inline with portfolio decrease.

Operating Expenses

Total operating expenses for the year 2017 were USD 11,930,596 against USD 9,741,401 in 2016 showing an increase of 22%. The increment is due to additional expenses for the transformation to a regulated credit institution (tier II) company which is ongoing.

Provisions for Impairment Losses

In 2017, amount charged for impairment on loans was USD\$ (1,474,270) compared to USD \$ 315,449 in 2016.Portfolio at Risk (PAR>30) is 2.73% this year against 2.23% in 2016. The company followed most stringent provisioning policy to be inline with Uganda Central Bank guidelines for regulated tier-II entity.

Financial Position

In 2017, BRAC total assets grew by 13% to USD 55,677,033 compared to the previous year’s total assets of USD \$ 49,285,449 further consolidating its position in the market. Loans and advances to customers decreased by 4% and is now 76% of total assets. Security deposits increased by 2% and net equity grew to USD 30,055,591 from USD 24,585,045 in 2016, the percent-age growth for equity being 22%. The growth of equity is entirely attributed to increase in profitability.

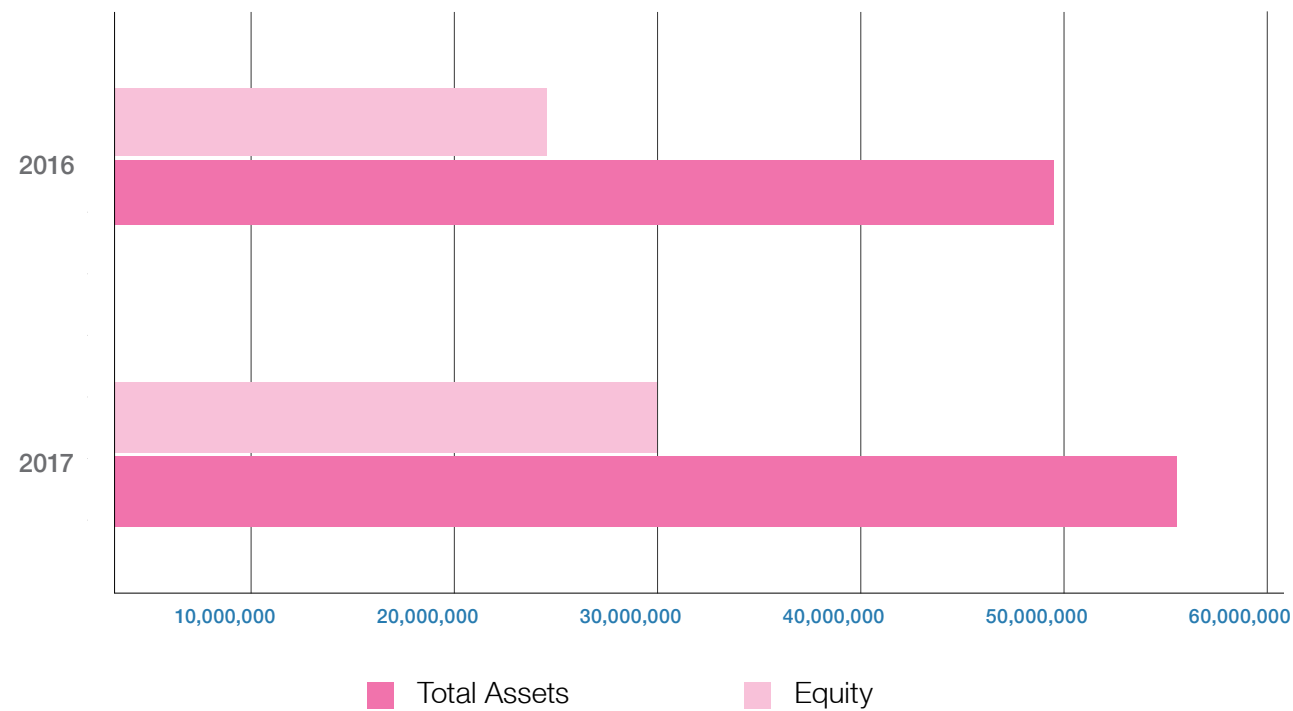
Contribution to Government Exchequer

BRAC Uganda Microfinance 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:

	2017	2016
	USD	USD
Income tax	2,086,306	5,054,513
Withholdins tax	268,859	548,639
NSSF contribution	510,966	470,068
	2,866,131	6,073,220

TOTAL ASSETS VS. EQUITY

Figures in USD

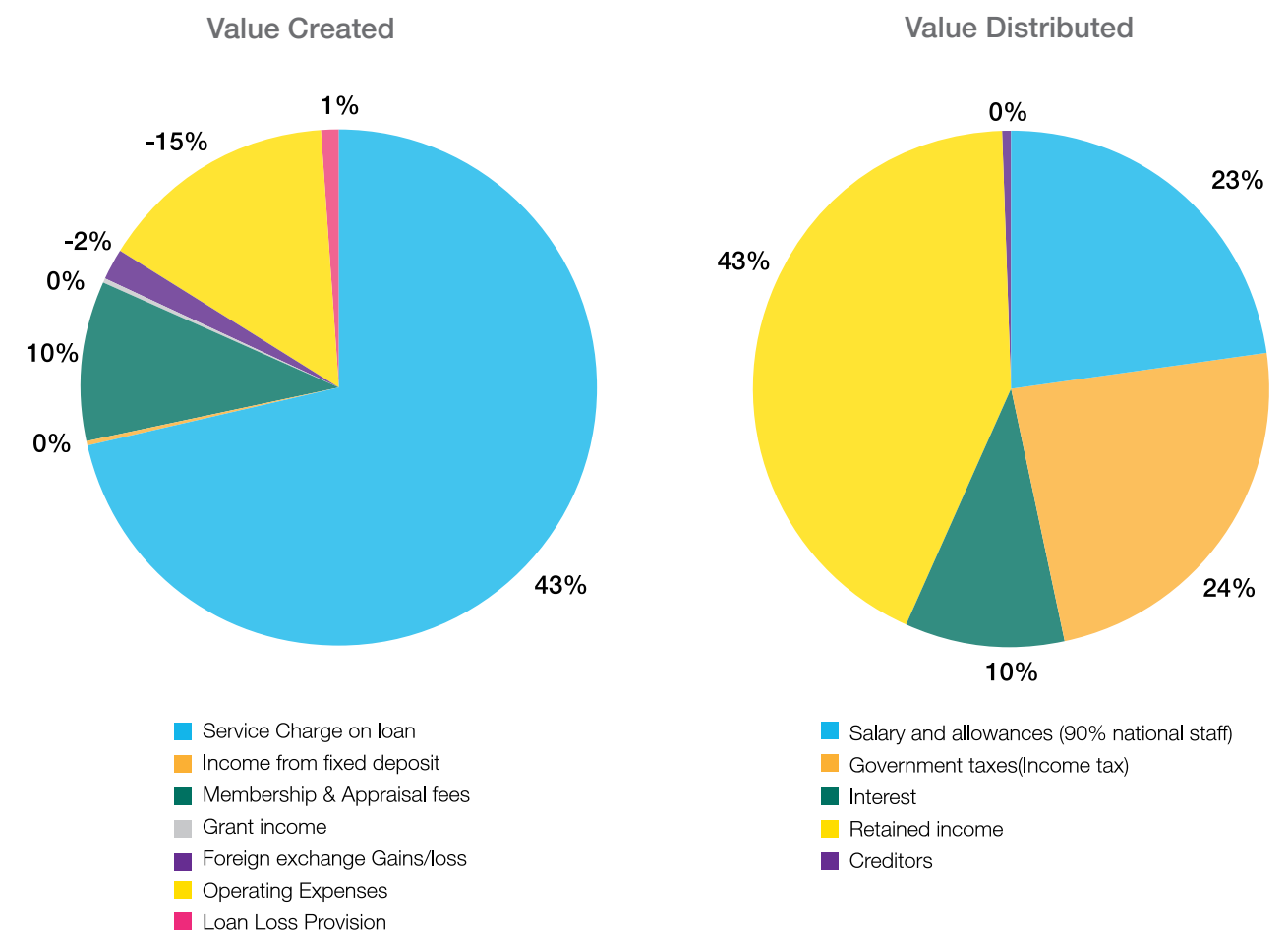


VALUE ADDED STATEMENTS

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

Figures in (USD)	2017		2016	
	Amount	%	Amount	%
Value added:				
All incomes				
Service Charge on loans	22,143,895	133%	22,879,757	107%
Income from fixed deposits	629,916	4%	150,266	1%
Membership & Appraisal fees	1,242,085	7%	3,112,729	15%
Grant Income	80,352	0%	67,987	0%
Foreign Exchange Gains/(loss)	(51,711)	0%	(475,424)	-2%
Other Operating Expenses	(5,876,787)	-35%	(4,661,588)	-22%
Loan Loss Provision	(1,474,270)	-9%	315,449	1%
Total value added	16,693,480	100%	21,389,176	100%

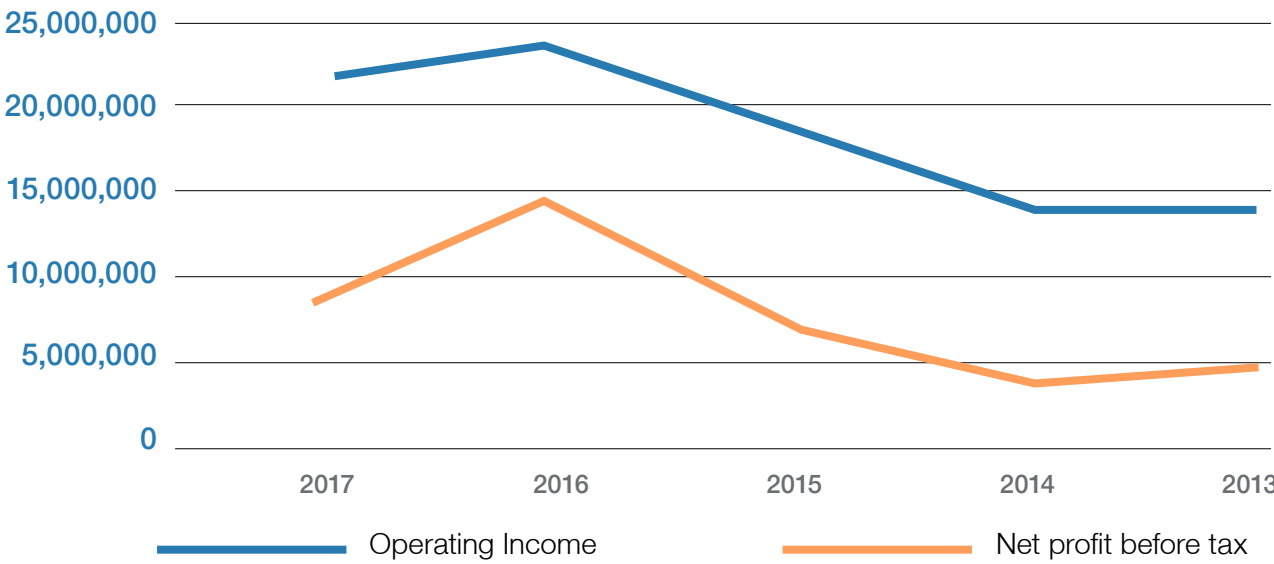
Distribution of Value Addition	2017		2016	
	Amount	%	Amount	%
Employees				
Salary and allowances (90% national staff)	5,935,609	36%	4,995,907	23%
Local Authorities				
Government taxes (Income tax)	2,086,306	12%	5,054,513	23%
Creditors				
Interest Expense	2,462,005	15%	2,091,985	10%
Growth				
Retained income	6,091,360	36%	9,162,865	43%
Depreciation	118,200	1%	83,906	1%
Total value added	16,693,480	100%	21,389,176	100%



FIVE YEAR PERFORMANCE REVIEW

Currency	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	21,582,532	23,643,330	18,714,493	16,500,162	14,050,114
Net profit before tax	8,177,666	14,217,378	7,823,898	5,093,467	3,655,529
Financial Position					
Total Asset	55,677,033	49,285,449	42,836,209	33,749,841	29,315,223
Loans to customers(net)	42,340,971	43,917,939	38,328,404	30,887,847	23,201,682
Cash at bank	2,167,803	1,650,719	1,755,855	797,645	2,795,733
Returns and ratio					
Return on Asset	15%	29%	13%	11%	9%
Cost to Income	75%	75%	71%	69%	76%
Operational Statistics					
Total borrowers	194,616	213,709	194,732	158,831	129,104
Cost per Loan	48	36	24	36	43
PAR>30	2.73%	2.23%	0.56%	0.59%	0.66%

OPERATING INCOME VS NET PROFIT



BUDGET PERFORMANCE

BRAC Uganda and BRAC Uganda Microfinance ltd registered performance with a combined utilisation rate of 58%.

BRAC UGANDA
GENERAL INFORMATION

DIRECTORS

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

ADMINISTRATORS

Ms. Hasina Akhter *	- Country Representative (Appointed on 1 march 2017)
---------------------	--

* Bangladeshi ** Ugandan

PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

Mr. Shib Narayan Kairy
Treasurer, BRAC University
66 Mohakhali, Dhaka 1212, Bangladesh

AUDITORS

KPMG Certified Public Accountants 3rd Floor, Rwenzori Courts, Plot 2 & 4A, Nakasero Road, P.O. Box 3509 Kampala Uganda	Bank of Africa Plot 45 Jinja Road P O Box 2750 Kampala, Uganda Post Bank Uganda Ltd Post Bank House Plot 416 Nkrumah Road P O Box 7189 Kampala, Uganda DFCU Bank Plot 26, Kyadondo Road P O Box 70 Kampala, Uganda Centenary Bank Mapeera House Plots 44-46 Kampala Road P O Box 1872 Kampala, Uganda	Tropical Bank Ltd Plot 27 Kampala Road P O Box 9487 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 Orient Bank Ltd Plot 6/6A Kampala Road P O Box 3072 Kampala, Uganda
--	--	---

BANKERS

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

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

BRAC UGANDA
DIRECTORS’ REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in submitting their report and the audited financial statements of BRAC Uganda (“the company”) for the year ended 31 December 2017, 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, socio economic 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 2017 are set out on page 12.

(g) Composition of Directors

The directors who served during the year 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

BRAC UGANDA
DIRECTORS’ REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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 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)
- 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 2017

- Forty new play labs were put up in Luwero, Wakiso and Kampala District. The Play labs are for 3 to 5 year old children to sup port their social and emotional learning through play. The Pedagogical principles of the play based learning approach are play, think, make and share.
- The Scholarship Programme completed the midterm undertaken by Advisem Canadian consulting firm.
- Additional 506 (259 Females; 51.2%) Scholars graduated from the Program bringing the number to 1606 (51.6% Female) scholars who have completed their cycle on the Program since 2014.
- Basic training for 990 Community Health Promoters (replacement of inactive Community Health Promoters) and 49 newly recruited staff were also conducted as planned
- Health Management Information System training provided to 113 staff for 6 days
- Enhanced Family Planning (Sayana press) Pilot training to 34 staff and 60 Community Health Promoters were given and 12 staff; and 240 Community Health Promoters were also provided with 3 days training on vision care under Vision Spring Project Pilot.
- Completed Community Health Promoters digital transition through android application training and mobile phone distribution for assessments, reporting, supervision and monitoring in real time.
- Community Health Promoter revolving loan pilot also designed and initiated
- Empowerment Livelihood for Adolescents /End Child Marriage project set up 1,025 clubs across the 19 districts enrolling 15,723 336 girls were trained in livelihood (short term) and 2300 trained in apprenticeship and input supply
- 19,266 were trained in life skills and 18,926 in financial literacy respectively
- More funding has been received from Ministry of Gender and also Uganda National Roads Authority to address gender based violence and violence against children
- Smallholder farmers (19,200) trained and provided with nutrient rich crops and farming inputs
- 24.75 smallholder farmers in the project areas adopting Orange-Fleshed Sweet Potato (OFSP) as a new technology.
- Increase to 78% of mothers practicing exclusive breast feeding since the project began
- 66.94% of children aged 6-23 months receiving minimum dietary diversity, marking a 12.94% increase since the project began
- Target the Ultra Poor beneficiaries 1,650 received livelihood assets in form of livestock and petty trades.

(o) Expectations for the year ending 31 December 2018

- Implement a transition project of the Programme through 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%.
- Organize the third Leadership Congress of the Program at Which over 1700 Advanced level Scholars are expected to attend.
- Scholarship program \$1.5m unspent fund over the last four years will be utilized for recruiting an additional 200 Advanced level Scholars in 2019 from most disadvantaged districts of Karamoja region, West Nile and Eastern Uganda and to also support transition of Scholars by providing TVET tuition to 20% of the graduating Scholars over the next three years
- Scholarship program got extra funding of \$ 1.1 million from Master Card Foundation to implement a transitional project to improve transition of graduating Scholars into further education and employment.
- Health Management Information System (rollout to all staff and branches) and improve on Android Application - New additions/ upgrades
- Community Health Promoters loan and revolving fund initiative pilot to continue
- More funding expected from donors for youth skilling and empowerment for Kiryandongo refugee camp and Karamoja region ; and for gender based violence and violence against Children
- Under Japanese Social Development Fund (JSDF), increase the cultivation, consumption and market-based production of modern varieties of Vitamin A-rich Orange-Fleshed Sweet Potato (OFSP) and nutrient rich crops like carrot, tomato, Beans, Ground nut and pumpkin
- Skill local Vine Producers in 40 villages and Marketing Agents to ensure activities' sustainability beyond the project.

(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 2017. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2017. 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, 71 line managers had special training in People Leadership Program, 123 staff had training in BRAC values, Human Resource Policies and Procedures (HRPP) and Performance Management System (PMS), 6 staff had a Training of Trainers (TOT) in PMS, 28 staff were trained in Risk Management, 1 driver received training in customer care, 2 Human Resource staff received training on HR strategic leadership conducted by Human Resource Managers Association of Uganda (HRMAU), 2 Finance & Accounts staff were trained on Preparation and management of payroll by Clear Focus Consult Ltd and 20 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. We plan to add employees' dependants gradually.

