brac

2015 ANNUAL REPORT

UGANDA

BRAC is a development organisation dedicated to alleviating poverty by empowering the poor. Our journey began in 1972 in the newly sovereign Bangladesh, and over the course of our evolution, we have been playing a role of recognising and tackling the many different realities of poverty.

BRAC believes that poverty is a system and its underlying causes are manifold and interlinked. Some of these linkages are obvious, for example, a day's wage forgone because of illness or resources lost to a natural disaster. Others play a more indirect role in perpetuating poverty, such as lack of awareness about laws and rights can lead not only to outright exploitation, but also encourage a lack of accountability on the part of the state to cater to its most vulnerable citizens.

In order for the poor to come out of poverty, they must have the tools to fight it across all fronts. We have, therefore, developed support services in the areas of human rights and social empowerment, education and health, economic empowerment and enterprise development, livelihood training, environmental sustainability and disaster preparedness. Gender equality, respect for the environment and inclusivity are themes crosscutting all of our activities.

To ensure that we are always learning and that our work is always relevant, we have put in place training, research and monitoring systems across all our activities and financial checks and balances in the form of audits. But what we really do is best portrayed in the true life stories of those who make the real changes.

VISION

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

MISSION

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

VALUES

Integrity

Innovation

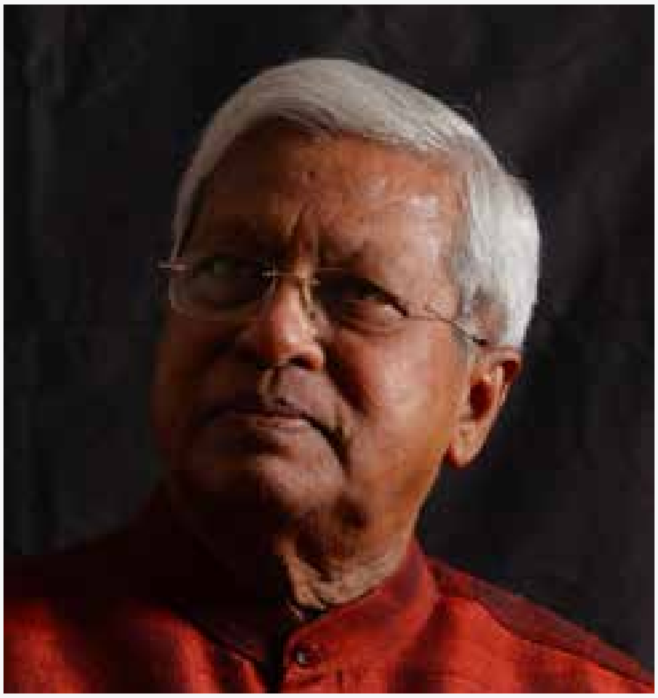
Inclusiveness

Effectiveness

CONTENTS

01	Our Vision, Mission and Values
03	Chairperson's Statement
04	BRAC International Governance and Management
06	MICROFINANCE
08	EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS
10	EDUCATION
12	HEALTH
14	AGRICULTURE AND FOOD SECURITY
16	POULTRY AND LIVESTOCK
18	KARAMOJA INITIATIVE
20	Support Programmes
22	Governance
22	Management
22	Development Partners
23	Country Map
24	BRAC Across the World
26	Financials

CHAIRPERSON'S STATEMENT



It gives me great pleasure to present the annual report and the audited financial statements for the year ended 31 December 2015.

In the last decade, Uganda has grown consistently, at an average rate of 6.4 per cent. It has made significant progress towards meeting the Millennium Development Goals and is now focusing on achieving the Sustainable Development Goals and the Government's own Vision 2040 for 'a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years.' BRAC in Uganda has been working to support the Government's efforts in providing microfinance services, ensuring food security through modern technology and healthy livestock, empowering youth and improving health conditions.

Approximately 20 per cent of Ugandans still live below the poverty line and they are mostly concentrated in rural areas. While there are a few financial institutions providing financial services to marginalised groups, they have limited operations in rural areas. BRAC's microfinance programme, one of our key interventions aimed at alleviating poverty in Uganda, reaches out to the poorest in both urban and rural areas. In 2015, USD 80.53 million was disbursed as micro and small enterprise loans among 176,624 borrowers, helping to improve their livelihoods, expand their businesses and generate employment for others.

Uganda has a very high maternal mortality ratio. Despite a decline in recent years, its child mortality rate also remains a matter of concern. Complicating the scenario is the growing malnutrition of children, which makes them vulnerable to malaria, diarrhoea and acute respiratory infections. In addition, Ugandans are at risk of communicable diseases. To address these problems, BRAC's health programme provided treatment to 347,262 patients with malaria and 168,510 with diarrhoea. As a life-saving strategy for women, BRAC provided 493,638 antenatal care and 76,844 postnatal carecheckups. As a result of its awareness programme conducted through household visits by BRAC's 2,808 community health promoters, a total of 371,984 children under five were immunised in BRAC's operating areas.

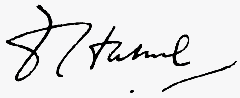
Agriculture is the most important economic sector in Uganda, with a significant percentage of the population relying solely on it for employment. BRAC's agriculture and livestock programme encourages farmers to adopt modern farming techniques, which has resulted in the use of improved seeds, line sowing, and the appropriate use of fertiliser. Uganda's Government envisions a transition from subsistence to commercial farming and BRAC is helping to achieve that goal. We have established a social enterprise seed farm to supply quality seeds to farmers, and developed community-based service providers to support them. To fight nutritional poverty, BRAC promotes the cultivation and consumption of nutrient-rich crops including bio-fortified Orange-fleshed Sweet Potato.

While Uganda has succeeded in increasing its primary school enrolment to 90 per cent, only a quarter of children complete secondary education. To address this problem, BRAC and the MasterCard Foundation have jointly launched a scholarship programme, targeting talented students from poor backgrounds. Once these students complete higher secondary education, BRAC links them to partner universities and also provides scholarships so that they can continue their studies. As of December 2015, 115 students have completed secondary school and have been supported to start university education.

Youth unemployment is another major challenge for Uganda. BRAC's empowerment and livelihoods for adolescents (ELA) programme provides a platform for unemployed youth to share with and learn from each other, improve their life skills and practise income-generating activities through livelihood/vocational training and mentorship. To date, BRAC has established 1,385 ELA clubs consisting of 78,735 members. We believe these youth will contribute significantly towards the development of Uganda.

BRAC's Karamoja initiative is a youth-focused response to the challenges faced by the disadvantaged North-Eastern sub-region of Uganda. The programme focuses on youth and early childhood development and education, based on the belief that changing the outlook of the younger generation is critical to the sustainable development of the region.

I would like to take this opportunity to extend my sincere thanks to our development partners in Uganda for their continued support towards achieving progress and prosperity in Uganda. I thank members of the governing board, whose leadership and foresight have been of great assistance. From this year, our experienced local advisory committee will help guide BRAC's operations from a country-specific perspective. My heartfelt thanks also to our dedicated Ugandan team, which has ensured that BRAC's programmes continue to grow and deepen.



Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

GOVERNANCE AND MANAGEMENT

GOVERNANCE

THE LEGAL STATUS OF BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International under the laws of the Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. The programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights and legal services. BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes currently supporting the enterprises include seed production, feed mills, training centres and tissue culture labs. BRAC International has introduced programmes in Afghanistan, Haiti, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, the Philippines, Myanmar and Nepal. It is legally registered with the relevant authorities in each of these countries.

GOVERNING BODY

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

Members of the governing body

Chairperson:
Sir Fazle Hasan Abed, KCMG
Members:
Ahmed Mushtaque Raza Chowdhury
Dr Muhammad Musa
Ms Sylvia Borren
Dr Debapriyo Bhattacharya
Ms Shabana Azmi
Mr Shafiqul Hassan (Quais)
Ms Parveen Mahmud
Ms Irene Zubaida Khan
Dr Fawzia Rasheed

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

Chairperson:
Sir Fazle Hasan Abed, KCMG
Members:
Ms Sylvia Borren
Dr Muhammad Musa
Ms Parveen Mahmud
Mr Hans Eskes

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

FINANCE AND AUDIT COMMITTEE

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

1. Ms Parveen Mahmud, Chair
2. Dr Muhammad Musa, Member
3. Ms Sylvia Borren, Member
4. Mr Faruque Ahmed, Member
5. Mr SN Kairy, Secretary of the Committee
6. Mr Hans Eskes

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

- The financial reporting and budgeting processes
- The system of internal controls and risk assessment
- The compliance with legal and regulatory requirements
- The qualifications, independence, and performance of the external auditors
- The qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

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

ADVISORY COMMITTEE

In 2015, BRAC International decided to source suitable candidates in its countries of operation to form an advisory committee. This was in part driven by the need to strengthen governance, support advocacy at the national level and enhance credibility with donors whose expectations around governance included setting up boards at the country level which comprise largely of members who are preferably nationals.

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

ACCOUNTABILITY AND TRANSPARENCY

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

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

MANAGEMENT

There is a clear-cut policy regarding the authority of each level of staff at all levels of BRAC International's management. Staff members are equipped and empowered to act as effective managers. This is clearly set out in BRAC international's human resources policies and procedures and the Table of Authority. Staff are empowered to take decisions at relevant levels and areas of management, including recruitment, deployment, capacity building, transfer, leave, financial transactions, purchase and procurement. These are described in detail to staff at the area, regional and country office levels.

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

FINANCIAL MANAGEMENT

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

In consultation with different levels of stakeholders, the country office prepares project-wise budgets, which are then sent to the secretariat. The secretariat reviews and performs analytical procedures on the project budgets of its country offices, which are recommended by the finance director and finally approved by the group chief financial officer. The secretariat consolidates all BRAC International country financials and produces the BRAC International budget and consolidated audited financials.

The budget and the consolidations are submitted to the BRAC International governing body for approval.

INFORMATION TECHNOLOGY

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

HUMAN RESOURCE MANAGEMENT

BRAC International's human resources and training department caters to about 7,110 employees across 10 operating countries. The team strengthens BRAC International's human resources capacity, visibility, and practices through strategic interventions and new initiatives. Following are some of the year's highlights:

Key recruitment: Significant changes to the upper management at BRAC International occurred in 2015 with the joining of new regional directors for the Africa and Asia regions, new chief people officer and research director, three new country representatives of Afghanistan, Liberia and Sierra Leone, and for the first time, a resident representative fundraiser in the Netherlands office. BRAC International established an emergency response coordination team with new emergency response coordinators joining in Uganda, Tanzania, Pakistan and South Sudan. More countries will recruit emergency response coordinators in 2016.

In keeping with BRAC's vision towards localisation of operations, local heads of department have joined in multiple countries. Some of these include local heads of finance, audit, monitoring, human resource development, research, agriculture and fundraising. The first chief executive officer of BRAC Uganda's microfinance is planning its transformation to a microfinance deposit-taking institution in 2016.

Performance management system: To promote a high-performance culture, the performance management system has cascaded down to all employees, from country management to field staff. This has clear guidelines provided for more focused performance management, discussing performance-related rewards and developing low performers through a performance improvement process. Employees have become more attuned to key performance indicator-based achievements and rewards are linked to both performance and demonstration of BRAC values in the workplace.

Human resources management capacity: In 2015, country-level HR departments were strengthened with improved automation of HR processes for better service delivery. The department aims to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees in accordance with the human resources policies and procedures manual. The manual provides all employees with an understanding of new policies, due benefits and the processes required to fulfil them. The human resources development further ensures employees' commitment to BRAC International's 15 policies under the code of conduct, particularly in regards to child protection and gender equality.

Staff motivation schemes: Full scholarships for higher studies are provided annually to high potential and committed staff to boost local capacity development. In 2015, four female employees were given full scholarships from BRAC to pursue postgraduate studies locally and overseas. In addition, seven female staff received the prestigious BRAC Values Award for their outstanding display of ethics and professionalism, after a rigorous screening of nominations from the entire BRAC workforce.

Organisational development: All representative job roles have been determined and placed within the organisational hierarchy. Roles have been evaluated using the Hay Method and accordingly, employees are being placed on a new salary structure. This year, all Bangladeshi staff on secondment underwent the re-grading process which took place at BRAC's headquarters. In the next phase, new country-specific salary structures, organograms and role-wise grading will come into practice for local employees next year.

Enterprise resource planning: A HR module in the new system has been designed and piloted in-house to streamline HR processes, enhance staff data management and analytic capacity. It will be implemented in phases across BRAC International, starting with BRAC South Sudan in the first quarter of 2016.

Training and development: With the vision of streamlining staff development activities, BRAC International HRD organised BRAC's first ever inclusion and diversity campaign to promote a culture of diversity, inclusion, gender sensitivity and BRAC values among its workforce. In October 2015, 16 employees from 10 operating countries participated in a 20-day training of trainers workshop at BRAC headquarters in Dhaka.

Training received on four modules: A group of 16 trainers received training on BRAC values, inclusion and diversity, gender awareness and people leadership programme. They will develop a further pool of trainers who will execute this training programme throughout the country in 2016 to promote the 'one BRAC' culture. In addition to classroom-based training, the trainers also visited BRAC's field operations in Bangladesh and met the chairperson and BRAC International's senior management.

World Diversity Day was celebrated for the first time in May 2015, where employees took part together in cultural programmes, sports tournaments, and cooking events. This will continue to be an annual event to promote harmony and inclusiveness within the workplace.

MICROFINANCE

Over the last four decades, **BRAC microfinance** has grown to become one of the world's largest providers of financial services to the marginalised, who have limited access to formal financial institutions. It provides the necessary tools to enable the financial inclusion of millions of people across seven countries. Through its innovative, client-focused and sustainable approach, BRAC continues to show that microfinance can have a powerful impact on the lives of the marginalised. Our small enterprise loans are offered to entrepreneurs who seek to enlarge their businesses. The BRAC microfinance programme is a critical component of our holistic approach to supporting livelihoods.

PROVIDING FINANCIAL SUPPORT TO THE MARGINALISED

Microfinance is one of BRAC's core development interventions. Over the last nine years, since its inception in Uganda, the programme has spread across 68 districts. Central to the programme are microloans, which are exclusively provided to women in groups. Credit facilities are also provided to small enterprises targeting both men and women.

MICROLOANS

BRAC Uganda's microfinance services are available through a network of 140 branches spread across 68 districts. At the branch level, women are organised into groups, referred to as village organisation within their communities, through which microfinance services are delivered.

This year BRAC Uganda revoked group liability and introduced a top-up loan facility to meet sudden financial needs during the loan tenure. We piloted a bi-weekly collection system in a number of branches, which was appreciated by borrowers. The microfinance programme also piloted an agricultural loan product under the Japanese Social Development Fund.

BRAC Uganda's microfinance programme is transforming itself to become a more formal financial institution. This will help BRAC to offer savings products as well as credit facilities to its clients.

SMALL ENTERPRISE LOANS

BRAC offers small enterprise programme loans to small and medium businesses seeking to meet working capital requirements or expand existing businesses. Targeting both men and women with limited access to formal financial services, these loans also enable enterprise owners to create new employment opportunities and offer new services. The small enterprise loan is available in 93 branches in 53 districts. This year BRAC initiated repayment through mobile money in a number of branches, and that will gradually increase in scale.

PROGRAMME HIGHLIGHTS

USD 71.57 million disbursed in microloans to **169,176** clients and **USD 8.96 million** disbursed in small enterprise loans to **7,448** clients.

2013	**116,261** borrowers (97% women)
2014	**142,795** borrowers (98% women)
2015	**176,624** borrowers (98% women)

CASE STORY

A BEAUTIFUL OPPORTUNITY

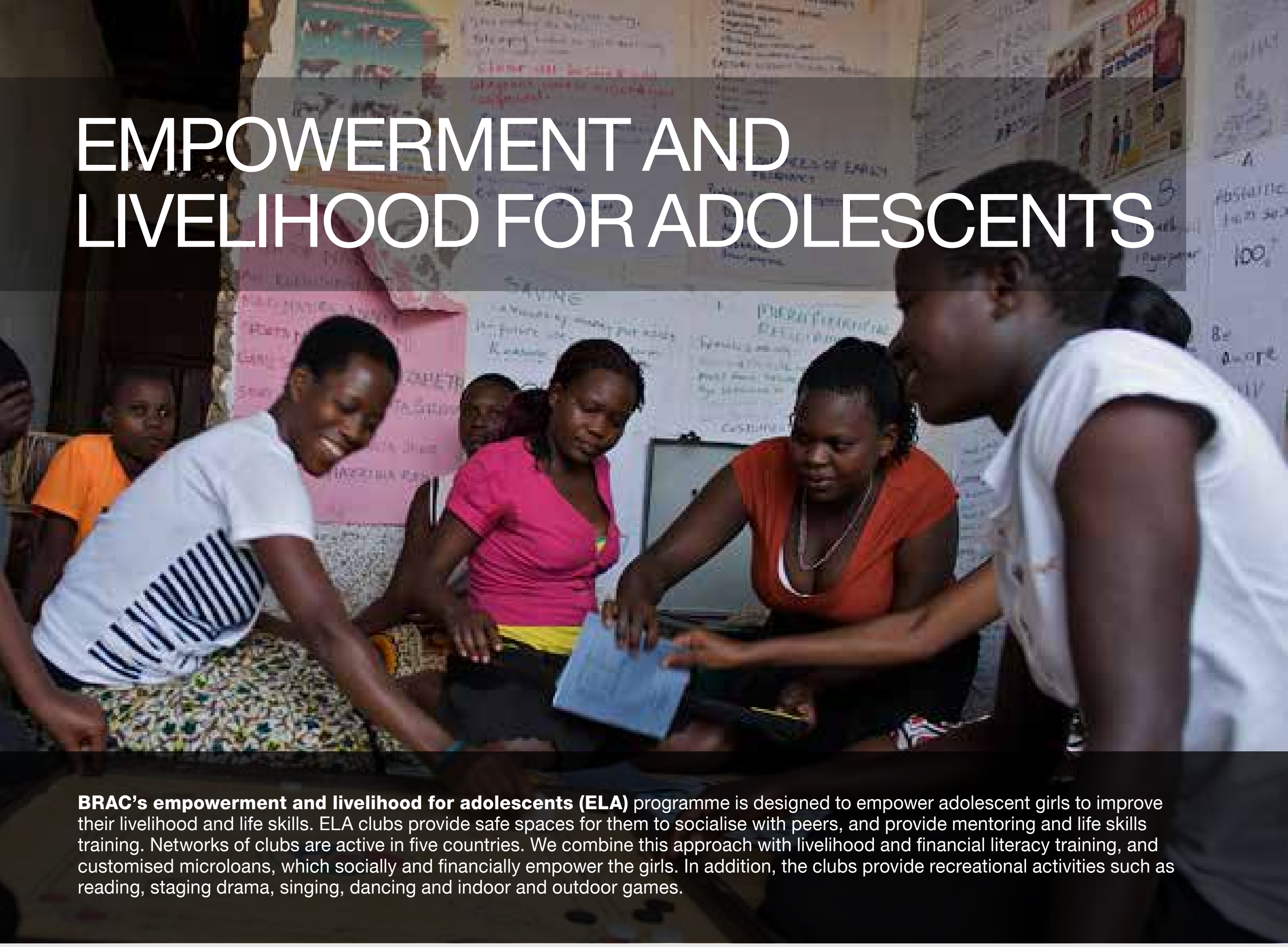
My name is Safina Nakato. I am 36 years old and I live in Luwero town, in Luwero district. I live with my four children and my husband, who is a fishmonger. I have been a member of BRAC microfinance since 2008. Before joining BRAC, I was involved in a small-scale cosmetic business.

A BRAC officer introduced me to the microfinance programme while she was conducting a survey in my village. She explained to me that BRAC gave guaranteed loans to its clients through very simple procedures. After meeting other clients and the local BRAC branch manager, I borrowed my first loan of USD 147 (UGX 500,000). I used this loan to buy cosmetics, hairpieces and other capital. I repaid the loan within 10 months, and went on to borrow USD 235 (UGX 800,000), which I used it to expand my existing salon in my house.

BRAC made it easy for me to secure my loans. The interest rate was favourable and I was not required to deposit or produce documents that other banks required from their clients. I have taken eight more loans since then, the most recent being for USD 735 (UGX 2.5 million). Attending the group's weekly meetings has taught me how to handle my business in a more disciplined manner. I have gradually started to save money. Eventually I plan to set up a second salon at my house.

I earn over USD 1,000 (UGX 3,300,000) now. I have used the loans to build additional rooms in my house, which I now rent out to earn extra income. I currently employ four women at my salon, and I have 10 trainees who I teach different hairdressing techniques to.

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS



BRAC's empowerment and livelihood for adolescents (ELA) programme is designed to empower adolescent girls to improve their livelihood and life skills. ELA clubs provide safe spaces for them to socialise with peers, and provide mentoring and life skills training. Networks of clubs are active in five countries. We combine this approach with livelihood and financial literacy training, and customised microloans, which socially and financially empower the girls. In addition, the clubs provide recreational activities such as reading, staging drama, singing, dancing and indoor and outdoor games.

EMPOWERING ADOLESCENTS

BRAC's empowerment and livelihood for adolescents programme (ELA) is one of the largest youth empowerment platforms in Uganda. The ELA programme aims to improve the quality of life of vulnerable adolescents, particularly girls (aged 13-22) by creating safe spaces, known as adolescent clubs. Here, they develop skills that help them grow as confident, empowered and self-reliant individuals.

The programme covers 54 districts of Uganda and has been able to impact the lives of 78,735 adolescent girls.

BRAC's goal programme, which empowers adolescents through sports, trained 44 female goal coaches in 2015. They are helping girls develop physical fitness and sports skills across 14 branches.

ADOLESCENT HEALTH PROMOTERS

The adolescent health promoters initiative aims to build the social, health and economic assets of economically disadvantaged and vulnerable girls through grants from the Barr Foundation. Capacity building continues to be a significant focus of the programme. The ELA programme has 280 adolescent health promoters who provide their peers with basic information on sexual and reproductive health. They also make health products available at affordable prices. The initiative aims to reduce vulnerabilities of adolescents to sexual exploitation and abuse. Parent and community participation is another key element of the programme.

TENANCY PROJECT

The tenancy project started in 2013, with an aim to promote youth participation in agriculture. The project ensures sustainability of ELA clubs through the cultivation and sale of agricultural produce. We provide young farmers with seeds for vegetables such as maize, beans, tomatoes, cabbage and Irish potatoes, and training on agricultural practices.

BUILDING YOUNG FUTURES

Building young futures is a three-year project which started in January 2013. Funded by Barclays Bank and UNICEF, the project is implemented in partnership with UNICEF. The goal of the project is to enhance life skills and improve livelihood skills through apprenticeships. It also aims to increase access to digital technology and small grants. Mentoring and livelihood training for youth enables them to start their own businesses, and encourages savings schemes for small investments. As part of capacity building, ICT training is also provided.

PROGRAMME HIGHLIGHTS

1,385 ELA clubs consisting of **78,735** members were established in **94** branches. The number of members increased by **113** per cent. **140** girls and **140** boys were selected as adolescent health promoters.

Total loan disbursement increased from **USD 62,337** to **USD 86,992** and the number of borrowers groups increased from **1,172** to **1,216**.

A total of **14,264** adolescents have graduated and transitioned from the programme. **445** ELA borrowers transitioned to the microfinance programme. **400** girls joined poultry and livestock programme as youth entrepreneurs and received day-old chicks. **280** participants received vocational training and **510** received mentoring training. **Two** ELA girls attended the Africa Works Summit in Cape Town, South Africa funded by The Master Card Foundation.

Under the building young futures project, **290** mentors were trained on financial literacy. The project equipped **620** young people with vocational skills through apprenticeships in hair dressing, catering and tailoring.

2013
11,809
Active microloan borrowers

2014
14,519
Active microloan borrowers

2015
16,412
Active microloan borrowers

2013
61,608
ELA club members

2014
69,637
ELA club members

2015
78,735
ELA club members

CASE STORY

A GREEN ACTIVIST ENTREPRENEUR

My name is Annet Nalugo. I am 21 years old and I live in Kasangati, Wakiso district. I had to drop out of school when I was in class 5 as my parents could no longer afford my tuition fees. I took on a job as a waitress to help out my family, but had to quit because of the hectic time schedule and long hours.

I started making energy-saving charcoal stoves after that. I became aware of them as they were a government initiative and being promoted by environmental activists. The clay stoves were popular as they consumed 50 per cent less charcoal and wood compared to the ordinary charcoal stoves. The charcoal used in these clay stoves lasts three times longer, which goes a long way to save both money and trees for consumers.

I started the stove business with a seed capital of USD 20 (UGX 70,000) from the savings I had while working as a waitress.

I wanted to expand my stove business and applied to a community financial institution for a small loan, but I was denied the loan because the institution feared that I might fail to make loan repayments.

When I visited one of BRAC's ELA clubs, I was impressed to learn that girls like me could receive microloans. I immediately registered to become a member. After joining, I received training in life skills, reproductive health and family planning, and livelihood.

I became a member of ELA microfinance and took two loans of USD 59 (UGX 200,000) and then USD 118 (UGX 400,000) to grow my business. I now employ four people to make and sell over 500 stoves every two weeks, earning up to USD 40 (UGX 100,000) net profit in a good season. I can now run my business and look after my three-year-old daughter with ease. At the club, I was also introduced to financial literacy sessions, which have made me a more responsible entrepreneur. I plan to take more loans from BRAC to expand my business and buy a piece of land on which I can build a house of my own.

EDUCATION

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

PROVIDING THE RIGHT OPPORTUNITY

BRAC and the MasterCard Foundation are partners in the implementation of a scholarship programme that targets academically-talented students from financially-disadvantaged backgrounds with quality secondary education. The programme aims to educate 5,000 young people, and enable them to contribute to the economic growth and social development in their countries of origin. In Uganda, the need for such programme is particularly relevant, as the transition from primary to secondary schooling remains a major barrier for students.

The programme partners with top secondary schools in Uganda. Scholars are placed in different schools where they are supported and continuously guided by a mentor teacher to adapt to the new environment.

