

BRAC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

KPMG
P O Box 3509
Kampala

BRAC

REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

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BRAC
DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Mr. Fazle Hassan Abed	-	Chairman
Mr. Aminul Alam	-	Member
Dr. Imran Martin	-	Member

ADMINISTRATORS

Mr. Tanwir Rahman	-	Director Finance BRAC international Program
Mr. Ariful Islam	-	Country Program Coordinator

PRINCIPAL PLACE OF BUSINESS:

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

REGISTERED OFFICE:

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

COMPANY SECRETARY:

Tanwir Rahman
BRAC International Program
BRAC Centre, 75 Mohakhali, Dhaka 1212,
Bangladesh

AUDITORS

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

BANKERS

Stanbic Bank Uganda Limited 17 Hannington Road Crested Towers P. O. Box 7131 Kampala, Uganda	Bank Of Africa Uganda Limited Plot 45 Jinja Road P.O. Box 2750 Kampala Uganda	Standard Chartered Bank Uganda Ltd Plot 5 Speak Road P.O. Box 7111 Kampala, Uganda
Equity Bank Uganda Limited Plot 390 Muteesa 1 Road P O Box 10184 Kampala, Uganda	Barclays Bank (U) Limited Plot 4 Hannington Road P O Box 2750 Kampala, Uganda	Tropical Bank Limited Plot 27 Kampala Road P O Box 9485 Kampala, Uganda

BRAC

DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2009

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2009, which disclose the state of affairs of BRAC, in accordance with section 157 of the Ugandan Companies Act (CAP 110).

(a) Incorporation

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 2009 respectively but were still trading during the year under the umbrella of BRAC.

On 30th day of 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 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.

The two entities effectively commenced trading separately on 01st January 2010 and going forward will be preparing separate financial statements. Therefore one consolidated set of financial statements have been prepared for the year ended 31 December 2009.

(b) Principal activities

The organization provides development activities by adapting an environmental friendly sustainable development approach through high impact education, health, agriculture and employment and income generating interventions to the poor, especially for women and children. At present, BRAC has four development programs that cover the areas of health, education, adolescent development and microfinance to improving the livelihood of the poor people of over 43 districts in Uganda.

(c) Results from operations

The results for the entity for the year ended 31 December 2009 are set out on page 8.

(d) Directors

The directors who served during the year are set out on page 2.

(e) Directors benefits

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

(f) Auditors

The auditors, KPMG who were appointed during the year, have indicated their willingness to continue in office in accordance with Section 159(2) of the Uganda Companies Act (CAP 110).

BRAC

DIRECTORS' REPORT FOR YEAR ENDED 31 DECEMBER 2009

(g) Approval of the financial statements

The financial statements were approved by the directors at a meeting held on May 09, 2010.

By order of the Board

Signed [Signature]

Date: 15.6.10

SECRETARY

BRAC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2009, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

The directors' responsibility includes: designing, implementing and maintaining internal control 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 Ugandan Companies Act, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company.

The directors accept responsibility for the financial statements set out on pages 7 to 44, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Ugandan Companies Act. 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 for the year ended 31 December 2009. 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.

Going concern

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business 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 15 June 2010, 2010 and were signed on its behalf by:

Director

:



Director

:



Date: June 15, 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC

Report on the Financial Statements

We have audited the financial statements of BRAC which comprise the Statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the period 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 8 to 44.

Directors' Responsibility for the Financial Statements

As stated on page 3, 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 Ugandan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

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.

Basis of opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC as at 31 December 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Ugandan Companies Act.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BRAC