Retirement benefits

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

(r) Gender Parity

In 2017, the company had 605 staff (588 in 2016). The female staff were 81.5% (80% in 2016).

(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 11 March, 2018.

By order of the Board



SECRETARY

Date: 11.03.2018

BRAC UGANDA

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2017 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 Non- Governmental Organizations Act 2016, 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 2017. 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.

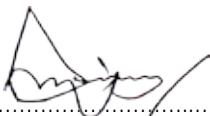
The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 11 March, 2018 and were signed on its behalf by:

Head of Finance: 

Country Representative: 

Director: 

Director: 

Date: 11.03. 2018



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/eafrica

REPORT OF THE INDEPENDENT AUDITORS 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 2017, and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies as set out on pages 51 to 75.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Uganda as at 31 December 2017, 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 for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the corporate information, directors' report, 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.



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA(CONT'D)

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
Kampala, Uganda

Date:23.03. 2018

BRAC UGANDA
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Grant income	3	52,842,054	50,014,479	14,780,581	14,805,944
Other income	4	7,260,504	3,906,827	2,030,853	1,156,550
Foreign exchange gains	5	133,107	1,206,696	37,232	357,222
Total income		60,235,665	55,128,002	16,848,666	16,319,716
Staff costs and other benefits	6	(9,926,210)	(8,961,153)	(2,776,484)	(2,652,798)
Training, workshops & seminars	7	(6,817,424)	(8,682,443)	(1,906,918)	(2,570,291)
Occupancy expenses	8	(1,566,214)	(1,365,482)	(438,090)	(404,228)
Program supplies, travel and other general expenses	9	(36,296,660)	(33,845,400)	(10,152,629)	(10,019,360)
Depreciation	11	(335,072)	(340,592)	(93,724)	(100,827)
Total expenses		(54,941,580)	(53,195,070)	(15,367,845)	(15,747,504)
Operating surplus		5,294,085	1,932,932	1,480,821	572,212
Taxation	10	-	-	-	-
Surplus reserve		5,294,085	1,932,932	1,480,821	572,212

The notes set out on pages 55 to 75 form an integral part of these financial statements.

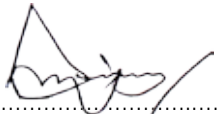
BRAC UGANDA
STATEMENTS FINANCIAL POSITION AS AT 31 DECEMBER 2017

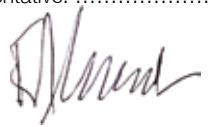
	Notes	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
ASSETS					
Non-current assets					
Property and equipment	11	1,520,122	1,498,298	418,527	420,634
Current assets					
Cash and bank	12	48,586,830	43,687,426	13,377,136	12,264,858
Inventory	13	1,435,095	1,037,898	395,117	291,381
Due from related parties	14	13,947	-	3,840	-
Other receivables	15	5,134,796	1,781,303	1,413,734	500,085
Total Current Assets		55,170,668	46,506,627	15,189,827	13,056,324
Total Assets		56,690,790	48,004,925	15,608,354	13,476,958
Liabilities					
Other payables	16	3,014,699	3,031,809	830,020	851,153
Due to related parties	17	3,465,565	1,219,628	954,154	342,400
Total Liabilities		6,480,264	4,251,437	1,784,174	1,193,553
Capital fund					
Donor funds	18	29,929,500	28,766,547	8,240,320	8,075,954
Retained surplus		20,281,026	14,986,941	5,583,860	4,207,451
Total Capital Fund		50,210,526	43,753,488	13,824,180	12,283,405
Total liabilities and capital fund		56,690,790	48,004,925	15,608,354	13,476,958

The financial statements on pages 55 to 75 were approved by the board of directors on 11 March, 2018 and were signed on its behalf by:

Head of Finance: 

Country Representative: 

Director:

Director:

Date:11.03.2018

The notes set out on pages 15 to 37 form an integral part of these financial statements.

BRAC UGANDA
STATEMENTS OF CHANGES IN THE CAITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Donor Funds Ushs '000	Retained Surplus Ushs '000	Total Capital fund Ushs '000	Total Capital Fund USD
At 1 January 2016					
Donations received during the year	18.1(a)	26,415,728	13,054,009	39,469,737	11,841,142
Utilised during the year		50,866,190	-	50,866,190	14,280,233
		(48,343,949)	-	(48,343,949)	(13,572,136)
Transfers to donor	18.1	(70,443)	-	(70,443)	(19,776)
Transfer to other projects		(100,979)	-	(100,979)	(28,349)
Surplus for the year		-	1,932,932	1,932,932	572,212
Currency translation		-	-	-	(789,921)
At 31 December 2016		28,766,547	14,986,941	43,753,488	12,283,405
At 31 December 2017					
Donations received during the year 2017	18.1(a)	49,533,261	-	49,533,261	13,637,712
Utilised during the year		(52,842,054)	-	(52,842,054)	(14,780,581)
Transfers to donor	18.1	(147,235)	-	(147,235)	(40,537)
Donor Receivable	15	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

BRAC UGANDA
STATEMENTS OF CASH FLOWSFOR THE YEAR ENDED 31 DECEMBER 2017

The notes set out on pages 15 to 37 form an integral part of these financial statements

	Notes	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Net cash generated from operating activities	19	4,093,348	4,344,335	1,151,699	1,254,220
Cash flows from investing activities					
Proceeds from disposal of fixed assets		-	14,161	-	3,976
Acquisition of fixed assets		(356,896)	(299,044)	(99,828)	(83,954)
Net cash used in investing activities		(356,896)	(284,883)	(98,828)	(79,978)
Cash flows from financing activities					
Decrease in fixed deposits		-	6,044,223	-	1,696,862
Increase in grants received in advance		1,162,952	2,350,819	320,189	659,972
Net cash generated from financing activities		1,162,952	8,395,042	320,189	2,356,834
Net increase in cash and cash equivalents		4,899,404	12,454,494	1,370,060	3,531,076
Currency translation		-	-	(259,782)	(635,629)
Cash and cash equivalents at the start of the year		43,687,426	31,232,932	12,264,859	9,369,411
Cash and cash equivalents at year end	12	48,586,830	43,687,426	13,377,136	12,264,858

The notes set out on pages 55 to 75 form an integral part of these financial statements

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 3,632 ((2016: Ushs 3,562) for balance sheet items and USD 1: Ushs 3,575 ((2016: Ushs 3,378)) for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements.

(iv) Use of estimates and judgment

The preparation of financial statements 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%
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 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.

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

o. Adoption of new and revised standards

i. New and amended standards adopted by the Company

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2017: The adoption of these new standards has not resulted in material changes to the company's accounting policies.

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

New amendments or interpretation effective for annual periods beginning on or after 1 January 2017 are summarised below:

New amendments or interpretation	Effective date
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	

ii. New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2017

At the date of authorisation of the financial statements of BRAC Uganda for the year ended 31 December 2017, 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 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)	To be determined
Transfers of Investment property (Amendments to IAS 40)	
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (Amendments to IFRS 4)	1 January 2018
IFRS 16 Leases	1 January 2019
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	To be determined
IFRS 17 Insurance contracts	1 January 2021

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

Revenue from Contracts with customers (Amendments to IFRS 15)

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. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

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

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 the amendment will not have an impact on 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.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property.

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.

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

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.

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

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 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position.

No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

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

q. Comparatives

The prior year comparatives have been adjusted to achieve a comparable presentation with the current year numbers. Balances affected are other payables and amounts due to related parties. Other than the reclassifications in the presentation above, no other changes have been made in the comparatives.

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. GRANT INCOME

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Agriculture, poultry& Livestock	1,820,040	3,597,995	509,088	1,065,126
Education	23,385,792	24,400,712	6,541,297	7,223,420
Health	15,834,749	11,904,202	4,429,177	3,524,039
Empowerment and Livelihood of Adolescents	5,111,696	3,427,392	1,429,805	1,014,622
Research & Evaluation	2,473,630	3,084,636	691,905	913,155
Karamoja	-	150,673	-	44,604
Emergency Preparedness and response	61,130	55,098	17,099	16,311
TUP	2,964,870	571,168	829,311	169,085
Play Lab	1,190,147	762,111	332,899	225,610
ECM	-	1,662,517	-	492,160
Community Connector	-	397,975	-	117,812
	52,842,054	50,014,479	14,780,581	14,805,944

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

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Other project income	6,140,287	2,330,058	1,717,515	689,774
Bank interest income	1,120,217	1,576,769	313,338	466,776
	7,260,504	3,906,827	2,030,853	1,156,550

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

5. FOREIGN EXCHANGE GAINS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Foreign exchange gains	133,107	1,206,696	37,232	357,222
	133,107	1,206,696	37,232	357,222

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.

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. STAFF COSTS AND OTHER BENEFITS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Salaries	8,644,718	7,881,343	2,418,035	2,333,139
Bonus	182,540	178,851	51,059	52,946
10% employer NSSF contribution	772,087	775,721	215,962	229,638
Insurance for staff	326,865	125,238	91,428	37,075
	9,926,210	8,961,153	2,776,484	2,652,798

7. TRAINING, WORKSHOPS AND SEMINARS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
External member trainings	6,418,559	8,229,579	1,795,351	2,436,228
Staff training	398,865	452,864	111,567	134,063
	6,817,424	8,682,443	1,906,918	2,570,291

8. OCCUPANCY EXPENSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Rental charges	1,396,481	1,299,824	390,613	384,791
Utilities	169,733	65,658	47,477	19,437
	1,566,214	1,365,482	438,090	404,228

9. PROGRAM SUPPLIES, TRAVEL AND OTHER GENERAL EXPENSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Legal and Other fees	175,196	526,621	49,005	155,897
Audit fees	75,636	-	21,156	-
Maintenance & general expenses	4,679,616	4,876,759	1,308,947	1,443,682
Printing, stationary and supplies	811,017	906,123	226,852	268,243
Telephone expenses	326,497	223,916	91,325	66,286
Program supplies	23,482,708	21,199,131	6,568,406	6,275,646
Other general expenses	-	7,536	-	2,231
Provision for Unrecoverable receivables	-	491,514	-	145,505
Fixed assets write-off	16,594	-	4,642	-
Inventory write-off	12,634	43,476	3,534	12,870
Software Maintenance Cost	181,732	135,976	50,833	40,253
Head Office logistics expenses	2,701,840	1,683,260	755,738	498,302
Travel and transportation	3,833,190	3,751,088	1,072,191	1,110,445
	36,296,660	33,845,400	10,152,629	10,019,360

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

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 period ended 31 December 2017 in a notice DT-1109 dated 07 August 2017.

11. PROPERTY AND EQUIPMENT

	Furniture	Building	Equipment	Motor Vehicles	Total	Tota
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	USD
Cost						
At 1 January 2016	662,363	221,701	1,154,879	864,354	2,903,297	1,057,910
Additions	137,709	-	161,335	-	299,044	83,954
Disposals	-	-	-	(51,020)	(51,020)	(14,323)
At 31 December 2016	800,072	221,701	1,316,214	813,334	3,151,321	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
Depreciation						
At 1 January 2016	302,911	1,890	511,535	779,052	1,595,388	664,744
Charge for the year	77,196	8,868	164,300	90,228	340,592	100,827
Accumulated Depreciation on Disposal	-	-	-	(48,682)	(48,682)	(13,667)
Reinstated Depreciation	-	-	-	(234,275)	(234,275)	(65,771)
Currency translation	-	-	-	-	-	20,774
At 31 December 2016	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
Net Book Value						
At 31 December 2016	419,965	210,943	640,379	227,011	1,498,298	420,634
At 31 December 2017	412,651	202,075	576,071	329,325	1,520,122	418,527

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. CASH AND BANK

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Cash in hand		2,578	11,976	710	3,362
Cash at bank	12.a	48,584,252	43,675,450	13,376,426	12,261,496
		48,586,830	43,687,426	13,377,136	12,264,858

12. a) Cash at bank

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Standard Chartered Bank	44,070,002	40,085,151	12,133,544	11,253,511
Bank of Africa	76,531	66,667	21,071	18,716
Crane Bank	-	188	-	53
DFCU	5,168	5,255	1,423	1,475
Pride Microfinance Ltd	3,379	6,443	930	1,809
Equity Bank	25,645	35,811	7,061	10,054
Post Bank	26,171	768,670	7,205	215,797
Orient Bank Limited	-	4,177	1,173	-
Centenary Bank	58,515	40,896	16,111	11,481
Tropical Bank	3,260	8,203	896	2,303
Stanbic Bank	4,315,581	2,653,989	1,188,185	745,124
	48,584,252	43,675,450	13,376,426	12,261,496

13. INVENTORY

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Stock and consumables	1,435,095	1,037,898	395,117	291,381
	1,435,095	1,037,898	395,117	291,381

Stock and consumables includes the amount of the stock of health materials, poultry and agriculture that were not yet sold as at 31 December 2017. These materials are normally sold at subsidized rates to low income earners in communities.

14. DUE FROM RELATED PARTIES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Bangladesh	13,947	-	3,840	-
	13,947	-	3,840	-

Due from related parties relates to amounts owing from BRAC Bangladesh for the settlement of operational expenditure on behalf of BRAC Bangladesh. The fair value of these related party receivables approximates their carrying amounts. Bangladesh are fellow subsidiary/ under common ownership as that of BRAC Uganda. This amount will be settled during the ordinary course of business and bear no interest.

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. OTHER RECEIVABLES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Advances to third parties	515,814	407,997	142,016	114,541
Donor receivables	4,618,982	1,373,306	1,271,718	385,544
	5,134,796	1,781,303	1,413,734	500,085

Donor receivables relate to unremitted donor committed funds at yearend. The agreements with some donors are on reimbursement basis and thus this receivable relates to project expenditure incurred and yet to be reimbursed by donors. The carrying amounts of other receivables approximates their fair value.

16. OTHER PAYABLES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Accrued expenses	1,946,301	1,958,196	535,864	549,746
Bonus	27,271	19,459	7,508	5,463
NSSF	102,259	82,989	28,154	23,298
Self-insurance fund –scheme	-	17,669	-	4,960
VAT payable	325,353	254,448	89,578	71,434
Provision for audit fees	75,636	75,636	20,824	21,234
Withholding tax provision	316,374	298,289	87,106	83,742
Salary provision	-	178,211	-	50,031
PAYE	221,505	146,912	60,986	41,245
	3,014,699	3,031,809	830,020	851,153

17. DUE TO RELATED PARTIES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Bangladesh	-	13,676	-	3,839
Stitching BRAC International	1,736,752	921,040	478,170	258,575
BRAC IT Services Limited (bits)	181,732	135,976	50,035	38,174
BRAC Uganda Microfinance Ltd	1,547,081	148,936	425,949	41,812
	3,465,565	1,219,628	954,154	342,400

Related party payables relate to amounts owing to BRAC Bangladesh, Stitching BRAC International and BRAC Microfinance (Uganda) Ltd, for the settlements of staff costs and operating expenditures incurred on behalf of BRAC Uganda. The fair value of these related party payables/receivables approximates their carrying amounts. Stitching 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.

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. DONOR FUNDS

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Donor funds received in advance	8.1	28,307,530	27,166,402	7,793,752	7,626,727
Donor funds-investment in fixed assets	18.1 b	1,621,970	1,600,145	446,568	449,227
		29,929,500	28,766,547	8,240,320	8,075,954

18.1 Donor funds received in advance

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance		27,166,402	25,008,310	7,479,571	7,020,862
Donations received during the Year					
Transferred to donor*	18.1a	49,533,261	50,866,190	13,637,712	14,280,233
Transferred to deferred income - investment in fixed assets		(147,236)	-	(40,537)	-
Assets transferred to FHI		(356,896)	(299,044)	(98,262)	(83,954)
Transferred to BRAC Tanzania (IDS)		-	(20,843)	-	(5,852)
Transferred to JSDF Loan Product		-	(100,979)	-	(28,349)
Donor Receivables		-	(49,600)	-	(13,925)
Utilized during the year		4,618,981		1,271,718	
		(52,506,982)	(48,237,632)	(14,456,450)	(13,542,288)
		28,307,530	27,166,402	7,793,752	7,626,727

*Transfer to donors relates to project fund balances returned by BRAC Uganda to the donor upon closure of the project.