The programme provides holistic financial, social, and academic support throughout education and post-education transitions. This includes leadership, community service training and work internships. This programme aims at achieving social and economic transformation through quality education, and hence offers more than just a scholarship. To ensure the success of the programme, a number of activities are undertaken to engage the programme stakeholders, including an annual parents' forum, a head teachers' forum, and networking with district officials and NGOs at the district level.

PROGRAMME HIGHLIGHTS

This year, the scholarship programme undertook the selection process for the third cohort of scholars, covering **112** districts.**1,674** and **520** scholars were selected for O'Level and A'Level exams respectively, bringing cumulative scholars enrolment from **108** to **4,474** in top performing schools.

521 scholars attended training to carry out community service projects in their communities. **478** scholars completed their advanced secondary level education and will be joining tertiary institutions.

Out of the **115** alumni, **91** received admission at various universities. **28** qualified to join public institutions in Uganda through government sponsorships, **46** joined Makerere University, **12** joined universities abroad on MasterCard Foundation scholarships, and **5** joined BRAC University on BRAC scholarships.

CASE STORY

A HARD EARNED SECOND CHANCE

My name is Shakira Najjuma and I am 16 years old. My parents abandoned us when I was in class 5. At the age of 12, I had to start looking after my family of two in a single rented room in Nyanama, a suburb of Uganda's capital, Kampala. My aunt, who sold vegetables at the local market and had three children of her own, would occasionally send us money for rent and food.

Once, when I didn't have any money to pay for my tuition, I approached my head teacher and pleaded with her to let me stay in school without paying fees. My teacher accepted my request because of my good academic performance. I learned of BRAC's scholarship programme once I completed my primary education. I applied for the scholarship, but despite getting the top grade in my primary leaving exam, I missed out on the scholarship. I was disappointed but remained hopeful about attending secondary school. I used to borrow books from my friends to keep up with what they were studying as I remained out of school for a year. It was the most challenging time of my life, as I had to fend for both my sister and myself. Still, I held on to my dreams of becoming an accountant. I knew that a secondary education was essential to follow my dream career.

After a year, I applied for the BRAC scholarship again, and this time I succeeded. In 2015, I joined Trinity College Nabbingo, the country's top boarding school for girls. Now I attend classes with smart students who dream big. They are from affluent backgrounds, but I do not allow their social status to distract me from my studies. I no longer have to worry about money because the MasterCard Foundation Scholars programme pays for my tuition, provides me with learning materials and gives me a monthly stipend among other benefits.

I am more determined than ever to become an accountant. In the future, I want to help children facing similar challenges to continue with their education.

HEALTH

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

IMPROVING THE QUALITY OF HEALTH SERVICES

BRAC began community health activities in Uganda in 2008, with an aim to improve the health status of those living in BRAC intervention areas. The objectives of the programme are lowering 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.

Leveraging BRAC's microfinance platform, the health programme reaches 1.6 million people across 65 districts and 128 branch offices. At the community level, community health promoters work on the prevention and treatment of diarrhoea and malaria, identification and referral of pneumonia, pregnancy-related care (antenatal care, postnatal care, encouraging delivery in health facilities), basic curative care, family planning, immunisation as well as health and nutrition education (includes safe water, sanitation, personal hygiene, HIV/ AIDS, TB and acute respiratory infection). 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.

In April 2015, in partnership with Living Goods, we received funding from CIFF, ELMA and UBS fund foundation. The funding was for four years, to support existing health operations as well as expansion. Through this partnership, BRAC will increase its reach to 3.2 million people through 4,000 health promoters and improve services through integrated community case management training, m-RDT administration for malaria confirmation, treatment of diarrhoea, malaria, and pneumonia (with amoxicillin), mobile/ android applications for health promoters to record and report, improved pregnancy and newborn care, family planning, nutrition and referral services.

PROGRAMME HIGHLIGHTS

We operated a total of **132** branches (including **4** branches in a Japan Social Development-funded project) across **65** districts, with a total of **2,808** community health promoters. The health promoters referred **7,041** TB cases and **122,156** malaria cases to health centres. Health promoters conducted **95,103** health forums and visited **2 million** households providing health services.

A total of **347,262** people affected by malaria, and **168,510** by diarrhoea, were treated, among which **346,132** were malaria cases and **167,240** were under-five children. **493,638** mothers were provided with antenatal care and **76,844** with postnatal care. **371,984** children under five were immunised and **247,991** referrals to health centres were arranged.

2013	2014	2015
75,415 Children under-five treated for malaria	**178,897** Children under-five treated for malaria	**346,132** Children under-five treated for malaria

2013	2014	2015
64,661 Children under-five treated for diarrhoea	**106,950** Children under-5 treated for diarrhoea	**167,240** Children under-5 treated for diarrhoea

CASE STORY

I WANT TO BUILD A SOCIETY WHERE NO MOTHER DIES DURING CHILDBIRTH

I am Stella Cherop and I have been a BRAC community health promoter for almost four years. I am a 35-year-old married woman with five children. I live in the hilly region of Kapchorwa in eastern Uganda. I studied up to class 11 in Kapchowra Secondary School. At 19, I got married.

There was a lack of proper medical facilities in my community. High maternal mortality rates along with malaria and worm-related diseases were recurring problems. We lacked proper hygiene and sanitation practices.

I have always had a strong desire to serve the rural women in my community, but I did not know how I could personally contribute. My friends, who were part of BRAC's microfinance group, told me about BRAC's health programme. I visited a BRAC branch office and applied to volunteer as a community health promoter.

I spend two to three hours every week discussing health issues with the members of my community. I discuss and raise awareness on hygiene and sanitation, the benefits of using clean and safe water, and the importance of family planning. I also provide antenatal and post-natal care services for mothers.

Since working as a health promoter, my own awareness on health and wellbeing has increased drastically. I can measure the blood pressure of pregnant mothers and in case of complications I can refer them to local health centres.

I earn extra money by selling health products that I buy from BRAC at a subsidised rate. As a mother, I want to build a society where no mother dies during child birth. One of my biggest achievements as a health promoter is that I could motivate a lot of pregnant women to give birth at health centres.

I am very happy as I now see my community valuing basic health services. People understand the dangers of not seeking proper care when they are ill.

AGRICULTURE AND FOOD SECURITY

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

ASSISTING FARMERS IN UGANDA

The agriculture programme in Uganda aims to improve the livelihood and food consumption of rural populations. The programme is part of BRAC Uganda's integrated approach towards achieving large scale, positive changes through economic and social programmes that enable women and men to realise their potential. The programme is supported by the MasterCard Foundation and has reached a cumulative number of 140,800 farmers. It increases farmers' production in order to increase household incomes and improve livelihoods. This is achieved through the capacity building of farmers (mass trainings on modern agriculture practices) and provision of inputs to farmers at cost-effective prices through community agriculture promoters. The programme also demonstrates new agricultural technologies at model farms and provides technical support to farmers and entrepreneurs.

To increase income, create more jobs in rural areas, and ensure food security for people living in poverty, BRAC is helping farmers in Uganda to improve their productivity. This includes training and access to information on crop production. Credit services are provided by the microfinance programme and agriculture promoters supply high quality inputs (ie, disease-resistant seeds, fertiliser and pesticides) at an affordable cost.

ADDRESSING NUTRITION THROUGH AGRICULTURE INTERVENTIONS

BRAC Uganda piloted an agricultural project funded by the Japan Social Development Fund project, assisted by the World Bank. It is a three-year project running across 180 villages in 17 sub-counties of four districts of central and south-western Uganda. The project was initiated in response to the chronic malnutrition that stunted 38 percent (2.3 million) of under-five children in 2011. The stunting of children under five years is common in the south western region of Uganda. Micronutrient deficiencies in vitamin A, iron, iodine and zinc result in deaths, reduced productivity, and economic loss. The project is integrated with BRAC Uganda's health programme to provide better nutrition and complementary feeding for pregnant and lactating women and for children under two years. The project provided 19,200 smallholder farmers (60 per cent women) with agricultural inputs and training, and established the production of orange flesh sweet potato among vine producers. The community agriculture promoters and marketing agents provided market linkage to smallholder farmers for input supplies and disseminated market information.

SEED PRODUCTION FARM

BRAC seed farm was established in Nakaseke in 2009, to supply quality seeds to farmers. In 2011, BRAC Uganda created BRAC Uganda Social Businesses Enterprise Ltd. The construction of a new, modern seed processing plant was completed and the production and processing of seeds (maize and rice) started in February 2015.

COMMUNITY CONNECTOR PROJECT

This is a five-year integrated agriculture and nutrition project, designed and funded by USAID under the US government's global Feed the Future initiative. The project improves food security and nutrition of women and children in the most hard-to-reach and undernourished sub-counties of northern and south-western Uganda, through sustainable, community-based agriculture, nutrition education, and financial services interventions. As a key financial services partner on the project, BRAC enables community-based savings and loan groups, promotes saving for productive assets and financial literacy, and supports breastfeeding and child nutrition classes through community promoters. The community connector project is a partnership of eight different organisations, with FHI 360 as the lead partner.

PROGRAMME HIGHLIGHTS

We introduced youth and women in rural communities as agro-entrepreneurs for agri-business and enterprises. Agri-business will improve access to improved agro-inputs as well as create employment opportunities for young people. **480** agro-input entrepreneurs were selected from **96** branch offices for training on farming as a business. An entrepreneurship and financial literacy training manual was developed and published for the agro-input entrepreneurs.

The programme distributed **338.5** kg of vegetable seeds, **20** metric tons of maize seeds, **440** kg of rice seeds and promotional items including T-shirts and posters, to agro-entrepreneurs. The BRAC seed production farm produced **218** metric tons of rice and maize.

Under the MasterCard Foundation project, **1,440** model farmers and **960** promoters were trained. Under the Japan Social Development Fund project, agricultural training and input supplies were provided to **11,327** smallholder farmers, **120** community agriculture promoters and **40** vine producers. The project provided **600** vulnerable pregnant mothers with nutrient-rich food and quality seeds, and trained **160** adolescent health promoters.

Through the Community Connector project, over **1,000** savings and **27,000** loan group members remained active. **96** per cent of group members reported using their savings for productive assets and income-generating activities through the saving with a purpose initiative.

480	600	160
agro-input entrepreneurs trained	vulnerable pregnant mothers provided with nutrient-rich food and quality seeds	adolescent health promoters were trained

2013	**128,960** general farmers trained (cumulative)
2014	**132,848** general farmers trained (cumulative)
2015	**140,748** general farmers trained (cumulative)

CASE STORY

1 YEAR, 20 TIMES THE HARVEST

I am Tinkyera Beatrice, a 43-year-old single mother of eight children and grandmother of two. I live in Kashangura in the Ibanda district. I am currently a vine producer under BRAC's project with the Japan Social Development Fund. Before I joined the project, I used to grow maize, beans and local potatoes on my 1.5 acres of land. My income was so little from selling my produce that often it was not enough to feed my children.

I was always interested in vine farming, but I lacked the technical skills and knowledge about vine growth management though. I had no access to learning about vine identification, selection of suitable location, soil preparation and other cultivation practices. I only produced five bags of vines in 2014.

I initially received a three-day training on vine spacing and weeding procedures that helped to improve the yield of potatoes significantly. I was able to increase my harvest to 100 bags of vines in 2015. My sales this year have increased my income from USD 50 (UGX 165,000) to USD 512 (UGX 1,700,000). I plan to take more loans to expand my vine farm.

With my profits from this year, I was able to renovate my house as well as pay the school fees for my youngest son and my two grandchildren. My farm now provides my family with nutritious food.

My goal now is to grow better varieties of sweet potatoes and become an important vine producer in my district. I also want to share everything I have learned with other farmers in my community so that they too can improve their lives as I have.

POULTRY AND LIVESTOCK

BRAC's poultry and livestock programme aims to promote improved practices and modern technologies amongst poultry and livestock farmers through boosting livestock productivity, reducing mortality and supplying high quality input. BRAC also produces and markets day-old chicks, poultry feed and bull semen at fair prices to ensure the market of milk and meat where needed. Poor farmers are given credit in the form of loans as support.

ASSISTING POULTRY AND LIVESTOCK FARMERS IN UGANDA

The poultry and livestock programme in Uganda operates through a network of 100 branches in 64 districts. The goal is to improve the productivity and income of farmers. The programme provides training and finance to entrepreneurs, who then provide information, vaccination services, access to essential inputs and artificial insemination services to farmers. The programme has provided training to 232,250 poultry and livestock rearers and set community-level demonstration farms to disseminate appropriate technology to other farmers in the community.

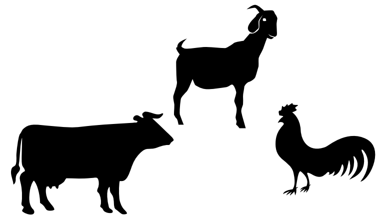
DEVELOPING COMMUNITY-BASED SERVICE PROVIDERS

BRAC's community livestock promoters provide door-to-door services to farmers. They administer vaccines, educate farmers about poultry and livestock rearing, help build coops and shade, feeding, management and prevention of disease, and provide livestock-related services, including de-worming. BRAC's trained livestock artificial insemination promoters supply all the necessary equipment for artificial insemination. These promoters earn by charging a fee for the services they provide.

PROGRAMME HIGHLIGHTS

The programme oriented and mentored **1,500** community livestock promoters **2,000** model poultry rearers and **2,000** model livestock rearers on business skills. A cumulative **31.7** million poultry vaccine doses were administered and **22** livestock artificial insemination promoters inseminated **11,286** livestock.

400 young people were trained on basic kuroiler management to rear chicks and sell to general farmers. The kuroiler is a hybrid breed of chicken. **391** young entrepreneurs received technical and business skills training to distribute kuroiler chickens within their communities. The programme organised **14** community-level workshops to strengthen market linkages for the livestock sector. **4,239** model poultry and livestock rearers were linked to stakeholders through bi-annual community market linkage meetings.



400
young people trained on basic kuroiler management

391
young entrepreneurs received technical and business skills training

4,239
model poultry and livestock rearers linked to stakeholders

Business skills training provided to:

1,500 community livestock promoters

2,000 model poultry rearers

2,000 model livestock rearers

CASE STORY

EARNING RESPECT

My name is Jovia Tekabagire and I am 35 years old. I am a widow with eight children. My husband was the sole earner until he passed away a few years back. To provide support to my family, I decided to start a small retail shop in the neighbourhood, but I did not have any seed capital to invest in my business.

One day, a neighbour told me about BRAC, and that it provides microloans to women. I immediately decided to become a member of the microfinance programme. I received an initial loan of USD 86 (UGX 300,000) which I used to buy stock for my shop. I began to attend microfinance group meetings and got to know about BRAC's different development initiatives in my community. During one of those meetings, I learned about BRAC's poultry and livestock programme, and expressed my interest in rearing animals.

This inspired me to purchase 30 local-breed chickens and one heifer, in addition to stocking my retail shop with a third loan of USD 286 (UGX 1,000,000). The chickens soon multiplied to 70, because of a tested egg hatching technique. I sold 50 chickens and bought another cross-bred heifer. The income from the retail store and sale of eggs drastically changed the living standard of my family.

I became a community livestock promoter in the Ntungamo branch. Now I vaccinate chickens for farmers. With support from BRAC, I have diversified my livestock farming to include goats, chicken, pigs and cows.

KARAMOJA INITIATIVE

BRAC's Karamoja initiative is a holistic programme responding to the significant challenges faced by youth in the disadvantaged north-eastern sub-region of Uganda. The programme uses youth development and education to change the outlook of the younger generation of Karamojongs, which BRAC believes is critical to sustain development of the sub-region.

KARAMOJA INITIATIVE

The Government of Uganda recognises the importance of early childhood development (ECD) as vital for the proper physiological and psychosocial growth of children. The Uganda Integrated Early Childhood Development Policy (2013) guides the delivery of ECD services throughout the country. To support the policy's objective of increasing children's access to quality ECD services, BRAC established ECD centres in Karamoja. BRAC runs 100 ECD centres where three to five-year-old learners receive basic education from a community-selected and ministry-trained caregiver, in accordance to guidelines from the Ministry of Education and Sports. Learners from the age of six are mainstreamed into primary education in nearby formal primary schools.

Engaging the younger generation is essential for sustainable development of any community. BRAC established an income-generating fund, or a savings scheme where girls aged between 13 to 21 save and create a loan fund, from where they subsequently borrow and run their businesses. It also initiated a forum for boys where some were selected for livelihoods, life skills and vocational training.

PEACE BUILDING THROUGH EDUCATION ADVOCACY

This project is a component of the Karamoja initiative, through which BRAC organises community meetings and youth training to promote reconciliation and foster peaceful relations in the war-torn Karamoja sub-region.

PROGRAMME HIGHLIGHTS

120 centres reached **3,966** girls. Of them, **1,000** girls received skills training, financial literacy, livelihood training and intensive vocational training. **1,586** girls saved a total of **USD 26,925** (UGX 86 million) in their income-generating funds. **746** girls borrowed **USD 10,462** (UGX 33 million) and invested in their businesses. The programme trained **2,000** young people in vocational skills (**1,600** girls and **400** boys) from disadvantaged homes across **120** clubs in **nine** branches in **five** districts of Karamoja.

We organised **54** community meetings to engage with community leaders, decision makers and parents on youth behaviour, business acumen, and savings trends, and were requested to open clubs so that young people can interact and learn from each other.

Training was provided to **23** staff in collaboration with UNICEF peace and conflict specialists on how to deliver peace-building competencies training to youth.

CASE STORY

DELICIOUS ROADSIDE DONUTS

I am Nangiro Evelyn. How are you? I can now greet in English.

I am 19 years old. I used to go to school, but I dropped out, like many other girls from my village of Moroto in the north-eastern Ugandan region of Karamoja. I was married off, but the man had another wife and did not take good care of me even after we had a son. I ran away and decided to take care of my son by myself.

When a friend of mine told me about a new girls' club in our village, I instantly thought of joining, as I did not have much to occupy myself with.

We met daily in the club and our mentor encouraged us to save money every week. Every Saturday I gave our treasurer close to USD 1 (UGX 3,000), that I earned after fetching water and firewood for my neighbours. We could only use this money after one year. In addition to this, I learned a lot of new things. I always wanted to know how to bake, so I never missed the sessions at the centre when a trainer would come and bring various ingredients, and show us how to bake different things. I learned how to make doughnuts in four days.

The following year I spent USD 36 (UGX 100,000) of my savings to construct a cooking table, buy a frying pan, a ladle and all my baking ingredients.

I wanted to sell my doughnuts in the market, but when I went there, the market guards confiscated my products as I did not have permission to sell there. I shared my problem with everyone in the club and was advised to pay a market permit fee.

Since then I have been selling doughnuts by the roadside, which is a good location as it is right opposite to a school. On an average, I earn a profit of USD 3.60 (UGX 10,000) every day.

I am able to pay my house rent of USD 6 (UGX 20,000), pay for my son's school and even save a significant amount. From my experiences, I would encourage other young girls to join any of BRAC's 120 youth development centres across the five districts in Karamoja, and to think about becoming entrepreneurs.

SUPPORT PROGRAMMES

FINANCE AND ACCOUNTS UNIT

The finance and accounts unit plays a vital role in strategic planning, budget management, funding mobilisation, cost management, and financial reporting. The unit installed enterprise resource planning software across all branches to help ensure interconnectivity of all BRAC branches in Uganda, and address the challenges of real-time access to reports at different levels.

INFORMATION TECHNOLOGY

The information technology (IT) department began to develop the health management information system and pilot android applications for the health programme in two branches (Kalerwe and Buyala), which will enable real-time reporting on some of the activities conducted by the community health promoters, who are equipped with smart phones. IT also began to develop an android application for the nutrition programme funded by Japan Social Development Fund that will enable activities of community agriculture promoters, marketing agents and vine producers to be captured via smart phones. IT successfully set up in two new branch offices, organised several training sessions and gave various presentations to build the capacity of field staff. The department successfully expanded the local area network at the country office to a new double-storied building. IT also configured a new server to facilitate file storage and sharing, and strengthened network security by installing licensed antivirus and MicroTik firewall.

RESEARCH AND EVALUATION UNIT

The research and evaluation unit (REU) aims to ensure evidence-based development efforts in BRAC's programmes. The REU is an independent unit within BRAC, and follows its guiding principles of rigour and transparency for impact evaluation, recording lessons learned, and disseminating knowledge. Digital data collection tools and collaboration with scholars from around the world have enriched REU in its delivery of services. REU substantially contributes to BRAC programme performance and has substantiated empirical knowledge creation at academic level.

INTERNAL AUDIT DEPARTMENT

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

In 2015, an external quality assurance review was conducted as per the requirement of the Institute of internal auditors. A major achievement of the department was the implementation of BRAC internal audit management system software, for audit management, report writing and archiving. IAD implemented 95 per cent of their plans, reviewing 987 cost centres across all programmes in the same year. 2016 will be the year of implementing a full-fledged risk-based audit and system audit. An information systems audit is also going to be initiated, incorporating information systems audit and control association guidelines and best practices.

COMPLIANCE SERVICES

Compliance services is committed to ensuring the compliance environment, helping the organisation achieve specific goals by ensuring each individual's job responsibility and assessing programmes' roles in achieving organisational goals. In 2015, the coverage of the internal compliance questionnaire (ICQ) was expanded to all areas and regional levels of country programme management. This was only limited to branch-level management in the previous year, and was reported quarterly. ICQ 'Quick review' mechanism was initiated in during this period, with a view to strengthening the compliance culture by ensuring accountability and transparency. Compliance related to regulatory and donor affairs was also reviewed and reported bi-annually for each BRAC International country. To strengthen the established compliance environment, plans have been made for a further review of the self compliance activities (e.g. ICQ audit) in 2016.

MONITORING DEPARTMENT

BRAC Uganda's monitoring department is an internal mechanism to ensure quality, accountability and transparency of the programmes. It ensures regular collection and analysis of information to assist management in timely decision-making and provide the basis for evaluation and learning. The monitoring department performs several essential management functions, which include monitoring and reporting on inputs and outputs achieved, carrying out internal assessments, evaluations and supporting research. The monitoring department prepares quarterly progress reports, monthly MIS reports and facilitates annual programme reviews.

There are two separate bodies; microfinance programme monitoring and non-microfinance programme monitoring. Monitoring focuses on programme progress, quality and learning which demands new approach to monitoring. The monitoring team, especially the microfinance wing, also investigates issues related to administration, abuse of discretion, corruption, financial misappropriation and discrimination.

Currently, there are 27 staff (16 in microfinance and 11 in non-microfinance programmes) working in the monitoring department.

HUMAN RESOURCES AND TRAINING DEPARTMENT

The human resources and training department (HRD) in BRAC Uganda caters to 2,338 local and expatriate employees dispersed across the country, of which 98 per cent are local staff and female staff comprise 85 per cent of the workforce. The department is responsible for the welfare of employees, ensuring quality hires, staff development and motivation through appropriate policies and effective performance management. It aims to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees in accordance with the human resources policies and procedures manual. The HRD further ensures employees' commitment to BRAC International's 15 policies under the code of conduct, particularly in regards to child protection and gender equality.

With the recruitment of new heads of agriculture, monitoring and fundraising, as well as the first CEO of BRAC Uganda's microfinance institution planning its transformation to a microfinance deposit-taking institution (MDI) in 2016, there has been a significant increase of local representation in key senior management positions. This is in keeping with BRAC's vision towards localisation of operations. This year, a new emergency response coordination department was established, with the recruitment of a local emergency response coordinator being part of the wider network of BRAC International's Emergency Response team.

With the vision of streamlining staff development activities, BRAC International HRD organised BRAC's first ever inclusion and diversity campaign to promote a culture of diversity, inclusion, gender sensitivity and BRAC values among its workforce. In October 2015, 16 employees from 10 operating countries participated in a 20-day training of trainers workshop at BRAC headquarters in Dhaka. Among the participants, two trainers from BRAC Uganda received training on four modules: BRAC values, inclusion and diversity, gender awareness and people leadership programme. They will develop a further pool of trainers who will execute this mandatory training throughout the country in 2016 to promote the 'One BRAC' culture. In addition to classroom-based training, the trainers also visited BRAC's field operations in Bangladesh and met the Chairperson and BRAC International senior management.

A number of new initiatives have been launched by BRAC Uganda HRD with support from the country management. To enable staff to gain management capacity skills without compromising work schedules, online training on leadership and management courses were provided to mid-level employees from different programmes. The unit also reviewed safety procedures and standards at field level and ensured first aid kits were available at all branches. For streamlined HR operations, enterprise resource planning software development is under process with data migration to be completed in 2016. Updated records of local and expatriate staff are maintained to ensure smoother local and international transfers, contract renewals and leave management. Measures have been taken to bring more structure to existing processes like discipline and exit management, and staff motivation schemes like higher study nominations.

Two female employees have been given full scholarships from BRAC to pursue their postgraduate studies in Uganda. Scholarships for higher studies are provided annually to high potential and committed staff as an effort to invest in the country's human capital development.

To promote a high-performance culture, the performance management system has cascaded down to all employees, from country management to field staff, with clear guidelines provided for more focused performance management, discussing performance-related rewards and developing low performers through a new performance improvement process. Employees have become more attuned to KPI-based achievements and rewards are linked to both performance and demonstration of BRAC values in the workplace.

In 2015, one female employee received the prestigious BRAC Values Award for her outstanding display of ethics and professionalism, after a rigorous screening of nominations from the entire BRAC workforce.

RISK MANAGEMENT SERVICES

For BRAC International (BI) and its country operations, risk management is at the core of the operating structure. Risk management services seek to limit adverse variations in programme activities and outcome by managing risk exposures within agreed levels of risk appetite. Risk management processes in BI have continued to prove effective throughout the year 2015, with developing a group risk register. Executive management remained closely involved in important risk management initiatives, which have focused particularly on ensuring appropriate levels of funds, and effectively managing the risk portfolios. Responsibility and accountability for risk management resides at all levels within the country, from the board down through the country management team to each programme manager and risk focal. Risks are controlled at the level of individual exposures as well as in aggregate across all programmes and risk types.

