

BRAC Foundation - Uganda
Registered under Section 370, Part-X of the Companies Act and
Registered under the Non-Government Organizations Registration Statute 1989
Balance Sheet as at 31 December 2006

	<u>Notes</u>	<u>US \$</u>	<u>USH</u>
<u>ASSETS</u>			
Fixed assets	3	83,752	153,279,628
Loan to group members	4	437,802	802,035,752
Advances, deposits and prepayments	5	37,773	69,197,904
Cash in hand and at bank	6	1,191,920	2,180,387,138
		<u>1,751,247</u>	<u>3,204,900,422</u>

FUND AND LIABILITIES

Donor fund investment in fixed assets	7	83,752	153,279,628
Grants received in advance	8	359,906	656,709,366
Term loan	9	763,487	1,398,677,645
Loan security fund	10	55,198	101,120,528
Other current liabilities	11	24,151	43,705,070
Capital Fund		464,753	851,408,185
		<u>1,751,247</u>	<u>3,204,900,422</u>

The attached notes form an integral part of these accounts.

Chairperson, Governing Body
BRAC Foundation, Uganda

Member, Governing Body
BRAC Foundation, Uganda

As per annexed report of even date.

Dhaka, 12 March 2007

BRAC Foundation - Uganda
Registered under Section 370, Part-X of the Companies Act and
Registered under the Non-Government Organizations Registration Statute 1989
Income and Expenditure Statement
for the period ended 31 December 2006

	<u>Notes</u>	<u>US \$</u>	<u>USH</u>
<u>INCOME</u>			
Donor grants	12	699,772	1,280,281,493
Service charge on loan to group members		28,908	52,958,300
Other income	13	15,911	29,148,317
		<u>744,591</u>	<u>1,362,388,110</u>
 <u>EXPENDITURE</u>			
Salary and benefits		106,441	194,290,790
Travelling and transportation		45,692	83,547,117
Stationery, rent and utilities		40,805	74,555,603
Maintenance and general expenses		45,563	83,385,066
Staff training and development		7,035	12,786,149
Interest on loan revolving fund		1,327	2,431,011
Loan loss provision for loan to group members		11,040	20,224,838
Depreciation		3,535	6,473,751
HO logistics and management support		18,400	33,285,600
		<u>279,838</u>	<u>510,979,925</u>
Surplus for the period		<u>464,753</u>	<u>851,408,185</u>
		<u>744,591</u>	<u>1,362,388,110</u>

The attached notes form an integral part of these accounts.

Chairperson, Governing Body
BRAC Foundation, Uganda

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As per annexed report of even date.

Dhaka, 12 March 2007

BRAC Foundation - Uganda
Registered under Section 370, Part-X of the Companies Act and
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Cash Flow Statement
for the period ended 31 December 2006

	US\$	USH
Cash Flow from Operating Activities :		
Surplus of income over expenditure	464,753	851,408,185
Adjustment to reconcile changes in net assets to net cash provided by operating activities :		
Loan loss provision	11,040	20,224,838
Depreciation on fixed assets	3,535	6,473,751
Donor grants-amortization of investment in fixed assets	(3,535)	(6,473,751)
Service charge on loans to group members	(28,908)	(52,958,300)
Interest income on fixed deposits	1,327	2,431,011
Adjustment for other accounts :		
Increase in service charge outstanding on loans to group members	(790)	(1,447,248)
Increase in advances, deposits and prepayments	(37,773)	(69,197,904)
Increase in other current liabilities	24,151	43,705,070
Increase in deferred income	87,287	159,753,379
Net cash provided in operating activities	521,087	953,919,031
Cash Flow from Investing Activities :		
Increase in loan to group members	(448,052)	(820,813,342)
Service charge received on loan to group members	28,908	52,958,300
Interest paid on loan revolving fund	(1,327)	(2,431,011)
Purchase of fixed assets	(87,287)	(159,753,379)
Net cash used in investing activities	(507,758)	(930,039,432)
Cash Flow from Financing Activities :		
Grants received during the period	1,108,426	2,026,372,598
BRAC's contribution	35,004	63,897,889
Grants utilized during the period for :		
- operational expenditure and micro finance	(696,237)	(1,273,807,742)
- investment in fixed assets	(87,287)	(159,753,379)
Increase in loan revolving funds	763,487	1,398,677,645
Increase in loan security funds	55,198	101,120,528
Net cash provided in Financing Activities	1,178,591	2,156,507,539
Net increase in Cash and Cash Equivalents	1,191,920	2,180,387,138
Cash and cash equivalents, beginning of the period	-	-
Cash and cash equivalents, end of the period	1,191,920	2,180,387,138