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18.1 a) Donations received during the year

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
MasterCard Foundation (Poultry)	-	435,706	-	122,321
MasterCard Foundation (Scholarship)	24,336,378	25,972,722	6,700,397	7,291,612
BRAC USA (Youth Research)	3,578	480,847	985	134,994
BRAC USA (PEDL Youth Research)	-	369,413	-	103,709
BRAC USA (Capacity Building)	-	38,100	-	10,696
Emergency Preparedness	381,921	-	105,152	-
IDRC	725,173	-	199,658	-
Living Goods (Health)	12,608,294	6,859,889	3,471,370	1,925,853
Vision Spring (Eye care)	59,488	-	16,379	-
Clinton Health Initiative	-	56,410	-	15,837
IFS	-	140,225	-	39,367
Women win	506,986	149,501	139,586	41,971
Oak Foundation	-	-	-	-
Straight Talk Foundation	-	-	-	-
Stockholm university (Research study)	222,887	1,187,596	61,366	333,407
Stockholm University (Tenancy)	-	33,460	-	9,394
BARR Foundation	-	1,360,370	-	381,912
UNICEF	-	-	-	-
BRAC UK - ECD	-	-	-	-
Building Young Future	-	-	-	-
Village Enterprise	-	-	-	-
JSDF (Agriculture)	1,227,821	2,310,509	338,049	648,655
Agriculture (George Washington)	-	252,531	-	70,896
FHI	-	498,309	-	139,896
World Bank –(ADP)	1,237,142	314,807	340,615	88,379
Lego Foundation	1,240,124	1,187,458	341,436	333,368
MasterCard Foundation (ELA)	-	547,928	-	153,826
ECM (ELA)	4,140,709	2,033,161	1,140,038	570,792
ELA -SCOPE MoGender	135,274	-	37,244	-
S.Sudan refugees fund(BRAC USA)	501,523	-	138,081	-
TUP (Cartier Foundation)	1,497,386	2,235,309	412,267	627,543
TUP (Aestus foundation)	-	349,230	-	98,043
IERC (BRAC USA-Mobile Money)	247,847	247,393	68,239	69,453
BRAC USA(IERC-Mobile Money)	-	1,476,304	-	414,459
BRAC USA (IERC)	64,615	1,946,145	17,790	546,363
Stanford University	227,682	124,429	62,686	34,932
Menstral (Research)	35,479	133,768	9,768	37,554
Qatar Foundation	132,954	124,670	36,606	35,001
	49,533,261	50,866,190	13,637,712	14,280,233

BRAC UGANDA
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18.1 b) Donations – investment in fixed assets

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance	1,600,145	1,407,418	440,559	395,120
Transferred from donor funds received in advance	356,897	299,044	98,262	83,954
Adjustments for the year	-	234,275	-	65,771
Depreciation charged during the year	(335,072)	(340,592)	(92,253)	(95,618)
Closing balance	1,621,970	1,600,145	446,568	449,227

19. CASHFLOW FROM OPERATING EXPENSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Excess of income over expenditure	5,294,085	1,932,932	1,480,821	572,212
Depreciation	335,072	340,592	93,724	100,827
Charge on prior period transfer	-	(234,275)	-	(65,771)
Gain on disposal of assets	-	(11,823)	-	(3,500)
Cash flows before changes in working capital	5,629,157	2,027,426	1,574,545	603,768
Changes in working capital				
Increase in inventory	(397,197)	(351,365)	(109,358)	(98,643)
Increase in receivables	(3,353,493)	(1,203,475)	(923,298)	(337,865)
(Increase)/Decrease in related party receivables	(13,947)	779,044	(3,840)	218,710
Increase in other payables	2,245,937	830,408	605,763	635,120
Increase in related party payables	28,647	2,262,297	7,887	233,130
Net cash generated from operations	4,093,348	4,344,335	1,151,699	1,254,220

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 2017 (2016: 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

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(i) Impairment

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

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

(ii) Provisions and contingencies

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

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;

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 Shs '000	2016 Shs '000	2017 USD	2016 USD
Cash and Cash equivalents	48,584,252	43,675,450	13,376,426	12,261,496
Other receivables	5,134,796	1,781,303	1,413,734	500,085
	53,719,048	45,456,753	14,790,160	12,761,581

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

	2017 Shs '000	2016 Shs '000	2017 USD	2016 USD
Between 0 - 30 days	3,537,795	958,147	974,041	268,991
Between 31 - 60 days	1,597,001	823,156	439,693	231,094
	5,134,796	1,781,303	1,413,734	500,085

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.

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

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Matured	Less than	Between	Over 60	Total
2016	Ushs '000'	30 days Ushs '000'	31-60 Day Ushs '000'	Days Ushs '000'	Ushs '000'
ASSETS					
Cash and bank	43,687,426	-	-	-	43,687,426
Other receivables	-	1,373,306	407,997	-	1,781,303
	43,687,426	1,373,306	407,997	-	45,468,729
LIABILITIES AND CAPITAL FUND					
Other payables	-	1,900,671	1,131,138	-	3,031,809
Due to related parties	-	650,191	569,437	-	1,219,628
	-	2,550,862	1,700,575	-	4,251,437
Liquidity gap	43,687,426	(1,177,556)	(1,292,578)	-	41,217,292

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		Average Rate	
	2017 Ushs	2016 Ushs	2017 Ushs	2016 Ushs
USD	3,632	3,562	3575	3,378

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

BRAC UGANDA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 USD'000	2016 USD'000
Ushs equivalent		
Bank Balances	29,496,645	25,144,972
Donor receivable	4,618,982	1,373,306
Due to related parties	1,918,484	1,070,692
Due from related parties`	13,947	-
	36,048,058	27,588,970

Sensitivity Analysis

A reasonably strengthening (weakening) of the US dollar against the Uganda Shilling at 31 December 2017 would have affected the measurement of the above financial instruments denominated in a foreign currency as shown below:

		2017 +/-5% Ushs'000		2016 +/-5% Ushs'000
Ushs equivalent	USD'000		USD'000	
Bank Balances	29,496,645	1,474,832	25,144,972	1,257,249
Donor receivable	4,618,982	230,949	1,373,306	68,655
Due to related parties	1,918,484	95,924	1,070,692	53,535
Due from related parties`	13,947	697	-	-
	36,048,058	1,802,402	27,588,970	1,379,439

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 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 loans and receivables	Other financial liabilities
31 December 2017		
Financial assets		
Cash and cash equivalents	48,586,830	-
Other receivables	5,134,796	-
Due from related parties	13,947	-
Financial liabilities		
Other payables	-	(3,014,699)
Due to related parties	-	(3,465,565)

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 2017.

28. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Stichting BRAC International, a foundation registered in Netherland. 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.
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-MCF	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.
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.
ELA-MCF	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 MasterCard Foundation 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.
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.
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)

Statement of Comprehensive Income for the year ended 31 December 2017 (Amount in Uganda Shillings)

	Agriculture -MCF		JSDF		Poultry -MCF		Health-MCF		Living Goods		Scholarship		ELA-MCF		Oak Foundation		BARR Foundation		Women Win		Building Young Future	
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	
INCOME																						
Grant Income	322,506	1,497,534	-	-	-	15,834,749	23,385,791	91,856	246,426	619,497	170,209	246,426	91,856	619,497	170,209	246,426	91,856	619,497	170,209	246,426	6,684	
Other Income	13,260	3,925	-	-	355,854	446,833	1,031,037	2,530,503	10,590	34,123	3,399	10,590	34,123	3,399	10,590	34,123	3,399	34,123	3,399	10,590	-	
Foreign exchange gains/ (losses)	-	(575)	-	-	-	(239,967)	380,321	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL INCOME	335,766	1,500,884	-	355,854	16,041,615	24,797,149	2,622,359	257,016	653,620	173,608	257,016	653,620	173,608	257,016	653,620	173,608	257,016	653,620	173,608	257,016	6,684	
EXPENDITURE																						
Manpower and compensation	99,450	449,563	-	5,296	4,881,022	1,506,935	3,178	72,067	91,654	12,660	72,067	91,654	12,660	72,067	91,654	12,660	72,067	91,654	12,660	72,067	(451)	
Travelling and transportation	40,830	212,945	110	4,259	1,500,465	438,946	26,511	32,882	69,773	19,977	32,882	69,773	19,977	32,882	69,773	19,977	32,882	69,773	19,977	32,882	3,497	
Training, workshops and seminars	32,805	270,841	-	918	2,734,640	2,101,293	56,124	116,638	135,357	20,943	116,638	135,357	20,943	116,638	135,357	20,943	116,638	135,357	20,943	116,638	-	
Occupancy expenses	306	63,074	-	2,663	966,203	73,638	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other general & administrative expenses	94,405	455,461	-	51,610	3,974,069	19,260,565	197,872	13,005	271,553	113,412	13,005	271,553	113,412	13,005	271,553	113,412	13,005	271,553	113,412	13,005	33	
HO logistic expenses	94	-	-	-	1,891,960	-	-	11,834	51,160	3,217	11,834	51,160	3,217	11,834	51,160	3,217	11,834	51,160	3,217	11,834	-	
Depreciation	54,616	45,650	5,968	16,649	95,149	49,167	9,116	-	-	-	-	-	-	-	-	-	-	-	-	-	3,605	
TOTAL EXPENSES	322,506	1,497,534	6,078	81,395	16,043,508	23,430,544	292,814	246,426	619,497	170,209	246,426	619,497	170,209	246,426	619,497	170,209	246,426	619,497	170,209	246,426	6,684	
Surplus/ Reserve	13,260	3,350	(6,078)	274,459	(1,893)	1,366,605	2,329,545	10,590	34,123	3,399	10,590	34,123	3,399	10,590	34,123	3,399	10,590	34,123	3,399	10,590	-	
NET SURPLUS FOR THE YEAR	13,260	3,350	(6,078)	274,459	(1,893)	1,366,605	2,329,545	10,590	34,123	3,399	10,590	34,123	3,399	10,590	34,123	3,399	10,590	34,123	3,399	10,590	-	

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

Statement of Comprehensive Income for the year ended 31 December 2017 (Amount in Uganda Shillings)

	AHP		Training		Research		Community Connector		Emergency Preparedness		Play lab		TUP		ECM		UNICEF - Project		Total	
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
INCOME																				
Grant Income	-	-	-	2,473,630	-	61,130	1,190,147	2,964,870	3,977,024	-	52,842,054	-	52,842,054	-	52,842,054	-	52,842,054	-	52,842,054	-
Other Income	-	184,592	2,436,100	5,455	-	-	-	-	204,228	605	7,260,504	605	7,260,504	-	7,260,504	-	7,260,504	-	7,260,504	-
Foreign exchange gains/ (losses)	-	-	-	(6,672)	-	-	-	-	-	-	133,107	-	133,107	-	133,107	-	133,107	-	133,107	-
TOTAL INCOME	-	184,592	4,903,058	5,455	61,130	1,190,147	2,964,870	4,181,252	605	60,235,665	-	60,235,665	-	60,235,665	-	60,235,665	-	60,235,665	-	60,235,665
EXPENDITURE																				
Manpower and compensation	(286)	106,699	1,278,154	45	40,899	160,332	372,003	854,350	(7,360)	9,926,210	-	9,926,210	-	9,926,210	-	9,926,210	-	9,926,210	-	9,926,210
Travelling and transportation	-	96,254	512,630	-	13,577	221,739	194,447	445,348	-	3,833,190	-	3,833,190	-	3,833,190	-	3,833,190	-	3,833,190	-	3,833,190
Training, workshops and seminars	-	17,917	110,690	-	6,654	133,382	295,251	783,963	-	6,817,417	-	6,817,417	-	6,817,417	-	6,817,417	-	6,817,417	-	6,817,417
Occupancy expenses	-	69,282	22,721	-	-	41,330	8,333	318,651	-	1,566,214	-	1,566,214	-	1,566,214	-	1,566,214	-	1,566,214	-	1,566,214
Other general & administrative expenses	-	37,397	1,459,092	465	-	530,521	2,094,836	1,206,195	1,139	29,761,690	-	29,761,690	-	29,761,690	-	29,761,690	-	29,761,690	-	29,761,690
HO logistic expenses	-	-	272,214	-	-	102,844	-	368,517	-	2,701,841	-	2,701,841	-	2,701,841	-	2,701,841	-	2,701,841	-	2,701,841
Depreciation	-	7,412	38,282	3,101	-	-	-	-	6,357	335,072	-	335,072	-	335,072	-	335,072	-	335,072	-	335,072
TOTAL EXPENSES	(286)	333,961	3,693,783	3,611	61,130	1,190,147	2,964,870	3,977,024	136	54,941,573	-	54,941,573	-	54,941,573	-	54,941,573	-	54,941,573	-	54,941,573
Surplus/ Reserve	286	(149,369)	1,209,275	1,844	-	-	-	204,228	469	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092
NET SURPLUS FOR THE YEAR	286	(149,369)	1,209,275	1,844	-	-	-	204,228	469	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092	-	5,294,092

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

Statement of Comprehensive Income for the year ended 31 December 2017 (Amount in United States Dollars)

	Agriculture -MCF		J5DF	Poultry -MCF	Health-MCF	Living Goods	Scholarship	ELA-MCF	Oak Foundation	BARR Foundation	Women Win	Building Young Future
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
INCOME												
Grant Income	90,209	418,879	-	-	-	4,429,177	6,541,297	25,693	68,928	47,610	173,281	1,870
Other Income	3,709	1,098	-	99,537	-	124,984	288,394	707,813	2,962	950	9,545	-
Foreign exchange gains/ (losses)	-	(161)	-	-	-	(67,122)	106,381	-	-	-	-	-
TOTAL INCOME	93,918	419,816	-	99,537	4,487,039	6,936,072	733,506	71,891	48,560	182,826	1,870	
EXPENDITURE												
Manpower and compensation	27,818	125,748	-	1,481	1,365,283	421,508	888	20,158	3,541	25,637	(126)	
Travelling and transportation	11,421	59,563	31	1,191	419,699	122,779	7,415	9,197	5,588	19,516	978	
Training, workshops and seminars	9,176	75,758	-	257	764,913	587,758	15,698	32,825	5,858	37,861	-	
Occupancy expenses	86	17,643	-	745	270,258	20,598	4	-	-	-	-	
Other general & administrative expenses	26,406	127,398	-	14,437	1,111,596	5,387,420	55,348	3,638	31,722	75,957	9	
HO logistic expenses	26	-	-	-	529,205	-	-	3,310	900	14,310	-	
Depreciation	15,276	12,769	1,669	4,657	26,614	13,753	2,550	-	-	-	1,008	
TOTAL EXPENSES	90,209	418,879	1,700	22,767	4,487,569	6,553,815	81,904	68,928	47,610	173,281	1,870	
Surplus/ Reserve	3,709	937	(1,700)	76,769	(529)	382,256	651,603	2,962	951	9,545	-	
NET SURPLUS FOR THE YEAR	3,709	937	(1,700)	76,769	(529)	382,256	651,603	2,962	951	9,545	-	

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

Statement of Comprehensive Income for the year ended 31 December 2017 (Amount in United States Dollars)

	AHP		Training		Research		Community Connector		Emergency Preparedness		Play lab		TUP		ECM		UNICEF - Project		Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
INCOME																				
Grant Income	-	-	-	-	691,905	-	-	17,099	332,899	829,311	1,112,423	-	-	-	-	-	-	-	14,780,581	-
Other Income	-	-	51,633	-	681,408	1,526	-	-	-	-	57,125	169	-	-	-	-	-	-	2,030,853	-
Foreign exchange gains/ (losses)	-	-	-	-	(1,866)	-	-	-	-	-	-	-	-	-	-	-	-	-	37,232	-
TOTAL INCOME	-	-	51,633	1,371,446	1,526	17,099	332,899	829,311	1,169,548	169	16,848,666									

EXPENDITURE																				
Manpower and compensation	(80)	29,845	357,516	13	11,440	44,847	104,054	238,972	(2,059)	2,776,484										
Travelling and transportation	-	26,644	143,390	-	3,798	62,023	54,389	124,569	-	1,072,191										
Training, workshops and seminars	-	5,012	30,961	-	1,861	37,309	82,585	219,284	-	1,906,916										
Occupancy expenses	-	19,379	6,355	-	-	11,560	2,331	89,131	-	438,090										
Other general & administrative expenses	-	10,460	408,126	130	-	148,393	585,952	337,388	319	8,324,699										
HO logistic expenses	-	-	76,142	-	-	28,767	-	103,079	-	755,739										
Depreciation	-	2,073	10,708	867	-	-	-	-	1,778	93,724										
TOTAL EXPENSES	(80)	93,413	1,033,197	1,010	17,099	332,899	829,311	1,112,423	38	15,367,843										
Surplus/ Reserve	80	(41,780)	338,249	516	-	-	-	57,125	131	1,480,823										
NET SURPLUS FOR THE YEAR	80	(41,780)	338,249	516	-	-	-	57,125	131	1,480,823										

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

Statement of Financial Position as at 31 December 2017 (Amount in Uganda Shillings)

ASSETS	Agriculture -MCF Ushs(000)	JSDF Ushs(000)	Poultry -MCF Ushs(000)	Health -MCF Ushs(000)	Living Goods Ushs(000)	Scholarship Ushs(000)	ELA -MCF Ushs(000)	Oak Foundation Ushs(000)	BARR Foundation Ushs(000)	Women Win Ushs(000)	Building Young Future Ushs(000)
Cash and bank	389,471	144,726	323,183	1,941,358	1,674,245	23,985,026	4,801,879	1,190	192,350	123,129	100
Fixed Deposits	-	-	-	-	-	-	-	-	-	-	-
Receivables and other	190,741	(124,092)	(337,890)	1,251,020	5,057,659	(37,653)	17,286	(2,366)	(14,031)	(5,265)	-
Current Assets	40,178	201,459	(9,969)	(13,693)	637,965	20,250	22,714	-	-	3,330	18,514
Property and equipment											
TOTAL PROPERTY AND ASSETS	620,391	222,093	(24,677)	3,178,684	7,369,869	23,967,623	4,841,879	(1,177)	178,319	121,194	18,614
LIABILITIES AND CAPITAL FUND											
LIABILITIES											
Other Current liabilities	(97,820)	(38,150)	4,011	93,831	2,405,888	268,962	16,862	9,568	(604)	25,998	9,970
Related Party Payables	310,149	80,287	399,153	(1,056,241)	4,581,865	(4,083,712)	(282,359)	50,661	(103,596)	158,575	(92,097)
Total Liabilities	212,329	42,138	403,164	(962,410)	6,987,753	(3,814,750)	(265,497)	60,228	(104,201)	184,573	(82,127)
CAPITAL FUND											
Donor funds	281,094	(257,684)	(430,585)	506,664	-	21,099,552	2,056,831	(68,478)	310,685	(133,820)	186,340
Retained Surplus	126,967	437,640	2,745	3,634,431	382,116	6,682,821	3,050,545	7,073	(28,166)	70,441	(85,599)
Total Capital Fund	408,062	179,956	(427,841)	4,141,094	382,116	27,782,373	5,107,376	(61,405)	282,520	(63,379)	100,741
TOTAL LIABILITIES AND CAPITAL FUND	620,391	222,093	(24,677)	3,178,684	7,369,869	23,967,623	4,841,879	(1,177)	178,319	121,194	18,614

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

Statement of Financial Position as at 31 December 2017 (Amount in Uganda Shillings)