On a country level, the bi-annual assessment of overall risk management was done and the summary was discussed in the executive risk management committee meetings on 22 April and 4 November 2015, chaired by Executive Director, BRAC International.

PROCUREMENT DEPARTMENT

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

GOVERNANCE

BRAC UGANDA

BRAC UGANDA (NGO)

Local Board Members

Dr AMR Chowdhury
Mr Faruque Ahmed
Mr Shib Narayan Kairy
Mr Shameran Abed

BRAC UGANDA MICROFINANCE LTD

Local Board Members

Directors
Dr AMR Chowdhury
Mr Faruque Ahmed
Mr Shib Narayan Kairy
Mr Shameran Abed

BRAC SOCIAL BUSINESS ENTERPRISE UGANDA LIMITED

Local Board Members

Directors
Dr AMR Chowdhury
Mr Faruque Ahmed
Mr Shib Narayan Kairy

COUNTRY ADVISORY COMMITTEE MEMBERS

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

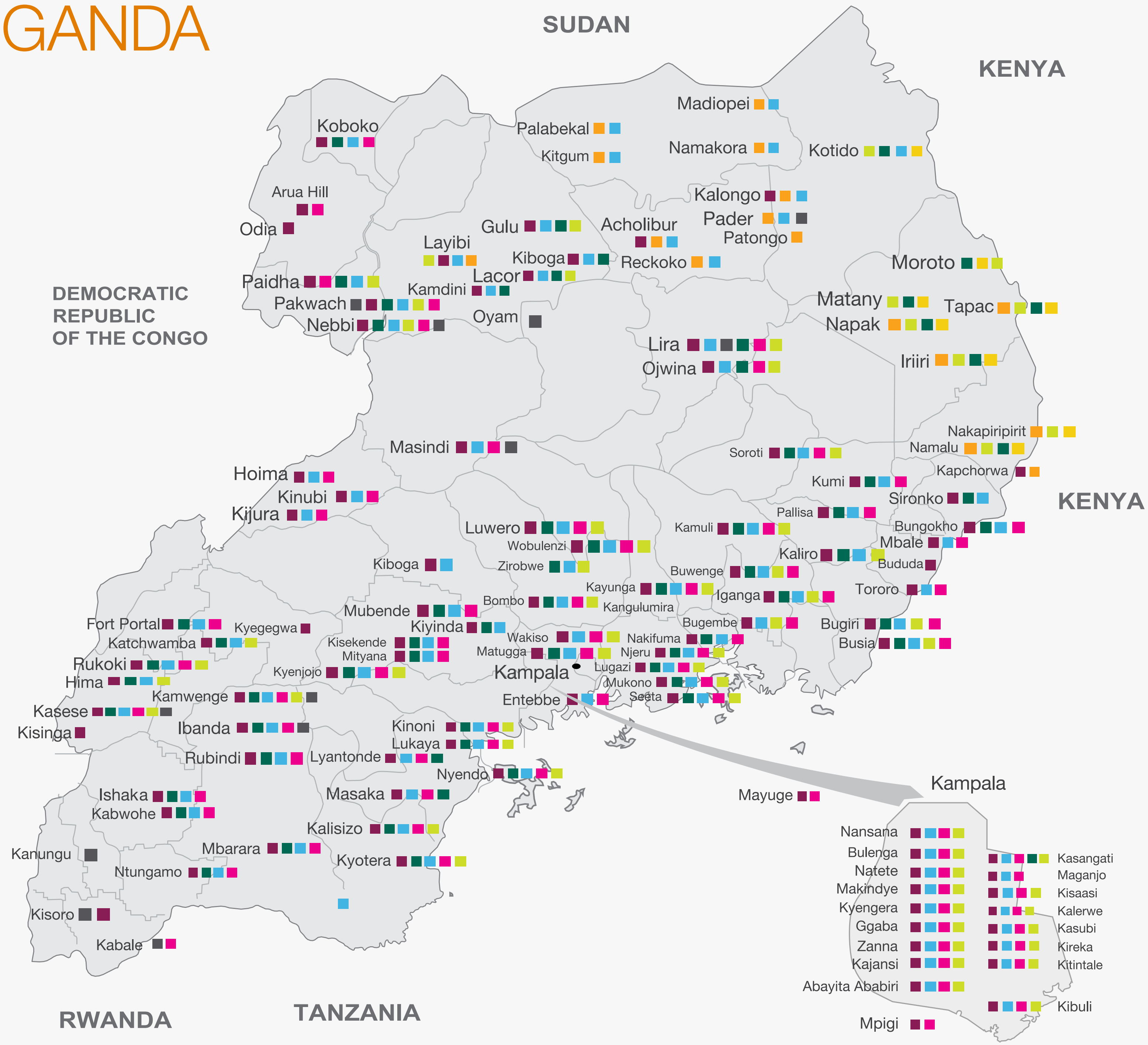
MANAGEMENT

Bhuiyan Muhammad Imran • Country Representative, BRAC Uganda
Jimmy Onesmus Adiga • Chief Executive Officer, BRAC Uganda Microfinance Limited
Daniel Businge • Country Head of Accounts
Mirembe Charlotte Valeria • Country Lead Human Resources and Training
Atiqur Rahman • Country Head of Internal Audit
AFM Moniruzzaman • Programme Manager, Poultry and Livestock Programme
Anupam Sengupta • Programme Manager, Empowerment and Livelihood for Adolescents Programme
Sharmin Shariff • Programme Manager, Health Programme
Malik Asif Russd • Programme Manager, Microfinance Programme
Tabu Francis • Programme Manager, Scholars Programme
Pamba John Obara • Senior Manager, Public Relations
Adepo Emmanuel Okaalet • Manager, Communication

DEVELOPMENT PARTNERS

We are grateful to our development partners for their continued support for our work:

BRAC IN UGANDA



Branch Programmes

- Agriculture, Livestock and Poultry
- Health
- Education
- Microfinance
- ELA (Adolescents)
- Community Connector Programme
- Small Enterprise Programme
- Karamoja Initiative

BRAC ACROSS THE WORLD

USA
Initiated: 2007

An independent charity to raise profile and funds for BRAC globally

UK
Initiated: 2006

An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE
Initiated: 2008

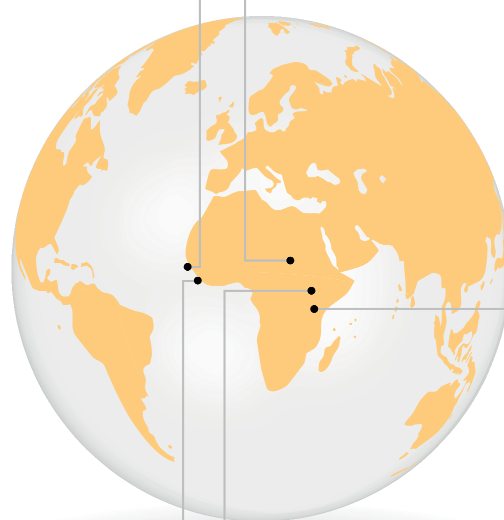
Programme Focus:
MF, EHC, Ag, P&L, HRLE, ELA and FSN

Population reached:
1.5 million

SOUTH SUDAN
Initiated: 2007

Programme Focus:
Ag, BEP, ELA, EHC, NP, PB, TB and TUP

Population reached:
1.5 million



HAITI
Initiated: 2010

Programme Focus:
BLBC

NETHERLANDS
Initiated: 2009

BRAC International registered as a charity (Stichting)

LIBERIA
Initiated: 2008

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

Population reached:
0.7 million

UGANDA
Initiated: 2006

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

Population reached:
4.4 million

TANZANIA
Initiated: 2006

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

Population reached:
3.38 million

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

AFGHANISTAN

Initiated: 2002

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

Population reached:
4.65 million

PAKISTAN

Initiated: 2007

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

Population reached:
0.7 million

NEPAL

Initiated : 2015

Programme Focus:
Rehabilitation Programme

Population reached
32, 630 persons

MYANMAR

Initiated: 2013

Programme Focus:
MF

Population reached:
0.0326 million

PHILIPPINES

Initiated: 2012

Programme Focus:
BEP

Population reached:
0.06 million

BANGLADESH

Initiated: 1972

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

Population reached:
120 million

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

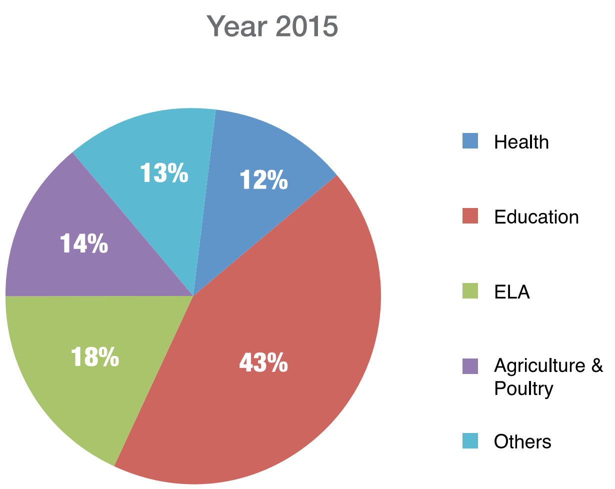
FINANCIALS - NGO

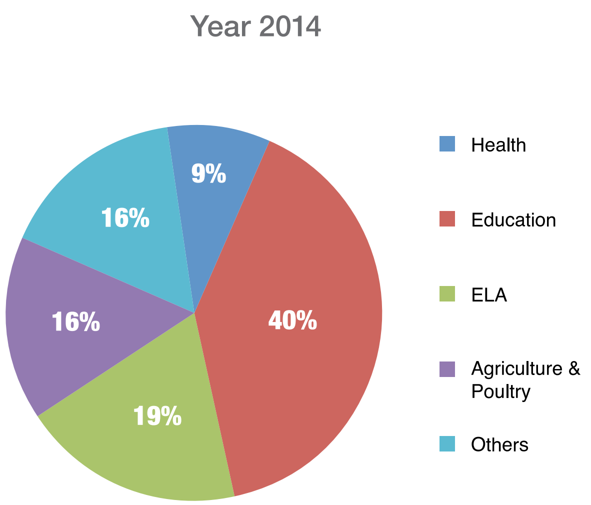
BRAC Uganda received grants amounting to USD 11,095,499 in 2015 as compared to USD 15,259,687 in 2014. Total Project expenses utilized for the year were USD 14,010,302 (USD 10,461,964 in 2014) which represents an increase of 34%. Out of the total expenses, majority are expensed in Scholarship and comprehensive development 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 2015 stands at USD 11,841,142 as against USD 15,384,105 in 2014. This is mainly due to devaluation of UGX against USD in 2015.

Programme Cost by Nature of Programme

Programme	Year 2015	Year 2014
	USD	USD
Health	1,680,570	993,391
Education	5,976,325	4,148,711
ELA	2,599,161	1,993,611
Agriculture and Livestock	1,910,119	1,661,598
Others	1,844,127	1,664,653
Total	**14,010,302**	**10,461,964**

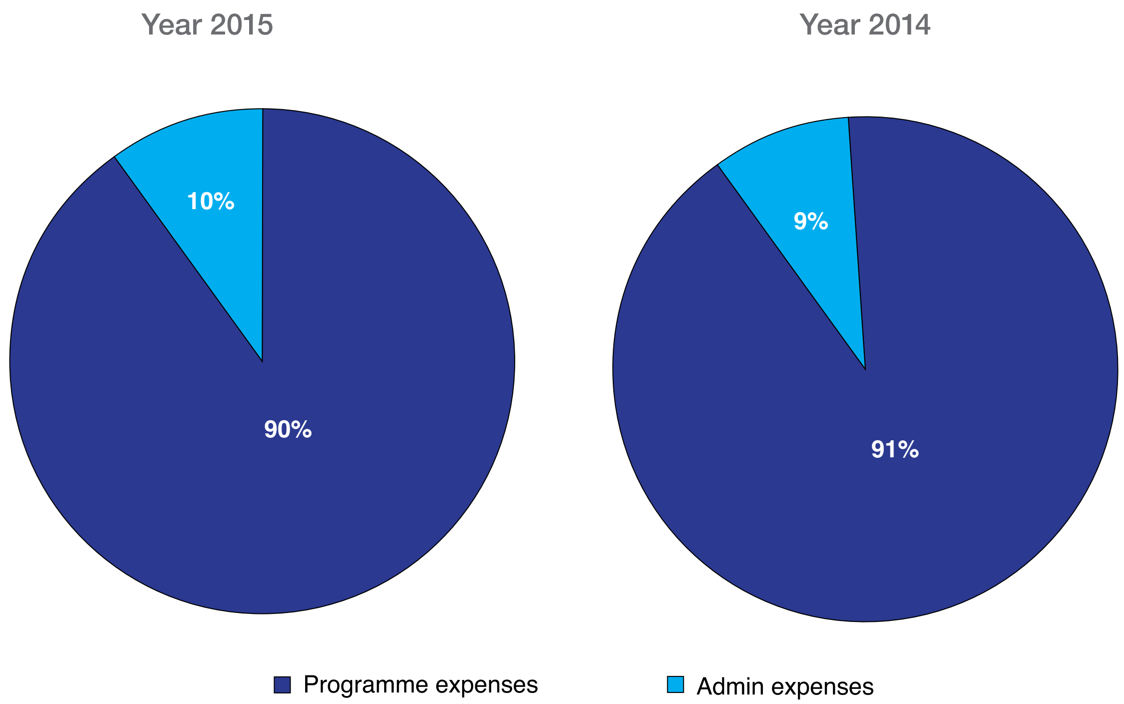




FINANCIALS - NGO

Programme Cost by Nature of Expenses

Expenses	Year 2015	Year 2014
	USD	USD
Programme expenses	12,665,313	9,520,387
Admin expenses	1,344,989	941,577
Total	**14,010,302**	**10,461,964**



Awards and Recognition in 2015

BRAC Uganda received two awards in the annual prestigious Financial Reporting (FiRe) Award held in 2015, 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.

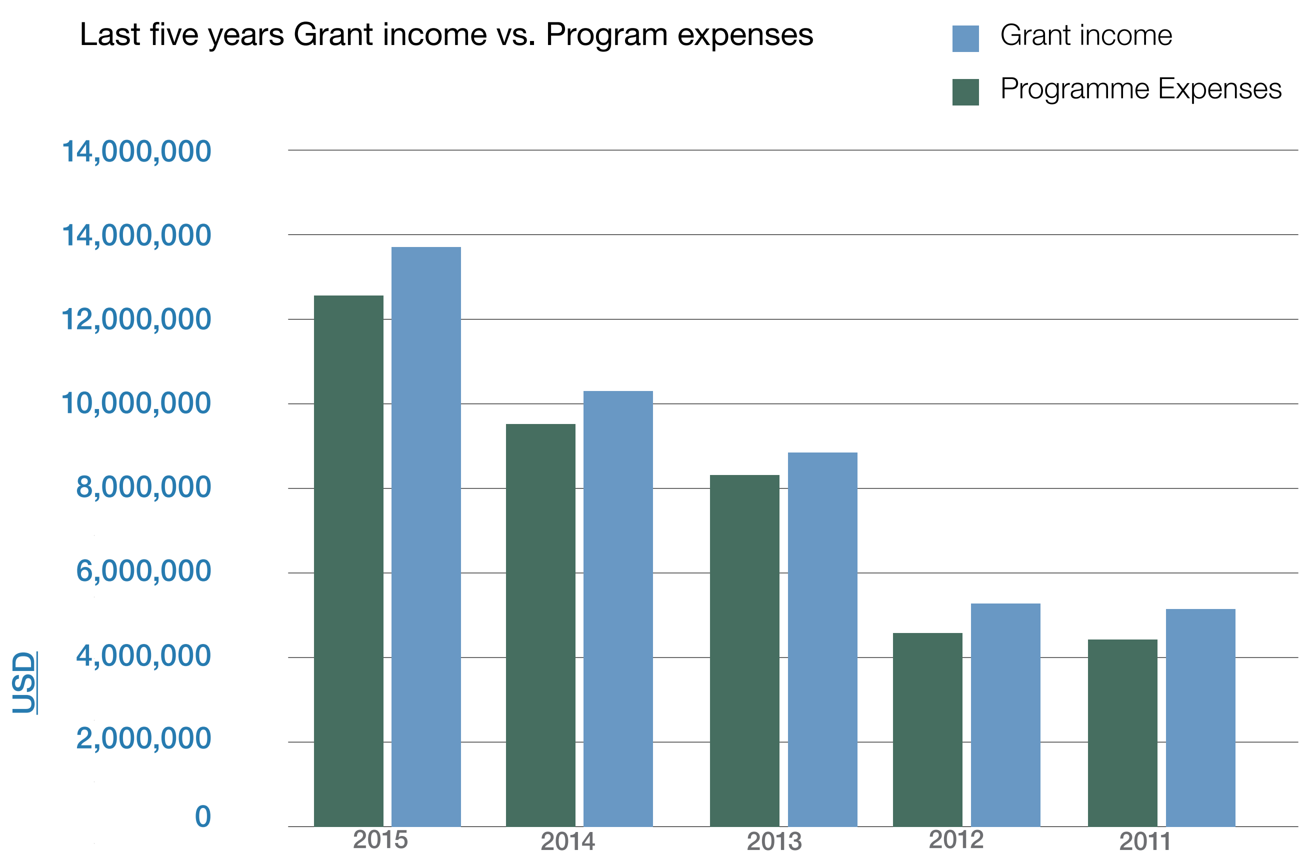
This is the fifth consecutive year that BRAC Uganda has been recognized at the awards setting up a standard that has never been achieved by any other NGO in Uganda.

FINANCIALS - NGO

Five Year Performance Review

In USD	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011
	USD	USD	USD	USD	USD
Income Statement					
Grant Income	13,926,160	10,335,634	6,907,212	5,364,579	5,496,233
Other Income	713,406	685,983	727,595	945,946	773,070
Programme Expenses	12,749,375	9,520,387	6,622,885	4,928,175	4,771,700
Admin Expenses	1,260,927	941,577	575,988	487,402	415,316
Financial Position					
Net equity	11,841,142	15,384,105	10,942,801	7,662,469	4,548,430
Cash at bank	11,182,587	13,713,844	10,874,446	7,482,055	4,278,798
Grants Received	11,095,499	15,259,687	9,863,837	7,884,544	5,115,392
Operational Statistics					
Number of Programmes	8	8	8	8	8

Last five years Grant income vs. Program expenses



FINANCIALS - MICROFINANCE

Net Income

BRAC Uganda Microfinance Ltd. completed 2015 by registering pretax profit of USD 7,823,898 compared to USD 5,093,467 in 2014. Interest income increased by 20% in 2015. This is in line with the increment in number of borrowers by 23% in the programs.

Operating expenses

Total operating expenses for the year were USD 7,030,577 against USD 8,038,041 in 2014 showing a decrease of 13%. This shows cost efficiency in the programs.

Provisions for Impairment losses

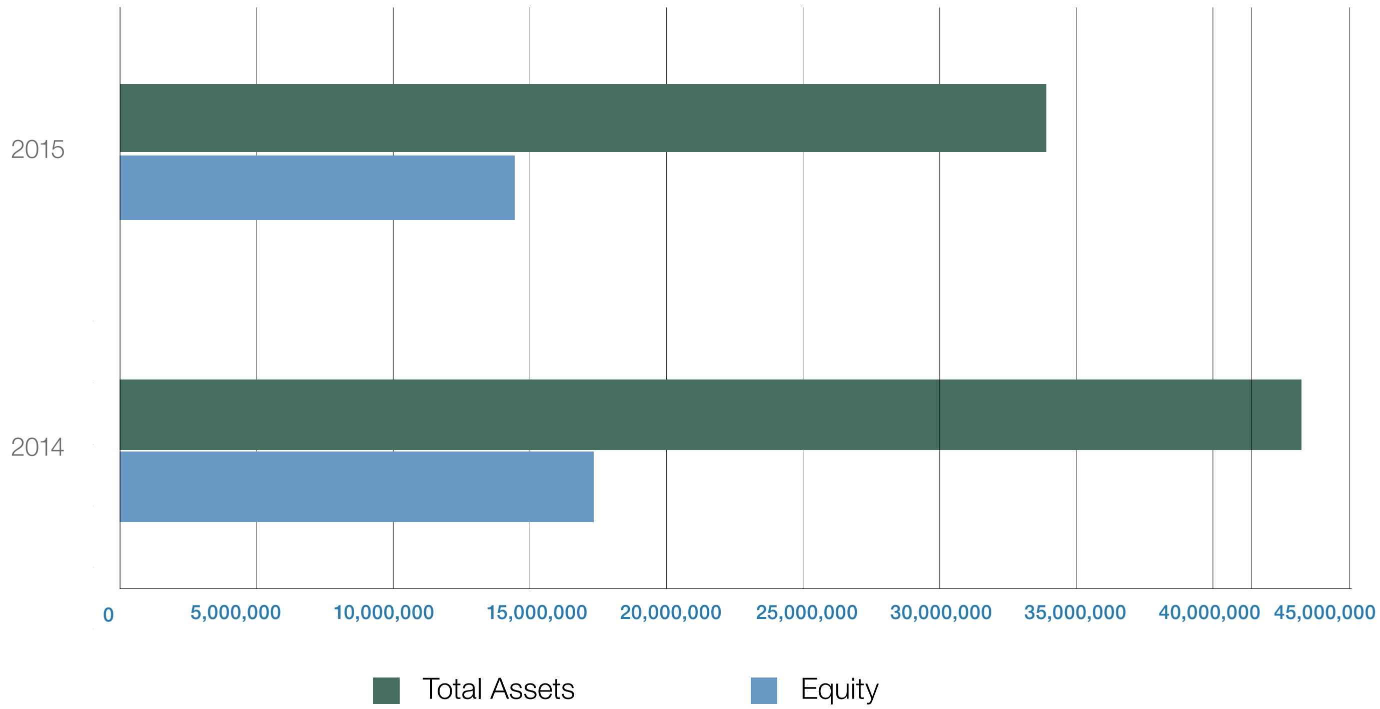
In 2015, amount charged for impairment on loans was USD$ 965,534 compared to USD $ 617,621 in 2014, an increase of 56%.Portfolio at Risk (PAR>30) is 0.56% this year against 0.59% in 2014.

Financial Position

In 2015, BRAC total assets grew by 27% to USD 42,836,209 compared to the previous year's total assets of USD $ 33,749,841 further consolidating its position in the market.
Loans and advances to customers increased by 24% and is now 89% of total assets.

Security deposits increased by 18% and net equity grew to USD 17,446,758 from USD 14,588,372 in 2014, the percentage growth for equity being 20%. The growth of equity is entirely attributed to increase in profitability.