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

KLM

KPMG

Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 15 June 2010

BRAC

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2009

		BRAC Microfinance 2009	BRAC Uganda 2009	Consolidated 2009	Consolidated 2008	Consolidated 2009	Consolidated 2008
	Note	Ushs	Ushs	Ushs	Ushs	USD	USD
Interest income	4	7,399,726,889	-	7,399,726,889	4,845,508,720	3,884,371	2,543,574
Interest income on short term bank deposits	5	651,440,187	-	651,440,187	166,572,773	341,964	87,440
Interest expense	6	(2,905,125,604)	-	(2,905,125,604)	(1,181,995,436)	(1,525,000)	(620,470)
Net interest income		5,146,041,472	-	5,146,041,472	3,830,086,057	2,701,335	2,010,544
Fee and commission income	7	694,534,000	-	694,534,000	366,745,200	364,585	192,517
Grant income	23.1	3,424,156,487	9,075,942,674	12,500,099,161	2,130,480,541	6,561,732	1,118,362
Other incomes	8	-	504,638,773	504,638,773	153,984,500	264,902	80,832
Foreign exchange gains		652,428,222	606,323,202	1,258,751,424	40,000	660,762	21
Total operating income		9,917,160,181	10,186,904,649	20,104,064,830	6,481,336,298	10,553,316	3,402,276
Impairment losses on loans and advances to customers	16	(1,096,752,957)	-	(1,096,752,957)	(534,439,000)	(575,723)	(280,545)
Operating income after impairment charges		8,820,407,224	10,186,904,649	19,007,311,873	5,946,897,298	9,977,593	3,121,731
Staff costs and other benefits	9	(6,019,080,606)	(4,232,077,450)	(10,251,158,056)	(2,907,194,479)	(5,381,185)	(1,526,086)
Training, workshops and seminars	10	(45,281,100)	(2,212,107,525)	(2,257,388,625)	(408,532,466)	(1,184,981)	(214,453)
Occupancy expenses	11	(452,445,144)	(392,996,141)	(845,441,285)	(580,894,758)	(443,801)	(304,932)
Other general & administrative expenses	12	(1,792,166,241)	(2,446,761,082)	(4,238,927,323)	(1,018,091,067)	(2,225,159)	(534,431)
Depreciation	18	(130,393,215)	(132,796,157)	(263,189,372)	(90,506,361)	(138,157)	(47,510)
Operating profit/surplus		381,040,918	770,166,294	1,151,207,212	941,678,167	604,310	494,319
Other finance costs							
Deal costs		-	-	-	(933,155,439)	-	(489,845)
Profit/ Surplus before tax		381,040,918	770,166,294	1,151,207,212	8,522,728	604,310	4,474
Taxation	13	(389,484,960)	-	(389,484,960)	-	(204,454)	-
Net profit/ surplus for the year		(8,444,042)	770,166,294	761,722,252	8,522,728	399,856	4,474
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		(8,444,042)	770,166,294	761,722,252	8,522,728	399,856	4,474

The notes set out on pages 12 to 44 form an integral part of these financial statements.

BRAC

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009

	Note	BRAC Microfinance 2009 Ushs	BRAC Uganda 2009 Ushs	Consolidated 2009 Ushs	Consolidated 2008 Ushs	Consolidated 2009 USD	Consolidated 2008 USD
ASSETS							
Cash and Bank	14	20,074,262,097	6,884,151,727	26,958,413,824	11,611,000,603	14,151,398	6,095,013
Short term deposits at Amortized cost	15	1,030,451,040	-	1,030,451,040	5,597,295,736	540,919	2,938,213
Related party receivables	21	3,530,079,638	(776,986,973)	2,753,092,665	167,300,000	1,445,193	87,822
Loans and advances to customers	16	23,153,807,421	-	23,153,807,421	14,365,224,681	12,154,230	7,540,800
Receivables and other current assets	17	40,419,309	398,080,600	438,499,909	2,883,894,729	230,184	1,513,856
Property and equipment	18	1,042,784,076	688,242,936	1,731,027,012	916,114,966	908,676	480,900
Deferred tax asset	13	79,949,512	-	79,949,512	-	41,968	-
Total assets		48,951,753,093	7,193,488,290	56,145,241,383	35,540,830,715	29,472,568	18,656,604
LIABILITIES AND CAPITAL FUND							
Liabilities							
Other current liabilities	19	1,245,467,894	361,991,379	1,607,459,273	1,354,952,428	843,811	711,262
Current tax liability	13	469,434,472	-	469,434,472	-	246,422	-
Loan security fund	20	5,683,579,020	-	5,683,579,020	2,853,391,800	2,983,506	1,497,843
Related party payables	21	942,810,501	262,000,988	1,204,811,489	705,571,931	632,447	370,379
Term loans	22	35,575,269,372	-	35,575,269,372	18,208,478,160	18,674,682	9,558,256
Total liabilities		43,916,561,259	623,992,367	44,540,553,626	23,122,394,319	23,380,868	12,137,740
Capital Fund							
Donor funds	23	3,759,349,953	5,799,329,629	9,558,679,582	11,134,150,473	5,017,680	5,844,698
BRAC contribution	24	835,000,000	-	835,000,000	835,000,000	438,320	438,320
Retained surplus		440,841,881	770,166,294	1,211,008,175	449,285,923	635,700	235,846
Total capital fund		5,035,191,834	6,569,495,923	11,604,687,757	12,418,436,396	6,091,700	6,518,864
Total liabilities and Capital fund		48,951,753,093	7,193,488,290	56,145,241,383	35,540,830,715	29,472,568	18,656,604

The financial statements on pages 8 to 44 were approved by the board of directors on 21st Dec 2009, 2010 and were signed on its behalf by:

Director: 

Director: 

The notes set out on pages 12 to 44 form an integral part of these financial statements.