ASSETS	AHP Ushs(000)	Training Ushs(000)	Research Ushs(000)	Community Connector Ushs(000)	Emergency Preparedness Ushs(000)	Play lab Ushs(000)	TUP Ushs(000)	ECM Ushs(000)	UNICEF - Project Ushs(000)	Total Ushs(000)
Cash and bank	65,666	2,408,700	6,141,311	250,568	870,870	808,440	2,122,357	2,248,351	93,910	48,586,830
Fixed Deposits	-	-	-	-	-	-	-	-	-	-
Receivables and other Current Assets	(1,146)	467,817	20,320	108,195	(3,311)	10,223	(1,015)	(12,654)	-	6,583,838
Property and equipment	-	287,459	194,168	32,033	6,445	-	25,140	60,493	(6,357)	1,520,129
TOTAL PROPERTY AND ASSETS	64,520	3,163,975	6,355,799	390,796	874,004	818,663	2,146,483	2,296,190	87,553	56,690,797
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other Current liabilities	(4,629)	62,825	(246)	(2,933)	-	55,930	38,822	161,007	5,407	3,014,699
Related Party Payables	-	663,135	(310,011)	95,913	69,584	251,210	1,525,153	1,538,284	(330,388)	3,465,565
Total Liabilities	(4,629)	725,960	(310,258)	92,980	69,584	307,139	1,563,976	1,699,291	(324,981)	6,480,264
CAPITAL FUND										
Donor funds	82,532	98,660	3,608,227	251,455	814,086	530,814	583,920	409,207	-	29,929,500
Retained Surplus	(13,383)	2,339,356	3,057,829	46,361	(9,666)	(19,291)	(1,413)	187,692	412,534	20,281,033
Total Capital Fund	69,150	2,438,015	6,666,056	297,816	804,420	511,523	582,507	596,899	412,534	50,210,533
TOTAL LIABILITIES AND CAPITAL FUND	64,520	3,163,975	6,355,799	390,796	874,004	818,663	2,146,483	2,296,190	87,553	56,690,797

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

Statement of Financial Position as at 31 December 2017 (Amount in Uganda Shillings)

	Agriculture -MCF USD	JSDF USD	Poultry -MCF USD	Health -MCF USD	Living Goods USD	Scholarship USD	ELA -MCF USD	Oak Foundation USD	BARR Foundation USD	Women Win USD	Building Young Future USD
ASSETS											
Cash and bank	107,231	39,847	88,980	534,503	460,960	6,603,661	1,322,074	328	52,959	33,900	28
Fixed Deposits	-	-	-	-	-	-	-	-	-	-	-
Receivables and other Current Assets	52,516	(34,165)	(93,029)	344,436	1,392,497	(10,367)	4,759	(652)	(3,863)	(1,450)	-
Property and equipment	11,062	55,467	(2,745)	(3,770)	175,647	5,575	6,254	-	-	918	5,097
TOTAL PROPERTY AND ASSETS	170,809	61,148	(6,794)	875,169	2,029,104	6,598,870	1,333,087	(324)	49,096	33,368	5,125
LIABILITIES AND CAPITAL FUND											
LIABILITIES											
Other Current liabilities	(26,932)	(10,502)	1,104	25,834	662,400	74,052	4,643	2,635	(165)	7,158	2,745
Related Party Payables	85,392	22,105	109,897	(290,809)	1,261,499	(1,124,345)	(77,740)	13,948	(28,523)	43,660	(25,357)
Total Liabilities	58,459	11,602	111,001	(264,975)	1,923,899	(1,050,294)	(73,098)	16,582	(28,689)	50,817	(22,612)
CAPITAL FUND											
Donor funds	77,392	(70,947)	(118,551)	139,497	-	5,809,220	566,296	(18,854)	85,539	(36,844)	51,304
Retained Surplus	34,957	120,493	756	1,000,647	105,206	1,839,943	839,889	1,947	(7,755)	19,394	(23,567)
Total Capital Fund	112,349	49,546	(117,795)	1,140,144	105,206	7,649,163	1,406,185	(16,906)	77,785	(17,450)	27,736
TOTAL LIABILITIES AND CAPITAL FUND	170,809	61,148	(6,794)	875,169	2,029,104	6,598,870	1,333,087	(324)	49,096	33,368	5,125

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

Statement of Financial Position as at 31 December 2017 (Amount in Uganda Shillings)

	AHP USD	Training USD	Research USD	Community Connector USD	Emergency Preparedness USD	Play lab USD	TUP USD	ECM USD	UNICEF - Project USD	Total USD
ASSETS										
Cash and bank	18,079	663,174	1,690,852	68,988	239,772	222,583	584,337	619,026	25,856	13,377,136
Fixed Deposits	-	-	-	-	-	-	-	-	-	-
Receivables and other Current Assets	(316)	128,801	5,595	29,789	(912)	2,815	(279)	(3,484)	-	1,812,691
Property and equipment	-	79,145	53,459	8,819	1,774	-	6,922	16,655	(1,750)	418,529
TOTAL PROPERTY AND ASSETS	17,764	871,119	1,749,906	107,596	240,635	225,398	590,979	632,197	24,105	15,608,356
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other Current liabilities	(1,275)	17,298	(68)	(807)	(1)	15,399	10,689	44,329	1,489	830,020
Related Party Payables	-	182,577	(85,354)	26,407	19,158	69,164	419,912	423,527	(90,964)	954,154
Total Liabilities	(1,275)	199,874	(85,421)	25,600	19,158	84,563	430,601	467,856	(89,475)	1,784,174
CAPITAL FUND										
Donor funds	22,723	27,163	993,433	69,232	224,138	146,146	160,768	112,665	-	8,240,320
Retained Surplus	(3,685)	644,082	841,895	12,764	(2,661)	(5,311)	(389)	51,676	113,581	5,583,862
Total Capital Fund	19,039	671,245	1,835,328	81,996	221,476	140,835	160,378	164,341	113,581	13,824,182
TOTAL LIABILITIES AND CAPITAL FUND	17,764	871,119	1,749,906	107,596	240,635	225,398	590,979	632,197	24,105	15,608,356

BRAC UGANDA MICROFINANCE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

BRAC UGANDA MICROFINANCE LIMITED CORPORATE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS

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

ADMINISTRATORS

Ms. Hasina Akhter *	- Country Representative (Appointed on 1 march 2017)
Mr. Adiga Onesmus Jimmy **	- Chief Executive Officer

* 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:

Mr. Shib Narayan Kairy
Treasurer, BRAC University
66 Mohakhali, Dhaka 1212, Bangladesh

AUDITORS

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

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in submitting their report and the audited financial statements of BRAC Uganda Microfinance Limited (“the Company”) for the year ended 31 December 2017, which discloses the state of affairs of the Company.

a) REGISTRATION

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

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

The Company effectively commenced trading independently on 1 January 2010 as BRAC Uganda Microfinance Limited.

b) VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to 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 by focusing on extending loan facilities.

(f) FINANCIAL PERFORMANCE

The Company's performance during the year ended 31 December 2017 is as follows:

- Interest income on loans increased by 2.55% from Ushs 77,288 million in 2016 to Ushs 79,261 million in 2017.
- Net Loans and Advances to customers reduced by 1.69% from Ushs 156,436 million in 2016 to Ushs 153,786 million in 2017. Loan disbursements also reduced by 1.45% from Ushs 357,339 million in 2016 to Ushs 352,154 million in 2017. Loan realization increased by 5.18% from Ushs 332,793 million in 2016 to Ushs 350,044 million in 2017. The shortfall is attributed to the generally challenging economic situation during the year, prolonged drought, floods, army wars that affected agriculture, political insurgencies in some parts of the country and political instabilities in our neighboring countries that used to provide market to our customers such as the war in Southern Sudan and elections in Kenya.
- Total Assets increased by 15.19% from Ushs 175,555 million in 2016 to Ushs 202,223 million in 2017 mainly due to profits and an increase in borrowings.
- During the year, net profits reduced by 29.56% from Ushs 30,952 million in 2016 to Ushs 21,803 million in 2017. The reduction is mainly attributed to the increase in operating expenses due to transformation coupled with the slow growth. All the profits for the year was transferred to reserves.

BRAC UGANDA MICROFINANCE LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

(g) RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2017 are set out on page 93.

(h) COMPOSITION OF DIRECTORS

The directors who served during the year and up to the date of this report are set out on page 85.

(i) DIRECTORS BENEFITS

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

(j) CORPORATE GOVERNANCE

- The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the directors confirm that:
- The Board of Directors met regularly throughout the year;
 - They retain full and effective control over the Company;
 - The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
 - They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2017 the Board of Directors had four directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

(k) RISK MANAGEMENT

- The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:
- The effectiveness and efficiency of operations;
 - The safeguarding of the Company's assets;
 - Compliance with applicable laws and regulations;
 - The reliability of accounting records;
 - Business sustainability under normal as well as adverse conditions; and
 - Responsible behaviours towards all stakeholders.

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

(l) MANAGEMENT STRUCTURE

The Company is under the supervision of the Board of Directors and the day to day management is entrusted to the Chief Executive Officer who is assisted by the 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 15 to the financial statements.

(n) FUTURE DEVELOPMENT PLANS

- Strategically focussing on attracting savings from our customers and general public for purposes of financial inclusion. This will be achieved through transformation from a non-deposit taking institution to a credit institution (Tier 2). The application for a Tier 2 license was submitted to the Central Bank on 30th June 2017 and is pending approval.
- 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.
- A new core banking system (Orbit-R) is to be rolled out in 2018, this is expected to improve efficiency and drive our strategy.
- Staff training and capacity building to enhance productivity, motivation and retention

(o) KEY ACHIEVEMENTS IN 2017

- Submitted the application for a Tier 2 license to the Central Bank of Uganda.
- Recognised as the best visionary microfinance institution in Uganda and two of our clients were also Citi Micro Entrepreneurship Award 2017 Winners.
- Completed the selection a new core banking software.
- Mobilised over Ush 60 billion debt to finance the transformation project and portfolio growth.
- Filled key positions for the transformed entity, extended staff contract terms from one year to up to three years and also made enhancements to the medical scheme.
- Enhanced security in all locations and expatriates' residences by deploying armed guards
- Established an independent microfinance head office and also identified premises to house the regulated branches.

(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 2017, the company had 1,892 staff (1,718 in 2016). The female staff were 85% (74% in 2016).

(r) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relations between employees and management for the year 2017. There were no unresolved complaints received by management from the employees during the year. Staff continued to get performance incentive schemes in 2017. 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 such as branch management, people leadership, cash management, risk, fraud and internal controls training, value for money audit, BRAC values, Diversity and Inclusion and many other trainings. Senior managers also attended the BRAC Senior management orientation training in Dhaka and the Boulder Microfinance training in Italy. The Company will continue to train, and develop its staff in order to improve service delivery and innovation.

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 Microfinance Limited having no legal or constructive obligation to pay further top-up contributions

(S) AUDITORS

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

(T) APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors at a meeting held on 11 March 2018.

By order of the Board

Signed:
SECRETARY

Date: 11.03.2018

BRAC UGANDA MICROFINANCE LIMITED
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 2016 and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

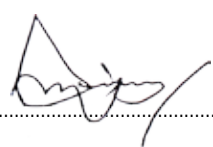
Under the Companies Act of Uganda, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors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

The directors accept responsibility for the financial statements set out on pages 56 -80 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

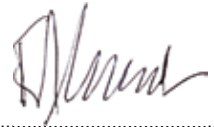
The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 11 March 2018 and were signed on its behalf by:

Director:.....

Date: 11.03.2018

Director:.....



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/eafrica

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BRAC Microfinance Uganda Limited, ("the Company") which comprise the statement of financial position as at 31 December 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 12 to 56.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Microfinance Uganda Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act of Uganda.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Corporate Information, in the Directors' Report, the Statement of Directors' Responsibilities and the memorandum figures reported in United States Dollars (USD\$), but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BRAC MICROFINANCE UGANDA LIMITED(CONTINUED)

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

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

Report on Other Legal Requirements

- As required by the Companies Act of Uganda we report to you, based on our audit, that:
- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
 - iii. The statements of financial position and comprehensive income are in agreement with the books of account.

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

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

Date: 23.03.2018

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2017 USD
Interest income on loans and advances	4	79,261,193	77,287,819	22,143,895	22,879,757
Other interest income	5	2,254,705	507,464	629,916	150,226
Interest expense	6 (a)	(7,892,580)	(6,170,753)	(2,205,019)	(1,826,747)
Other finance costs on borrowings	6 (b)	(919,847)	(895,839)	(256,986)	(265,198)
Net interest income		72,703,471	70,728,691	20,311,806	20,938,038
Membership fees and other charges	7	4,445,883	10,514,799	1,242,085	3,112,729
Foreign exchange (losses)/ gains	8	(185,096)	(1,605,982)	(51,711)	(475,424)
Grant income	21.4	287,611	229,660	80,352	67,987
Total operating income		77,251,869	79,867,168	21,582,532	23,643,330
Net movement in impairment losses on loans and advances	14.3	(5,276,957)	1,065,587	(1,474,270)	315,449
Operating income after impairment charges		21,035,198	5,876,787	20,108,262	23,958,779
Staff costs	9	(21,245,740)	(16,876,174)	(5,935,609)	(4,995,907)
Other operating expenses	10	(21,035,198)	(15,746,844)	(5,876,787)	(4,661,588)
Depreciation	17	(423,083)	(283,434)	(118,200)	(83,906)
Profit before tax		29,270,891	48,026,303	8,177,666	14,217,378
Income tax expense	11a	(7,467,662)	(17,074,146)	(2,086,306)	(5,054,513)
Net profit for the year		21,803,229	30,952,157	6,091,360	9,162,865
Other comprehensive income		-	-	-	-
Total comprehensive income		21,803,229	30,952,157	6,091,360	9,162,865

The notes set out on pages 97 to129 form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED

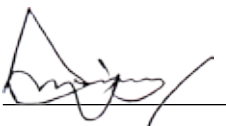
STATEMENTS TO FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2017 USD
ASSETS					
Cash and bank	12(a)	7,873,635	5,879,859	2,167,803	1,650,719
Short term deposits	13	30,247,031	8,000,000	8,327,744	2,245,929
Loans and advances to customers	14	153,785,794	156,435,700	42,340,971	43,917,939
Other assets	16	2,755,716	2,174,109	758,716	610,362
Tax recoverable	11(c)	412,184	-	113,484	-
Deferred tax asset	11(b)	1,052,670	1,724,162	289,827	484,043
Related party receivable	15(a)	1,784,903	148,936	491,427	41,813
Property and equipment	17	4,311,500	1,192,001	1,187,061	334,644
Total assets		202,223,433	175,554,767	55,677,033	49,285,449
LIABILITIES AND EQUITY					
Liabilities					
Bank overdrafts	12(b)	-	395,922	-	111,152
Borrowings and managed funds	19	59,623,004	52,782,400	16,415,664	14,818,192
Related party payables	15 (b)	875,603	562,194	241,075	157,832
Loan security fund	18	28,315,745	28,375,966	7,796,014	7,966,302
Tax payable	11(c)	-	1,991,510	-	559,099
Donor funds	21.1&2	714,303	779,706	196,665	217,673
Other liabilities	20	3,530,467	3,099,487	972,024	870,154
Total liabilities		93,059,122	87,987,185	25,621,442	24,700,404
Equity					
Donor funds	21.3	4,490,123	4,696,623	1,236,240	1,319,758
BRAC contribution	22	835,000	835,000	229,896	234,419
Retained earnings		103,839,188	82,035,959	28,589,455	24,285,364
Currency translation		-	-	-	(1,254,496)
Total Equity		109,164,311	87,567,582	30,055,591	24,585,045
		202,223,433	175,554,767	55,677,033	49,285,449

The financial statements on pages 97 to129 were approved by the board of directors on 11 March, 2018 and were signed on its behalf by:



Chief Finance Officer



Director



Chief Executive Officer



Director

The notes set out on pages 97 to 161 form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED

STATEMENTS TO CHANGESAS IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Donor Funds	Retained Earnings	BRAC Contribution	Total Equity	Total Equity
	Ushs '000	Ushs '000	Ushs '000	Ushs	USD
At 1 January 2016	5,230,594	51,083,802	835,000	57,149,396	17,143,964
Donations received during the year	49,600	-	-	49,600	14,683
Transfers to SOCI	(583,571)	-	-	(583,571)	(172,756)
Profit for the year	-	30,952,157	-	30,952,157	9,162,865
Currency translation	-	-	-	-	(1,563,711)
At 31 December 2016	4,696,623	82,035,959	835,000	87,567,582	24,585,045
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

The notes set out on pages 97 to129 form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Net cash inflow from operating activities	23	21,632,717	4,794,151	5,956,012	1,419,227
Cash flow from investing activities					
Acquisition of fixed assets		(3,564,689)	(387,776)	(981,446)	(114,795)
Increase in short term deposits		(22,247,031)	(4,977,840)	(6,125,149)	(1,473,605)
Net cash out flow from investing activities		(4,179,003)	(571,465)	(1,150,583)	(1,588,400)
Cash flow from financing activates					
Net receipts from borrowings and managed funds		6,840,604	965,892	1,883,385	285,936
Changes in bank overdrafts		(395,922)	395,922	(109,007)	111,152
Changes in Donor funds		(271,903)	(763,632)	(74,861)	(226,06)
Net cash inflow from financing activities		6,172,779	598,182	1,699,517	171,028
Net increase in cash and cash equivalents		1,993,776	26,717	548,934	1,855
Cash and cash equivalents at 1 January		5,879,859	5,853,142	1,650,719	1,755,855
Currency translation		-	-	(31,850)	(106,991)
Cash and cash equivalents at 31 December	12	7,873,635	5,879,859	2,167,803	1,650,719

The notes set out on pages 97 to129 form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. THE REPORTING ENTITY

BRAC Uganda Microfinance Limited got incorporated as an independent company limited by guarantee on 27th August 2008.

The company prior to incorporation 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.