BRAC Foundation - Uganda
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Notes to the Accounts to 31 December 2006

1. Background

BRAC Foundation, an international private development organization started its activities in November 2005 and registered under the Ministry of Internal Affairs, The Republic of Uganda with a view to participating in the development activities by adapting an environmental friendly sustainable development approach through high-impact health, agriculture and employment and income generation interventions for the poor, especially for women and children. At present, BRAC Foundation-Uganda has two development programs that cover the areas of health, agriculture and micro finance to improving the livelihood of the poor people of 10 districts in Uganda.

2. Summary of Significant Accounting Policies

BRAC Foundation - Uganda prepares its financial statements under the historical cost convention on a going concern basis. BRAC Foundation-Uganda generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items as disclosed in the Summary of Significant Accounting Policies. The financial statement are expressed in US \$ and in Uganda Shilling (USH).

2.1 Basis of preparation of financial statements

BRAC Foundation-Uganda maintains its books of accounts and records on a program-wise basis. The country office maintains records of all treasury and management functions. All cash balances including those held for programmes are held by the Country Office and transferred to programme as required. Balances between projects are eliminated upon combination for the purpose of presentation of the financial statements.

BRAC Foundation-Uganda's accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and internal recording into funds established according to their nature and purposes based on the existence or absence of donor-imposed restrictions.

2.2 Donor grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially BRAC Foundation-Uganda's donor grants are for funding of projects and programmes and these grants income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets, grants income is recognized as the amount equivalent to depreciation charged on the fixed assets concerned.

All donor grants received are initially recorded at fair value as liabilities in the grants received in advance account. For grants utilized to purchase fixed assets and motor cycles, the donor grants are transferred to deferred income accounts whilst for grants utilized to reimburse programme-related expenditure, the amounts are recognized as income. Donor grants received in kind through the provision of gifts and or services are recorded at fair value. Income recognition of such grants follows that of cash based donor grants and would thus depend on whether the grants are to be utilized for the purchase of fixed assets or expended as program related expenditure.

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

2.3 Revenue recognition

Service charge on loan to group members

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 charge 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.

Interest on bank deposits

Revenue is recognized as the interest accrues unless collectivity is not in doubt.

Interest on bank deposits

All other income are recognized when BRAC Foundation-Uganda's right to receive such income has been substantially determined and all conditions precedent are satisfied.

2.4 Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BRAC Foundation's Country Office expenses are allocated to various projects and programmes based on agreement with donors.

2.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for on a straight line basis over the estimated useful lives at the following annual rates :

Furniture and fixtures	10 %
Equipment	15%
Vehicles	20%
Bi-cycle	20%
Motor cycles	20%

2.6 Loans to group members

BRAC Foundation-Uganda's activities include providing micro credit loan to group members without collateral, on a service charge basis under various programmes. Loans are stated net of provisions for loan losses.

2.7 Provision for loan losses

BRAC Foundation-Uganda provides for loan losses based on 2% of loan disbursements made. Non-performing loans are monitored and service charges are not recorded. Such loans are written off against the loan loss provision when recovery is unlikely. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. Any collections received from loans previously written off are credited to the statement of income and expenditure.

2.8 Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.9 Foreign currency transactions

At the end of month expenditure incurred in Ugandan Shilling during the month is translated into US \$ at the average exchange rate for that month with a view to preparation and presentation of financial statements and other reports. Monetary assets and liabilities denominated in Ugandan Shilling at balance sheet date are translated into US \$ at exchange rate prevailing at that date.