Total Assets vs. Equity
Figures in USD



FINANCIALS - MICROFINANCE

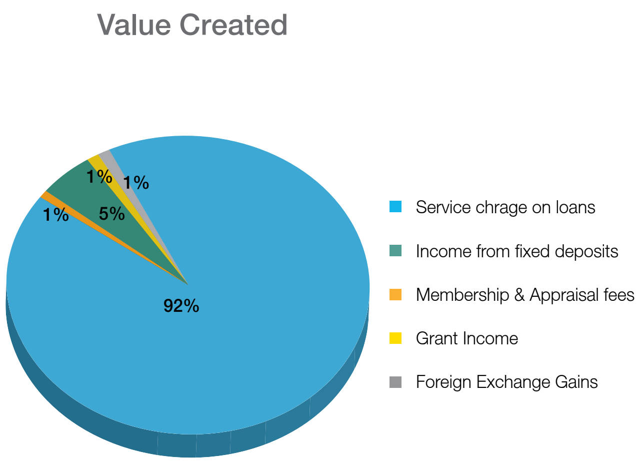
Value Added Statements

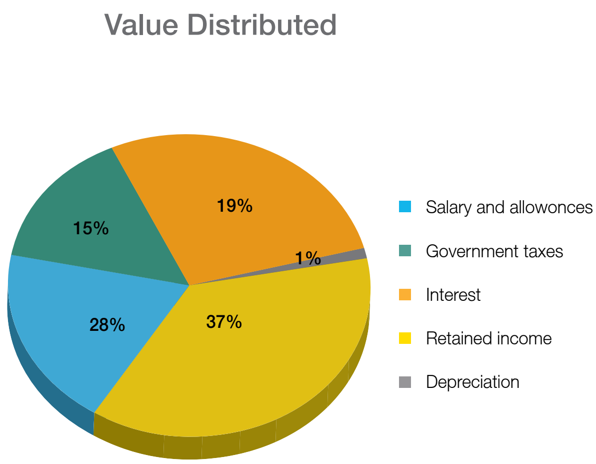
A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Uganda Microfinance Ltd contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit and employees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

Figures in (USD)	Year 2015		Year 2014	
	USD	%	USD	%
Value added:				
All Incomes				
Service Charge on Loans	17,306,857	115%	14,409,432	114%
Income from Fixed Deposits	119,018	1%	277,968	2%
Membership & Appraisal Fees	1,017,870	7%	869,950	7%
Grant Income	106,590	1%	940,689	7%
Foreign Exchange Gains	164,158	1%	2,123	0%
Operating Expenses	(2,689,963)	-18%	(3,264,542)	-26%
Loan Loss Provision	(965,534)	-6%	(617,621)	-5%
Total Value Added	**15,058,996**	**100%**	**12,617,999**	**100%**

Distribution of Value Addition	Year 2015		Year 2014	
	USD	%	USD	%
Employees				
Salary and Allowances	4,226,167	28%	4,635,227	37%
Local Authorities				
Government Taxes (Income tax)	2,321,830	15%	1,454,398	12%
Creditors				
Interest	2,894,484	19%	2,751,033	22%
Growth				
Retained income	5,502,068	37%	3,639,069	29%
Depreciation	114,447	1%	138,272	1%
Total Value Added	**15,058,996**	**100%**	**12,617,999**	**100%**

FINANCIALS - MICROFINANCE

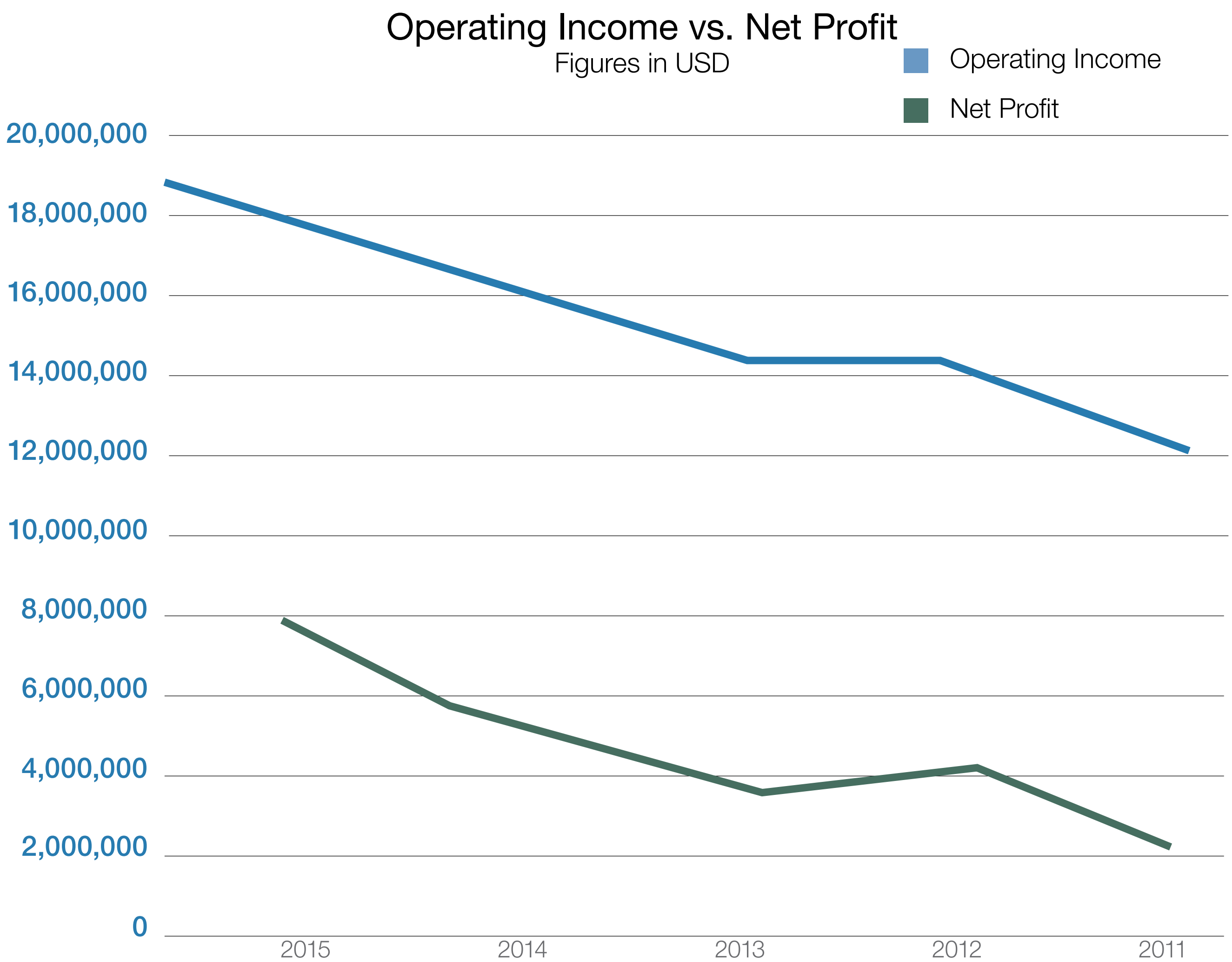




Five Year Performance Review

In USD	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	18,714,493	16,500,162	14,050,114	13,709,289	9,931,908
Net Profit before tax	7,823,898	5,093,467	3,655,529	4,411,187	2,526,675
Financial Position					
Total Asset	42,836,209	33,749,841	29,315,223	26,838,503	24,048,643
Loans to Customers (net)	38,328,404	30,887,847	23,201,682	17,343,327	16,549,290
Cash at Bank	1,755,855	797,645	2,795,733	4,429,780	2,231,187
Returns and ratio					
Return on Asset	13%	11%	9%	12%	8%
Cost to Income	71%	69%	76%	68%	75%
Operational Statistics					
Total borrowers	194,732	158,831	129,104	118,150	120,901
Cost per Loan	24	36	43	41	33
PAR>30	0.56%	0.59%	0.66%	1.90%	2.53%

FINANCIALS - MICROFINANCE



Budget Performance

BRAC Uganda and BRAC Uganda Microfinance ltd registered a good performance with a combined utilisation rate of 79%. Although in Uganda shilling terms the utilisation rate was nearly 100%, due to devaluation of UGX by 22%, the utilisation rate was low in USD.

BRAC UGANDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS AND OFFICERS

DIRECTORS

Dr. A.M.R Chowdhury	- Chairperson
Mr. Faruque Ahmed	- Member
Mr. Tanwir Rahman	- Member (Resigned on 1st November 2015)
Mr. Shameran Abed	- Member
Mr.Shib Narayan Kairy	- Member (Appointed on 1st November 2015)

ADMINISTRATORS

Mr. Bhuiyan Muhammad Imran	- Country Representative

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

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

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

AUDITORS

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

BANKERS

Standard Chartered Bank Uganda Ltd	Stanbic Bank Uganda Limited	Bank Of Africa Uganda Limited
Plot 5 Speak Road	Plot 17 Hannington Road	Plot 45 Jinja Road
P.O. Box 7111	P.O. Box 7131	P.O. Box 2750
Kampala, Uganda	Kampala, Uganda	Kampala, Uganda

BRAC UGANDA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2015, which disclose the state of affairs of BRAC Uganda Limited.

(a) Registration

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

The two entities effectively commenced trading separately on 1 January 2010 and therefore have separate financial statements for BRAC Uganda and BRAC Uganda Microfinance Ltd. BRAC Uganda registered with the registrar of companies on 18th March 2010 as company limited by guarantee under the name of BRAC Uganda.

(b) Vision

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

(c) Mission

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

(d) Our Values

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

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

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

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

(e) Principal activities

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

(f) Results from operations

The results for the entity for the year ended 31 December 2015 are set out on page 11.

(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 recognise the need to conduct the business in accordance with generally accepted best practices. In so doing the Directors therefore confirm that:

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

In 2015 the board of directors had four directors. The board continued to carry out its role of formulating policies and strategies of the company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

(j) Risk management

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

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

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

(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:

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

(l) Related Party Transactions

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

(m) Corporate Social Responsibility

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

(n) Future Development and Outlook

(o) Key Achievement in 2015

The following are the key achievements for the year:

- A total of 1,027 youth in 2015 were given an intensive livelihood and financial literacy training through apprenticeship and vocational facilitation. After the training, each youth got on average of Uganda Shillings 1 million as a kick start grant.
- BRAC Uganda held its first national debate competition in August 2015. All the 1,385 clubs competed in the inter club competition and the best 2 clubs were selected for the national event. The finals were held at Metro pole Hotel Kampala at function graced by the representation of Ministry of Education and Ministry of Gender among other stakeholders.
- The new scholarships that were awarded in 2015 were 2,192. In the same year 115 scholars completed advanced secondary level education of which 14 got government sponsorship, 63 got a MasterCard foundation scholarship and the balance is on private sponsorship.
- 115 students completed advanced secondary level education of which 77 were awarded government sponsorship in both local and International Universities. The programme will graduate another 478 students in 2016.
- 2,128 Community Health Promoters were trained and accredited by BRAC and Ministry of Health in Integrated Community Case Management for malaria, diarrhea and pneumonia.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

- In relation to programme expansion, the programme is planning to grow the number of CHPs from 2,808 to 4,000 in 2016.The implementation of the mobile health application and Health Management Information system is expected to take off in 2016. This is expected to increase programme efficiency and effectiveness.
- BRAC scooped a winner's award in the NGO category for the Financial Reporting Awards held in November 2015. These awards are organized every year by the Institute of Chartered Public Accountants of Uganda.

Expectations for the year ending 31 December 2016

- In 2016, 525 new scholarships shall be awarded and 428 candidates are expected to complete Uganda Advanced Level Certificate of education.
- The Health Program is expected to increase the number of Community Health Promoters from 2,808 to 4,000 in the year 2016. The pilot of the mobile health application shall be scaled up in 2016. The Health program will implement the Health Management system in the year 2016. This is expected to increase program efficiency and effectiveness.
- New partnerships are expected in 2016 with Lego foundation, Cartier foundation and World food programe.

(p) Solvency

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

(q) Employee's Welfare
Management/employee relationship

There were continuous good relations between employees and management for the year 2015. There were no unresolved complaints received by management from the employees during the year.The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors such as gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training
Training and development of staff capacity is one of the key priorities of the company.

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

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

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015(Continued)

(r) **Gender Parity**

The company had 915 employees in 2015 with being 750 female and 165 male, whilst in 2014 the company had 753 employees with being 698 female and 55 male.

(s) **Auditors**

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

(t) **Approval of the financial statements**

The financial statements were approved by the directors at a meeting held on ....8 April........2016.

By order of the Board

SECRETARY

Date........8 April........2016

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2015 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 11 to 40 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 8 April 2016 and were signed on its behalf by:

Director:.. Director:..

Date: 8 April 2016

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in capital fund and cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 40. We have not audited the memorandum figures reported in United States Dollars (USD) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the finanacial position of BRAC Uganda as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Internatinal Financial Reporting Standards and the Companies Act of Uganda

Report on other legal requirements

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

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC UGANDA

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

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

Date: 14 April 2016

BRAC UGANDA

Financial Statements
For the year ended 31 December 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Grant income	3	44,563,711	26,707,277	13,926,160	10,335,634
Other income	4	2,282,899	1,772,580	713,406	685,983
Foreign exchange gains	5	1,744,157	768,700	545,049	297,485
Total income		**48,590,767**	**29,248,557**	**15,184,615**	**11,319,102**
Staff costs and other benefits	6	(8,526,414)	(6,608,816)	(2,664,504)	(2,557,591)
Training, Workshops & Seminars	7	(7,516,986)	(3,391,007)	(2,349,058)	(1,312,309)
Occupancy expenses	8	(1,424,677)	(1,222,963)	(445,212)	(473,283)
Program supplies, travel and other general expenses	9	(27,011,796)	(15,497,499)	(8,441,187)	(5,997,484)
Depreciation	11	(353,092)	(313,432)	(110,341)	(121,297)
Total expenses		**(44,832,965)**	**(27,033,717)**	**(14,010,302)**	**(10,461,964)**
Operating Surplus		3,757,802	2,214,840	1,174,313	857,138
Taxation	10	-	-	-	-
Surplus Reserve		**3,757,802**	**2,214,840**	**1,174,313**	**857,138**

The notes form an integral part of these financial statements.

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
ASSETS					
Non-current assets					
Property and equipment	11	1,307,909	1,073,847	393,166	393,351
Current assets					
Cash and bank	12	31,232,932	33,572,551	9,369,411	12,297,638
Fixed Deposits		6,044,223	3,866,243	1,813,176	1,416,206
Inventory	13	686,533	527,007	205,950	193,043
Due from related parties	14	779,044	2,780,197	233,702	1,018,387
Other receivables	15	577,828	895,366	173,339	327,973
		39,320,560	41,641,364	11,795,578	15,253,247
Total Assets		**40,628,469**	**42,715,211**	**12,188,744**	**15,646,598**
LIABILITIES AND CAPITAL FUND					
Liabilities					
Other payables	16	905,488	654,627	271,632	239,791
Due to related parties	17	253,244	61,977	75,970	22,702
		1,158,732	716,604	347,602	262,493
Capital fund					
Donor funds	18	26,415,728	32,702,400	7,924,322	11,978,901
Retained surplus		13,054,009	9,296,207	4,899,947	3,725,634
Currency translation			-	(983,127)	(320,430)
		39,469,737	41,998,607	11,841,142	15,384,105
Total liabilities and capital fund		**40,628,469**	**42,715,211**	**12,188,744**	**15,646,598**

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

Director ______________________ Director : ______________________

Date: 8 April 2016

The notes form an integral part of these financial statements.

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

STATEMENT OF CHANGES IN CAPITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2015

	Donor fund Ushs '000	Retained surplus Ushs '000	Total capital fund Ushs '000	Total capital fund US$
At 1 January 2014	**20,374,119**	**7,081,367**	**27,455,486**	**10,942,801**
Donations received during the year	39,431,032	-	39,431,032	15,259,687
Transfers to SOFP/SOCI	(26,707,275)	-	(26,707,275)	(10,335,633)
Transfer to other projects	(395,476)		(395,476)	(153,048)
Surplus for the year	-	2,214,840	2,214,840	857,137
Currency translation	-	-	-	(1,186,839)
At 31 December 2014	**32,702,400**	**9,296,207**	**41,998,607**	**15,384,105**
Donations received during the year	36,986,846	-	36,986,846	11,095,499
Transfers to SOFP/SOCI	(42,553,048)	-	(42,553,048)	(13,926,160)
Transfers to donor	(478,608)	-	(478,608)	(143,575)
Transfer to other projects	(241,862)	-	(241,862)	(72,555)
Surplus for the year	-	3,757,802	3,757,802	1,174,313
Currency translation	-	-	-	(1,670,485)
At 31 December 2015	**26,415,728**	**13,054,009**	**39,469,737**	**11,841,142**

The notes form an integral part of these financial statements.

BRAC UGANDA

Financial Statements
For the year ended 31 December 2015

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Net cash (used in)/generated from operating activities	**19**	6,716,499	(1,767,209)	2,065,003	(595,001)
Cash flows from investing activities					
Transfer of fixed assets		423,708	-	127,106	-
Acquisition of fixed assets		(1,015,175)	(406,262)	(304,537)	(157,222)
Net cash used in investing activities		**(591,467)**	**(406,262)**	**(177,431)**	**(157,222)**
Cash flows from financing activities					
Decrease in fixed deposits		(2,177,980)	-	(653,361)	-
Increase in grants received in advance		(6,286,672)	12,328,281	(1,885,907)	4,515,854
Net cash generated from financing activities		**(8,464,652)**	**12,328,281**	**(2,539,269)**	**4,515,854**
Net increase in cash and cash equivalents		(2,339,620)	10,154,810	(651,697)	3,763,631
Currency Translation			-	(50,154)	(924,233)
Cash and cash equivalents at the start of the year	**14**	33,572,551	27,283,984	10,071,262	10,874,446
Cash and cash equivalents at year end		**31,232,932**	**37,438,794**	**9,369,411**	**13,713,844**

The notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

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

1. THE REPORTING ENTITY

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

The organization was incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non-Microfinance Programs got incorporated as independent companies in August 2008 and September 2010 respectively but were still trading during the year under the umbrella of BRAC.

On 30th day of September 2010, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited and all Assets and Liabilities that relate to or are in any way connected with the Non-Microfinance activities it has been operating in Uganda to BRAC Uganda.

BRAC Uganda effectively commenced operations as an independent entity on 1 January 2010. BRAC’s business model strongly reflects its philosophy, the core elements of the business model are BRAC’s community outreach –based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles which distinguish BRAC from other microfinance operators in Africa, are apparent in the way BRAC has designed its operations.

2. BASIS OF PREPARATION

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

(i) Basis of measurement

The financial statements are prepared under the historical cost convention.

(ii) Basis of preparation

The preparation of financial statements 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.

Notes to the financial statements for the year ended 31 December 2015 continued

The financial statements include figures, which have been translated from Uganda Shillings (Shs'000) to United States Dollars (US$) at the year-end rate of US$1:Ushs3,333.5 for balance sheet items and US$ 1:Ushs 3,200 for the income statement balances. These figures are for memorandum purposes only and do not form part of the audited financial statements.

iv) Use of estimates and judgment

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

Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if there vision affects only that period or in the period of the revision and the future periods if there vision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 22.

a. Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

Notes to the financial statements for the year ended 31 December 2015 continued

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

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

b. Foreign currency transactions

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

c. Impairment

(i) Financial assets

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

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying value and present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

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

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

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

Notes to the financial statements for the year ended 31 December 2015 continued

(ii) Non-financial assets

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

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

d. Inventory

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

e. Other Receivables

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

f. Cash and cash equivalents

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

g. Provisions and Other Liabilities

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

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

Other liability also includes a self-insurance fund. BRAC Uganda started to set aside a monthly amounts equivalent to 1% of the basic salary of local employees from November 2012 to constitute this fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees.

The payment in the event of death or permanent injury is ranging from12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards.

Notes to the financial statements for the year ended 31 December 2015 continued

h. Revenue recognition

Revenue is recognized on an accruals basis.

Other income

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

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

i. Grants

(i) Donor Grants

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

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

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

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

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

(ii) Grant income

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

A portion of BRAC Uganda donor grants are for the funding of projects and programs, and for these grants, income recognized is matched to the extent of actual expenditures incurred on projects and programs for the period.

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

j. Interest from bank and short term deposits

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

Notes to the financial statements for the year ended 31 December 2015 continued

k. Employee benefits

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

l. Segment reporting

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

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

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

m. Contingent liabilities

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

n. Related party transactions

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

o. Fund raising Costs

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

Notes to the financial statements for the year ended 31 December 2015 continued

p. Adoption of new and revised standards

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

q. Comparatives

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

3. GRANT INCOME

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Agriculture, poultry& Livestock	4,917,081	4,298,352	1,536,588	1,663,449
Education	21,129,315	10,720,269	6,602,911	4,148,711
Health	7,256,579	2,566,923	2,267,681	993,391
Empowerment and Livelihood of Adolescents	5,461,047	5,151,491	1,706,577	1,993,611
Research & Evaluation	4,012,557	2,551,805	1,253,924	987,541
Karamoja	1,005,020	351,055	314,069	135,858
Disaster Preparedness	12,886	45,520	4,027	17,616
Community Connector	769,226	1,021,862	240,383	395,475
	44,563,711	**26,707,277**	**13,926,160**	**10,335,634**

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

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Other project income	1,235,985	956,453	386,245	370,144
Bank interest income	1,046,914	816,127	327,161	315,839
	2,282,899	**1,772,580**	**713,406**	**685,983**

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

5. FOREIGN EXCHANGE

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Foreign exchange gains	1,744,157	768,700	545,049	297,485
	1,744,157	**768,700**	**545,049**	**297,485**

Notes to the financial statements for the year ended 31 December 2015 continued

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

6. STAFF COSTS AND OTHER BENEFITS

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Salary as per payroll	7,651,724	5,867,778	2,391,164	2,270,811
Bonus	192,613	169,520	60,192	65,604
10% employer NSSF contribution	722,947	571,518	225,921	221,176
Insurance for staff	74,373	-	23,242	-
Reversal of excess leave provision	(115,243)	-	(36,015)	-
	8,526,414	**6,608,816**	**2,664,504**	**2,557,591**

The number of staff employed by the organization is 915 during 2015. (2014: 753)

7. TRAINING, WORKSHOPS AND SEMINARS

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
External member trainings	6,853,721	3,003,562	2,141,788	1,162,369
Staff training	663,265	387,445	207,270	149,940
	7,516,986	**3,391,007**	**2,349,058**	**1,312,309**

8. OCCUPANCY EXPENSES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Rental charges	1,369,166	1,172,931	427,864	453,921
Utilities	55,511	50,032	17,348	19,362
	1,424,677	**1,222,963**	**445,212**	**473,283**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

9. PROGRAM SUPPLIES, TRAVEL AND OTHER GENERAL EXPENSES

	2015	2014	2015	2014
	Ushs '000	Ushs '000	US$	US$
Legal fees	41,113	20,963	12,848	8,113
Audit fees	75,520	64,428	23,600	24,933
Maintenance & general expenses	4,477,591	4,170,489	1,399,247	1,613,966
Printing, stationary and supplies	429,813	123,284	134,317	47,711
Telephone expenses	160,034	112,870	50,011	43,680
Program supplies	18,046,093	8,744,552	5,639,404	3,384,115
Other general expenses	11,447	-	3,577	-
Self insurance scheme	-	16,261	-	6,293
Provision for stock shortages	43,713	-	13,660	-
Fixed assets write-off	4,313	-	1,348	-
Inventory write-off	40,270	-	12,584	-
HO logistics expenses	442,810	183,814	138,378	71,135
Travel and transportation	3,239,079	2,060,838	1,012,213	797,538
	27,011,796	**15,497,499**	**8,441,187**	**5,997,484**

10. TAXATION

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

BRAC Uganda tax exemption for two years expired on 31 December 2015.

Notes to the financial statements for the year ended 31 December 2015 continued

11. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Building	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total US$
Cost						
At 1 January 2014	548,748	-	584,511	827,418	1,960,677	748,421
Additions	38,174	-	70,477	297,611	406,262	157,222
Disposals	-	-	-	-	-	(38,632)
At 31 December 2014	**586,922**	**-**	**654,988**	**1,125,029**	**2,366,939**	**897,011**
Additions	78,347	221,701	512,962	202,165	1,015,175	304,537
Asset disposal	-	-	-	(36,247)	(36,247)	(10,874)
Asset transfer to donor	-	-	-	(423,708)	(423,708)	(127,106)
Asset write-off	(2,906)	-	(13,071)	(2,885)	(18,862)	(5,658)
Currency translation	-	-	-	-	-	-
At 31 December 2015	**662,363**	**221,701**	**1,154,879**	**864,354**	**2,903,297**	**1,057,910**
Depreciation						
At 1 January 2014	184,970	-	303,871	490,819	979,660	357,422
Charge for the year	58,692	-	98,248	156,492	313,432	121,297
Currency translation	-	-	-	-	-	24,941
At 31 December 2014	**243,662**	**-**	**402,119**	**647,311**	**1,293,092**	**503,660**
Charge for the year	60,751	1,890	119,682	170,770	353,092	110,341
Disposal depreciation	-	-	-	(36,247)	(36,247)	(11,327)
Write-off	(1,502)	-	(10,266)	(2,782)	(14,549)	(4,547)
Currency translation	-	-	-	-	-	96,617
At 31 December 2015	**302,911**	**1,890**	**511,535**	**779,052**	**1,595,388**	**664,744**
At 31 December 2015	**359,452**	**219,811**	**643,344**	**85,302**	**1,307,909**	**393,166**
At 31 December 2014	**343,260**	**-**	**252,869**	**477,718**	**1,073,847**	**393,351**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

12. CASH AND BANK

		2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Cash in hand		5,597	1,014	1,679	372
Cash at Bank	**12.a**	31,227,335	33,571,537	9,367,732	12,297,266
		31,232,932	**33,572,551**	**9,369,411**	**12,297,638**

12.a Cash at Bank

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Standard Chartered Bank	25,428,274	32,764,355	7,628,101	12,001,595
Bank of Africa	53,996	-	16,197	-
Crane Bank	18,509	-	5,552	-
DFCU	2,913	-	874	-
Pride Microfinance Ltd	6,346	-	1,904	-
Equity Bank	64,404	-	19,320	-
Post Bank	50,279	-	15,083	-
Centenary Bank	61,495	-	18,448	-
Stanbic bank	5,541,119	807,182	1,662,253	295,671
	31,227,335	**33,571,537**	**9,367,732**	**12,297,266**

As at 31 December 2015, BRAC Bangladesh held cash amounting to Ushs 26 million (2014: Shs 470 million) in Citibank Uganda and Standard Chartered Bank Uganda Limited while BRAC South Sudan held cash amounting to Ushs 70 million (2014: 2,744 million) in Stanbic Bank in Uganda. All these accounts are in the names of BRAC Uganda. BRAC Uganda has no control over this money and as such it is not recorded in its books.
The fixed deposit is in dollars and was placed at Standard Chartered Bank at an interest rate of 3 percent. It matures in June 2016.

13. INVENTORY

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Stock and consumables	730,246	527,007	219,063	193,043
Provision for stock loss	(43,713)	-	(13,113)	-
	686,533	**527,007**	**205,950**	**193,043**

Stock and consumables includes the amount of the stock of health materials, poultry and agriculture that were not yet sold as at 31 December 2015. These materials are normally sold at subsidized rates to low income earners in communities.

14. DUE FROM RELATED PARTIES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Receivable from BRAC Microfinance	779,044	2,691,145	233,702	985,767
Receivable from Stichting BRAC International	-	89,052	-	32,620
	779,044	**2,780,197**	**233,702**	**1,018,387**

15. OTHER RECEIVABLES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Advances to third parties	111,450	428,288	33,433	156,882
Prepaid Taxes	466,378	466,378	139,906	170,834
Other receivables	-	700	-	257
	577,828	**895,366**	**173,339**	**327,973**

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

16. OTHER PAYABLES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Accrual for expenses	237,903	54,219	71,367	19,798
Bonus provision	29,635	27,228	8,890	9,974
Provision for NSSF	111,205	86,318	33,360	31,618
Self-Insurance Fund - scheme	46,256	20,374	13,876	7,463
VAT Payable	3,793	8,184	1,138	2,998
Provision for audit fees	46,002	64,428	13,800	23,600
Withholding tax provision	26,328	31,365	7,898	11,489
Salary provision	276,267	259,400	82,876	95,081
Provision for PAYE	128,099	103,111	38,427	37,770
	905,488	**654,627**	**271,632**	**239,791**

BRAC Uganda sets aside monthly amounts equivalent to 1% of the basic salary of local employees, to constitute a self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees. The payment in the event of death or permanent injury is ranging from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards.