On 30th September 2010, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that related to or were in any way connected with the Microfinance activity to BRAC Uganda Microfinance Limited.

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

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

2. BASIS OF PREPARATION

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

(i) Basis of measurement

The financial statements are prepared under the historical cost convention, except for the fair valuation of certain financial instruments.

(ii) Basis of preparation

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

(iii) Functional and presentation currency

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

The financial statements include 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 3,632.08 for statement of financial position items and US \$ = Ushs 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

(i) Use of estimates and judgment

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. 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 an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Provisions

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

a) Property and equipment
(i) Recognition and Measurement

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

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

b) Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the 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.

c) Advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the company does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

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

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

d) Impairment

(i) Financial assets

At each statement of financial position date management assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

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

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

The Company considers evidence of impairment for loans and advances at a collective level. The entity first assess whether objective evidence of impairment exists collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists, it groups the loans and advances with similar credit risk characteristics together and collectively assesses them for impairment. Historical loss experience provides the basis for estimating expected cash flows. Historical loss rates are adjusted on the basis of relevant observable data that reflect current economic conditions.

The Company estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason therefore, industry practice is used to estimate the specific provision for loans and advances. Specific provision for the loans and advances considered to be non-performing(impaired) based on the criteria below, and classification of such loans and advances, as follows:

Micro Loans	
1-29 days	1%
30-59 days	25%
60-89 days	50%
90 days and above past due	100%
SEP Loans	
0-89 days	1%
90-179 days	20%
180-364 days	50%
365 days and above past due	100%

Loans within the maturity period are considered “Current Loans”. Loans which remain outstanding after the expiry of their maturity period are considered as “Late Loans”. Late loans which remain unpaid after one year of being classified as “Late Loans” are considered as “Non – Interest bearing loans (NIBL)” and are referred to the Board for write-off. Apart from that, any loans can be written off subject to the approval of the board where the board thinks that they are not realizable. Subsequently recoveries are credited as income in the statement of comprehensive income.

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

2. Portfolio provision is derived based on the company's historical loss ratio. The Loss ratio is determined as an average for the past 3 years.

In assessing collective impairment, the company uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

(ii) Non-financial assets

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

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

(e) Other Assets

Other assets comprise of prepayments, deposits and other recoverables 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 at inception of the contract and include: cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements

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

(g) Provisions and Other liabilities

A provision is recognized if, as a result of a past event, BRAC Uganda Microfinance Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(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 the service has been provided.

(iii) Other income

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

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

(j) Grants

(i) Donor Grants

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

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

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

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

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

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

(ii) Grant income

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

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

(k) Loans and borrowings

Loans and borrowings are recognized initially as the proceeds are received. 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 entity 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) Fundraising Costs

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

(q) Adoption of new and revised standards

i) New and amended standards adopted by the Company

The Company has adopted the following standards for the first time for the financial year beginning on or after 1 January 2017: The adoption of these new standards has not resulted in material changes to the Companies accounting policies.

New amendments or interpretation effective for annual periods beginning on or after 1 January 2017 are summarized below:

New amendments or interpretation	Effective date
<i>Disclosure Initiative (Amendments to IAS 7)</i>	1 January 2017
<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i>	
<i>Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)</i>	

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2017

At the date of authorization of financial statements of Brac Microfinance Uganda Limited for the year ended 31 December 2017, the following Standard and Interpretations were in issue but not yet effective;

New amendments or interpretation	Effective for annual periods beginning on or after
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	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
Transfers of Investment property (Amendments to IAS 40)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Considerations	1 January 2018
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 (Amendment to IAS 28)	1 January 2019
IFRS 17 Insurance contracts	1 January 2022

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

IAS 40, IFRS 2, IFRS 17, IAS 28, are not applicable to the business of the entity 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 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.

This interpretation is not likely to have a significant impact on the Company's financial Statements

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

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

This interpretation is not likely to have a significant impact on the Company's financial Statements

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

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 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors . IFRS 16 also includes extensive new disclosure requirements for both lesees and lessors.

Management is still assessing the impact of this standard on the Company's financial Statements

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.

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.

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.

IFRS 9 Financial Instruments

On 29 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application permitted if, and only if, it is possible without the use of hindsight. The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognized in retained earnings and reserves as at 1 January 2018.

The new classification and measurement and impairment requirements will be applied by adjusting our Statement of Financial Position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information. The impact of adopting IFRS 9 to the retained earnings has not yet been assessed.

Classification and measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39

classifications of FVTPL, available for sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 is expected to have no significant impact when compared to our classification under IAS 39. Impairment

Impairment Overall Comparison of the New Impairment Model and the Current Model

IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as inflation rates, interest rates and exchange rates will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Company for other purposes, such as forecasting and budgeting.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework will be considered in determining the scope of our application of the new expected credit loss impairment model.

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs will be based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The ECL model will contain a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 and on the net carrying amount of the financial assets in Stage 3.

Assessment of Significant Increase in Credit Risk

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. The Company will included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past shall be migrated to Stage 2.

Definition of Default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Company will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due.

Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. The IFRS 9 Hedge accounting requirements will not have any significant impact on the Company as the Company does not apply hedge accounting.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. INTEREST INCOME ON LOANS AND ADVANCES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Group Loans (Microfinance)	64,829,713	64,493,770	18,112,046	19,092,294
Small Enterprises program	11,300,214	9,384,948	3,157,040	2,778,256
Internally Displaced Persons (IDP)	371,150	332,046	103,691	98,297
Agriculture (JSDF Loan)	45,716	24,252	12,772	7,179
Empowerment and Livelihood of Adolescents (ELA)	2,714,400	3,052,803	758,346	903,731
	79,261,193	77,287,819	22,143,895	22,879,757

5. OTHER INTEREST INCOME

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Short term deposits	2,254,705	497,381	629,916	147,241
Interest income on current accounts	-	10,083	-	2,985
Total	2,254,705	507,464	629,916	150,226

6. a) INTEREST EXPENSE

Lender	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Africa Microfinance Limited	2,236,623	3,245,065	624,865	960,647
Bank of Africa	790,624	1,524,211	220,884	451,217
ResponsAbility Investments	823,496	1,041,431	230,067	308,298
OikoCredit	1,302,819	19,684	363,980	5,827
Stromme Microfinance	990,000	127,479	276,585	37,738
BRAC Bangladesh	198,144	212,883	55,357	63,021
FMO Entrepreneurial Development Bank	462,839	-	129,307	-
Triodos Investment Management	463,357	-	129,452	-
Global Partnerships	261,062	-	72,935	-
aBi Trust and Finance	363,616	-	101,587	-
Total	7,892,580	6,170,753	2,205,019	1,826,748

b) OTHER FINANCE COSTS ON BORROWINGS

	2017 Ushs'000	2016 Ushs'000	2017 USD	2016 USD
Service charge	576,180	409,427	160,973	121,203
Other provisions	343,667	486,412	96,013	143,994
Total	919,847	895,839	256,986	265,197

The service charge relates to quarterly commitment fees for borrowings.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. MEMBERSHIP FEES AND OTHER CHARGES

	2017 Ushs'000	2016 Ushs'000	2017 USD	2016 USD
Membership fee	389,970	405,713	108,949	120,104
Loan appraisal fee	3,388,271	3,360,682	946,611	994,873
Loan application fee	33,603	30,255	9,388	8,957
Other income	574,706	6,653,756	160,561	1,969,732
Sale of pass books	59,333	64,393	16,576	19,063
Total	4,445,883	10,514,799	1,242,085	3,112,729

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

8. FOREIGN EXCHANGE LOSSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Unrealized Foreign exchange losses.	(86,381)	(1,080,676)	(24,133)	(303,390)
Realized Foreign exchange losses	(98,715)	(525,306)	(27,578)	(172,034)
Total	(185,096)	(1,605,982)	(51,711)	(475,424)

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

9. STAFF COSTS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Salaries	17,989,073	14,876,743	5,025,765	4,404,009
Bonus	613,568	411,541	171,418	121,830
Employer's NSSF contribution	1,828,935	1,587,890	510,966	470,068
Insurance for staff	737,904	-	206,155	-
Wages	1,796	-	502	-
Staff leave provision	74,464	-	20,803	-
Total	21,245,740	16,876,174	5,935,609	4,995,907

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. OTHER OPERATING EXPENSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Occupancy expenses (10b)	2,900,889	629,226	810,447	186,272
Staff training and development	680,533	570,843	190,126	168,989
Beneficiaries training	-	1,400	-	414
Travel and transportation	7,076,891	5,614,877	1,977,133	1,662,190
Maintenance and general expenses	2,994,130	2,029,770	836,497	600,879
Printing and stationery	1,362,141	972,321	380,553	287,839
Insurance expense	19,197	300,206	5,364	88,871
Internet and telephone	664,575	521,336	185,668	154,333
Fixed assets write-off	22,036	-	6,156	-
legal & other professional services	1,737,650	239,150	485,463	70,796
Audit fees	200,081	180,736	55,898	53,504
Bad debts write off	60,227	-	16,826	-
Program supplies	-	1,193,799	-	353,404
Donations	1,115,516	-	311,651	-
HO logistics and management expenses	2,201,332	3,493,180	615,005	1,034,097
Total	21,035,198	15,746,844	5,876,787	4,661,588

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

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Rent	1,526,254	490,911	426,403	145,326
Utilities	179,824	138,315	50,239	40,946
Security	1,194,811	-	333,805	-
Total	2,900,889	629,226	810,447	186,272

11. TAXATION

a) Income tax expense	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Current tax	8,190,140	14,604,025	2,288,152	4,323,276
(Over)/Under provision for corporation tax in prior years	(1,393,970)	209,837	(389,446)	62,119
Deferred tax (Note 11b)	671,492	2,171,766	187,600	642,914
Tax penalty	-	88,518	-	26,204
Tax expense	7,467,662	17,074,146	2,086,306	5,054,513

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Operating profit before taxation	29,270,891	48,026,303	8,177,666	14,217,378
Tax calculated at 30%	8,781,267	14,407,891	2,453,300	4,265,213
Tax effect of:				
Over / (under) provision for corporation tax in prior year*	(1,393,970)	209,837	(389,446)	62,119
Prior year under provision of deferred income tax	(8,272)	2,171,766	(2,311)	642,915
Non-deductible expense and non-taxable income	88,637	196,134	24,763	58,073
Tax penalty	-	88,518	-	26,206
Income Tax charge for the year	7,467,662	17,074,146	2,086,306	5,054,526
Effective corporation tax rate	26%	36%	26%	36%

b) Deferred tax

Deferred tax is calculated on all temporary differences under the balance sheet liability method using the principal tax rate of 30%.
Deferred tax assets and liabilities and the deferred tax charge/ (credit) as at 31 December 2017 are attributed to the following items:-

	2016 Ushs '000	Movement Ushs '000	2017 Ushs '000	2016 USD	Movement USD	2017 USD
Property and equipment	894,797	477,856	1,372,653	251,206	126,718	377,924
Impairment and other provisions	(5,561,327)	240,848	(5,320,479)	(1,561,293)	96,436	(1,464,857)
Unrealized foreign exchange gains/(losses)	(1,080,676)	(641,751)	438,925	(303,390)	(182,543)	120,847
	(5,747,206)	76,953	(3,508,901)	(1,613,477)	40,611	(966,086)
Deferred tax asset @ 30%	(1,724,162)	23,086	(1,052,670)	(484,043)	12,183	(289,827)

c) Tax payable / Recoverable

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
At 1 January	1,991,510	55,856	559,099	16,756
Charge for the period	8,190,140	14,604,025	2,288,152	4,323,276
Penalty	-	88,518	-	26,204
(Under)/Overprovision for corporation tax in previous years *	(1,393,970)	209,837	(389,446)	62,119
Corporation tax paid during the year	(9,096,666)	(12,966,726)	(2,504,534)	(3,838,581)
WHT paid during the year	(103,198)	-	(28,413)	-
Currency translation	-	-	(38,342)	(30,675)
At 31 December	(412,184)	1,991,510	(113,484)	559,099

*This amount results from accrual that were held as a result prior tax assessment that has subsequently been resolved

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. a) CASH AND BANK

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Cash in hand	1,715	8,901	472	2,499
Standard Chartered Bank Uganda	1,512,958	281,869	416,554	79,132
Bank of Africa Uganda Limited	858,037	-	236,238	-
Centenary Bank Uganda Limited	217,005	588,628	59,747	165,252
Equity Bank Uganda Limited	98,772	240,183	27,194	67,429
Orient Bank	-	11,912	-	3,344
DFCU Bank	28,101	42,515	7,737	11,938
Post Bank Uganda Limited	133,187	716,201	36,670	201,067
Pride Microfinance Limited	24,357	20,903	6,706	5,868
Tropical Bank Uganda Limited	14,328	43,472	3,945	12,204
Stanbic Bank Uganda Limited	4,985,175	3,925,275	1,372,540	1,101,986
Cash and bank	7,873,635	5,589,089	2,167,803	1,650,719

12. b) BANK OVERDRAFTS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Bank of Africa Uganda Limited	-	395,922	-	111,152
Bank overdrafts	-	395,922	-	111,152

13. SHORT TERM DEPOSITS AT AMORTISED COST

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Bank of Africa	5,061,602	-	1,393,582	-
DFCU	10,009,780	-	2,755,937	-
Post Bank	1,050,734	-	289,293	-
Pride Microfinance	8,075,662	-	2,223,426	-
Equity Bank	3,039,158	-	836,754	-
Centenary Bank	3,010,095	-	828,752	-
Standard Chartered Bank	-	8,000,000	-	2,245,929
Total	30,247,031	8,000,000	8,327,744	2,245,929

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

Within 3 months	30,247,031	-	8,327,744	-
After 3 months	-	8,000,000	-	2,245,929
Total	30,247,031	8,000,000	8,327,744	2,245,929

The weighted average effective interest rates on deposits due from banks were 9.75%. (2016: 11.5%). The carrying book values of the deposits with banks approximate the fair value.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. LOANS AND ADVANCES TO CUSTOMERS

14.1Loans and advances

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Group loans	124,002,187	127,667,595	34,140,821	35,841,548
Small Enterprises Program	29,843,483	24,897,635	8,216,637	6,989,791
ELA loans	5,728,144	5,549,797	1,577,097	1,558,057
IDP loans	792,887	756,647	218,301	212,422
CHP	1,762	-	485	-
JSDF loans	135,275	72,787	37,244	20,434
Interest receivable	3,518,316	3,056,532	968,678	858,094
Gross Loans and Advances	164,022,054	162,000,993	45,159,263	45,480,346
Loan write off	(4,915,772)	(551,020)	(1,353,432)	(154,694)
Interest write-off	(460,135)	(54,970)	(126,687)	(15,432)
Gross Loans after Write-off	158,646,147	161,395,003	43,679,144	45,310,220
Impairment loss on loans and advances	(4,860,353)	(4,959,303)	(1,338,173)	(1,392,281)
Net Loans and Advances to Customers	153,785,794	156,435,700	42,340,971	43,917,939

14.2 Movement in loans and advances

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

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
At 1 January	158,393,441	134,398,715	45,480,346	40,317,599
Loans disbursed	352,154,101	357,338,515	96,956,593	127,758,947
Loans repayments	(350,043,804)	(332,792,768)	(96,375,577)	(120,492,592)
Interest receivable	3,518,316	3,056,532	968,678	858,094
Currency translation	-	-	(1,870,778)	(2,961,702)
Gross advances to customers	164,022,054	162,000,994	45,159,262	45,480,346
Less loan write-off	(4,915,772)	(551,020)	(1,353,432)	(154,694)
Less interest write-off	(460,135)	(54,971)	(126,686)	(15,433)
Gross Loans after Write-off	158,646,147	161,395,003	43,679,144	45,310,219
Impairment loss on loans and advances	(4,860,353)	(4,959,303)	(1,338,173)	(1,392,280)
Net advances to customers	153,785,794	156,435,700	42,340,971	43,917,939

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14.3 Provision for impairment of loans and advances

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

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
At 1 January	4,959,303	6,630,981	1,392,281	1,989,195
Change for the year in provisions	5,276,957	(1,065,587)	1,452,875	(315,449)
Loan write-off	(4,915,772)	(551,020)	(1,353,432)	(154,694)
Interest receivable - write-off	(460,135)	(54,971)	(126,686)	(15,432)
Currency translation	-	-	(26,865)	(111,339)
At 31 December	4,860,353	4,959,303	1,338,173	1,392,281
Charge to profit or loss				
Net increase/(decrease) in provisions	5,276,957	(1,065,587)	1,474,270	(315,449)
Net charge to profit or loss as above	5,276,957	(1,065,587)	1,474,270	(315,449)

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

	2017	2016
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	194,616	213,709

14.4 Sectoral analysis of loans and advances to customers

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

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Agriculture	35,444,586	37,380,125	9,758,757	10,494,139
Non-agriculture business	123,201,561	121,013,317	33,920,388	33,973,419
Other	-	3,001,561	-	842,662
	158,646,147	161,395,003	43,679,145	45,310,220

15. 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 Microfinance. There are other companies that are related to BRAC Uganda Microfinance through common directorship.

• RELATED PARTY RECEIVABLES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Uganda	1,784,903	148,936	491,427	41,813
	1,784,903	148,936	491,427	41,813

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

• RELATED PARTY PAYABLES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Bangladesh	439,592	408,376	121,030	114,649
BRAC International Holdings BV	436,011	153,818	120,045	43,183
	875,603	562,194	241,075	157,832

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.

• OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR:

i)Interest expense accrued on related party loans

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Africa Loan Fund	-	3,654,491	-	1,025,966
BRAC Bangladesh	433,416	212,883	119,330	59,765
Total	433,416	3,867,374	119,330	1,085,731

ii) Interest payment on related party loans

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Africa Microfinance Limited	2,445,251	3,688,514	683,151	1,035,518
BRAC Bangladesh	169,064	-	47,233	-
Total	2,614,315	3,688,514	730,384	1,035,518

iii) Related party loans as disclosed in note 19

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Non-Current portion				
BRAC Africa Microfinance Limited.	-	-	-	-
BRAC Bangladesh	-	-	-	-
Total noncurrent loan	-	-	-	-
Current portion				
BRAC Africa Microfinance Limited.	-	19,424,774	-	5,453,133
BRAC Bangladesh	1,547,916	3,328,916	426,179	934,564
Total current portion	1,547,916	22,753,690	426,179	6,387,697
Total Related Party loans	1,547,916	22,753,690	426,179	6,387,697

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

v) Other related party transactions

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
HO Logistics and management expenses	2,201,332	3,493,180	615,005	1,034,097
Payable to BRAC IT services	658,000	598,758	181,163	168,096

16. OTHER ASSETS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Prepayments	102,273	147,521	28,158	41,415
WHT receivable	328,576	107,568	90,465	30,199
Security Deposit (BRAC Africa Microfinance Limited)	454,010	890,500	125,000	250,000
Prepaid Insurance	618,969	498,260	170,417	139,882
Swifin Account	353,732	-	97,391	-
Other receivables	898,156	530,260	247,285	148,866
Total	2,755,716	2,174,109	758,716	610,362

17. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total USD
Cost					
At 1 January 2016	1,165,941	1,327,367	225,089	2,718,397	815,478
Additions	175,950	211,826	-	387,776	114,795
Disposal	-	(31,204)	(16,925)	(48,129)	(14,248)
Fixed Asset Write-off	(4,845)	(128)	4,973	-	(57,506)
At 31 December 2016	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
Depreciation					
At 1 January 2016	614,988	1,001,726	211,839	1,828,553	548,538
Charge for the year	123,397	126,691	33,346	283,434	83,906
Accumulated depreciation on disposal	-	(31,204)	(16,742)	(47,946)	(13,460)
Adjustments for the year	(86,445)	(66,515)	(45,038)	(197,998)	(58,614)
Currency translation	-	-	-	-	(36,494)
At 31 December 2016	651,940	1,030,698	183,405	1,866,043	523,876
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
Net Book Value					
At 31 December 2017	2,915,165	1,038,888	357,447	4,311,500	1,187,061
At 31 December 2016	685,106	477,163	29,732	1,192,001	334,644

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. LOAN SECURITY FUND

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance	28,375,966	22,506,808	7,966,302	6,751,705
Received during the year	791,058	12,649,582	217,797	3,744,696
Paid off/Adjusted during the year	(851,279)	(6,780,424)	(234,378)	(2,007,230)
Currency translation	-	-	(153,707)	(522,869)
Total	28,315,745	28,375,966	7,796,014	7,966,302

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

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

19. BORROWINGS AND MANAGED FUNDS

Borrowed Funds	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC Bangladesh (i)	1,981,332	3,328,916	545,509	934,564
BRAC Africa Microfinance Limited	-	19,540,060	-	5,485,699
ResponsAbility Investments AG (iv)	7,626,643	13,922,870	2,099,800	3,908,723
Bank of Africa (iii)	972,013	4,708,310	267,619	1,321,816
Stromme Microfinance (v)	5,624,767	5,627,479	1,548,635	1,579,865
Oiko Credit (vi)	12,816,986	5,019,073	3,528,828	1,409,247
FMO Entrepreneurial Development Bank (viii)	9,463,853	-	2,605,629	-
Triodos Investment Management (ix)	9,465,024	-	2,605,951	-
Global Partners (x)	4,723,376	-	1,300,460	-
aBi Trust and Finance (vii)	6,140,384	-	1,690,597	-
Managed Funds				
Kiva (ii)	808,626	635,692	222,636	178,278
Total	59,623,004	52,782,400	16,415,664	14,818,192

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

i) BRAC Bangladesh

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

In 2013, Ushs 640 million was repaid and the balance of Ushs 1,547 million shall be repaid on demand.

ii) BRAC Africa Microfinance

In pursuant to the original loan agreement signed in October 2008 between BRAC Africa Microfinance Limited and BRAC Uganda
Microfinance Ltd, in June 2013, an amended and reinstated loan agreement was signed amounting to Ushs 24,461,380,000 at 14.85%
interest per annum. The first payment of Ushs 5 billion was made in June 2016 and the remaining balance was paid in December 2017.
The loan was not secured.

iii) Kiva

In November 2007, BRAC Uganda Microfinance Ltd signed a hosting agreement with Kiva to obtain access to post on the website de-
scriptions 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. A total of USD 178,278 (Ushs 809 million) is outstanding as at the end of 2017. The
managed fund bears no interest, Brac is only exposed to foreign exchange risk.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

iv) Bank of Africa

In May 2015, BRAC Microfinance obtained a loan from Bank of Africa amounting to Ushs. 9,500,000,000 equivalent to USD
2,849,858. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 23%. At close of December 2017,
principal amounting to Ushs. 3,736,297,000 had been repaid the final payment of Ushs 972,013,000 will be paid in March 2018. The
loan is secured by a corporate guarantee from Brac Holdings B.V

v) 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%. A total of USD 2,633,504 fell due and was paid in
2016/2017. The loan is not secured.

vi) Stromme Microfinance

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

vii) Oiko Credit

In October 2016, BRAC Uganda Microfinance obtained a loan from Oiko credit, the loan agreement was for a total principal loan
amount of Ushs 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of Ushs 5 billion each. The first
tranche was received on the 23 December 2016 and a second and third tranches of Ushs 10 billion were received on 21 September
2017. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on Brac Uganda Microfinance’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
period.

viii) aBi Finance Limited

In July 2017, a loan agreement was signed between BRAC Uganda Microfinance 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.

ix) FMO

In July 2017, BRAC Uganda Microfinance 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 USD 3,400,000 will be drawn down in 2018.The loan principal repayments will commence
in 2020.The loan is not secured.

x) Triodos

In July 2017, BRAC Uganda Microfinance 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 USD 3,400,000 will be drawn down in 2018.The loan principal repayments will start in 2020.The loan is
not secured.

xi) Global Partners

In June 2017, BRAC Uganda Microfinance 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 USD 700,000 will be drawn down in 2018. The loan principal repayments will commence in 2020.The loan
is not secured.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Value of security held

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

19.1 Analysis of movement in Borrowings and managed funds

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
At 1 January	52,782,400	51,816,508	14,818,192	15,544,175
Receipts during the year	39,751,283	13,478,336	10,944,495	3,990,034
Interest expense	8,812,427	6,580,180	2,462,005	1,947,951
Payments during the year	(41,723,106)	(19,092,624)	(11,487,383)	(5,652,050)
Currency translations	-	-	(321,645)	(1,011,918)
At 31 December	59,623,004	52,782,400	16,415,664	14,818,192

20. OTHER LIABILITIES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Accrued expenses	915,124	19,852	251,956	5,573
Bonus accrual	60,416	65,068	16,634	18,267
Accrual for staff leave	399,710	342,880	110,050	96,260
Payable to Brac IT services	658,000	598,758	181,163	168,096
Accrual for audit fees	104,475	180,736	28,765	50,740
NSSF Payable	326,540	267,048	89,905	74,971
Salary arrears payable	11,235	141,509	3,093	39,727
Self-Insurance scheme fund	-	194,077	-	54,485
Stamp duty provision	29,911	43,538	8,235	12,223
WHT Payable	364,273	339,542	100,293	95,324
VAT Payable	-	357,469	-	100,356
Credit life insurance premium payable	118,772	157,885	32,701	44,327
PAYE payable	475,589	391,125	130,941	109,805
Credit life insurance claim payable	66,422	-	18,288	-
Total	3,530,467	3,099,487	972,024	870,154

21. DONOR FUNDS

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Donor funds received in advance	21.1	153,412	153,412	42,235	41,846
Donor funds investment in fixed assets	21.2	560,891	626,294	154,430	175,827
Donor funds investment in loans to group members	21.3	4,490,123	4,696,623	1,236,240	1,319,758
Total		5,204,426	5,476,329	1,432,905	1,537,431

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.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21.1 Donor funds received in advance

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance		153,412	298,240	41,846	89,648
Donations received during the year	21.1a	15,708	-	4,325	-
Transferred to statement of comprehensive income	21.4	(15,708)	(144,828)	(4,325)	(42,874)
Currency translation		-	-	389	(4,928)
Closing balance		153,412	153,412	42,235	41,846

21.1a Donations received during the year

Name of donor	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
FMO	15,708	-	4,325	-
	15,708	-	4,325	-

21.2 Donor funds investment in fixed assets

		2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance		626,294	711,126	175,827	213,326
Depreciation charged during the year	21.4	(65,403)	(84,832)	(18,272)	(25,113)
Currency translation		-	-	(3,125)	(12,386)
Closing balance		560,891	626,294	154,430	175,827

21.3 Donor funds investment in loans to group members

		2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening balance		4,696,623	5,230,594	1,319,758	1,569,100
World Bank (JSDF Loan)	21.3b	(206,500)	49,600	(57,692)	14,683
Transfer to MCF (ELA)	21.3b	-	(583,571)	-	(172,756)
Currency translation		-	-	(25,826)	(91,269)
Closing balance		4,490,123	4,696,623	1,236,240	1,319,758

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

Name of donor	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
BRAC USA – ELA loan revolving fund	-	-	-	-
World Bank (JSDF Loan)	-	49,600	-	14,683
	-	49,600	-	14,683

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21.4 Transfers to statement of comprehensive income

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Transferred to statement of comprehensive income	206,500	144,828	57,692	42,874
Depreciation charged during the year	65,403	84,832	18,272	25,113
Transferred to statement of comprehensive income	15,708	-	4,388	-
Total	287,611	229,660	80,352	67,987

22. BRAC CONTRIBUTION

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

23. CASHFLOW FROM OPERATING ACTIVITIES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Cash flow from operating activities				
Adjustments for:				
Profit before tax	29,270,891	48,026,303	8,058,989	14,217,378
Loss on asset write off	22,106	-	6,086	-
Asset adjustment	-	(197,998)	-	(58,614)
Depreciation	423,083	283,435	116,485	83,906
Cash flow before changes in working capital	29,716,080	48,111,740	8,181,560	14,242,670
Changes in working capital				
Changes in loans and advances	2,649,906	(28,667,966)	729,584	(8,486,668)
Changes in receivables and other current assets	(581,607)	(808,418)	(160,131)	(239,319)
Changes in related party receivables	(1,635,967)	(148,936)	(450,422)	(44,090)
Changes in related party payables	313,409	(1,145,422)	86,289	(339,083)
Changes in current Liabilities	430,980	(5,449,279)	118,659	(1,613,167)
Changes in loan security fund	(60,221)	5,869,158	(16,580)	1,737,465
Cash inflow/(outflow) from operations	30,832,580	17,760,877	8,488,959	5,257,808
Income taxes paid	(9,096,666)	(12,966,726)	(2,504,534)	(3,838,581)
WHT paid	(103,197)	-	(28,413)	-
Net cash inflow from operating activities	21,632,717	4,794,151	5,956,012	1,419,227

24. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2017.

25. CURRENCY

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

26. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2017 (2016: Nil).

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2017.

28. 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, Group Executive Committee and Subsidiary Companies Executive Committee which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the Group Executive Committee which comprises of executive directors and senior management and report regularly to the Board of Directors on their activities.

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

b) 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:

	2017 Ushs '000	2016 Ushs '000
Trade and other payables	3,530,467	3,099,487
Due to related parties	875,603	562,194
Loans and borrowings	59,623,004	52,782,400
Less: Cash and cash equivalents	(7,873,635)	(5,879,859)
Net debt	56,155,439	50,564,222
Equity	109,164,311	87,567,582
Capital and net debt	165,319,750	138,131,804
Net debt to equity ratio	34%	37%

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 Microfinance Limited requires all credit exposures to be measured, monitored and managed proactively. Exposure to credit risk is monitored on an ongoing basis by the commercial ventures respective management teams. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

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

The greatest portion of Brac Uganda Microfinance loan book is unsecured group guaranteed and as such, exposure to credit risk and the management of this risk is a key consideration for the board. To mitigate this risk, the BRAC lending model engages respective group members to exert pressure on group 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 group members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Chief Executive Officer and the monitoring department. However, this must be viewed in light of the overall framework of the exclusive use of "group guaranteed" loan repayment mechanism.

Loan application process

a) Group guaranteed loan

The group loans are appraised by the Credit Officer (CO) in the field and these Loan application forms are brought before the Branch 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 group 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 banked to 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 complementary 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 group 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

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

Past due but not impaired loans

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

Allowances for impairment

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

Write-off policy

The Company writes off a loan balance, and any related allowances for impairment losses, when Credit determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or upon death of the borrower. The loan can also be written off after 90 days in non-performing category.

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

	Gross advances Ushs '000	Specific provision Ushs '000	General provision Ushs '000	Portfolio provision Ushs '000	Net advances Ushs '000
31 December 2017	158,646,147	3,317,459	1,542,894	4,860,353	153,785,794
31 December 2016	161,395,003	1,890,504	3,068,799	4,959,303	156,435,700

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

Advances to customers that are past due or impaired

	2017 Ushs '000	2016 Ushs '000
Neither past due or impaired	154,285,126	153,439,970
Past due but not impaired	-	-
Impaired	4,361,021	7,955,033
Total gross advances to customers	158,646,147	161,395,003

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Less: impairment provision	(4,860,353)	(4,959,303)
Net advances to customers at 31 December	153,785,794	156,435,700
Other exposures to credit risk	2017 Ushs '000	2016 Ushs '000
Short term deposits	30,247,031	8,000,000
Cash and bank	8,227,367	5,879,859
Other receivables	2,505,117	2,174,109
	40,979,515	16,053,968

Cash and cash equivalents

All company cash is held with financial institutions which are regulated by the Central Bank of Uganda. The probability of loss of cash held at banks due to credit risk is assessed as low.

d) Interest rate risk

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

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

Year ended 31 December 2017

	Applicable average Interest rate	Up to 1 month	From 1 to 12 months	From 1 year to 2 years	From 2 years and above	Non-interest bearing	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
ASSETS							
Cash and bank		-	-	-	-	7,873,635	7,873,635
Short term deposits	9.57%	23,176,048	7,070,983	-	-	0	30,247,031
Loans and advances to customers	25%	-	153,785,794	-	-	0	153,785,794
Related party receivable		-	-	-	-	1,784,903	1,784,903
Other Assets		-	-	-	-	2,755,716	2,755,716
Tax recoverable		-	-	-	-	412,184	412,184
		23,176,048	160,856,777	-	-	12,826,438	196,859,263
Equity and liabilities							
Loan Security fund		-	-	-	-	28,315,745	28,315,745
Related party payables		-	-	-	-	875,603	875,603
Borrowings and managed funds	14%	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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2016							
	Applicable average Interest rate	Up to 1 month	From 1 to 12 months	From 1 year to 2 years	From 2 years and above	Non-interest bearing	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
ASSETS							
Cash and bank		-	-	-	-	5,879,859	5,879,859
Short term deposits	11.5%	8,000,000	-	-	-	-	8,000,000
Loans and advances to customers	25%	-	156,435,700	-	-	-	156,435,700
Related party receivables		-	-	-	-	148,936	148,936
Other Assets		-	-	-	-	2,174,109	2,174,109
		8,000,000	156,435,700	-	-	8,202,904	172,638,604
Equity and liabilities							
Bank Overdrafts		-	-	-	-	395,922	395,922
Loan Security fund		-	-	-	-	28,375,966	28,375,966
Related party payables		-	-	-	-	562,194	562,194
Borrowings and managed funds	16%	1,547,916	33,136,923	17,462,534	-	635,027	52,782,400
Other liabilities		-	-	-	-	3,099,487	3,099,487
Tax payable		-	-	-	-	1,991,510	1,991,510
		1,547,916	33,136,923	17,462,534	-	35,060,106	87,207,479
Net assets / (liabilities)		6,452,084	123,298,777	(17,462,534)	-	(26,857,202)	85,431,125

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.

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

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2017 to the contractual maturity date.

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	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 bank	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	28,315,745	28,315,745	2,560,984	-	25,754,761	-	-
Related party payables	875,603	875,603	-	-	875,603	-	-
Borrowings and managed funds	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)	-

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

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

BRAC UGANDA MICROFINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 bank placed with licensed financial institutions. BRAC Uganda Microfinance Limited is exposed to foreign currency fluctuations mainly in respect of term loans denominated in United States Dollars, Great Britain Pound and the Euro.

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

The table below summarizes the company's exposure to foreign currency risk as at 31 December 2017

	Ushs '000	2017 USD '000	Total '000	Ushs '000	2016 USD '000	Total '000
ASSETS						
Cash and bank	7,149,038	724,597	7,873,635	5,474,903	404,956	5,879,859
Short term deposits	30,247,031	-	30,247,031	8,000,000	-	8,000,000
Loans and advances to customers	153,785,794	-	153,785,794	156,435,700	-	156,435,700
Related party receivable	1,784,903	-	1,784,903	148,936	-	148,936
Other assets	2,755,716	-	2,755,716	2,174,109	-	2,174,109
Tax recoverable	412,184	-	412,184	-	-	-
	196,134,666	724,597	196,859,263	172,233,648	404,956	172,638,604
Equity and Liabilities						
Loan Security Fund	28,315,745	-	28,315,745	28,375,966	-	28,375,966
Related party payables	-	875,603	875,603	562,194	-	562,194
Borrowings and managed funds	51,187,735	8,435,269	59,623,004	37,078,529	15,703,871	52,782,400
Overdrafts	-	-	-	395,922	-	395,922
Other liabilities	3,530,467	-	3,530,467	3,099,487	-	3,099,487
Tax payable	-	-	-	1,991,510	-	1,991,510
	3,530,467	9,310,872	3,530,467	71,503,608	15,703,871	87,207,479
Net position	113,100,719	(8,586,275)	104,514,444	100,730,040	(15,298,915)	85,431,125

Sensitivity analysis

The following sensitivity analysis shows how the profit would be affected if there was a realistic change in currency risk variables of 5% at reporting date with all other variables held constant.