2.10 Financial instruments

Financial instruments are recognized in the balance sheet when the BRAC has become a party to the contractual provisions of the instrument.

a) Receivables

Receivables are carried at anticipated realizable values. Bad debts are written off when identified and an estimate is made for doubtful debts on a review of all outstanding amounts as at the balance sheet date.

b) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in future for goods and services received.

c) Interest-bearing borrowings

Interest bearing loans are recorded at the amount of proceeds received, net of transactions costs.

All borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

2.8 General

Figures have been rounded off to the nearest USH and US Dollar.

3. Fixed assets

Particulars	Cost			Depreciation			Net Book Value at 31 December 2006 US \$		
	Opening balance US \$	Additions during the period US \$	Adjustment for disposals/ transfer during the period US \$	Closing balance US \$	Opening balance US \$	Charged for the period US \$		Adjustment for disposals/ transfer during the period US \$	Closing balance US \$
Furniture and fixtures	-	26,177	-	26,177	-	805	-	805	25,372
Equipment	-	40,648	-	40,648	-	1,304	-	1,304	39,344
Vehicle	-	8,689	-	8,689	-	744	-	744	7,945
Bi-cycle	-	1,761	-	1,761	-	180	-	180	1,581
Motor cycle	-	10,012	-	10,012	-	502	-	502	9,510
Total 2006 in US \$	-	87,287	-	87,287	-	3,535	-	3,535	83,752
Total 2006 in USH	-	159,753,379	-	159,753,379	-	6,473,751	-	6,473,751	153,279,628

An amount of US \$ 3,535 equivalent to USH 6,473,751 has been transferred to the Statement of Income and Expenditure from deferred income-investment in fixed assets to cover the depreciation charge for donor-funded fixed assets as disclosed in Notes 7 & 12.

4. **Loan to group members**

	Principal outstanding US \$	Service charge receivable US \$	Loan loss provision US \$	Total US \$
Balance at 1 January 2006	-	-	-	-
Addition during the period	551,993	28,908	(11,040)	569,861
Realization during the period	(103,941)	(28,118)	-	(132,059)
Balance at 31 December 2006	448,052	790	(11,040)	437,802
Equivalent to USH	820,813,342	1,447,248	(20,224,838)	802,035,752

Loan to group members bear annual service charge is 20% per annum on loan disbursed and repayments are made in weekly installments.

5. **Advances, deposits and prepayments**

	US \$	USH
Advance to suppliers	37,639	68,953,142
Security deposits	134	244,762
	37,773	69,197,904

6. **Cash in hand and at bank**

	US \$	USH
Cash in hand	16,014	6,814,891
Cash at bank	1,175,906	2,173,572,247
	1,191,920	2,180,387,138

7. **Donor fund investment in fixed assets**

Balance at 1 January 2006	-	-
Add : Transferred from grants received in advance	87,287	159,753,379
Less : Amortization to Statement of Income and Expenditure	(3,535)	(6,473,751)
Balance at 31 December 2006	83,752	153,279,628

8. **Grants received in advance**

Balance at 1 January 2006	-	-
Donations received during the period (8.1)	1,108,426	2,026,372,598
BRAC's contribution	35,004	63,897,889
Transferred to deferred income :		
- Investment in fixed assets	(87,287)	(159,753,379)
Transferred to net assets	-	-
Transferred to Statement of Income and Expenditure during the period	(696,237)	(1,273,807,742)
Balance at 31 December 2006	359,906	656,709,366

8.1 Donation received during the period

Name of the projects	Name of donor	US \$	USH
1. Microfinance Program	Oxfam Novib	824,650	1,510,725,814
	Goldsmith	100,000	183,196,000
2. Education Project in Kigum and Pader District		183,776	332,450,784
		1,108,426	2,026,372,598

9. Term loan

Stromme Foundation	111,607	200,000,000
BRAC-Afghanistan	651,880	1,198,677,645
	763,487	1,398,677,645

* Loan from Stromme Foundation of US \$ 111,607 equivalent to USH 200,000,000 was obtained to disburse loan amongst the group members and bears interest @ 14% per annum. The loan is repayable over a period to two years within December 2008.