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

17. DUE TO RELATED PARTIES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
BRAC Bangladesh	2,386	-	716	-
Stitching BRAC International	250,858	61,977	75,254	22,702
	253,244	**61,977**	**75,970**	**22,702**

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

18. DONOR FUNDS

	Note	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Donor funds received in advance	**18.1**	25,008,310	31,478,248	7,502,118	11,530,494
Donor funds-investment in fixed assets	**18.1 b**	1,407,418	1,224,152	422,204	448,407
		26,415,728	**32,702,400**	**7,924,322**	**11,978,901**

18.1 Donor funds received in advance

	Note	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Opening balance		31,478,248	19,242,797	9,443,002	7,699,509
Donations received during the year	**18.1a**	36,986,846	39,431,032	11,095,499	15,259,687
Transfer to UNICEF		(115,534)	(395,476)	(34,658)	(153,048)
Transferred to Jaica		(29,908)	-	(8,972)	-
Transferred to end child marriage		(96,420)	-	(28,925)	-
Transferred to deferred income - investment in fixed assets		(536,358)	(406,262)	(160,899)	(157,222)
Transferred to BRAC Microfinance ltd		(54,900)	-	(16,469)	-
Assets transferred to FHI		(183,708)	-	(55,110)	-
Assets transferred to UNICEF		(240,000)	-	(71,996)	-
Transferred to statement of income and expenses		(42,199,956)	(26,393,843)	(12,659,354)	(10,214,336)
Currency translation		-	-	-	(874,096)
Closing balance		**25,008,310**	**31,478,248**	**7,502,118**	**11,530,494**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

18.1 a Donations received during the year

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
MasterCard Foundation	4,985,817	10,481,460	1,495,670	4,056,295
MasterCard Foundation (Scholarship)	14,493,252	21,887,756	4,347,758	8,470,494
BRAC USA (Youth Research)	444,369	158,772	133,304	61,444
BRAC USA (Capacity Building)	446,790	-	134,030	-
IDS-Research	241,224	-	72,364	-
AGI-Research	386,058	-	115,812	-
Others-Research	35,464	-	10,639	-
IGF-Karamoja	24,853	-	7,456	-
Jaica	34,716	-	10,414	-
IDRC	110,005	-	33,000	-
Living Goods	6,255,840	866,910	1,876,658	335,491
Clinton Health Initiative	192,583	61,335	57,772	23,736
Particip GMBH	-	71,683	-	27,741
IFS	177,924	138,072	53,375	53,433
Women Sports	256,251	163,698	76,871	63,351
Oak Foundation	265,211	-	79,559	-
Straight Talk Foundation	229,923	-	68,973	-
LSE(Tenancy)	-	291,566	-	112,835
Stockholm university (Research study)	1,273,832	174,452	382,130	67,512
Stockhorm University (Tenancy)	222,306	-	66,688	-
BARR Foundation	374,786	646,250	112,430	250,097
UHMG	-	118,575	-	45,888
UNICEF	846,817	213,005	254,032	82,432
BRAC UK - ECD	18,930	-	5,679	-
Building Young Future	2,072,753	1,372,216	621,795	531,043
Village Enterprise	142,630	433,620	42,787	167,810
World Bank - AGI	-	188,776	-	73,056
JSDF (World Bank)	2,449,867	1,227,062	734,923	474,869
Agriculture (George Washington)	57,471	-	17,240	-
ASARECA	-	17,859	-	6,911
FAO	12,565	50,254	3,769	19,448
Transfer from BRAC Uganda MF Ltd	105,000	-	31,498	-
FHI	829,609	867,711	248,873	335,801
	36,986,846	**39,431,032**	**11,095,499**	**15,259,687**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

18.1b Donations –investment in fixed assets

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Opening balance	1,224,152	1,131,322	367,227	450,905
Transferred from donor funds received in advance	536,358	406,262	160,899	157,222
Depreciation charged during the year	(353,092)	(313,432)	(105,922)	(121,297)
Currency translation	-	-	-	(38,423)
Closing balance	**1,407,418**	**1,224,152**	**422,204**	**448,407**

19. CASHFLOW FROM OPERATING EXPENSES

	2015 Ushs '000	2014 Ushs '000	2015 US$	2014 US$
Excess of income over expenditure	3,757,802	2,214,840	1,174,313	857,138
Depreciation	353,092	313,432	110,341	121,297
Fixed assets write-off	4,313	-	1,348	-
Cash flows before changes in working capital	**4,115,207**	**2,528,272**	**1,286,002**	**978,435**
Changes in working capital				
(Increase)/decrease in inventory	(159,526)	(169,576)	(47,855)	(62,116)
(Increase)/decrease in receivables	317,538	(878,846)	95,257	(321,922)
Increase in related party receivables	2,001,153	(2,780,197)	600,316	(1,018,387)
(Decrease)/Increase in related party payables	250,860	(343,047)	75,254	(125,658)
(Decrease)/Increase in other payables	191,267	(123,815)	57,377	(45,353)
Net cash from operations	**6,716,499**	**(1,767,209)**	**2,066,351**	**(595,001)**

20. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2015.

21. CURRENCY

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

22. USE OF ESTIMATES AND JUDGMENT

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

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

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

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

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

(i) Impairment

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

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

(ii) Provisions and contingencies

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

23. CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and principally from trade and other receivable balances and investment in cash and cash equivalents. The Credit policy of BRAC Uganda requires all credit exposures to be measured, monitored and managed proactively. All cash and cash equivalents are held with reputable banks that are regulated by the Central bank of Uganda and as a result the risk is low. The Board has delegated the responsibility of the oversight role of credit risk to the Country Representative and Monitoring department.

Management of the risk

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

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Exposure to credit risk

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

	2015 Shs '000	2014 Shs '000	2015 US$	2014 US$
Cash and Cash equivalents	37,277,155	37,438,794	11,182,587	13,713,844
Receivables and other assets	2,043,405	3,675,563	612,991	1,346,360
	39,320,560	**41,114,357**	**11,795,578**	**15,060,204**

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

	2015 Shs '000	2014 Shs '000	2015 US$	2014 US$
Between 0-30 days	797,983	895,366	239,383	327,973
Between 31-60 days	1,245,422	2,780,197	373,608	1,018,387
	2,043,405	**3,675,563**	**612,991**	**1,346,360**

Liquidity risk

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

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

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2015 to the contractual maturity date.

	Matured	Less than 30 days	Between 31-60 Days	Over 60 days	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
ASSETS					
Cash and bank	31,232,932	-	-	-	31,232,932
Fixed Deposits	-	-	6,044,223	-	6,044,223
Related Party Receivables	-	-	779,044	-	779,044
Other receivables	-	116,828	461,000	-	577,828
Inventory	-	142,758	543,775	-	686,533
Property and equipment	-	-	-	1,307,909	1,307,909
	31,232,932	**259,586**	**7,828,042**	**1,307,909**	**40,628,469**
Capital fund and liabilities					
Other current liabilities	-	607,529	297,956	-	905,485
Due to related parties	-	-	-	253,244	253,244
Donor funds	-	2,000,000	5,000,000	19,415,728	26,415,728
	-	2,607,529	5,297,956	19,668,972	27,574,457
Net assets/(liabilities)	**31,232,932**	**(2,347,943)**	**2,530,086**	**(18,361,063)**	**13,054,012**

Exposure to Foreign currency risk

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

The following significant exchange rates applied during the year:

	Closing Rate		Average Rate	
	2015	2014	2015	2014
	Ushs	Ushs	Ushs	Ushs
USD	3,333.5	2,730	3,200	2,584

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

24. SEGMENTAL REPORTING

Statement of comprehensive income for the year ended 31 December 2015 (Amount in Uganda Shillings)

	Agriculture – -MCF Project	JSDF Project	Poultry – -MCF Project	Health – -MCF Project	Living goods Project	Scholarship Project	ELA –MCF Project	Oak Foundation Project	BARR Foundation Project	Women win Project
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
INCOME										
Grant Income	1,999,968	2,345,925	571,188	1,182,514	6,074,065	21,129,315	2,061,723	22,669	991,062	157,023
Other Income	168,378	-	227,323	192,287	25,871	756,922	116,720	-	-	-
Exchange gains/losses	407,943	81,138	407,807	15,807	496,646	(986,307)	724,139	-	-	41,457
TOTAL INCOME	**2,576,289**	**2,427,063**	**1,206,318**	**1,390,608**	**6,596,582**	**20,899,930**	**2,902,582**	**22,669**	**991,062**	**198,480**
EXPENDITURE										
Manpower and compensation	866,884	311,138	919,219	154,231	1,650,167	951,934	2,016,106	12,760	33,154	17,834
Travelling and transportation	299,547	150,542	313,307	76,701	607,289	284,368	713,334	891	27,589	26,674
Training, workshops and seminars	199,368	732,959	177,821	223,027	747,909	1,085,949	776,511		873,580	75,578
Occupancy expenses	156,512	59,820	158,518	48,314	366,581	30,885	460,037		-	-
Other general & administrative expenses	481,843	825,141	333,643	158,249	1,245,418	16,704,796	926,955	9,513	84,122	48,270
Depreciation	99,623	14,414	12,082	52,047	47,887	66,308	7,623		-	-
TOTAL EXPENSES	**2,103,777**	**2,094,014**	**1,914,590**	**712,569**	**4,665,251**	**19,124,240**	**4,900,566**	**23,164**	**1,018,445**	**168,356**
Surplus/ Reserve	**472,512**	**333,049**	**(708,272)**	**678,039**	**1,931,331**	**1,775,690**	**(1,997,984)**	**(495)**	**(27,383)**	**30,124**
Taxation										
NET SURPLUS FOR THE YEAR	**472,512**	**333,049**	**(708,272)**	**678,039**	**1,931,331**	**1,775,690**	**(1,997,984)**	**(495)**	**(27,383)**	**30,124**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of comprehensive income as at 31 December 2015 (Amount in Uganda Shillings)

	Building Young Future project	AHP project	BRAC Learning Centre	BRAC Resarch centre	Karamoja centre	Disaster Preparedeness Project	Community Connector Project	Total
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
INCOME								
Grant Income	2,170,194	58,377		4,012,557	1,005,020	12,886	769,225	44,563,711
Other Income		12,727	655,726	71,716	4,642		50,587	2,282,899
Exchange gains/losses		-		555,527				1,744,157
TOTAL INCOME	**2,170,194**	**71,104**	**655,726**	**4,639,800**	**1,009,662**	**12,886**	**819,812**	**48,590,767**
EXPENDITURE								
Manpower and compensation	94,507	821	129,041	1,021,304	151,791	11,336	184,187	8,526,414
Travelling and transportation	43,153	2,179	86,801	461,265	46,504	1,551	97,385	3,239,080
Training, workshops and seminars	1,810,697	2,371	16,889	114,181	359,614	18,632	301,900	7,516,986
Occupancy expenses	9,443	-	77,244	27,071	20,087		10,165	1,424,677
Program supplies, travel and other general expenses	223,298	20,311	33,443	2,366,484	133,262		177,968	23,772,716
Depreciation	-	-	17,666	24,854	7,790		2,798	353,092
TOTAL EXPENSES	**2,181,098**	**25,682**	**361,084**	**4,015,159**	**719,048**	**31,519**	**774,403**	**44,832,965**
Surplus/ Reserve	**(10,904)**	**45,422**	**294,642**	**624,641**	**290,614**	**(18,633)**	**45,409**	**3,757,802**
Taxation								
NET SURPLUS FOR THE YEAR	**(10,904)**	**45,422**	**294,642**	**624,641**	**290,614**	**(18,633)**	**45,409**	**3,757,802**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

24. SEGMENTAL REPORTING

Statement of financial position for the year ended 31 December 2015 (Amount in Uganda Shillings)

	Agriculture – MCF Project	JSDF Project	Poultry – -MCF Project	Health – -MCF Project	Living goods Project	Scholarship Project	ELA –MCF Project	Oak Foundation Project	BARR Foundation Project	Women win Project
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
ASSETS										
Cash and bank	1,017,954	189,751	568,229	1,429,467	2,488,572	18,275,918	1,952,305	243,228	32,840	227,774
Fixed Deposits			505,855	1,011,366		3,009,781	1,011,366			
Receivables and other Current Assets	380,351	14,556	45,246	520,770	134,801	10,521	(95)			
Property and equipment	235,895	340,853	(22,425)	39,081	357,139	89,581	33,844			3,330
TOTAL PROPERTY AND ASSETS	**1,634,200**	**545,160**	**1,096,905**	**3,000,684**	**2,980,512**	**21,385,801**	**2,997,420**	**243,228**	**32,840**	**231,104**
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other current liabilities	181,211	13,432	4,582	64,214	172,354	75,181	114,108	1,181	16,170	9,722
Due to related parties	11,059			15,559	111,690	5,772	2,791		14,079	7,231
Total Liabilities	192,270	13,432	4,582	79,773	284,044	80,953	116,899	1,181	30,249	16,953
CAPITAL FUND										
Donor funds	342,134	179,185	729,446	43,405	1,792,010	18,453,722	2,288,633	242,542	29,974	184,028
Retained Surplus	1,099,796	352,543	362,876	2,877,508	904,457	2,851,126	591,886	(495)	(27,383)	30,124
Total Capital Fund	**1,441,930**	**531,728**	**1,092,322**	**2,920,913**	**2,696,467**	**21,304,848**	**2,880,519**	**242,047**	**2,591**	**214,152**
TOTAL LIABILITIES AND CAPITAL FUND	**1,634,200**	**545,160**	**1,096,904**	**3,000,686**	**2,980,511**	**21,385,801**	**2,997,418**	**243,228**	**32,840**	**231,105**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of financial position as at 31 December 2015(Amount in Uganda Shillings)

project	Building Young Future project	AHP Centre	BRAC Learning centre	BRAC Resarch project	Karamoja Project	Disaster Preparedeness Project	Community Connector	Total
	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)	Ushs(000)
ASSETS								
Cash and bank	630,261	67,724	1,113,390	2,193,811	621,768	19,949	159,991	31,232,932
Fixed Deposits	-	-	-	505,855	-	-		6,044,223
Receivables and other Current Assets	-	(180)	906,906	10,634	-	-	19,895	2,043,405
Property and equipment	12,569		66,863	130,820	(14,772)	-	35,131	1,307,909
TOTAL PROPERTY AND ASSETS	**642,830**	**67,544**	**2,087,159**	**2,841,120**	**606,996**	**19,949**	**215,017**	**40,628,469**
LIABILITIES AND CAPITAL FUND								
LIABILITIES								
Other current liabilities	103,009	(2,198)	41,765	91,365	20,612	-	(1,224)	905,484
Due to related parties	74,658	-	(2,861)	6,040		-	7,225	253,243
Total Liabilities	**177,667**	**(2,198)**	**38,904**	**97,405**	**20,612**	**-**	**6,001**	**1,158,727**
CAPITAL FUND								
Donor funds	550,761	82,698	98,660	1,021,031	150,673	38,581	171,962	26,399,445
Retained Surplus	(85,599)	(12,955)	1,949,595	1,722,685	435,711	(18,632)	37,054	13,070,297
Total Capital Fund	465,162	69,743	2,048,255	2,743,716	586,384	19,949	209,016	39,469,742
TOTAL LIABILITIES AND CAPITAL FUND	**642,829**	**67,545**	**2,087,159**	**2,841,121**	**606,996**	**19,949**	**215,017**	**40,628,469**

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of comprehensive income for the year ended 31 December 2015 (Amount in United States Dollars)

	Agriculture MCF Project	JSDF Project	Poultry -MCF Project	Health -MCF Project	Living goods Project	Scholarship Project	ELA –MCF Project	Oak Foundation Project	BARR Foundation Project	Women win Project
	USD$	USD$	USD$)	USD$	USD$	USD$	USD$	USD$	USD$	USD$
INCOME										
Grant Income	624,990	733,102	178,496	369,536	1,898,145	6,602,911	644,288	7,084	309,707	49,070
Other Income	52,618	-	71,038	60,090	8,085	236,538	36,475	-	-	-
Exchange gains/losses	127,482	25,356	127,440	4,940	155,202	(308,221)	226,293	-	-	12,955
TOTAL INCOME	**805,090**	**758,458**	**376,974**	**434,566**	**2,061,432**	**6,531,228**	**907,056**	**7,084**	**309,707**	**62,025**
EXPENDITURE										
Manpower and compensation	270,901	97,231	287,256	48,197	515,677	297,479	630,033	3,988	10,361	5,573
Travelling and transportation	93,608	47,044	97,908	23,969	189,778	88,865	222,917	278	8,622	8,336
Training, workshops and seminars	62,303	229,050	55,569	69,696	233,722	339,359	242,660	-	272,994	23,618
Occupancy expenses	48,910	18,694	49,537	15,098	114,557	9,652	143,762	-	-	-
Other general & administrative expenses	150,576	257,857	104,263	49,453	389,193	5,220,249	289,673	2,973	26,288	15,084
Depreciation	31,132	4,504	3,776	16,265	14,965	20,721	2,382	-	-	-
TOTAL EXPENSES	**657,430**	**654,380**	**598,309**	**222,678**	**1,457,892**	**5,976,325**	**1,531,427**	**7,239**	**318,265**	**52,611**
Surplus/ Reserve	**147,660**	**104,078**	**(221,335)**	**211,888**	**603,540**	**554,903**	**(624,371)**	**(155)**	**(8,558)**	**9,414**
Taxation										
NET SURPLUS FOR THE YEAR	**147,660**	**104,078**	**(221,335)**	**211,888**	**603,540**	**554,903**	**(624,371)**	**(155)**	**(8,558)**	**9,414**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of comprehensive income as at 31 December 2015 (Amount in United States Dollars)

project	Building Young Future project	AHP Centre	BRAC Learning centre	BRAC Resarch centre	Karamoja Project	Disaster Preparedeness Project	Community Connector Project	Total
	USD$	USD$	USD$	USD$	USD$	USD$	USD$	USD$
INCOME								
Grant Income	678,186	18,243	-	1,253,924	314,069	4,027	240,382	13,926,160
Other Income	-	3,977	204,914	22,411	1,451	-	15,809	713,406
Exchange gains/losses	-	-	-	173,602	-	-	-	545,049
TOTAL INCOME	**678,186**	**22,220**	**204,914**	**1,449,937**	**315,520**	**4,027**	**256,192**	**15,184,615**
EXPENDITURE								
Manpower and compensation	29,533	257	40,325	319,158	47,435	3,543	57,557	2,664,504
Travelling and transportation	13,485	681	27,125	144,145	14,533	485	30,434	1,012,213
Training, workshops and seminars	565,843	741	5,278	35,682	112,379	5,823	94,341	2,349,058
Occupancy expenses	2,951	-	24,139	8,460	6,277	-	3,175	445,212
Other general & administrative expenses	69,781	6,347	10,451	739,526	41,644	-	55,614	7,428,972
Depreciation	-	-	5,521	7,767	2,434	-	1,150	110,341
TOTAL EXPENSES	**681,593**	**8,026**	**112,839**	**1,254,738**	**224,702**	**9,851**	**242,279**	**14,010,300**
Surplus/ Reserve	**(3,407)**	**14,194**	**92,075**	**195,199**	**90,818**	**(5,824)**	**13,920**	**1,174,313**
Taxation								
NET SURPLUS FOR THE YEAR	**(3,407)**	**14,194**	**92,075**	**195,199**	**90,818**	**(5,824)**	**13,920**	**1,174,313**

BRAC UGANDA
Financial Statements
For the year ended 31 December 2015

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of financial position for the year ended 31 December 2015 (Amount in United States Dollars)

	Agriculture MCF Project	JSDF Project	Poultry -MCF Project	Health -MCF Project	Living goods Project	Scholarship Project	ELA –MCF Project	Oak Foundation Project	BARR Foundation Project	Women win Project
	USD$	USD$	USD$)	USD$	USD$	USD$	USD$	USD$	USD$	USD$
ASSETS										
Cash and bank	305,371	56,922	170,460	428,819	746,534	5,482,501	585,662	72,965	9,852	68,329
Fixed Deposits	-	-	151,749	303,395	-	902,889	303,395	-	-	-
Receivables and other Current Assets	114,100	4,367	13,573	156,223	40,438	3,156	(28)	-	-	-
Property and equipment	70,765	102,251	(6,727)	11,724	107,136	26,873	10,153	-	-	999
TOTAL PROPERTY AND ASSETS	**490,236**	**163,540**	**329,055**	**900,161**	**894,108**	**6,415,419**	**899,182**	**72,965**	**9,852**	**69,328**
LIABILITIES AND CAPITAL FUND										
LIABILITIES										
Other current liabilities	54,361	4,029	1,375	19,263	51,704	22,553	34,231	354	4,851	2,916
Due to related parties	3,318			4,667	33,505	1,732	837		4,223	2,169
Total Liabilities	**57,679**	**4,029**	**1,375**	**23,930**	**85,209**	**24,285**	**35,068**	**354**	**9,074**	**5,085**
CAPITAL FUND										
Donor funds	102,635	53,753	218,823	13,021	537,576	5,535,840	686,556	72,759	8,992	55,206
Retained Surplus	329,922	105,758	108,857	863,209	271,323	855,295	177,557	(148)	(8,214)	9,037
Currency translation	-	-	-	-	-	-	-	-	-	-
Total Capital Fund	**432,557**	**159,511**	**327,680**	**876,230**	**808,899**	**6,391,135**	**864,113**	**72,611**	**778**	**64,243**
TOTAL LIABILITIES AND CAPITAL FUND	**490,236**	**163,540**	**329,055**	**900,161**	**894,108**	**6,415,420**	**899,182**	**72,965**	**9,852**	**69,328**

Notes to the financial statements for the year ended 31 DECEMBER 2015 continued

Statement of financial position as at 31 December 2015 (Amount in United States Dollars)

project	Building Young Futue project	AHP Centre	BRAC Learning centre	BRAC Resarch centre	Karamoja Project	Disaster Preparedeness Project	Community Connector	Total
	USD$	USD$	USD$	USD$	USD$	USD$	USD$	USD$
ASSETS								
Cash and bank	189,069	20,316	334,000	658,110	186,521	5,984	47,996	9,369,411
Fixed Deposits	-	-	-	151,750	-	-	-	1,813,176
Receivables and other Current Assets	-	(54)	272,058	3,190	-	-	5,968	612,991
Property and equipment	3,771	-	20,058	39,244	(4,431)	-	11,348	393,166
TOTAL PROPERTY AND ASSETS	**192,840**	**20,262**	**626,116**	**852,293**	**182,090**	**5,984**	**65,313**	**12,188,744**
LIABILITIES AND CAPITAL FUND								
LIABILITIES								
Other current liabilities	30,901	(659)	12,529	27,408	6,183	-	(367)	271,632
Due to related parties	22,396		(858)	1,812	-	-	2,167	75,970
Total Liabilities	**53,297**	**(659)**	**11,671**	**29,220**	**6,183**	**-**	**1,800**	**347,602**
CAPITAL FUND								
Donor funds	165,222	24,807	29,597	306,294	45,199	11,574	51,586	7,924,322
Retained Surplus	(25,679)	(3,886)	584,849	516,780	130,708	(5,590)	11,927	3,920,893
Currency translation	-	-	-	-	-	-	-	(4,073)
Total Capital Fund	**139,543**	**20,921**	**614,446**	**823,074**	**175,907**	**5,984**	**63,513**	**11,841,142**
TOTAL LIABILITIES AND CAPITAL FUND	**192,840**	**20,262**	**626,116**	**852,294**	**182,090**	**5,984**	**65,313**	**12,188,744**

BRAC UGANDA MICROFINANCE LIMITED
Financial Statements
For the year ended 31 December 2015

BRAC UGANDA MICROFINANCE LIMITED
DIRECTOR, OFFICERS AND ADMINISTRATION

DIRECTORS

Dr. AMR Chowdhury	-Chairperson
Mr. Faruque Ahmed	-Member
Mr. Tanwir Rahman	-Member (Resigned on 1st November 2015)
Mr. Shameran Abed	-Member
Mr.Shib Narayan Kairy	-Member (Appointed on 1st November 2015)

ADMINISTRATORS

Mr. Bhuiyan Muhammad Imran	-Country Representative
Mr. Adiga Onesmus Jimmy	-Chief Executive Officer

PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

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

AUDITORS

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

BANKERS

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

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

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

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

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

Centenary Rural Development bank
Mapeera House
Plot 44-46 Kampala road
P.O.Box 1892
Kampala, Uganda

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

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

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 2015, which disclose the state of affairs of the Company.

a) REGISTRATION

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

On 30 September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it had been operating in Uganda to BRAC Uganda microfinance limited. The Company effectively commenced trading independently on 1 January 2010 as BRAC Uganda Microfinance Limited.

(b) VISION

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

(c) MISSION

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

(d) OUR VALUES

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

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

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

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

(e) PRINCIPAL ACTIVITIES

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

f) FINANCIAL PERFORMANCE

The Company's performance during the year ended 31 December 2015 is as follows:

- Interest income on loans increased by 49% from Ushs 37,233 million in 2014 to Ushs 55,381 million in 2015.
- Loans and advances to customers increased by 52% from Ushs 84,323 million in 2014 to Ushs 127,767 million in 2015. Loan disbursement increased by 51% from Ushs 188,050 million in 2014 to Ushs 283,891 million in 2015. Loan realization increased by 47% from Ushs 161,566 million in 2014 to Ushs 238,094 million in 2015.
- Operational expenses increased by 7% from Ushs 20,770 million in 2014 to Ushs 22,498 million in 2015.
- Total Assets increased by 54% from Ushs 92,137 million in 2014 to Ushs 142,794 million in 2015.
- During the year, the Company had an attributable profit of Ushs 17,606 million (2014 – profit of Ushs 9,403 million). All the profits for the year was transferred to reserves.

(G) RESULTS FROM OPERATIONS

The results for the Company for the year ended 31 December 2015 are set out on page 12

(H) COMPOSITION OF DIRECTORS

The directors who served during the year and up to the date of this report are set out on page 3.

(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 2015 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.

(k) Risk Management (contd.)

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

(l) MANAGEMENT STRUCTURE

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

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

(m) Retated Party Transactions

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

((n) FUTURE DEVELOPMENT PLANS

- Strategically focussing on attracting savings from our customers and general public for purposes of financial inclusion. This will be achieved through transformation from a non-deposit taking institution to a deposit taking institution. We expect to make an initial application of the license before close of September 2016.
- Continue enhancing technology to improve efficiency in our operations. This will be achieved through scaling up the mobile banking platform and upgrading our current Enterprise Resource Planning system.
- New team members will come on board in the year 2016 which include the Chief Finance Officer, Chief Legal and Chief Operations Officer. Most of these will be experienced staff from banking environment and shall purposely empower the existing staff and drive the Organisation mission.