	2017 Ushs '000 Effect on Profit	2016 Ushs '000 Effect on profit
Currency-USD		
+5% US\$ Movement	(385,534)	(764,946)
-5% US\$ Movement	385,534	764,946

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.

29. 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:

	2017 Ushs'000	2016 Ushs'000
Within one year	1,526,254	490,911
Above one year	-	-
	<u>1,526,254</u>	<u>490,911</u>

Amortization of operating lease prepayments amounted to Ushs 1,526,254 (2016: Ushs 490,911).

30. 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 pramaters 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	-	7,873,635	-	7,873,635	7,873,635
Short term deposits	-	30,247,031	-	30,247,031	30,247,031
Loans and advances to customers	-	153,785,794	-	153,785,794	153,785,794
Related party receivables	-	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
Liabilities					
Loan security fund	-	28,315,745	-	28,315,745	28,315,745
Related party payables	-	875,603	-	875,603	875,603
Borrowings and managed funds	-	59,623,004	-	59,623,004	59,623,004
Bank overdraft	-	-	-	-	-
Other liabilities	-	3,530,467	-	3,530,467	3,530,467

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.

31. ULTIMATE CONTROLLING PARTY

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

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED GENERAL INFORMATION

DIRECTORS

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

ADMINISTRATORS

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

* Bangladeshi

PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

Mr. Shib Narayan Kairy
Treasurer, BRAC University
66 Mohakhali, Dhaka 1212, Bangladesh

AUDITORS

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

BANKERS

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

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS’ REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in submitting their report and the audited financial statements of Brac Social Business Enterprises Uganda Limited (“the Company”) for the year ended 31 December 2017, which disclose the state of affairs of the company.

(A) REGISTRATION

BRAC Social Business Enterprises Uganda Limited was incorporated as a limited liability company on 9 April 2010 under the Company's Act of 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 Business Enterprises Uganda Limited uses sustainable social businesses to create and protect the livelihoods of poor people.

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

(b) VISION

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

(c) MISSION

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

(d) OUR VALUES

Innovation- 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 2017 are set out on page 138.

(g) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 131.

(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 2017 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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS’ REPORT FOR THE YEAR ENDED 31 DECEMBER 2017(CONTINUED)

(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 12 to the financial statements.

(m) KEY ACHIEVEMENTS IN 2017

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

(n) 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.

(o) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year ended 31 December 2017. 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

(p) GENDER PARITY

In 2017, the company had a total staff of 26 staff (24 in 2016), female being 50% of the total staff.

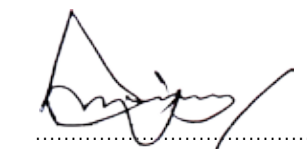
(q) Auditors

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 .

(r) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 11 March, 2018.

By order of the Board


.....
SECRETARY

Date: 11.03.2018

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

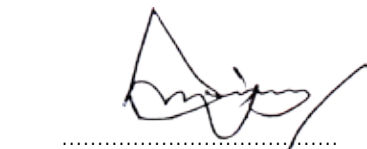
The directors accept responsibility for the financial statements set out on pages 9 to 34 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of 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 2017.

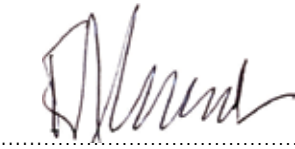
The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The financial statements were approved by the board of directors on 11 March, 2018 and were signed on its behalf by:


.....
Director


.....
Director

Date:11.03.2018



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/eafrica



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BRAC SOCIAL BUSINESS ENTERPRISES LIMITED(CONTINUED)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BRAC SOCIAL BUSINESS ENTERPRISES 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 2017, 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 138 to 161.

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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the General Information, Directors’ Report, Statement of Directors’ Responsibility, the figures presented in USD and the information disclosed in the appendix 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 and the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. 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
P.O. Box 3509
Kampala, Uganda

Date: 23.03.2018

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Revenue	4	2,060,384	1,614,829	576,315	478,054
Cost of sales	5	(1,117,163)	(696,961)	(312,484)	(206,328)
Gross profit		943,221	917,868	263,831	271,726
Staff costs					
	6	(501,222)	(366,507)	(140,198)	(108,502)
Training, workshops & seminars	6(a)	(8,788)	(47,968)	(2,458)	(14,200)
Other operating expenses	7	(686,118)	(663,479)	(191,916)	(196,416)
Depreciation	10	(136,395)	(134,221)	(38,151)	(39,735)
Lease amortization	11	(614)	(614)	(172)	(182)
Profit before tax		(389,916)	(294,921)	(109,064)	(87,309)
Income tax expense/(credit)	14(a)	(17,592)	96,315	(4,921)	28,513
Net loss for the year		(407,508)	(198,606)	(113,985)	(58,796)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(407,508)	(198,606)	(113,985)	(58,796)

The notes set out on pages 13 to 34 are an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF FINANCIAL POSITION THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
ASSETS					
Cash and bank	8	596,176	1,018,411	164,142	285,910
Other receivables	9(b)	466,847	168,162	128,534	47,210
Inventory	9(a)	164,659	55,421	45,335	15,559
Tax receivable	14(c)	38,635	26,365	10,637	7,402
Property and equipment	10	1,566,634	1,691,283	431,332	474,812
Finance lease on leasehold land	11	56,178	56,792	15,467	15,944
Total assets		2,889,129	3,016,434	795,447	846,837
LIABILITIES AND EQUITY					
Liabilities					
Related party payables	12(a)	336,096	65,651	92,535	18,432
Other liabilities	13	155,481	163,315	42,808	45,849
Deferred tax liability	14(b)	148,712	131,120	40,944	36,811
Total liabilities		640,289	360,086	176,287	101,092
Equity					
Share capital	15	2,434,000	2,434,000	670,139	729,946
Retained earnings		(185,160)	222,348	(50,979)	15,799
Total Equity		2,248,840	2,656,348	619,160	745,745
Total liabilities and Equity		2,889,129	3,016,434	795,447	846,837

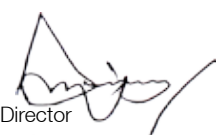
The financial statements on pages 9 to 34 were approved by the Board of Directors oN 11.03.2018 and were signed on its behalf by:



Head of Finance
BRAC Social Business Enterprise Limited



Country Representative
BRAC Social Business Enterprise Limited



Director



The notes set out on pages 13 to 34 are an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	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	2,434,000	-	(185,160)	2,248,840	619,160

The notes set out on pages 142 to 161 form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Cash outflow from operations	16	(410,488)	(187,722)	(114,127)	(42,903)
Income taxes paid	14(c)	-	(10,872)	-	(3,219)
Cash outflow from operating activities		(410,488)	(198,594)	(114,127)	(46,122)
INVESTING ACTIVITIES					
Acquisition of fixed assets	10	(11,747)	(115,761)	(3,286)	(32,499)
Cash outflows from investing activities		(11,747)	(115,761)	(3,286)	(32,499)
FINANCING ACTIVITIES					
Adjustment to share capital		-	726	-	199
Cash inflows from financing activities		-	726	-	199
Net decrease in cash and cash equivalents		(422,235)	(313,629)	(117,413)	-78,422
Cash & cash equivalents at 1 January		1,018,411	1,332,040	285,910	399,592
Currency translation		-	-	(4,355)	(35,260)
Cash & cash equivalents at 31 December	8	596,176	1,018,411	164,142	285,910

The notes set out on pages 142 to 161 are an integral part of these financial statements.

1. THE REPORTING ENTITY

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

BRAC’s business model strongly reflects its philosophy, the core elements of the business model are BRAC’s community outreach – based delivery methodology and its unwavering focus on people at the poorer end of the poverty spectrum.

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

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of measurement

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

The financial statements are prepared under the historical cost convention, as modified by the carrying amounts of available for sale investments at fair value and impaired assets at recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. Although the estimates and associated assumptions are based on the directors’ best knowledge of current events actions and historical experiences, actual results ultimately may differ from those estimates.

Management identifies all significant accounting policies and those that involve high judgment as documented in note 19.

(c) Functional and presentation currency

These financial statements are presented in thousands of Uganda shillings (Ushs ‘000), which is the entity’s functional currency. The financial statements include figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US \$) at the year-end rate of US \$1 = Ushs 3,632.08 for balance sheet items and US \$ = Ushs 3,575.1 for income statements balances. Foreign exchange differences are transferred to equity. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIE

(a) Revenue

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

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

Revenue is recognized as follows:

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

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

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

(b) Translation of foreign currencies

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

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

(c) Inventories

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

(d) Trade receivables

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

(e) Property and equipment

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property and equipment. Property and equipment are subsequently shown at market value, based on valuations by external independent valuers, less subsequent accumulated depreciation and impairment losses. Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increase of the same asset are charged against the revaluation reserve. All other decreases are charged to the profit and loss account. Depreciation 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.

(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.

(m) (i) New standards, amendments and interpretations effective and adopted 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 2017: 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 2017 are summarized below:

New amendments or interpretation	Effective date
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)	
Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)	

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2017

At the date of authorization of financial statements of Brac social business enterprise Uganda Limited for the year ended 31 December 2017, the following Standard and Interpretations were in issue but not yet effective;

New standard or amendments	Effective for annual periods beginning on or after
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	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
Transfers of Investment property (Amendments to IAS 40)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Considerations	1 January 2018
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 (Amendment to IAS 28)	1 January 2019
IFRS 17 Insurance contracts	1 January 2021

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

IAS 40, IFRS 2, IFRS 17, IAS 28, are not applicable to the business of the entity 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 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 Standard will not have a material impact on the financial statements of the company.

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

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

This interpretation is not likely to have a significant impact on the company's financial Statements

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

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 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

Management is still assessing the impact of this standard on the company.

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.

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 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.

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.

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. 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.

IFRS 9 Financial Instruments

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

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

The adoption of this standard will not have an impact on the financial statements of the company

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. REVENUE

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Sale of seeds	1,596,727	877,477	446,624	259,769
Vine sale	85,953	9,309	24,042	2,756
Training income	169,146	715,306	47,312	211,759
Other Income	160,392	-	44,864	-
Bank Interest income	48,315	12,317	13,514	3,646
Foreign exchange (loss)/gain	(149)	420	(41)	124
	2,060,384	1,614,829	576,315	478,054

5 COST OF SALES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Opening stock	55,421	90,953	15,502	26,926
Seed purchase	856,643	387,751	239,614	114,790
Labor	10,567	36,684	2,956	10,860
Transportation of seeds	129,412	67,196	36,198	19,893
Land preparation	-	710	-	210
Chemical cost	8,202	8,513	2,294	2,520
Irrigation cost	859	41	240	12
Fertilizer costs – chemicals	19,521	10,688	5,460	3,164
Packaging costs	134,163	119,471	37,527	35,368
Seed processing cost	27,484	17,247	7,688	5,106
Electricity bill	16,902	6,105	4,728	1,807
Fuel	22,648	7,023	6,334	2,079
Closing stock	(164,659)	(55,421)	(46,057)	(16,407)
	1,117,163	696,961	312,484	206,328

6. STAFF COSTS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Salaries	442,890	326,816	123,882	96,751
Bonus	9,695	590	2,712	175
Employer's contribution	44,757	34,183	12,519	10,120
Other staff costs	3,880	4,918	1,085	1,456
	501,222	366,507	140,198	108,502

6(a) TRAINING, WORKSHOP AND SEMINARS

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
External member trainings	8,562	47,968	2,395	14,200
Staff training	226	-	63	-
	8,788	47,968	2,458	14,200

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. OTHER OPERATING EXPENSES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Legal fees and other services	4,428	8,345	1,239	2,470
Audit fees	32,168	31,630	8,998	9,364
Maintenance and general expenses	136,417	176,339	38,419	52,203
Software maintenance cost	59,616	45,882	16,414	13,583
Stock loss provision	13,318	283	3,725	84
Other general expenses	95,545	105,536	26,725	31,243
Head office logistic expenses	69,597	38,522	19,467	11,404
Travel and transportation	237,891	192,269	66,541	56,919
Local office logistics expenses	-	38,522	-	11,404
Inventory write off	37,138	26,151	10,388	7,742
	686,118	663,479	191,916	196,416

8. CASH AND BANK

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Cash in hand	1,820	1,191	501	334
Cash at bank	594,356	1,017,220	163,641	285,576
	596,176	1,018,411	164,142	285,910

9(a) INVENTORY

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Maize seeds	104,092	22,822	28,659	6,407
Rice seeds	11,448	9,146	3,152	2,568
Bean seeds	39,048	12,026	10,751	3,376
Tomato seeds	5,570	8,172	1,534	2,294
Egg plants	493	621	136	174
Pumpkins	1,682	2,634	463	740
Watermelon	2,326	-	640	-
	164,659	55,421	45,335	15,559

9(b) OTHER RECEIVABLES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Receivables from others (Dealer)	466,847	168,162	128,534	47,210
	466,847	168,162	128,534	47,210

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10 PROPERTY AND EQUIPMENT

	Building Ushs '000	Furniture Ushs '000	Equipment Ushs '000	Total Ushs '000	Total USD
COST					
Balance at 1 January 2016	1,187,992	10,169	716,611	1,914,772	890,282
Additions	108,440	268	7,053	115,761	32,499
Currency translation	-	-	-	-	(352,727)
At 31 December 2016	1,296,432	10,437	723,664	2,030,533	570,054
Additions	-	-	11,747	11,747	3,286
Asset write-off	-	-	-	-	-
Currency translation	-	-	-	-	(11,051)
At 31 December 2017	1,296,432	10,437	735,410	2,042,279	562,289
DEPRECIATION					
Balance at 1 January 2016	81,683	1,875	121,471	205,029	377,385
Charge for the year	24,853	1,043	108,325	134,221	39,735
Currency translation	-	-	-	-	(321,878)
At 31 December 2016	106,536	2,918	229,796	339,250	95,242
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
NET BOOK VALUE					
At 31 December 2017	1,163,967	6,476	396,191	1,566,634	431,332
At 31 December 2016	1,189,896	7,519	493,868	1,691,283	474,812

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCE LEASEHOLD LAND

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 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	3,969	3,355	1,114	942
Charge for the year	614	614	172	182
Currency translations	-	-	305	(10)
At 31 December	4,583	3,969	1,591	1,114
NBV	56,178	56,792	15,467	15,944

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 2017, 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.

12. RELATED PARTY TRANSACTIONS

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

(a) Amount due to related parties	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Stitching BRAC International	20,744	20,744	5,711	5,824
BRAC Bangladesh	8,825	6,385	2,430	1,793
BRAC International Holdings B.V	67,058	38,522	18,463	10,815
BRAC Uganda	239,469	-	65,931	-
	336,096	65,651	92,535	18,432

Related party payables relate to settlement of operating expenditures on behalf of the company by related parties. The carrying amounts of these payables approximate their fair values. They are at zero interest, unsecured and due on demand.

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

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(b) Sale of services

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Training income	169,146	715,306	47,312	211,759
	169,146	715,306	47,312	211,759

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

13. OTHER LIABILITIES

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Bonus accrual	5,548	891	1,528	250
NSSF payable	4,271	4,982	1,176	1,399
Audit fees payable	32,168	-	8,857	-
Salary arrears payable	-	22,657	-	6,361
PAYE payable	7,256	7,868	1,997	2,209
Vat payable	27,408	-	7,546	-
Withholding tax payable	19,214	-	5,290	-
Accrued HO logistics and management Expense -	-	38,522	-	10,815
Payable to Bits	59,616	45,882	16,414	12,881
Other accrued expenses	-	42,513	-	11,934
	155,481	163,315	42,808	45,849

The carrying amounts of the liabilities approximate their fair values.

14. 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:

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
(Over)/Under provision from prior year	16,520	(7,381)	4,621	(2,185)
Deferred tax	1,072	(88,934)	300	(26,328)
Income tax expense/(credit)	17,592	(96,315)	4,921	(28,513)

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.

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
Accounting profit	(389,916)	(294,920)	(109,064)	(87,309)
Tax at applicable rate 30%	(116,975)	(88,476)	(32,719)	(26,193)
Tax effect of:				
Under provision from prior year	16,520	96,513	4,621	28,572
Unrecognized deferred tax	117,712	79,559	32,925	23,553
Non-deductible expenses	334	8,719	94	2,581
	17,592	(96,315)	4,921	(28,513)

(b) Deferred taxation

The recognized deferred tax liability as at 31 December 2017 is attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

	2016 Ushs '000	Mov't Ushs '000	2017 Ushs '000	2016 USD	Mov't USD	2017 USD
Property and equipment	437,094	77,479	514,573	122,711	18,963	141,674
Provisions	(1,174)	(17,692)	(18,866)	(330)	(4,864)	(5,194)
Unrealized losses	(9,520)	9,520	-	(2,673)	2,673	-
Unrealized gains	10,666	(10,666)	-	2,994	(2,994)	-
	437,066	58,641	495,707	122,702	13,778	136,480
Deferred tax asset @ 30%	131,120	17,592	148,712	36,811	4,133	40,944
At 31 December	131,120	17,592	148,712	36,811	4,133	40,944

(c) TAX RECIEVABLE

	2017 Ushs '000	2016 Ushs '000	2017 USD	2016 USD
At 1 January	26,365	8,112	7,402	2,433
Charge for the year	-	-	-	-
Paid during the year	-	10,872	-	3,219
(Over)/Under provision from prior year	12,270	7,381	3,432	2,072
Currency translation	-	-	(197)	(322)
At 31 December	38,635	26,365	10,637	7,402

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

(a) Share Capital		2017		2016
		Ushs '000		Ushs '000
Authorized Share Capital		10,500,000		10,500,000
Issued and fully paid	No of Shares	2017	No of Shares	2016
		Ushs '000		Ushs '000
As at 1 January	243,400	2,434,000	100	1,000
Issued during the year @ Ushs10,000	-	-	243,300	2,433,000
At 31 December	243,400	2,434,000	243,400	2,434,000

BRAC International Holdings BV purchased all 99 shares held by BRAC industries Ltd.