BRAC**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

	Donor Funds Ushs	Retained earnings Ushs	NGO surplus reserve Ushs	BRAC Contribution Ushs	Total Capital fund Ushs	Total Capital fund USD
At 1 January 2008	2,814,871,380	440,763,195	-	835,000,000	4,090,634,575	2,147,315
Donations received during the year	8,707,253,036	-	-	-	8,707,253,036	4,570,737
Transfers to SOFP/SOCI	(387,973,942)	-	-	-	(387,973,942)	(203,662)
Surplus for the year	-	8,522,728	-	-	8,522,728	4,474
At 1 January 2009	11,134,150,474	449,285,923	-	835,000,000	12,418,436,397	6,518,864
Donations received during the year	13,439,935,527	-	-	-	13,439,935,527	7,055,084
Grant income transferred to SOCI	(12,500,099,162)	-	-	-	(12,500,099,162)	(6,561,732)
Investment in loans to group members	(780,000)	-	-	-	(780,000)	(409)
Transfers to Microfinance Program	(1,756,606,440)	-	-	-	(1,756,606,440)	(922,103)
Reclassification of payable to Bangladesh	(757,920,817)	-	-	-	(757,920,817)	(397,858)
Surplus for the year	-	(8,444,042)	770,166,294	-	761,722,252	399,854
At 31 December 2009	9,558,679,582	440,841,881	770,166,294	835,000,000	11,604,687,757	6,091,700

The notes set out on pages 12 to 44 form an integral part of these financial statements.

BRAC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 Ushs	2008 Ushs	2009 USD	2008 USD
Cash flow from operating activities	25	3,233,215,178	(1,472,152,466)	1,697,228	(772,783)
Loan disbursements		(47,206,579,244)	(26,721,950,000)	(24,780,357)	(14,027,270)
Loan collection		37,210,526,468	19,621,549,246	19,533,085	10,300,026
Net cash flow from operating activities		(6,762,837,598)	(8,572,553,220)	(3,550,044)	(4,500,027)
Cash flow from investing activities					
Acquisition of fixed assets		(1,078,101,418)	(744,028,975)	(565,933)	(390,566)
Short term deposits		4,566,844,696	(5,502,857,100)	2,397,294	(2,888,639)
Net cash flow from investing activities		3,488,743,278	(6,246,886,075)	1,831,361	(3,279,205)
Cash flow from financing activities					
Term loans		17,366,791,212	9,752,224,125	9,116,426	5,119,276
Loan security fund		2,830,187,220	1,454,643,800	1,485,661	1,497,843
Donor fund increase/(decrease)		(817,550,074)	8,218,150,363	(429,160)	4,313,990
Net cash flow from financing activities		18,621,507,541	20,823,766,288	9,775,068	10,931,109
Net (decrease)/increase in cash and cash equivalents		15,347,413,221	6,004,326,993	8,056,385	3,151,877
Cash and cash equivalents at beginning of the year		11,611,000,603	5,606,673,610	6,095,013	2,943,136
Cash and cash equivalents at end of the year	14	26,958,413,824	11,611,000,603	14,151,398	6,095,013

The notes set out on pages 12 to 44 form an integral part of these financial statements.

BRAC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

1. THE REPORTING ENTITY

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

The Organization was incorporated as BRAC Foundation in January 2006 and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the registry of Companies. Later the Microfinance and Non Microfinance Programs got incorporated as independent companies in August 2008 and September 2009 respectively but were still trading during the year under the umbrella of BRAC.

On 30th day of 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 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.

The two entities effectively commenced trading separately on 01st January 2010 and going forward will be preparing separate financial statements. Therefore one consolidated set of financial statements have been prepared for the year ended 31 December 2009.

BRAC's vision for all countries in which it operates is the same as its vision in Bangladesh that they develop into a just, enlightened, healthy and democratic societies 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 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.

Notes to the financial statements for the year ended 31 December 2009 continued

(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.

(ii) Functional and presentation currency

These financial statements are presented in Uganda shillings (Ushs), 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 1,905. 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 28.

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.

Notes to the financial statements for the year ended 31 December 2009 continued

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

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

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

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

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

b) Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the foreign exchange rate applicable for settlement. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised 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 originated by the company by providing finance directly to borrowers is categorized as loans to group members and is carried at amortised 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.

Notes to the financial statements for the year ended 31 December 2009 continued

An allowance for loan impairment is established if there is objective evidence that the company will not be able to collect all amounts due, according to the original contractual terms of loans. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate of loans.