(o) KEY ACHIEVEMENTS IN 2015

- Introduction of top up loans for the good clients. In the year 2014, our customers requested us to give them top up loans which we fulfilled this year. As a result we have seen immense customer satisfaction.
- The Company fulfilled all its tax obligations and was rated among the top 100 large tax payers. This makes us proud to see that we are contributing to the development of the country.
- Opened up 5 new branches, increased our active borrowers from 158,831 in the year 2014 to 194,728 in the year 2015.

(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 2015, the company had 1,500 staff (1,419 in 2014). The female staff are 1,246 (1,179 in 2014) and male 254 (240 in 2014).

(r) EMPLOYEES' WELFARE

Management/employee relationship

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

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

Training

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

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment to a limit of USD 200 equivalent to Ushs 600,000. In 2016 the organization is exploring a holistic package of health insurance for staff.

Retirement benefits

All eligible employees are members of the National Social Security Fund (NSSF) which is an approved pension fund. The Company contributes 10% of the employees' 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 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 8 April 2016.

By order of the Board

Signed.. Date: 8 April 2016

Secretary

BRAC UGANDA MICROFINANCE LIMITED

Statement of directors' responsibilities

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The directors accept responsibility for the financial statements set out on pages 12 to 54 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2015. 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 8 April 2016 and were signed on its behalf by:

Director:……………………………………..............

Director:……………………………………..............

Date: 8 April 2016

BRAC UGANDA MICROFINANCE LIMITED

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

Report on the Financial Statements

We have audited the financial statements of BRAC Uganda Microfinance Limited which comprise the Statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set on pages 12 to 54. We have not audited the memorandum figures reported in United States Dollars (USD$) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

As stated on page 9, the Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Brac Uganda Microfinance as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting standards and the Companies Act of Uganda.

Report on other legal requirements

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

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

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: ....14/04/........../2016

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Interest Income on Loans and Advances	4	55,381,943	37,233,971	17,306,857	14,409,432
Other Interest Income	5	380,857	718,270	119,018	277,968
Interest expense	6 (a)	(5,439,453)	(3,809,575)	(1,699,829)	(1,474,294)
Other finance costs on borrowings	6 (b)	(3,822,895)	(3,299,093)	(1,194,655)	(1,276,739)
Net interest income		**46,500,452**	**30,843,573**	**14,531,391**	**11,936,367**
Membership fees and other charges	7	3,257,185	2,247,951	1,017,870	869,950
Foreign exchange gains	8	525,306	5,487	164,158	2,123
Grant income	21.4	341,088	2,430,740	106,590	940,689
Total operating income		**50,624,031**	**35,527,751**	**15,820,009**	**13,749,129**
Impairment losses on loans and advances to customers	14.3	(3,089,710)	(1,595,934)	(965,534)	(617,621)
Operating income after impairment charges		**47,534,321**	**33,931,817**	**14,854,475**	**13,131,508**
Staff costs	9	(13,523,733)	(11,977,427)	(4,226,167)	(4,635,227)
Other operating expenses	10	(8,607,885)	(8,435,576)	(2,689,963)	(3,264,542)
Depreciation	17	(366,229)	(357,296)	(114,447)	(138,272)
Profit before tax		**25,036,474**	**13,161,518**	**7,823,898**	**5,093,467**
Income tax expense	11a	(7,429,856)	(3,758,163)	(2,321,830)	(1,454,398)
Net profit for the year		**17,606,618**	**9,403,355**	**5,502,068**	**3,639,069**
Other comprehensive income		-	-	-	-
Total comprehensive income		**17,606,618**	**9,403,355**	**5,502,068**	**3,639,069**

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
ASSETS					
Cash and Bank	12	5,853,142	2,177,570	1,755,855	797,645
Short term deposits	13	3,022,160	971,368	906,603	355,812
Loans and advances to customers	14	127,767,734	84,323,823	38,328,404	30,887,847
Other assets	16	1,365,691	1,096,905	409,687	401,796
Deferred tax asset	11(b)	3,895,927	2,452,947	1,168,720	898,515
Property and equipment	17	889,844	1,114,458	266,940	408,226
Total assets		**142,794,498**	**92,137,071**	**42,836,209**	**33,749,841**
LIABILITIES AND EQUITY					
Liabilities					
Loan security fund	18	22,506,807	15,562,293	6,751,705	5,700,474
Related party payables	15 (a)	1,707,616	2,860,785	512,259	1,047,907
Borrowings	19	51,816,508	27,058,060	15,544,175	9,911,377
Other liabilities	20	8,548,949	5,887,661	2,564,556	2,156,651
Tax payable	11(c)	55,856	942,013	16,756	345,060
Total liabilities		**84,635,736**	**52,310,812**	**25,389,451**	**19,161,469**
Equity					
Donor funds	21	6,239,960	5,514,075	1,871,894	2,019,808
BRAC contribution	22	835,000	835,000	250,487	316,288
Retained earnings		51,083,802	33,477,184	17,764,772	12,262,704
Currency translation		-	-	(2,440,395)	(10,428)
Total Equity		**58,158,762**	**39,826,259**	**17,446,758**	**14,588,372**
Total liabilities and Equity		**142,794,498**	**92,137,071**	**42,836,209**	**33,749,841**

The financial statements were approved by the board of directors on ……8 April……… 2016 and were signed on its behalf by:

Director: ______________________ Director: ______________________

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CAPITAL FUND FOR THE YEAR ENDED 31 DECEMBER 2015

	Donor Funds Ushs ’000	Retained Earnings Ushs ’000	BRAC Contribution Ushs ’000	Total capital fund Ushs	Total capital fund USD
At 1 January 2014	7,657,315	24,073,829	835,000	32,566,144	12,979,731
Donations received during the year	287,500	-	-	287,500	121,614
Transfers to SOFP/SOCI	(2,430,740)	-	-	(2,430,740)	(940,689)
Profit for the year	-	9,403,355	-	9,403,355	3,639,069
Currency Translation	-	-	-	-	(1,211,352)
At 31 December 2014	**5,514,075**	**33,477,184**	**835,000**	**39,826,259**	**14,588,373**
At 1 January 2015	5,514,075	33,477,184	835,000	39,826,259	14,588,373
Donations received during the year	1,416,973	-	-	1,416,973	442,804
Transferred to Interaid	(350,000)	-	-	(350,000)	(109,375)
Transfers to SOFP/SOCI	(341,088)	-	-	(341,088)	(106,590)
Profit for the year	-	17,606,618	-	17,606,618	5,502,068
Currency Translation	-	-	-	-	(2,870,522)
At 31 December 2015	**6,239,960**	**51,083,802**	**835,000**	**58,158,762**	**17,446,758**

The notes form an integral part of these financial statements.

BRAC UGANDA MICROFINANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Net cash (outflow)/inflow from operating activities	**23**	(9,835,141)	(3,197,238)	(2,632,204)	(1,237,322)
Cash flow from investing activities					
Acquisition of fixed assets		(163,834)	(113,628)	(51,198)	(43,974)
Decrease in Short term deposits		(2,050,792)	3,937,517	(615,207)	1,523,807
Net cash inflow from investing activities		**(2,214,626)**	**3,823,889**	**(666,405)**	**1,479,833**
Cash flow from financing activates					
Changes in borrowings		24,758,448	1,351,136	7,427,163	522,885
Corporation tax paid		(9,717,399)	(4,671,472)	(3,036,687)	(1,807,845)
WHT paid		(41,595)	-	(12,998)	-
Changes in Donor funds		725,885	(2,143,240)	217,754	(829,427)
Net cash outflow from financing activities		**15,725,339**	**(5,463,576)**	**4,595,232**	**(2,114,387)**
Net (decrease) in cash and cash equivalents		**3,675,572**	**(4,836,925)**	**1,296,623**	**(1,871,876)**
Cash and cash equivalents at beginning of the year		**2,177,570**	**7,014,495**	**653,238**	**2,795,733**
Currency translation		-	-	(194,006)	(126,212)
Cash and cash equivalents at end of the year	12	**5,853,142**	**2,177,570**	**1,755,855**	**797,645**

The notes form an integral part of these financial statements.

1. THE REPORTING ENTITY

BRAC Uganda Microfinance Limited got incorporated as a company limited by guarantee on 27th August 2008 as an independent company. The company prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2010 respectively. BRAC begun its work in Uganda in June 2006, it chose to work in Uganda because of the opportunities to make a significant difference in a post-conflict country with high poverty and fertility rates as well as demonstrate the potential of its "microfinance multiplied" approach to other in the microfinance industry in Africa.

On 30th September 2010, at a duly convened meeting of the Governing Board, BRAC transferred all Assets and Liabilities that relate to or are in any way connected with the Microfinance activity it has been operating in Uganda to BRAC Uganda microfinance limited.
BRAC Uganda Microfinance Limited's vision is in line with the vision for BRAC Bangladesh that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC uses a comprehensive approach to poverty reduction which strategically links programs in Economic Development (Micro Finance), Health, Education and social Development, Human Rights and Services to create and protect the livelihoods of poor people.

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

2. BASIS OF PREPARATION

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

(i) Basis of measurement

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

(ii) Basis of preparation

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

(ii) Functional and presentation currency

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

The financial statements include figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US $) at the year-end rate of US $1 = Ushs 3,333.5 for balance sheet items and US $ = Ushs 3,200 for income statements balances. Foreign exchange differences are transferred to equity. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 27.

a) Property and equipment

(i) Recognition and Measurement

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

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

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

(ii) Depreciation

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

b) Foreign currency transactions

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

c) Advances to customers

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

d) Impairment

(i) Financial assets

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

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

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

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

The Company estimates losses on loans and advances as follows:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(i) Financial assets (continued)

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

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

(ii) Non-financial assets

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

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

(e) Other Assets

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

(f) Cash and cash equivalents

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

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

(g) Provisions and Other liabilities

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

Other liabilities include a self-insurance fund. BRAC Uganda Microfinance Ltd started to set aside a monthly amount equivalent to 1% of the basic salary of local employees from November 2012 to constitute this fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees. The payment in the event of death or permanent injury is ranging from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(h) Income tax

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

(i) Revenue recognition

Revenue is recognized on an accruals basis.

(i) Interest income on Loans and Advances

Interest income on Loans and advances (Service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognized onan accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as “non-performing” loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectability is reasonably assured.

(ii) Membership fees and Other charges

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

(iii) Other income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(j) Grants

(i) Donor Grants

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

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

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

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

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

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

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

(ii) Grant income

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

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

(k) Loans and borrowings

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

(l) Employee benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(m) Payroll administration costs

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

(n) Contingent liabilities

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

(o) Related party transactions

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

(p) Fund Raising Costs

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

(q) Adoption of new and revised standards

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

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are

- set out in the formal terms of the plan;
- linked to service; and
- Independent of the number of years of service.

When contributions are eligible for practical expedience, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of these changes did not affect the amounts and disclosures of the company's defined benefits obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2015.

New standard or amendments	Effective for annual periods beginning on or after
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments toIAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• IFRS 16 Leases	1 January 2019

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

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

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

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes will not affect the amounts and disclosures of the company's transactions with associates or joint ventures.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)(contd.)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
The adoption of these changes would not affect the amounts and disclosures of the company's interests in joint operations.

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

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.
The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

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

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

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries
The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.
The adoption of these changes will not affect the amounts and disclosures of the company's interests in other entities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.
The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the company given that it is not a first time adopter of IFRS.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The adoption of these changes will not affect the amounts and disclosures of the company's interests in other entities.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Disclosure Initiative (Amendments to IAS 1)

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

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

The adoption of these changes will not affect the amounts and disclosures of the company's interests in other entities.

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

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

IFRS 9: Financial Instruments (2014)

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

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

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

The company is assessing the potential impact on its financial statements resulting from the application of IFRS 9 (2014).

IFRS 16: Leases

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

IFRS 16: Leases (continued)

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.
(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

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

The standard does not require a company to recognise assets and liabilities for:
(a) short-term leases (i.e. leases of 12 months or less) and;
(b) leases of low-value assets

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

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

(r) Operating leases

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

(s) Comparatives

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

4. INTEREST INCOME ON LOANS AND ADVANCES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Group Loans (Microfinance)	45,719,427	30,094,281	14,287,321	11,646,395
Small Enterprises program	6,675,521	5,027,379	2,086,100	1,945,580
Internally Displaced Persons (IDP)	271,252	143,178	84,766	55,409
Agriculture (JSDF Loan)	6,679	-	2,087	-
Empowerment and Livelihood of Adolescents (ELA)	2,709,064	1,969,133	846,583	762,048
	55,381,943	**37,233,971**	**17,306,857**	**14,409,432**

5. OTHER INTEREST INCOME

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Short term deposits	309,714	611,148	96,786	236,512
Interest income on current accounts	71,143	107,122	22,232	41,456
Total	**380,857**	**718,270**	**119,018**	**277,968**

6. a) INTEREST EXPENSE

Lender	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Brac International Loan Fund	3,812,784	3,685,742	1,191,495	1,426,371
Bank of Africa	1,158,189	-	361,934	-
Responsibility Investments	296,033	-	92,510	-
BRAC Bangladesh	172,447	123,833	53,890	47,923
Total	**5,439,453**	**3,809,575**	**1,699,829**	**1,474,294**

b) OTHER FINANCE COSTS ON BORROWINGS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Service charge	306,145	360,313	95,670	139,440
Other provisions	3,516,750	2,938,780	1,098,985	1,137,299
Total	**3,822,895**	**3,299,093**	**1,194,655**	**1,276,739**

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

7. MEMBERSHIP FEES AND OTHER CHARGES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Membership fee	373,467	307,025	116,708	118,817
Loan appraisal fee	2,789,213	1,880,505	871,629	730,106
Other Income (Operating)	32,893	6,088	10,279	-
Sale of Pass books	61,612	54,333	19,254	21,027
Total	**3,257,185**	**2,247,951**	**1,017,870**	**869,950**

8. FOREIGN EXCHANGE GAINS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Foreign Exchange gains	525,306	5,487	164,158	2,123
Total	**525,306**	**5,487**	**164,158**	**2,123**

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

9. STAFF COSTS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Salaries	11,926,492	10,855,729	3,727,029	4,202,015
Bonus	364,271	326,399	113,835	125,434
Employer's NSSF Contribution	1,366,898	1,141,660	427,156	441,819
Insurance for staff	153,928	-	48,102	-
Staff Leave Provision	(287,856)	(346,361)	(89,955)	(134,041)
Total	**13,523,733**	**11,977,427**	**4,226,167**	**4,635,227**

Due to change in the staff leave policy in regards to compensation for days carried forward, the provision for staff leave reduced as at 31 December 2015.

10. OTHER OPERATING EXPENSES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Occupancy expenses (see below)	366,859	554,966	114,643	214,770
Staff training and development	336,965	286,434	105,302	110,849
Travel and transportation	3,540,277	2,559,819	1,106,337	990,642
Maintenance and general expenses	1,291,988	1,905,667	403,744	737,487
Printing and office stationery	1,099,604	708,354	343,626	274,132
Insurance claim	61,440	53,120	19,200	20,557
Provision for audit fees	179,685	154,861	56,152	59,931
Internet cost	354,552	293,979	110,798	113,769
Legal & other professional services	64,933	5,243	20,292	2,029
VAT/WHT expense	-	799,030	-	309,222
Fixed assets writeoff	22,110	-	6,909	-
Self-Insurance scheme fund	-	37,216	-	14,402
Provision for stolen cash	31,472	14,711	9,835	5,693
HO logistics and management expenses	1,258,000	1,062,176	393,125	411,059
Total	**8,607,885**	**8,435,576**	**2,689,963**	**3,264,542**

10. OTHER OPERATING EXPENSES (contd.)

Occupancy expenses are analysed as follows;

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Rent	269,651	461,947	84,265	178,772
Utilities	97,208	93,019	30,378	35,998
Total	**366,859**	**554,966**	**114,643**	**214,770**

11. TAXATION

a) Income tax expense

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Current Tax	8,967,763	5,495,743	2,802,426	2,126,836
Over provision for corporation tax in previous years	(94,927)	(98,921)	(29,665)	(38,282)
Deferred tax (Note 11b)	(1,442,980)	(1,638,659)	(450,931)	(634,156)
Tax / expense	**7,429,856**	**3,758,163**	**2,321,830**	**1,454,398**

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

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

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Operating profit before taxation	25,036,474	13,161,518	7,823,898	5,093,467
Tax calculated at 30%	7,510,942	3,948,455	2,347,169	1,528,040
Tax effect of:				
Over provision for corporation tax in previous years	(94,927)	(98,921)	(29,665)	(38,282)
Non deductible expense and non taxable income	13,841	(91,371)	4,326	(35,360)
Income Tax charge for the year	**7,429,856**	**3,758,163**	**2,321,830**	**1,454,398**
Effective corporation tax rate	**30%**	**29%**		

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 2015 are attributed to the following items:-

	2014 Ushs '000	Movement Ushs '000	2015 Ushs '000	2014 USD	Movement USD	2015 USD
Property and equipment	839,609	(174,093)	665,516	307,549	(107,904)	199,645
Provisions	(9,021,586)	(5,155,661)	(14,177,247)	(3,304,610)	(948,352)	(4,252,962)
Unrealized gains	5,487	519,819	525,306	2,010	155,574	157,584
	(8,176,490)	(4,809,935)	(12,986,425)	(2,995,051)	(900,682)	(3,895,733)
Deferred tax asset @ 30%	**(2,452,947)**	**(1,442,980)**	**(3,895,927)**	**(898,515)**	**(270,205)**	**(1,168,720)**
Currency translation	-	-	-	-	(180,726)	-
At 31 December	**(2,452,947)**	**(1,442,980)**	**(3,895,927)**	**(898,515)**	**(450,931)**	**(1,168,720)**

11. TAXATION (contd.)

c) Tax Payable

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	942,013	216,663	345,060	86,355
Charge for the period	8,967,763	5,495,743	2,802,426	2,126,836
Over provision for corporation tax in previous years	(94,927)	(98,921)	(29,665)	(38,282)
Corporation tax paid during the year	(9,717,398)	(4,671,472)	(3,036,687)	(1,807,845)
WHT paid during the year	(41,595)	-	(12,998)	-
Currency translation	-	-	(51,380)	(22,004)
At 31 December	**55,856**	**942,013**	**16,756**	**345,060**

12. CASH AND BANK

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Cash in hand	37,338	13,507	11,201	4,948
Standard Chartered Bank Uganda	1,097,483	46,683	329,229	17,100
Bank of Africa Uganda Limited	1,332,911	-	399,853	-
Barclays Bank Uganda Limited	-	86,987	-	31,863
Centenary Rural Development Bank	388,152	128,849	116,440	47,197
Crane Bank	95,985	-	28,794	-
Equity Bank Uganda Limited	357,801	226,283	107,335	82,888
Orient Bank	12,424	22,038	3,727	8,073
DFCU Bank	19,728	17,999	5,918	6,593
Post Bank Uganda Limited	218,378	176,231	65,510	64,553
Pride Microfinance Limited	25,650	26,025	7,695	9,533
Tropical Bank Uganda Limited	43,296	2,079	12,988	762
Stanbic Bank Uganda Limited	2,223,996	1,430,889	667,165	524,135
Cash and bank	**5,853,142**	**2,177,570**	**1,755,855**	**797,645**

13. SHORT TERM DEPOSITS AT AMORTISED COST

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Bank of Africa Uganda Limited	-	971,368	-	355,812
Standard Chartered Bank	3,022,160	-	906,603	-
Total	**3,022,160**	**971,368**	**906,603**	**355,812**

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

Within 3 months	-	971,368	-	355,812
After 3 months	3,022,160	-	906,603	-
Total	**3,022,160**	**971,368**	**906,603**	**355,812**

The weighted average effective interest rates on deposits due from Banks were 14%. (2014: 11.2%). The carrying book values of the deposits with banks equal the fair value.

14. LOANS AND ADVANCES TO CUSTOMERS

14.1 Loans and advances

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Group Guaranteed Scheme	108,189,131	68,845,919	32,455,117	25,218,285
Small Enterprises Program	18,204,989	13,831,182	5,461,224	5,066,367
ELA loans	5,836,718	4,259,709	1,750,928	1,560,333
IDP Loans	675,691	494,922	202,697	181,290
Agriculture Loans	2,639	3,271	792	1,198
JSDF Loan	48,524	-	14,556	-
Interest receivable	1,932,820	1,228,181	579,816	449,883
Gross Loans and Advances	**134,890,512**	**88,663,184**	**40,465,130**	**32,477,356**
Loan Write Off	(415,381)	(274,782)	(124,607)	(100,653)
Interest Write-off	(76,416)	(31,511)	(22,924)	(11,542)
Gross Loans after Write-off	**134,398,715**	**88,356,891**	**40,317,599**	**32,365,161**
Impairment loss on loans and advances	(6,630,981)	(4,033,068)	(1,989,195)	(1,477,314)
Net Loans and Advances to Customers	**127,767,734**	**84,323,823**	**38,328,404**	**30,887,847**

14.2 Movement in Loans and advances

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

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	87,160,221	60,951,271	26,146,759	24,293,054
Loans disbursed	283,891,606	188,050,450	85,163,224	72,774,941
Loans repayments	(238,094,135)	(161,566,718)	(71,424,669)	(62,525,820)
Interest receivable	1,932,820	1,228,181	579,816	449,883
Currency Translation	-	-	-	(2,514,702)
Gross advances to customers	**134,890,512**	**88,663,184**	**40,465,130**	**32,477,356**
Less Loan Write-off	(415,381)	(274,782)	(124,609)	(100,653)
Less Interest write-off	(76,416)	(31,511)	(22,922)	(11,542)
Gross Loans after Write-off	**134,398,715**	**88,356,891**	**40,317,599**	**32,365,161**
Impairment loss on loans and advances	(6,630,981)	(4,033,068)	(1,989,195)	(1,477,314)
Net advances to customers	**127,767,734**	**84,323,823**	**38,328,404**	**30,887,847**

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:

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	(4,033,068)	(2,738,252)	(1,209,860)	(1,091,372)
Net increase in provisions	(3,089,710)	(1,601,109)	(965,534)	(619,624)
Loan write-off	415,381	274,782	124,608	100,653
Interest receivable - write-off	76,416	31,511	22,924	11,542
Currency Translation	-	-	38,667	121,487
At 31 December	**(6,630,981)**	**(4,033,068)**	**(1,989,195)**	**(1,477,314)**
Charge to profit or loss				
Net increase in provisions	3,089,710	1,601,109	965,534	619,624
Direct write offs during the year	-	-	-	-
Bad debt realisation	-	(5,175)	-	(2,003)
Net charge to profit or loss as above	**3,089,710**	**1,595,934**	**965,534**	**617,621**

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

	2015	2014
Average interest rate on loan to customers per month	2%	1.83%
Highest loan amount (Ushs)	35,000,000	20,000,000
Lowest loan amount (Ushs)	250,000	250,000
Average loan term (weeks)	40	40
Total number of customers	194,728	158,831

14.4 The breakdown of impairment for Loans and advances

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

	Amount	Provision rate	Provision required
For general Provisions			
Current	133,597,123	4.7%	6,279,065
For specific provision			
1-30 days	225,395	5%	11,270
31-90 days	182,569	20%	36,514
91-180 days	105,246	20%	21,049
81-365 days	21,193	75%	15,894
Above 365 days	267,189	100%	267,189
	801,592		**351,916**
At 31 December	**134,398,715**		**6,630,981**

14.5 Sectoral analysis of loans and advances to customers

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

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Agriculture	9,280,065	6,100,934	2,783,880	2,234,774
Non-farm business	106,983,876	70,333,729	32,093,558	25,763,270
Consumption	795,467	522,958	238,628	191,560
Other	17,339,307	11,399,270	5,201,533	4,175,557
	134,398,715	**88,356,891**	**40,317,599**	**32,365,161**

15. RELATED PARTY DISCLOSURE

(a) RELATED PARTY PAYABLES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
BRAC Bangladesh	35,768	19,461	10,730	7,129
Brac Uganda	784,627	2,691,145	235,376	985,767
Stichting BRAC International	887,221	150,179	266,153	55,011
	1,707,616	**2,860,785**	**512,259**	**1,047,907**

(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR:

i) Interest expense accrued on related party loans

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
BRAC Africa Loan Fund	3,812,784	3,685,742	1,191,495	1,426,371
BRAC Bangladesh	172,447	123,833	53,890	47,923
Total	**3,985,231**	**3,809,575**	**1,245,385**	**1,474,294**

ii) Interest payment on related party loans

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
BRAC Africa Loan Fund	3,521,511	3,662,778	1,100,472	1,417,484
BRAC Bangladesh	172,447	123,833	53,890	47,923
Total	**3,693,958**	**3,786,611**	**1,154,362**	**1,465,407**

15. RELATED PARTY DISCLOSURE (contd.)

(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR (cont'd)

iii) Related party loans as disclosed in note 19

	2015	2014	2015	2014
Non-Current portion	**Ushs '000**	**Ushs '000**	**USD**	**USD**
BRAC Africa Microfinance Limited.	19,424,307	24,461,307	5,827,000	8,960,186
BRAC Bangladesh	3,214,668	1,547,916	964,352	567,002
Total noncurrent loan	**22,638,975**	**26,009,223**	**6,791,352**	**9,527,188**
Current portion				
BRAC Africa Microfinance Limited.	5,206,197	-	1,561,782	-
BRAC Africa Microfinance Limited. (prepaid Interest)	-	(121,083)	-	(44,353)
Total current portion	**5,206,197**	**(121,083)**	**1,561,782**	**(44,353)**
Total Related Party loans	**27,845,172**	**25,888,140**	**8,353,134**	**9,482,835**

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

16. OTHER ASSETS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Advance to suppliers	312,935	208,295	93,876	76,298
WHT receivable	140,598	140,598	42,177	51,501
Security Deposit (Brac Africa Microfinance Limited)	833,375	682,500	250,000	250,000
Service Charge on Borrowings	232	65,512	70	23,997
Other receivables	78,551	-	23,564	-
Total	**1,365,691**	**1,096,905**	**409,687**	**401,796**

17. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000	Total USD
Cost					
At 1 January 2014	**1,028,345**	**1,266,337**	**253,821**	**2,548,503**	**1,015,743**
Additions	65,941	47,687	-	113,628	43,974
Currency Translation	-	-	-	-	(84,578)
At 31 December 2014	**1,094,286**	**1,314,024**	**253,821**	**2,662,131**	**975,139**
Additions	98,754	65,080	-	163,834	51,198
Disposal	-	-	(16,000)	(16,000)	(5,000)
Fixed Asset Writeoff	(27,099)	(51,737)	(12,732)	(91,568)	(28,615)
Currency Translation	-	-	-	-	(177,244)
At 31 December 2015	**1,165,941**	**1,327,367**	**225,089**	**2,718,397**	**815,478**
Depreciation					
At 1 January 2014	**406,806**	**645,868**	**137,703**	**1,190,377**	**474,442**
Charge for the year	109,429	197103	50,764	357,296	138,272
Currency Translation	-	-	-	-	(45,801)
At 31 December 2014	516,235	842,971	188,467	1,547,673	566,913
Charge for the year	116,329	199,136	50,764	366,229	114,447
Accumulated Depreciation on Disposal	-	-	(16,000)	(16,000)	(4800)
Write off for the year	(17,576)	(40,381)	(11,392)	(69,349)	(21,671)
Currency Translation	-	-	-	-	(106,351)
At 31 December 2015	**614,988**	**1,001,726**	**211,839**	**1,828,553**	**548,538**
Net Book Value					
At 31December 2014	**578,051**	**471,053**	**65,354**	**1,114,458**	**408,226**
At 31December 2015	**550,953**	**325,641**	**13,250**	**889,844**	**266,940**

18. LOAN SECURITY FUND

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Opening balance	15,562,293	11,395,342	4,668,454	4,541,786
Received during the year	15,045,028	7,388,611	4,701,571	6,603,106
Paid off/Adjusted during the year	(8,100,514)	(3,221,660)	(2,531,410)	(4,990,509)
Currency Translation	-	-	(86,910)	(453,909)
Total	**22,506,807**	**15,562,293**	**6,751,705**	**5,700,474**

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

19. BORROWINGS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Kiva (i)	766,646	1,169,920	229,983	428,542
Responsibility Investments (ii)	15,296,783	-	4,588,805	-
BRAC Bangladesh (iii)	3,214,668	1,547,916	964,352	567,002
BRAC Africa Microfinance Limited (iv)	24,630,504	24,340,224	7,388,782	8,915,833
Bank of Africa (v)	7,907,907	-	2,372,253	-
Total	**51,816,508**	**27,058,060**	**15,544,175**	**9,911,377**

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

i) Kiva

In November 2007, Brac Uganda Microfinance Ltd signed a hosting agreement with Kiva to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses with the hope of obtaining capital in the form of loans from the individuals and entities who also access Kiva website. The first loan tranche was received in December 2007. During the year ended 31 December 2015, an additional sum amounting to USD 44,456 equivalent to Ushs 152,916,513 under the same terms and conditions was received from Kiva. Repayments amounting to USD 243,016 equivalent to Ushs 729,095,987 were made during the year. The loan is not secured.

ii) Responsibility Investments

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

iii) Brac Bangladesh

In January 2007, Brac Uganda Microfinance obtained a facility of Ushs 2,187,915,685 from BRAC Bangladesh for support of microfinance. It bears interest at 8% per annum. This loan is not secured. In 2013, Ushs 640M was repaid and the balance of Ushs 1,547M shall be repaid on demand. In March 2015, another agreement of USD 3,000,000 was signed and in May 2015 USD 500,000 equivalent to Ushs. 1,489,500,000 was disbursed. The loan is repayable in a period of 24 months. The loan is not secured and the interest rate is 5% per annum.

iv) Brac Africa Microfinance Limited

In pursuant to the original loan agreement signed in October 2008 between BRAC Africa Microfinance Limited and Brac Uganda Microfinance Ltd, in June 2013, an amended and reinstated loan agreement was signed amounting to Ushs 24,461,380,000 equivalent to USD$7,338,047 . It bears interest at 14.85% per annum. The first payment of Ushs 5 billion shall be made in June 2016 and the remaining balance paid in December 2017. The loan is not secured.

v) 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 19%. At close of December 2015, principal amounting to Ushs. 1,632,277,468 had been repaid.

19.1 Analysis of movement in Borrowings

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	**27,058,060**	**25,706,924**	**9,911,377**	**10,245,884**
Receipts during the year	26,315,694	665,601	8,223,654	257,586
Reclassification of transactional costs from other liabilities	-	703,000	-	280,191
Interest Accrued	5,439,453	3,809,575	1,631,754	1,395,449
Payments during the Year	(7,253,563)	(3,919,531)	(2,266,738)	(1,516,846)
Currency translations	256,864	92,491	(1,955,872)	(750,887)
At 31 December	**51,816,508**	**27,058,060**	**15,544,175**	**9,911,377**

20. OTHER LIABILITIES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Accrual for expenses	140,598	17,205	42,178	6,300
Bonus provision	37,169	38,885	11,150	14,244
Provision for staff Leave	256,314	544,170	76,890	199,330
Accrual for audit fees	94,377	138,520	28,312	50,740
Accrual for NSSF	230,419	189,458	69,122	69,399
Provision for cash shortage	31,472	-	9,441	-
Salary arrears payable	200,038	138,614	60,008	50,774
Self-Insurance scheme fund	130,683	81,773	39,203	29,953
Stamp duty provision	19,247	26,087	5,774	9,556
Accrual for PAYE	302,541	249,208	90,758	91,285
Other provisions	7,085,704	4,198,436	2,125,604	1,537,889
VAT Payable	20,387	265,305	6,116	97,181
Total	**8,548,949**	**5,887,661**	**2,564,556**	**2,156,651**

BRAC Uganda Microfinance limited sets aside a monthly amount equivalent to 1% of the basic salary of local employees, to constitute a self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all local employees. The payment in the event of death or permanent injury is ranging from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards.

21. DONOR FUNDS

	Note	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Donor funds received in advance	**21.1**	298,240	-	89,468	-
Donor funds investment in fixed assets	**21.2**	711,126	909,254	213,326	333,060
Donor funds investment in loans to group members	**21.3**	5,230,594	4,604,821	1,569,100	1,686,748
Total		**6,239,960**	**5,514,075**	**1,871,894**	**2,019,808**

21.1 Donor funds received in advance

	Note	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Opening balance		-	5,070,295	-	2,020,843
Donations received during the year	**21.1a**	441,200	287,500	137,875	111,262
Reclassification to Donor funds investment in loans to group members	**21.3**	-	(3,156,134)	-	(1,156,093)
Transferred to deferred income - investment in fixed assets	**21.2**	-	26,339	-	10,193
Transferred to statement of income and expenses	**21.4**	(142,960)	(2,228,000)	(44,675)	(862,229)
Currency Translation		-	-	(3,732)	(123,976)
Closing balance		**298,240**	**-**	**89,468**	**-**

21.1a Donations received during the year

Name of donor	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
MasterCard Foundation	303,862	287,500	94,957	111,262
World Bank (JSDF Loan)	137,338	-	42,918	-
	441,200	**287,500**	**137,875**	**111,262**

21.1b Donations received during the year for loans to group members

Name of donor	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
BRAC USA – ELA loan revolving fund	920,873	-	287,773	-
World Bank (JSDF Loan)	54,900	-	17,157	-
Transferred to BRAC Uganda	(105,000)	-	(32,813)	-
Transferred to Interaid Uganda	(245,000)	-	(76,563)	-
	625,773	**-**	**195,554**	**-**

21.2 DEFERRED INCOME – FIXED ASSETS

		2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Opening balance		909,254	1,138,333	333,060	453,700
Transferred from donor funds received in Advance		-	(26,339)	-	(10,193)
Depreciation charged during the year	21.4	(198,128)	(202,740)	(61,915)	(78,460)
Currency Translation		-	-	(57,818)	(31,987)
Closing balance		**711,126**	**909,254**	**213,327**	**333,060**

21.3 DEFERRED INCOME – LOANS TO GROUP MEMBERS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Opening balance	4,604,821	1,448,687	1,686,748	577,396
Transferred from donor funds received in Advance	625,773	3,156,134	195,554	1,156,093
Currency Translation	-	-	(313,202)	(46,741)
Closing balance	**5,230,594**	**4,604,821**	**1,569,100**	**1,686,748**

21.4 GRANT INCOME

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Transferred to statement of comprehensive income	142,960	2,228,000	44,675	862,229
Depreciation charged during the year	198,128	202,740	61,915	78,460
Total	**341,088**	**2,430,740**	**106,590**	**940,689**

22. BRAC CONTRIBUTION

This fund of Ushs 835,000,000 (USD: 250,487) relates to the initial contribution towards the establishment of BRAC Uganda and was used for starting up the Microfinance programme.

23. CASH FLOW FROM OPERATING ACTIVITIES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Cash flow from operating activities				
Adjustments for:				
Profit before tax	**25,036,474**	**13,161,518**	**7,823,898**	**5,093,467**
Loss on asset write off	22,110	-	6,909	-
Depreciation	366,229	357,296	114,447	138,272
Cash flow before changes in working capital	25,424,813	13,518,814	7,945,254	5,231,739
Changes in working capital				
Changes in loans and advances	(43,443,911)	(26,110,804)	(13,032,522)	(10,104,800)
Changes in receivables and other current assets	(268,676)	(60,591)	(80,599)	(23,449)
Changes in related party receivables	-	206,765	-	80,017
Changes in related party payables	(1,153,169)	2,787,551	(345,933)	1,078,774
Changes in current Liabilities	2,661,288	2,294,076	798,346	887,800
Changes in loan security fund	6,944,514	4,166,951	2,083,250	1,612,597
Net cash (outflow)/ inflow from operations	**(9,835,141)**	**(3,197,238)**	**(2,632,204)**	**(1,237,322)**

24. SUBSEQUEST 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 2015.

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 2015 (2014: Nil).

27. USE OF ESTIMATES AND JUDGMENT

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

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

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

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

27. USE OF ESTIMATES AND JUDGMENT (contd.)

(i) Impairment

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

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

(ii) Provisions

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

28. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 31 December 2015.

29. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Company has exposure to the following risks from financial instruments:
i) credit risk
ii) interest rate risk
iii) liquidity risk
iv) market risk
v) operational risk

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

Risk management framework

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

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

29. FINANCIAL RISK MANAGEMENT (contd.)

(b) Credit risk

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

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

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

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

Management of credit risk

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

Loan application process

a) Group guaranteed loan

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

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

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

After completion of the verification and other formal processes, the Area Manager will approve the loan or recommend i.e. to the final authority for approval.
All loans are repayable in equal weekly installments that are collected by the credit officers during the weekly group meetings through direct cash payments. The collections by the credit officers are subsequently paid directly to Branch Managers on a weekly basis. Loan proceeds are manually transferred to the employee's bank accounts to eliminate the risk of keeping cash.
The main criteria considered by the Company are the loan applicant's ability and willingness to meet his/her financial commitments and to remain with sufficient funds to fund household needs. The company applies these criteria for all customers and this is complimentary to regulatory requirements.

29. FINANCIAL RISK MANAGEMENT (contd.)

b) Small Enterprise Product (Individual Loans)

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

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

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

The Loans are repayable monthly.

Monitoring of weekly Collections

a) Group guaranteed loan

In the event that a customer does not have sufficient funds for their weekly installment, the group members contribute on behalf of the member.
If the customer has changed residence, the credit officer together with the Branch manager follow up with the local council chairperson about the whereabouts/ new place of residence
If a customer dies, the branch manager follows up with the guarantor for any possibility of recovery.

Approval of new groups

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

b) Small Enterprise Product (Individual Loans)

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

Impaired loans

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

Past due but not impaired loans

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

29. FINANCIAL RISK MANAGEMENT (contd.)

Allowances for impairment

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

Write-off policy

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

The 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
31 December 2015	134,398,715	351,916	6,279,065	6,630,981	127,767,734
31 December 2014	88,356,891	405,453	3,627,615	4,033,068	84,323,823

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	**2015 Ushs '000**	**2014 Ushs '000**
Neither past due or impaired	133,597,123	87,571,736
Past due but not impaired	-	-
Impaired	801,592	785,155
Total gross advances to customers	**134,398,715**	**88,356,891**
Less: impairment provision	(6,630,981)	(4,033,068)
Net advances to customers at 31 December	**127,767,734**	**84,323,823**

Other exposures to credit risk	**2015 Ushs '000**	**2014 Ushs '000**
Short Term Deposits	3,022,169	971,368
Cash and Bank	5,853,142	2,177,570
Other Receivables	1,365,691	1,096,905
	10,241,002	**4,245,843**

29. FINANCIAL RISK MANAGEMENT (contd.)

Value of security held

Apart from Bank of Africa loan of UGX 7.8 billion that is secured on loan portfolio, all other loans and advances are unsecured.

Cash and cash equivalents

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

(c) Interest rate risk

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

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

Year ended 31 December 2015

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

29. FINANCIAL RISK MANAGEMENT (contd.)

Year ended 31 December 2015

	Applicable average interest rate	Up to 1 month Ushs '000	From 1 to 12 months Ushs '000	From 1 year to 2 years Ushs '000	from 2 years and above Ushs '000	Non interest bearing Ushs '000	Total Ushs '000
ASSETS							
Cash and bank		-	-	-	-	2,177,570	2,177,570
Short term deposits	11.2%	-	971,368	-	-	-	971,368
Loans and advances to customers	22%	15,000,000	69,323,823	-		-	84,323,823
Other Assets		-	-	-	-	1,096,905	1,096,905
Related Party Receivables		-	-	-	-	-	-
		15,000,000	70,295,191	-	-	3,274,475	88,569,666
Equity and liabilities							
Loan Security fund		-	-	-	-	15,562,293	15,562,293
Related party payables		-	-	-	-	2,860,785	2,860,785
Borrowings	11.43%	-	-	25,888,140	-	1,169,920	27,058,060
Other liabilities		-	-	-	-	5,887,661	5,887,661
Tax payable		-	-	-	-	942,013	942,013
		-	-	25,888,140	-	10,860,379	36,748,519
Net assets / (liabilities)		**15,000,000**	**70,295,191**	**(25,888,140)**	**-**	**(7,585,904)**	**51,821,147**

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

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

(d) Liquidity risk

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

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

Exposure to Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2015 to the contractual maturity date.

29. FINANCIAL RISK MANAGEMENT (contd.)

	Matured	Less than 3 months	3 months to 1 year	1 to 5 years	Above 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
ASSETS						
Cash and bank	5,853,142	-	-	-	-	5,853,142
Short term deposits	-	-	3,022,160	-	-	3,022,160
Loans and advances to customers	-	45,000,000	82,767,734	-	-	127,767,734
Other assets	-	1,365,691	-	-	-	1,365,691
	5,853,142	**46,365,691**	**85,789,894**	**-**	**-**	**138,008,727**
Equity and Liabilities						
Loan Security Fund	1,500,000	4,500,000	16,506,807	-	-	22,506,807
Related party payables	-	-	1,707,616	-	-	1,707,616
Borrowings	-	1,200,000	13,977,866	36,638,642	-	51,816,508
Other liabilities	-	952,449	2,971,061	4,625,439	-	8,548,949
Tax payable	-	-	55,856	-	-	55,856
	1,500,000	**6,652,449**	**35,219,206**	**41,264,081**	**-**	**84,635,736**
Net assets / (liabilities)	**4,353,142**	**39,713,242**	**50,570,688**	**(41,264,081)**	**-**	**53,372,991**

e) Market risk

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

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

Management of market risks

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

Currency risk

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

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

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

29. FINANCIAL RISK MANAGEMENT (contd.)

(f) Operational risks

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

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

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

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

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

30. Operating lease prepayments

The Company entered into commercial leases for premises. These leases have an average life of two years. There are no restrictions placed upon the lessee by entering into these leases.
Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2015 Ushs'000	2014 Ushs'000
Within one year	269,651	461,947
Above one year	269,651	461,947
	539,302	**923,894**

Amortisation of operating lease prepayments amounted to Ushs 269,651 (2014: Ushs 461,947).

31. Fair values of financial assets and liabilities

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

a) Valuation models

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

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

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

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

31. Fair values of financial assets and liabilities (Continued)

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

	Level 1	Level 2	Level 3	Total fair values (Ushs'000)	Total carrying amount (Ushs'000)
Assets					
Cash and Cash Equivalents	-	5,853,142	-	5,853,142	5,853,142
Short term deposits	-	3,022,160	-	3,022,160	3,022,160
Loans and advances to customers	-	-	127,767,734	127,767,734	127,767,734
Other assets	-	1,365,691	-	1,365,691	1,365,691
Liabilities					
Loan security fund	-	22,506,807	-	22,506,807	22,506,807
Related party payables	-	1,707,616	-	1,707,616	1,707,616
Borrowings	-	51,816,508	-	51,816,508	51,816,508
Other liabilities	-	8,548,949	-	8,548,949	8,548,949
Tax payable	-	55,856	-	55,856	55,856

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

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

32. Ultimate Controlling Party

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

BRAC Social Business Enterprises Uganda Limited
Annual Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2015

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Dr. A M R Chowdhury	-	Chairperson
Mr. Faruque Ahmed	-	Member
Mr. Tanwir Rahman	-	Member (Resigned on 1st November 2015)
Mr. Shib Narayan Kairy	-	Member (Appointed on 1st November 2015)

ADMINISTRATORS

Mr. Bhuiyan Muhammad Imran	-	Country Representative

PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

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

AUDITORS

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

BANKERS

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

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2015, which disclose the state of affairs of BRAC Social Business Enterprises Limited, ("the Company") in accordance with section 157 of the Companies Act of Uganda.

(a) Registration

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

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

(b) Vision

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

(c) Mission

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

(d) Our Values

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

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

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

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

(e) Principal activities

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

(f) Results from operations

The results for the Company for the year ended 31 December 2015 are set out on page 8.

(g) Composition of Directors

The directors who served during the year and up to the date of this report are set out on page 2.

(h) Directors benefits

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

(i) CORPORATE GOVERNANCE

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

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

In 2015 the Board of Directors had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorised auditors, as well as recruitment and development of key personnel.

(j) RISK MANAGEMENT

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

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

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

(k) MANAGEMENT STRUCTURE

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

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

(l) RELATED PARTY TRANSACTIONS

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

(m) DEVELOPMENT PLANS

BRAC International Holdings BV purchased all 99 shares held by BRAC industries ltd. The transaction was completed on 06th January 2016. Authorized share capital increased from UGX 1 million to UGX 10.5 billion.

(n) KEY ACHIEVEMENTS IN 2015

The Seed Processing Plant was fully operational and this enhanced the quality of seeds and germination rate.

(o) SOLVENCY

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

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

(p) EMPLOYEES' WELFARE

Management/employee relationship

There were continued good relation between employees and management for the year ended 31 December 2015. There were no unresolved complaints received by management from the employees during the year.

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

Training

Training and development of staff capacity is one of the key priorities of the Company. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment to a limit of USD 200 equivalent to Ushs 600,000.

Retirement benefit

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

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

(q) GENDER PARITY

In 2015, the company had a total staff of 20 (9 in 2014), female being 7 and male 13.

(r) Auditors

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

(s) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on 8 April 2016.

By order of the Board

Signed……………………………………… Date: 8 April 2016

SECRETARY

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILTIES FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The directors accept responsibility for the financial statements set out on pages 122 to 148 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of its operating results for the year ended 31 December 2015. 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 8 April 2016 and were signed on its behalf by:

Director *Director*

Date: 8 April *2016*

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

Report on the Financial Statements

We have audited the financial statements of BRAC Social Business Enterprises Uganda Limited which comprise the statement of financial position at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes set out on pages 122 to 148 We have not audited the memorandum figures reported in United States Dollars (USD) and accordingly we do not express an opinion on them.

Directors' Responsibility for the Financial Statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Social Business Enterprises Uganda Limited as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of Uganda.

Report on Other Legal Requirements

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

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

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 14 April 2016

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Revenue	4	1,635,515	762,428	511,099	295,057
Cost of Sales	5	(404,905)	(188,385)	(126,532)	(72,904)
Gross profit		**1,230,610**	**574,043**	**384,567**	**222,153**
Staff costs	6	(337,716)	(218,458)	(105,536)	(84,543)
Training, Workshops & Seminars		(10,645)	(3,744)	(3,327)	(1,449)
Other operating expenses	7	(422,890)	(257,365)	(132,154)	(99,600)
Depreciation	10	(139,590)	(30,109)	(43,622)	(11,652)
Lease amortisation	11	(614)	(611)	(192)	(236)
Profit before tax		**319,155**	**63,756**	**99,736**	**24,673**
Income tax credit/(expense)	15(a)	**138,860**	**(202,939)**	**43,394**	**(78,537)**
Net loss for the year		**458,015**	**(139,183)**	**143,130**	**(53,864)**
Other comprehensive income		-	-	-	-
Total comprehensive loss		**458,015**	**(139,183)**	**143,130**	**(53,864)**

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2015

	Note	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
ASSETS					
Cash and Bank	**8**	1,332,040	682,660	399,592	250,059
Other receivables		19,932	900	5,979	328
Inventory	**9(a)**	90,953	40,064	27,285	14,675
Tax receivable	**15(d)**	8,112	-	2,433	-
Property and equipment	**10**	1,709,743	2,132,669	512,897	781,198
Finance lease on leasehold land	**11**	57,405	57,700	17,221	21,136
Total assets		**3,218,185**	**2,913,993**	**965,407**	**1,067,396**
LIABILITIES AND EQUITY					
Liabilities					
Related party payables	**13(a)**	24,318	64,842	7,295	23,752
Other liabilities	**14**	119,586	41,431	35,874	15,176
Tax payable	**15(c)**	-	25,585	-	9,371
Deferred tax Liability	**15(b)**	220,053	385,922	66,013	141,363
Total liabilities		**363,957**	**517,780**	**109,182**	**189,662**
Equity					
Share Capital	**16(a)**	1,000	1,000	300	379
Funds Designated for issue of Ordinary Shares	**16(b)**	2,432,274	2,432,274	729,646	890,943
Retained earnings		420,954	(37,061)	129,554	(13,575)
Currency Translation		-	-	(3,275)	(13)
Total Equity		**2,854,228**	**2,396,213**	**856,225**	**877,734**
Total liabilities and Equity		**3,218,185**	**2,913,993**	**965,407**	**1,067,396**

The financial statements were approved by the Board of Directors on ....8 April.... 2016 and were signed on its behalf by:

Director:

Director:

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 DECEMBER 2015

	Share capital Ushs '000	Funds Designated for issue of Ordinary Shares Ushs '000	Retained earnings Ushs '000	Total equity Ushs	Total equity USD
At 1 January 2014	1,000	1,720,134	102,122	1,823,256	726,686
Issue of Ordinary Shares	-	712,140	-	712,140	275,596
Comprehensive income:					
Loss for the year	-	-	(139,183)	(139,183)	(53,864)
Currency Translation	-	-	-	-	(70,684)
At 31 December 2014	**1,000**	**2,432,274**	**(37,061)**	**2,396,213**	**877,734**
At 1 January 2015	1,000	2,432,274	(37,061)	2,396,213	877,734
Issue of Ordinary Shares	-	-	-	-	-
Comprehensive income:					
Profit for the year	-	-	458,015	458,015	143,130
Currency Translation	-	-	-	-	(164,639)
At 31 December 2015	**1,000**	**2,432,274**	**420,954**	**2,854,228**	**856,225**

The notes form an integral part of these financial statements.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Cash inflow/(outflow) generated from operations	**17**	**434,522**	**212,915**	**130,261**	**78,076**
Income taxes paid		(60,706)	(3,564)	(18,971)	(1,379)
Cash inflow/(outflow) from operating activities		**373,816**	**209,351**	**111,290**	**76,697**
INVESTING ACTIVITIES					
Acquisition of fixed assets		(6,863)	(877,618)	(2,059)	(339,635)
Proceeds from transfer of assets to NGO		282,746	-	84,820	-
Acquisition of finance lease assets		(319)	(18,236)	(100)	(7,057)
Cash outflows from investing activities		**275,564**	**(895,854)**	**82,661**	**(346,692)**
FINANCING ACTIVITIES					
Share capital		-	712,140	-	275,596
Cash inflows from financing activities		**-**	**712,140**	**-**	**275,596**
Net increase in cash and cash equivalents		649,380	25,637	193,951	5,601
Cash & cash equivalents at 1 January		682,660	657,023	250,059	261,866
Currency translation		-	-	(44,418)	(17,408)
Cash & cash equivalents at 31 December	**8**	**1,332,040**	**682,660**	**399,592**	**250,059**

The notes form 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 in line with the vision for BRAC Bangladesh that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC Social Enterprise uses sustainable social businesses to create and protect the livelihoods of poor people.

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

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

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of preparation

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

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

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

(c) Functional and presentation currency

These financial statements are presented in thousands of Uganda shillings (Ushs '000), which is the entity's functional currency.
The financial statements include figures, which have been translated from Uganda Shillings (Ushs) to United States Dollars (US $) at the year-end rate of US $1 = Ushs 2,730 for balance sheet items and US $ = Ushs 2,584 for income statements balances. Foreign exchange differences are transferred to equity. These figures are for memorandum purposes only and do not form part of the audited financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

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

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

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

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

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

(b) Translation of foreign currencies

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

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

(c) Inventories

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

(d) Trade receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment

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

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

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

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

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

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

Buildings	2%
Furniture and fixtures	10%
Equipment	15%

The residual value and the useful life of each asset are reviewed at each financial period-end. Land is not depreciated.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the disposal of an item of property and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

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

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

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

Tax expenses

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

(i) Financial Instruments

Initial recognition

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

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

Fair value determination

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

Amounts owing by/ (to) related parties

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

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

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

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

(j) Offsetting

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

(k) Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

- set out in the formal terms of the plan;
- linked to service; and
- Independent of the number of years of service.

When contributions are eligible for practical experience, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of these changes did not affect the amounts and disclosures of the Company's defined benefits obligations.

(i) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2015.