The transaction was completed on 06 January 2016. Authorized share capital increased from Ushs 1 million to Ushs 10.5 billion.

16. Cash flow from operating activities

	2017	2016	2017	2016
	Ushs '000	Ushs '000	USD	USD
Profit before tax	(389,916)	(294,921)	(109,064)	(87,309)
Adjustments for:				
Depreciation	136,395	134,221	38,151	39,735
Amortization	614	614	172	182
Cash flow before changes in working capital	(252,907)	(160,086)	(70,741)	(47,392)
Changes in working capital				
Changes in inventory	(109,238)	35,532	(30,076)	11,726
Changes in related party payables	270,445	41,333	74,460	11,137
Changes in receivables	(310,954)	(148,230)	(85,613)	(41,231)
Changes in other payables	(7,834)	43,729	(2,157)	22,857
Net cash Outflow from operations	(410,488)	(187,722)	(114,127)	(42,903)

17. FINANCAL RISK MANAGEMENT

a) Introduction and overview

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

- i) capital risk management
- ii) credit risk
- iii) interest rate risk
- iv) liquidity risk
- v) market risk
- vi) 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:

	2017	2016	2017	2017
	Ushs '000	Ushs '000	USD	USD
Trade and other payables	155,481	163,315	42,808	45,849
Due to related parties	336,096	65,651	92,535	18,432
Less: Cash and cash equivalents	(596,176)	(1,018,411)	(164,142)	(285,910)
Net debt	(104,599)	(789,445)	(28,799)	(221,629)
Equity	2,248,840	2,656,348	619,160	745,745
Capital and Net debt	2,144,241	1,866,903	590,361	524,116
Net debt to equity ratio	(5%)	(42%)	(5%)	(42%)

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.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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;				
	2017	2016	2017	2016
	Ushs '000	Ushs '000	USD	USD
Other receivables	466,846	168,162	128,534	47,210
Cash and Bank	596,176	1,018,411	164,142	285,910
	1,063,022	1,186,573	292,676	333,120
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:				

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Less than 2017	6 to 12 months 6 months	More than	Total 12 months
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
31 December Assets				
Cash and cash equivalents	596,176	-	-	596,176
Inventories	164,659	-	-	164,659
Tax receivable	38,635	-	-	38,635
Other receivables	466,846	-	-	466,846
Total assets	1,266,316	-	-	1,266,316
Liabilities				
Other liabilities	155,480	-	-	155,480
Amount due to related parties	336,096	-	-	336,096
Total liabilities	491,576	-	-	491,576
Liquidity gap	774,740	-	-	774,740
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.				

8. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
a) Valuation models
The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and Bank		-	596,176	596,176	596,176
Inventories	-	-	164,659	164,659	164,659
Tax receivable	-	-	38,635	38,635	38,635
Other receivables	-	-	466,846	466,846	466,846
Liabilities					
Other liabilities	-	-	155,481	155,481	155,480
Amount due to related parties	-	-	336,096	336,096	336,096

19. USE OF ESTIMATES AND JUDGEMENTS

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

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

Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

20. CONTINGENT LIABILTIES

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

21. ULTIMATE CONTROLLING PARTY

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

22. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2016.

23. CURRENCY

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

24. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2017(2016: Nil).

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

MEMORANDUM INFORMTION (UNAUDITED)			
Statement of comprehensive income for the year ended 31 December 2017 (Amount in Uganda Shillings)			
	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
Revenue	1,870,927	189,457	2,060,384
Cost of sales	(1,117,163)	-	(1,117,163)
Gross profit	753,764	189,457	943,221
Staff costs	(477,473)	(23,749)	(501,222)
Training, workshops & seminars	(2,676)	(6,112)	(8,788)
Other operating expenses	(505,320)	(180,797)	(686,117)
Depreciation	(122,913)	(13,482)	(136,395)
Lease amortization	(614)	-	(614)
Total Expenses	(1,108,996)	(224,141)	(1,333,137)
Profit before tax	(355,233)	(34,683)	(389,916)
Income tax credit/(expense)	(17,592)	-	(17,592)
Net loss for the year	(372,824)	(34,683)	(407,508)
Other comprehensive income	-	-	-
Total comprehensive loss	(372,824)	(34,683)	(407,508)
Statement of financial position as at 31 December 2017 (Amount in Uganda Shillings)			
	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
ASSETS			
Cash and Bank	31,499	564,677	596,176
Inventory	164,659	-	164,659
Tax receivable	38,635	-	38,635
Other receivables	466,681	166	466,847
Property and equipment	1,099,445	467,189	1,566,634
Finance lease on leasehold land	56,178		56,178
Total assets	1,857,097	1,032,032	2,889,129
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	1,811,157	(1,475,061)	336,096
Other liabilities	124,497	30,984	155,481
Deferred tax liability	42,446	106,266	148,712
Total liabilities	1,978,100	(1,337,811)	640,289
Equity			
Share Capital	2,002,421	431,579	2,434,000
Retained earnings	(2,123,422)	1,938,262	(185,160)
Total Equity	(121,001)	2,369,841	2,248,840
Total liabilities and Equity	1,857,099	1,032,030	2,889,129

BRAC SOCIAL BUSINESS ENERPRISES UGANDA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of comprehensive income for the year ended 31 December 2017 (Amount in United States Dollars)			
	Agriculture USD	Training USD	Total USD
Revenue	523,322	52,993	576,315
Cost of Sales	(312,484)	-	(312,484)
Gross Profit	210,838	52,993	263,831
Staff costs	(133,555)	(6,643)	(140,198)
Training, workshops & seminars	(749)	(1,709)	(2,458)
Other operating expenses	(141,343)	(50,573)	(191,916)
Depreciation	(34,381)	(3,770)	(38,151)
Amortization	(172)	-	(172)
Total Expenses	(310,200)	(62,695)	(372,895)
Profit before tax	(99,363)	(9,701)	(109,064)
Income tax credit	(4,921)		(4,921)
Net profit for the year	(104,284)	(9,701)	(113,985)
Statement of financial position as at 31 December 2016 (Amount in United States Dollars)			
	Agriculture USD	Training USD	Total USD
ASSETS			
Cash and bank	8,673	155,469	164,142
Inventory	45,335		45,335
Tax receivable	10,637		10,637
Other receivables	128,488	46	128,534
Property and equipment	302,704	128,628	431,332
Finance lease	15,467		15,467
Total assets	511,304	284,143	795,447
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	34,277	8,531	42,808
Other liabilities	498,656	(406,121)	92,535
Deferred tax liability	11,686	29,258	40,944
Total liabilities	544,619	(368,332)	176,287
Equity			
Share Capital	551,315	118,824	670,139
Retained earnings	(584,630)	533,651	(50,979)
Total Equity	(33,315)	652,475	619,160
Total liabilities and Equity	511,304	284,143	795,447

SUSTAINIBILITY REPORT

The word ‘sustainability’ infers responsible and proactive decision making and innovation that minimizes negative impact. Our sustainability report reflects our organization’s economic, environmental and social impacts caused by our everyday activities. Not only does it present these factors, but it also showcases our values and governance model, and demonstrates the link between its strategy and its commitment to creating a sustainable global economy.

BRAC recognizes that poverty is multi-dimensional, and therefore it will continue to provide a multi-dimensional array of services and support to its target populations. Through our holistic approach, we tackle sustainability issues on a multifaceted level. We intertwine our programmes in Microfinance, Health, Education, and Agriculture to create and protect the livelihoods of poor people. Our social enterprises, integrated with the various development programmes, form crucial linkages that increase the productivity of our members’ assets and labour and generate surplus for the organization, allowing both those we support and ourselves to be increasingly self reliant.

Our report is a key platform for communicating sustainability performance and impacts. We remain committed to making positive and lasting social, economic and environmental impact in Uganda and across the world.

Environmental Performance and Community Engagement

Through a variety of ways, BRAC illustrates its commitment to preserving the environment across its multiple programmes.

Within the education programme, which includes Scholarship, Play Lab and ELA projects, we use the community engagement approach in preserving the environment through various interventions. The community interventions include giveback activities through community service training of scholars, teacher mentors, alumni association activities, annual day of service where we plant tress and clean the villages amongst many other initiatives. This is evidenced in the images below.

BRAC Uganda’s TUP project funded by Cartier Charitable and AESTUS foundation is dedicated to reducing poverty among households that we work in and thus contribute to a number of the SDG’s. Through our home and group coaching, we build hands on life skills and proper financial behavior within households. From the onset of the project, participants and the community are completely involved in all interventions to ensure our initiatives are relevant and address individual needs but also accepted within communities.

Social Performance

Building Strategic Partnerships

BRAC cannot reach a significant percentage of the excluded and vulnerable populations through service delivery alone. To be effective at scale and ensure sustainability, BRAC must work alongside donors, local NGOs, governments, academics, media and the private sector. Partnering with local organizations has the potential to increase funding opportunities and contribute to program ownership thus leading to sustained interventions. Indeed, other players in Africa have noted BRAC’s potential to partner with others for greater impact.

Within the Health Programme, we are contributing to the Government’s efforts towards the ‘One Health’ approach by addressing antimicrobial resistance methods, food safety and healthy dietary measures through the integration of our Health and Agriculture program. (nutritious porridge, orange sweet potato). We also held a report harmonization work with the Ministry of Health and District Biostatisticians and HMIS focal personnel on the 27th of October, 2017. The meeting had over 125 participants including 71 district HMIS focal persons, MOH HMIS lead personnel and BRAC health team. The objective of this workshop was to;

- i) orient BRAC Health Program, CHPs model and activities
- ii) harmonize the indicators with the ICCM indicators with the indicators on BRAC

Health Annual Performance Review Meeting with partners including Children’s Investment Fund Foundation (CIFF) and Living Goods (LG) were held to discuss achievements of 2017, challenges, new pilots’ updates and work plan and budget of 2018 was proposed and submitted.

In implementing the BRAC programmes under Education, working with and through meaningful partnerships is critical for sustainability. In the Scholarship programme BRAC is working with over 100 partner schools both private and government schools to provide scholarships and education support services. The programme organizes stakeholders and partners’ meetings to get feedback from implementing partners and to respond to observed challenges for improved implementation.

In the Early Childhood Development program, BRAC works in partnership with private, government and community schools to construct our ‘Play Lab’ spaces. We support the social and emotional development of children giving them a strong foundation for early education and mainstream them into primary schools.

Under the ELA Programme we work with the Ministry of gender Labour and Social Development (MGLSD), Uganda National Roads Authority (UNRA) and private sector to socially and economically empower vulnerable girls and boys and to mitigate social risks associated with gender based violence and violence against children through a community led approach.

Additionally, on 23rd March 2018, the Agriculture programme organized a National Stakeholders Meeting that brought together, among others, the Resident District Commissioners (RDCs), Chief Administrative Officers (CAOs), representatives from the Office of the Prime Minister and Ministry of Agriculture and District Health Officers (DHOs) of the districts in which the programme operates.

BRAC Uganda under its Africa strategy will continue to map out and engage key partnerships with like minded organizations, including the civil society, government departments, UN agencies, multilateral agencies, and private actors. Strengthening these partnerships will contribute significantly to increased resources through consortia applications, implementation of bilateral projects which will lead to more positive outcomes among the beneficiaries and transformation. The country office through the leadership of the Country Representative has already engaged a number of institutions as witnessed above including the United Nations Population Fund (UNFPA), World Bank, The European Union Delegation in Uganda, DANIDA, line ministries in health, education, gender, civil society organizations and many others. This continuous partnership engagement will strategically lead to more resources being mobilized to reach more vulnerable populations and thus financial sustainability.

Governance Performance

BRAC is committed to expanding and diversifying resources to grow and sustain its work in Africa. This is done through our governance models where our support departments play a critical role in the implementation of the core programs and also in achieving our strategic goals. Key factors are highlighted below:

Customer Confidentiality

We value our beneficiaries and ensure confidentiality of all information obtained. Staffs are trained on how to ensure confidentiality of our beneficiaries’ information. The Organization has policies and procedures on customer information. We obtain feedback regularly through our research and evaluation department on the satisfaction of our beneficiaries and staff.

Compliance to Country Laws and Regulations

BRAC Uganda continues to be compliant to Country laws and regulations. All operation licenses, work permits, are renewed on time. Statutory deductions are also remitted on time. BRAC Human Resource policies are in line with the labour laws.

Staff Development and Welfare

BRAC Uganda Country Leadership and Senior Management team are strategizing to build a team of competent, positive attitude employees who will continue lighting the candle for BRAC. We continue to acknowledge that the success of BRAC interventions is majorly driven by its well trained and motivated workforce. A number of achievements and HR initiatives were realized in 2017 and we would wish to give a brief highlight of them;

- Medical insurance is now being fully met by BRAC
- An initiative for long term contracts has been embarked on where new staff are given one year contracts and thereafter given three years basing on availability of funding and performance
- The airtime distribution has been streamlined to facilitate implementation
- Accommodation rates while on field visits has been revised and increased
- Provision of Modems for Program Managers
- Increased lunch allowance
- Introduction of online movement register and biometric attendance register
- Salary realignment, enhancement and promotion of some staff.
- Retention of some of our staffs whose projects closed but we were able to integrate them in different projects.

Additionally, BRAC Uganda continued to prioritize on capacity development and staff motivation. See below the trainings that took place in 2017.

Staff Remuneration Policies and Performance management system

Staff at all levels are remunerated in accordance with their employment contracts or appointment letters. The salaries are fixed according to the salary structure. Staff are paid salaries within the last two working days of the month. Full time staff are eligible for an annual salary review based on performance, fund availability and organizational policies. In 2017 HR continued to follow the reviewed salary structure ensuring competitive pay for well deserved employees. All staff continued to support the performance management system, an initiative that has been rolled out throughout BRAC International programs. Annual performance reviews were substantially completed. The Performance Management System (PMS) board in country successfully rewarded the most deserving and high performing individuals in terms of achieving their objectives and following the BRAC Values.

Inclusive and Diversity Management Campaign (IDMC)

On 21 May 2017, all branch offices celebrated IDMC Day under the theme Diversity on demand, through cross-cultural skits, quizzes and game activities. IDMC is an initiative to make our workforce more aware and open to inclusion of differences. Its main objective is to enhance knowledge and sensitivity on diversity and inclusiveness in general and empathy of other cultures in particular and to increase opportunity to interact and socialize with different communities/ cultures and races.

S/ No	Training/Course Name	Time Line		Program of participants	Venue Name	No of Participants		
		From	To		Owned	Female	Male	Total
1	BRAC Values,HRRP,PMS Orientation	09.01.2017	09.01.2017	Health,JSDF,BSBE,ECM, PLAY LAB,ELA,SEP	BLC Lunguja	6	13	19
2	BRAC Values, HRRP, PMS Orientation	20.01.2017	20.01.2017	Health,ELA(OVAYEE)	Iganga Regional Office	16	1	17
3	BRAC Values,HRRP, PMS Orientation	27.01.2017	27.01.2017	Health,Audit, BSBE	Mbarara Regional Office	13	1	14
4	People Leadership program	13.03.2017	15.03.2017	Health,Monitoring	BLC Lunguja	7	1	8
5	People Leadership program	20.03.2017	22.03.2017	Health,Monitoring, Audit	BLC Lunguja	9	1	10
6	BRAC Values,HRRP, PMS Orientation	24.03.2017	24.03.2017	Finance & Accounts	BLC Lunguja	1	1	2
7	People Leadership program	19.04.2017	21.04.2017	F&A,ECM	BLC Lunguja	9	0	9
8	People Leadership program	24.04.2017	26.04.2017	ECM,Monitoring,JSDF	BLC Lunguja	4	1	5
9	People Leadership program	22.05.2017	24.05.2017	JSDF,ECM,HR,F&A,Scholarship	BLC Lunguja	5	4	9
10	People Leadership program	05.06.2017	07.06.2017	Health,Playlab	BLC Lunguja			5
11	BRAC Values, HRRP, PMS Orientation	03.07.2017	03.07.2017	F&A,Health,REU, Admin,TUP, Audit	BLC Lunguja	8	7	15
	PMS TOT	13.07.2017	13.07.2017	HR,TUP,Playlab	BLC Lunguja	4	3	7
12	BRAC Values, HRP, PMS Orientation	14.08.2017	14.08.2017	Scholarship,ELA-ECM, F&A, Audit,BSBE	BLC Nakaseke	14	3	17
13	BRAC Values	11.09.2017	11.09.2017	Scholarship	BLC Nakaseke	8	7	15
14	People Leadership program	18.09.2017	20.08.2017	Health, F&A,ELA	BLC Nakaseke	12	1	13
15	BRAC Values, HRRP, PMS Orientation	13.10.2017	13.10.2017	ELA-ECM,TUP,HEALTH, F&A,JSDF,	BLC Lunguja	19	5	24
16	People Leadership program	16.10.2017	18.10.2017	ELA-ECM,SCHOLARSHIP	BLC Lunguja	10	2	12
17	BRAC Values, HRRP, PMS Orientation	25.11.2017	25.11.2017	Health, Administration, F& A, HRD,REU	BLC Lunguja	21	2	23

BRAC

BRAC Centre
75 Mohakhali
Dhaka 1212
Bangladesh

T : +88 02 9881265
F : +88 02 8823542
E : info@brac.net
W : www.brac.net

BRAC INTERNATIONAL

Bezuidenhoutseweg 2
2594 AV The Hague
The Netherlands
T: +31 (0)6 50 255 110
W: www.bracinternational.nl

BRAC IN UGANDA

Plot 90 Busingiri Zone, Off
Entebbe Road Nyanama
P.O: Box 31817 (Clock Tower)
Kampala Uganda

T: +256 (0) 714 274201,
+256 (0) 700861747
E: bracuganda@brac.net
W: www.bracinternational.nl/uganda

COVER PHOTO:

BRAC