The loss impairment provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These are estimated based upon historical patterns of losses in each component, the credit ratings allocated to borrowers and reflecting the current economic climate in which the borrowers operate.

When a loan is uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to the provision for loan loss impairment in the income statement. If the amount of the impairment subsequently decreases due to an event occurring after write-down, the release of the impairment provision is credited as a reduction of the impairment provision for loan losses.

d) Impairment

(i) Financial assets

At each balance sheet date BRAC 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 cashflows of an asset.

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 recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss.

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

(ii) Non financial assets

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

Notes to the financial statements for the year ended 31 December 2009 continued

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 receivables

Other receivables comprise 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) Other payables

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

(g) 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

(h) Provisions

A provision is recognised if, as a result of a past event, BRAC 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.

Where BRAC expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

(i) 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.

(j) Revenue recognition

Revenue is recognized on an accruals basis.

Notes to the financial statements for the year ended 31 December 2009 continued

(i) Interest income

Service charges on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognized on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as "non-performing" loans.

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

(ii) Fee and commission income

Fees and commissions are recognized on an accrual basis when the service has been provided.

(iii) Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of BRAC assets and all realised and unrealised foreign exchange differences.

(k) 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.

Donor grants received in kind, through the provision of gifts and /or services, are recorded at fair value (excluding situations when BRAC 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 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.

Notes to the financial statements for the year ended 31 December 2009 continued

A Substantially portion of BRAC's donor grants are for the funding of Not-for-profit 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

(l) Interest from bank and short term deposits

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

(m) Loans and Borrowings

Loans and Borrowings are recognised 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.

(n) Employee benefits

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

(o) 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.

(p) 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 Programme Coordinator 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 9 thematic programmes being operated by BRAC; these Programmes are listed below;

- Education Program;
- Research Program;
- Training Program;
- Agriculture and livestock Program;
- Health Program;
- Sanitary Napkin project;
- Microfinance for IDP Project;
- Empowerment and Livelihood for Adolescents;
- Microfinance

(q) Contingent liabilities

The company recognises 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.

(r) 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.

(s) New standards and interpretations

i) Newly adopted standards in 2009

IAS 1-Presentation of financial statements (revised) effective 1 January 2009

The standard requires that all non-owner changes in equity are presented in either a single statement of comprehensive income which includes income statement line items or in a separate statement of comprehensive income. In addition, a statement of financial position, which is the preferred term for the balance sheet, has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

IFRS 8-Operating segments

This interpretation is required to be applied for annual periods beginning on or after 1 January 2009 but is not expected to have a significant impact on the activities of the company.

IAS 23-Revised-Borrowing Costs

This interpretation is required to be applied for annual periods beginning on or after 1 January 2009 but is not expected to have a significant impact on the activities of the company.

ii) The company has decided not to early adopt the following newly issued standards and interpretations:

The company has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2009:

IAS 27 Consolidated and separate financial statements (amended in 2008) supersedes IAS 27 (revised in 2003)

The emended IAS 27 is required to be applied in 1 July 2009 but is not expected to have a significant impact on the activities of the company.

IAS 28- Investment in Associates: Consequential amendments arising from amendments to IFRS 3

This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

Notes to the financial statements for the year ended 31 December 2009 continued

IAS 31- Investment in Joint Ventures: Consequential amendments arising from amendments to IFRS 3

This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

IAS 39: Financial Instruments: Recognition and Measurement:

An amendment for eligible hedged items effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

IAS 32: Financial Instruments: Presentation:

Amendments relating to puttable instruments and obligations arising on liquidation effective for accounting periods beginning on or after 1 July 2009 but are not expected to have a significant impact on the activities of the company.

IFRS 3: Business combinations- comprehension revision on applying the acquisition method

This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

IFRS 1: First time adoption of international financial Reporting Standards- Amendments relating to cost of an investment on first time adoption.

This interpretation is effective for accounting periods beginning on or after 1 January 2009 but is not expected to have a significant impact on the activities of the company.

IFRIC 17: distribution of Non-Cash assets to owners

This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

IFRIC 18: Transfer of assets from customers

This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the activities of the company.

(t) Comparatives

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

4. INTEREST INCOME

	2009	2008	2009	2008
	Ushs	Ushs	USD	USD
Group Guaranteed Scheme	6,275,470,019	4,109,297,755	3,294,210	2,157,123
Small Enterprises Program	1,124,256,870	736,210,965	590,161	386,451
	7,399,726,889	4,845,508,720	3,884,371	2,543,574