New standard or amendments	Effective for annual periods beginning on or after
•Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
•Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
•Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
•Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
•Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
•IFRS 14 Regulatory Deferral Accounts	1 January 2016
•Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
•Disclosure Initiative (Amendments to IAS 1)	1 January 2016
•IFRS 15 Revenue from Contracts with Customers	1 January 2018
•IFRS 9 Financial Instruments (2014)	1 January 2018
•IFRS 16 Leases	1 January 2019

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

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

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

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes will not affect the amounts and disclosures of the Company's transactions with associates or joint ventures.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

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

The adoption of these changes would not affect the amounts and disclosures of the Company's interests in joint operations.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.
The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The amendment will not have a significant impact on the Company's financial statements as the Company does not have bearer plants.

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

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.
The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the Company's property, plant and equipment and intangible assets.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries
The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.
The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.
The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the Company's given that it is not a first time adopter of IFRS.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

Disclosure Initiative (Amendments to IAS 1)

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

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

The adoption of these changes will not affect the amounts and disclosures of the Company's interests in other entities.

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

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

IFRS 9: Financial Instruments (2014)

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

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

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

The adoption of this standard is expected to have a significant impact the financial statements of the Company. The company is assessing the potential impact on its financial statements.

IFRS 16: Leases

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.
(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

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

The standard does not require a company to recognise assets and liabilities for:
(a) short-term leases (i.e. leases of 12 months or less) and;
(b) leases of low-value assets

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

The adoption of this standard is expected to have a significant impact on the financial statements of the Company's. The company is assessing the potential impact on its financial statements.

m) Finance Leases

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

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

4. REVENUE

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Sale of Seeds	442,719	284,421	138,350	110,070
Vine sale	143,987		44,996	
Training Income	981,629	406,656	306,759	157,375
Bank Interest Income	12,163	8,187	3,801	3,168
Foreign exchange gain/(loss)	55,017	63,164	17,193	24,444
	1,635,515	**762,428**	**511,099**	**295,057**

5. COST OF SALES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Opening stock	40,063	28,667	12,520	11,094
Seed Purchase	269,422	94,051	84,194	36,397
Labor	69,247	34,532	21,640	13,364
Transportation of seeds	36,641	2,858	11,450	1,106
Land preparation	1,665	-	520	0
Chemical cost	9,940	11,272	3,106	4,362
Irrigation cost	46	2,132	14	825
Fertilizer costs – Chemicals	9,567	14,315	2,990	5,540
Packaging Costs	45,187	33,084	14,121	12,803
Seed processing cost	14,080	7,537	4,400	2,917
Closing stock	(90,953)	(40,063)	(28,423)	(15,504)
	404,905	**188,385**	**126,532**	**72,904**

6. STAFF COSTS

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Salaries	233,701	136,406	73,032	52,789
Bonus	175	1,512	55	585
Employer's Contribution	25,840	15,552	8,074	6,019
Insurance for staff	3,157		986	
Leave provision	(2,039)		(637)	
Other staff costs	76,882	64,988	24,026	25,150
	337,716	**218,458**	**105,536**	**84,543**

7. OTHER OPERATING EXPENSES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Legal fees and other services	96,624	7,771	30,194	3,008
Provision for audit fees	28,320	24,161	8,850	9,350
Maintenance and general expenses	87,079	85,922	27,214	33,252
Stock Loss Provision	1,924	5,488	601	2,124
Other general expenses	24,483	19,241	7,651	7,446
Loss on fixed asset write-off	7,453	-	2,329	-
Head Office logistic expenses	68,735	25,970	21,480	10,050
Travel and transportation	108,272	88,812	33,835	34,370
	422,890	**257,365**	**132,154**	**99,600**

8. CASH AND BANK

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Standard Chartered Bank Uganda Limited	1,682	681,530	505	249,645
Cash on hand	1,330,358	1,130	399,087	414
	1,332,040	**682,660**	**399,592**	**250,059**

9(a) INVENTORY

		2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Maize Seeds		36,138	19,400	10,841	7,106
Rice Seeds		21016	26,152	6,304	9,579
Beans		4,394		1,318	
Tomato		29,405		8,822	
Provision for wastage	(b)		(5,488)		(2,124)
Fair Value Adjustment-Write down			-		-
Currency Translation			-		114
		90,953	**40,064**	**27,285**	**14,675**

(b) STOCK PROVISION

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
As at 1 January	(5,488)	(26,726)	(1,715)	(10,747)
Provision raised during the year	-	(5,488)	-	(2,124)
Provisions written off during the year	5,488	26,726	1,715	10,747
As at 31 December	**-**	**(5,488)**	**-**	**(2,124)**

Maize and Rice seeds are Agriculture seeds that were not yet sold as at 31 December 2015. These seeds are normally sold at subsidized rates to low income earners in communities.

11. PROPERTY AND EQUIPMENT

	Building Ushs '000	Furniture Ushs '000	Equipment Ushs '000	Capital Work in Progress Ushs '000	Total Ushs '000	Total USD
COST						
Balance at 1 January 2014	872,158	6,185	22,407	426,845	1,327,595	529,133
Additions	-	2,370	276,668	598,580	877,618	339,635
Currency translation	-	-	-	-	-	(60,998)
At 31 December 2014	**872,158**	**8,555**	**299,075**	**1,025,425**	**2,205,213**	**807,770**
Additions	-	3,904	2,959	-	6,863	2,059
Transferred to Brac NGO	(282,746)	-	-	-	(282,746)	84,820
Asset write-off	-	(2,290)	(12,268)	-	(14,558)	(4,367)
Reclassifications	598,580	-	426,845	(1,025,425)	-	-
At 31 December 2015	**1,187,992**	**10,169**	**716,611**	**-**	**1,914,772**	**890,282**
DEPRECIATION						
Balance at 1 January 2014	34,898	1,238	6,299	-	42,435	16,913
Charge for the year	17,370	856	11,883	-	30,109	11,652
Currency translation	-	-	-	-	-	(1,993)
At 31 December 2014	**52,268**	**2,094**	**18,182**	**-**	**72,544**	**26,572**
Charge for the year	29,415	1,005	109,170	-	139,590	43,622
Accumulated dep for write-off	-	(1,224)	(5,881)	-	(7,105)	(2,220)
Currency translation	-	-	-	-	-	309,411
At 31 December 2015	**81,683**	**1,875**	**121,471**	**-**	**205,029**	**377,385**
NET BOOK VALUE						
At 31 December 2014	**819,890**	**6,461**	**280,893**	**1,025,425**	**2,132,669**	**781,198**
At 31 December 2015	**1,106,309**	**8,294**	**595,140**	**-**	**1,709,743**	**512,897**

12. FINANCE LEASE ON LEASEHOLD LAND

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Cost/Valuation				
Cost/Valuation				
At 1 January	60,442	42,206	22,140	16,822
Additions	319	18,236	100	7,057
Currency Translations	-	(4)	(1,739)	
At 31 December	**60,761**	**60,442**	**22,236**	**22,140**
Amortization				
At 1 January	2,742	2,131	1,004	850
Charge for the year	614	611	192	236
Currency Translations	-	3,819	(82)	
At 31 December	**3,356**	**2,742**	**5,015**	**1,004**
NBV	**57,405**	**57,700**	**17,221**	**21,136**

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 2015, the remaining lease period is 92 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all the would be minimum lease payments were paid at once at the beginning of the lease. It's a requirement that for such a lease for the lessee to settle all the obligations upfront for the lease agreement to be effective.

13. RELATED PARTY TRANSACTIONS

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

(a) Amount due to related parties	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Stitching BRAC International	20,744	59,538	6,223	21,809
BRAC Bangladesh	3,574	5,304	1,072	1,943
	24,318	64,842	7,295	23,752

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

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

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Training income	981,629	406,656	306,759	157,375
	981,629	406,656	306,759	157,375

(b) Sale of services

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

14. OTHER LIABILITIES

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Bonus provision	300	126	91	46
Provision for NSSF	3,597	2,273	1,079	833
Provision for audit fees	30,165	24,161	9,049	8,850
Self-insurance provision	649	-	195	-
Salary provision	10,139	4,799	3,041	1,758
Provision for PAYE	4,315	4,160	1,294	1,524
Withholding tax payable	36,053	1,647	10,815	603
Accrued expenses	34,368	4,265	10,310	1,562
	119,586	**41,431**	**35,874**	**15,176**

15. TAXATION

(a) Income tax expense

The company's tax affairs are subjected to agreement with the tax authorities. Details of the tax computation are set out below:

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Corporation tax	56,159	22,617	17,550	8,753
(Over)/Under provision from prior year	(29,150)	(5,214)	(9,109)	(2,018)
Deferred tax (Note 15 (b))	(165,869)	185,536	(51,835)	71,802
Income tax expense	**(138,860)**	**202,939**	**(43,394)**	**78,537**

The corporation tax rate is set at 30 % of the profits for the year as adjusted for tax purposes in accordance with the Income Tax Act cap 340.
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Accounting profit	319,155	63,756	99,736	24,673
Tax at applicable rate 30%	95,746	19,127	29,921	7,402
Tax effect of:				
(Over)/Under provision from prior year	(29,150)	(5,214)	(9,109)	(2,018)
Non-deductible expenses & nontaxable income	(205,456)	189,026	(64,206)	73,153
	(138,860)	**202,939**	**(43,394)**	**78,537**

(b) DEFERRED TAXATION

The recognized deferred tax liability as at 31 December 2015 is attributable to the movement in temporary differences between calculations of certain items for accounting and for taxation purposes as detailed below:-

	2014 Ushs '000	Movement Ushs '000	2015 Ushs '000	2014 USD	Movement USD	2015 USD
Property and equipment	1,299,263	(617,896)	681,367	475,921	(271,521)	204,400
Provisions	(126)	(2,747)	(2,873)	(46)	(816)	(862)
Unrealized losses	(12,732)	(9,972)	(22,704)	(4,664)	(2,147)	(6,811)
Unrealized gains	-	77,721	77,721	-	23,315	23,315
	1,286,405	**(552,894)**	**733,511**	**471,211**	**(251,169)**	**220,042**
Deferred tax asset @ 30%	**385,922**	**(165,869)**	**220,053**	**141,363**	**(75,351)**	**66,013**
Currency translation	-	-	-	-	23,516	-
At 31 December	**385,922**	**(165,869)**	**220,053**	**141,363**	**(51,835)**	**66,013**

(c) TAX PAYABLE

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	**25,585**	**11,746**	**7,675**	**4,682**
Charge for the year	56,159	22,617	17,550	8,753
(Over)/Under provision for corporation tax in previous years	(29,150)	(5,214)	(9,109)	(2,018)
Paid during the year	(60,706)	(3,564)	(18,971)	(1,379)
Transfer to tax receivable	8,112		2,433	
Currency translation	-	-	422	(667)
At 31 December	**-**	**25,585**	**-**	**9,371**

(d) TAX RECIEVABLE

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
At 1 January	**-**	**-**	**-**	**-**
Charge for the year	56,159	-	17,550	-
Paid during the year	(60,706)	-	(18,971)	-
Tax Credit	(3,565)	-	-	-
Currency translation	-	-	(1,012)	-
At 31 December	**(8,112)**	**-**	**(2,433)**	**-**

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

(a) Share Capital

	2015 Ushs '000	2014 Ushs '000
Authorized Capital	1000	1000

Issued and raised shares

	2015 No of shares	2015 Amount Ushs '000	2014 No of shares	2014 Amount Ushs'000
As at 1 January	100	1,000	100	1,000
Issued during the year @10,000	-	-	-	-
At 31 December	**100**	**1,000**	**100**	**1,000**

(b) Funds designated for issue of Ordinary shares

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Funds Designated for issue of ordinary shares	2,432,274	2,432,274	729,646	890,943
	2,432,274	**2,432,274**	**729,646**	**890,943**

Funds Designated for issue of ordinary shares relates to total money spent by BRAC Bangladesh on land and building for BRAC Social Business Enterprises Uganda Limited and a contribution from BRAC International holding B.V for issue of ordinary shares. In January 2016, the funds will be converted into shares.

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

17. Cash flow from operating activities

	2015 Ushs '000	2014 Ushs '000	2015 USD	2014 USD
Profit before tax	**319,155**	**63,756**	**99,736**	**24,673**
Adjustments for:				
Depreciation	139,590	30,109	43,622	11,652
Loss on write-off	7,453		2,329	
Amortisation	614	611	192	236
Cash flow before changes in working capital	**466,812**	**94,476**	**145,879**	**36,561**
Changes in working capital				
Changes in inventory	(50,889)	(11,395)	(15,266)	(4,174)
Changes in deposit on LCs	105,626		38,691	
Changes in related party payables	(40,524)	38,070	(12,157)	13,945
Changes in receivables	(19,032)	(900)	(5,709)	(330)
Changes in other payables	78,155	(12,962)	23,445	(4,748)
Currency Translations		-	(5,931)	(1,869)
Net cash inflow/(Outflow) from operations	**434,522**	**212,915**	**130,261**	**78,076**

18. FINANCIAL RISK MANAGEMENT (continued)

a) Introduction and overview

The Company has exposure to the following risks from financial instruments:
i) credit risk
ii) interest rate risk
iii) liquidity risk
i v) market risk
v) operational risk

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

Risk management framework

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

The Board of BRAC International Holdings BV, the parent company, has established the Group Audit and Risk Management committee, Remuneration Committee, Investment Committee, Group Executive Committee and Subsidiary Companies ExecutiveCommittee which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees haveboth executive and non-executive members, apart from the Group Executive Committee which comprises of Executive Directors and Senio 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 tomanage 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.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Credit policy of BRAC Social Business Enterprises Uganda Limited requires all credit exposures to be measured, monitored and managed proactively.

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

- Trade and other receivable balances, and
- Investments in cash and cash equivalents.

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

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

	2015	2014	2015	2014
		Ushs '000	Ushs '000	U S D
USD				
Other receivables	19,932	900	5,979	328
Cash and Bank	1,332,040	682,660	399,592	250,059
	1,351,972	683,560	405,571	250,387

Market risk

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

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

Management of market risks

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

Interest rate risk

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

Foreign exchange risk

BRAC Social Business Enterprises Uganda Limited foreign exchange risks comprise of transactions risk which arise from donor grants received in currencies other than the local currency and minimal foreign currency deposits and cash at bank placed with licensed financial institutions. BRAC Social Business Enterprises Uganda Limited has no significant exposure to foreign exchange risk as there are no material foreign denominated balances.

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

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The liquidity profile of the company is as follows:

31 December 2015	Less than 6 months	6 to 12 months	More than 12 months	Total
Cash and cash equivalents	1,332,040	-	-	1,332,040
Inventories	90,953	-	-	90,953
Tax receivable	8,112	-	-	8,112
Other receivables	19,932	-	-	19,932
Total assets	**1,451,037**	**-**	**-**	**1,451,037**
Liabilities				
Other liabilities	119,586	-	-	119,586
Amount due to related parties	24,318	-	-	24,318
Total liabilities	**143,904**	**-**	**-**	**143,904**
Liquidity gap	**1,307,133**	**-**	**-**	**1,307,133**

b) Operational risks

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

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

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

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

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

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

a) Valuation models

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

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

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

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

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and Bank	-	-	1,332,040	1,332,040	1,332,040
Inventories	-	-	90,953	90,953	90,953
Tax receivable	-	-	8,112	8,112	8,112
Other receivables	-	-	19,932	19,932	19,932
Liabilities					
Other liabilities	-	-	119,586	119,586	119,586
Amount due to related parties	-	-	24,318	24,318	24,318

20. USE OF ESTIMATES AND JUDGEMENTS

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and 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.

21. CONTINGENT LIABILTIES

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

22. ULTIMATE CONTROLLING PARTY

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

23. SUBSEQUENT EVENTS

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2015.

24. CURRENCY

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

25. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2015 (2014: Nil).

26. SEGMENTAL REPORTING

Statement of comprehensive income for the year ended 31 December 2015 (Amount in Uganda Shillings)

	Agriculture Ushs '000	Training Ushs '000	Total Ushs '000
Revenue	647,974	987,541	1,635,515
Cost of Sales	(404,905)	-	(404,905)
Gross Profit	**243,069**	**987,541**	**1,230,610**
Staff costs & other benefits	(237,583)	(100,133)	(337,716)
Training, Workshops & Seminars	(150)	(10,495)	(10,645)
Other operating expenses	(263,639)	(159,251)	(422,890)
Depreciation	(122,660)	(16,930)	(139,590)
Amortisation	(614)	-	(614)
Profit before tax	**(381,577)**	**700,732**	**319,155**
Income tax credit	25,585	113,275	138,860
Net profit for the year	**(355,992)**	**814,007**	**458,015**

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Statement of financial position as at 31 December 2015 (Amount in United States Dollars)

	Agriculture	Training	Total
	Ushs '000	Ushs '000	Ushs '000
ASSETS			
Cash and Bank	178,400	1,153,640	1,332,040
Inventory	90,953	-	90,953
Tax receivable	8,112	8,112	
Other receivable	(465,138)	485,070	19,932
Property and equipment	1,285,391	424,352	1,709,743
Finance lease on leasehold land	57,405	-	57,405
Total assets	**1,147,011**	**2,071,174**	**3,218,185**
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	4,030	20,288	24,318
Other liabilities	82,287	37,299	119,586
Deferred tax Liability	113,785	106,268	220,053
Total liabilities	200,102	163,855	363,957
Equity			
Share Capital	1,000		1,000
Funds Designated for issue Share Capital	2,000,695	431,579	2,432,274
Retained earnings	(1,054,786)	1,475,740	420,954
Total Equity	**946,909**	**1,907,319**	**2,854,228**
Total liabilities and Equity	**1,147,011**	**2,071,174**	**3,218,185**

Statement of comprehensive income for the year ended 31 December 2015 (Amount in United States Dollars)

	Agriculture	Training	Total
	US$	US$	US$
Revenue	202,492	308,607	511,099
Cost of Sales	(126,532)		(126,532)
Gross Profit	**75,960**	**308,607**	**384,567**
Staff costs	(74,244)	(31,292)	(105,536)
Training, Workshops & Seminars	(47)	(3,280)	(3,327)
Other operating expenses	(82,388)	(49,766)	(132,154)
Depreciation	(38,331)	(5,291)	(43,622)
Amortisation	(192)	-	(192)
Profit before tax	**(119,242)**	**218,978**	**99,736**
Income tax credit	7,996	35,398	43,394
Net profit for the year	**(111,246)**	**254,376**	**143,130**

BRAC SOCIAL BUSINESS ENTERPRISES UGANDA LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Statement of financial position as at 31 December 2015 (Amount in United States Dollars)

	Agriculture US$	Training US$	Total US$
ASSETS			
Cash and Bank	53,517	346,075	399,592
Inventory	27,285	-	27,285
Tax receivable	-	2,433	2,433
Other receivables	(139,534)	145,513	5,979
Property and equipment	385,598	127,299	512,897
Finance lease	17,221	-	17,221
Total assets	**344,087**	**621,320**	**965,407**
LIABILITIES AND EQUITY			
Liabilities			
Related party payables	1,209	6,086	7,295
Other liabilities	24,685	11,189	35,874
Deferred tax Liability	34,134	31,879	66,013
Total liabilities	**60.028**	**49,154**	**109,182**
Equity			
Share Capital	300	-	300
Funds Designated for issue Share Capital	600,179	129,467	729,646
Retained earnings	(316,420)	445,974	129,554
Currency Translation	-	(3,275)	(3,275)
Total Equity	**284,059**	**572,166**	**856,225**
Total liabilities and Equity	**344,087**	**621,320**	**965,407**

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Sustainability implies responsible and proactive decision making and innovation that minimizes negative impact and maintains a balance between ecological resilience, economic prosperity, good health and social vibrancy to ensure a desirable living for all, now and in the future.

BRAC addresses sustainability issues through its multifaceted, microfinance multiplied approach which is based on recognition of the hetegeneity of the poor and their needs. We strategically link programs in Economic Development (Microfinance), Health, Education and other Livelihood development programs to create and protect the livelihoods of poor people. Our social enterprises, integrated with the various development programs, form crucial linkages that increase the productivity of our members' assets and labor and generate surplus for the organization, allowing both those we support and ourselves to be increasingly self-reliant.

Environment

BRAC Uganda is committed to preserving the environment through different interventions like distributing solar lamps, energy saving cook stoves, cleaning drainage systems and planting trees by our scholars and also through environmental sensitizations in the different projects that are implemented.

MasterCard Foundation scholars at BRAC, scholars from Bethany High School Naalya engaged in cleaning the trading center near their school as a way of giving back to the Community. This is a commitment of BRAC Uganda and MasterCard Foundation to observe 08th November as a Day of service to give back to the communities in which they live and participate in a local service project across the country.

Marketplace practices

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

New implementing partners came on board like Living Goods, LEGO Foundation, who in total committed over USD $4,000,000.

Customer confidentiality

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

Compliancy to country laws and regulations

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

Staff development and welfare

With the goal to sustain a skilled and motivated workforce, BRAC Uganda continues to focus on capacity development and strengthening representation of national employees in key leadership positions. It employs 2,338 national and international employees dispersed across the country, of which 98 per cent are national employees. The workforce comprises 85 per cent female employees, as part of BRAC's mission towards women's empowerment. In 2015, BRAC International's human resources capacity, visibility, and practices were strengthened through strategic interventions and new initiatives. A complete list of the trainings that have been provided to staff is given below:

SUSTAINABILITY REPORT

Staff development and welfare(continued)

Name of the Training Course	Designation	Duration	Participants	Programme
BRAC Orientation, OCV and MFM	BM	05 Days	35	MF
Advance Basic Training	Mentors	05 Days	251	ELA
Advanced Life skills	Mentors	5 Days	413	ELA
Agro Enterpreneurship Skills	PA,AC	05 Days	95	Agriculture
Basic Staff Training	PA	05 Days	15	AHP
Basic Training	Mentor	05 Days	170	ELA
Basic Training for CO(JSDF)	CO(JSDF)	03 Days	4	JSDF
Basic Training for Mentor	PA	05 Days	40	ELA
Basic Training for Mentor(MCF)	Mentor	05 Days	40	ELA(MCF)
Basic Training for Mentor(MCF)	Mentor	05 Days	40	ELA(MCF)
Basic Training for PA	PA	05 Days	22	Health
Basic Training on Audit	Audit Officer	03 Days	20	IAD
Basic Training on VSLAs	Different	05 Days	17	InterAid
BIAMS Software	Audit Officer	03 Days	21	IAD
BRAC Orientation	BRAC Staff	02 Days	122	All programmes
Business management	Com. Leaders	05 Days	21	InterAid
Customer Service	BM	03 Days	20	MF
Debate Competetion	Mentor	03 Days	39	ELA(MCF)
Diarrhoea	PA	1 Day	75	Health
Early Child Marriage	Mentor	04 Days	13	ELA(AHP)
Facilitators Training	PA,AC	04 Days	22	P&L
Financial Literacy	Mentor	05 Days	112	ELA
FL & Life Skills for Karamoja Project	Youth Leader	05 Days	10	ELA
Games & MDD	Mentor,PA	05 Days	60	ELA
Goal Events Training	Mentor	04 Days	15	ELA
Goal ToT	Mentor	04 Days	31	ELA
Life Skill Training	Mentor	05 Days	179	ELA
Management Development Course	AM,AAM	05 Days	53	MF,SEP, F&A
Managerial Competency Development	AC & RC	05 Days	17	ELA(MCF)
Mentor Teachers Training	Teacher	03 Days	33	Scholarship
Microfinance Management Course	CO(MF)	05 Days	84	MF
Operational Mamangement Course	Audit Officer	03 Days	31	IAD
Operational Mgt. Course(AHP)	c	05 Days	8	ELA(AHP)
Orientation on P&L Program	AC,RC	01 Day	16	P&L
Physical Verification of Inventory	Audit Officers	3 Days	21	Audit
PRC & ICCM for Health Program	RC, AC	05 Days	33	Health
Pregnancy Related Care	PA	5 Days	125	Health
Refreshers Course on FMC & Documentation	BAO	05 Days	77	Finance & Accounts
Small Enterprise Analysis	CO	06 Days	29	SEP
USAID Fund Management Course	Sr. Managers	02 Days	30	All programmes
Workshop for Audit Team	Audit Officer	03 Days	41	IAD

SUSTAINABILITY REPORT

With the goal of employee recognition and engagement, BRAC gives special awards to those who demonstrate the practice of BRAC's four core values of innovation, integrity, inclusion and effectiveness. In 2015, one female employee of BRAC Uganda received the prestigious BRAC Values Award, out of a total of 20 recipients, for her outstanding display of ethics and professionalism, after a rigorous screening of nominations from the entire BRAC workforce of over 100,000 staff.

In the continued effort towards human capital investment in Uganda, scholarships for higher studies are provided annually to high potential and committed staff of BRAC Uganda. Two female employees have been given full scholarships in 2015, to pursue their postgraduate studies in Uganda for their increased capacity development.

With the vision of streamlining staff development activities, BRAC Uganda's first ever Inclusion & Diversity Campaign (IDMC) took place in 2015 to promote a culture of diversity, inclusion, gender sensitivity and BRAC values among its workforce. In October 2015, 16 employees from 10 operating countries participated in a 20-day Training of Trainers (ToT) workshop at BRAC headquarters in Bangladesh. Among the participants, two trainers from BRAC Uganda received training on four modules: BRAC Values, Inclusion & Diversity, Gender Awareness and People Leadership Program (PLP).

Staff Remuneration Policies

Staff are provided a competitive remuneration package including fringe benefits. 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 organisational policies. BRAC Uganda strives to promote a high-performance culture through an effective performance management system (PMS) that cover all staff from country management to grassroots level. Rewards are linked to both KPI-based performance and demonstration of BRAC values in the workplace. Low performers are coached and developed through a new performance improvement process.

Employee Turnover

The employee metrics on attrition for the financial year 2015 show an improvement. In 2015, the attrition rate is 7% compared to 9% in 2014. There is a constant focus on boosting employee engagement and reduce turnover by means of new and innovative efforts. A staff satisfaction survey will be introduced in 2016 to provide insight into the engagement levels to take this further.

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