* Loan from BRAC Afghanistan of US \$ 651,880 equivalent to USH 1,198,677,645 was obtained to disburse loan amongst the group members and bears interest @ 14% per annum. The loan is repayable over a period to two years within December 2008.

10. Loan security fund

Opening balance	-	-
Deposits for the period	55,198	101,120,528
Withdrawals during the period	-	-
Closing balance	55,198	101,120,528

11. Other current liabilities

Liabilities for expenses	24,151	43,705,070
	24,151	43,705,070

	US \$	USH
12. Donor grant		
Transferred from grants received in advance	696,237	1,273,807,742
Transferred from deferred income: amortization of investment in fixed assets	3,535	6,473,751
	<u>699,772</u>	<u>1,280,281,493</u>
13. Other income		
Admission fee	13,141	24,073,787
Loan appraisal fee	2,770	5,074,530
	<u>15,911</u>	<u>29,148,317</u>

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Balance Sheet as at 31 December 2006

Microfinance Program	Education Program	Total	Microfinance Program	Education Program	Total
US \$			USH		

ASSETS

Fixed assets	77,189	6,563	83,752	141,407,161	11,872,467	153,279,628
Loan to group members	437,802	-	437,802	802,035,752	-	802,035,752
Advances, deposits and prepayments	37,773	-	37,773	69,197,904	-	69,197,904
Cash in hand and at banks	1,054,175	137,745	1,191,920	1,931,206,433	249,180,705	2,180,387,138
Total Assets	1,606,939	144,308	1,751,247	2,943,847,250	261,053,172	3,204,900,422

FUND AND LIABILITIES

Grants received in advance	245,619	114,287	359,906	449,964,183	206,745,183	656,709,366
Donor fund investment in fixed assets	77,189	6,563	83,752	141,407,161	11,872,467	153,279,628
Loan revolving fund	763,487	-	763,487	1,398,677,645	-	1,398,677,645
Loan security funds	55,198	-	55,198	101,120,528	-	101,120,528
Current liabilities	693	23,458	24,151	1,269,548	42,435,522	43,705,070
Capital Fund	464,753	-	464,753	851,408,185	-	851,408,185
Total Liabilities & Net Assets	1,606,939	144,308	1,751,247	2,943,847,250	261,053,172	3,204,900,422

BRAC Foundation - Uganda
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Segmental Financial Information
Income and Expenditure Statements
for the period ended 31 December 2006

Microfinance Program	Education Program	Total	Microfinance Program	Education Program	Total
US \$			USH		

INCOME

Donor grants	623,476	72,761	696,237	1,142,183,093	131,624,649	1,273,807,742
Service charge on loans to group members	28,908	-	28,908	52,958,300	-	52,958,300
Other income	15,911	-	15,911	29,148,316	-	29,148,316
Amortization of investment in fixed assets	3,438	97	3,535	6,298,278	175,473	6,473,751
Total Income	671,733	72,858	744,591	1,230,587,987	131,800,122	1,362,388,109

EXPENDITURE

Salaries and benefits	75,739	30,702	106,441	138,750,872	55,539,918	194,290,790
Travelling and transportation	38,749	6,943	45,692	70,987,229	12,559,887	83,547,116
Stationery, rent & utilities	32,202	8,603	40,805	58,992,776	15,562,827	74,555,603
Maintenance & general exp.	41,879	3,684	45,563	76,720,710	6,664,356	83,385,066
Staff training and development	2,606	4,429	7,035	4,774,088	8,012,061	12,786,149
Interest on loan revolving fund	1,327	-	1,327	2,431,011	-	2,431,011
Loan loss provision for loans to group members	11,040	-	11,040	20,224,838	-	20,224,838
Depreciation	3,438	97	3,535	6,298,278	175,473	6,473,751
HO logistics and management support	-	18,400	18,400	-	33,285,600	33,285,600
Total Expenses	206,980	72,858	279,838	379,179,802	131,800,122	510,979,924
Net surplus for the period	464,753	-	464,753	851,408,185	-	851,408,185
	671,733	72,858	744,591	1,230,587,987	131,800,122	1,362,388,109