ACTIONAID INTERNATIONAL UGANDA

Financial Statements
For the year ended 31 December 2014

KPMG
Certified Public Accountants
P O Box 3509
Kampala
Uganda

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ACRONYMS

AAIU	-	ActionAid International Uganda
AAI	-	ActionAid International
CSPIV	-	Country Strategic Paper 4
DFID	-	Department for International Development
DGF	-	Democratic Governance Facility
EC	-	European Commisssion
GBP	-	Great Britian Pound
GBODC	-	Governance, Board and Organisational Development committee
ITA	-	Income Tax Act
LRP	-	Local Rights Program
Ms	-	Mellemfolkeligt Samvirke
NSSF	-	National Social Security Fund
NGO	-	Non-Government Organization
Prof	-	Professor
PAYE	-	Pay As You Earn
Ushs	-	Uganda Shillings
USD	-	United States Dollar
UK	-	United Kingdom
WHT	-	Withholding Tax

ORGANIZATION INFORMATION

MEMBERS OF THE NATIONAL GOVERNANCE BOARD

James A Otto	Chairman	
Dr. Consolata Kabonesa	Vice chairperson	
Edna Rugumayo	Treasurer	Resigned 31 August 2014
Mary Kusambiza	Vice chairperson	Resigned 1 January 2014
Frank Otheimbi	Member	Resigned 1 January 2014
Evelyn Mugenyi	Member	Appointed Treasurer 1 November 2014
Judith Davey **	Member	
Judy Kamanyi	Member	Chairperson, GBODC
Caroline Ekobu	Member	Chairperson, programmes committee
Prof. Jassy B. Kwesiga	Member	
Deogratius Yiga	Member	
Moses Opondo	Member	Appointed 14 June 2014
Nicholas Opio	Member	Appointed 14 June 2014

** *British*

REGISTERED OFFICE

ActionAid International Uganda

Plot 2514/2515, Kansanga Gaba Road

P. O. Box 676

Kampala, Uganda

LAWYERS

KGN Advocates
Plot 5, Princess Avenue, Nakasero
P. O. Box 2219
Kampala,Uganda

AUDITORS

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

BANKERS

Stanbic Bank (U) Ltd
17 Hannington Road
P.O. Box 7131
Kampala, Uganda

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

Centenary Rural Development Bank
Plot 44-46, Kampala, Road
P. O. Box 1892
Kampala, Uganda

CORPORATE GOVERNANCE

AAIU is a committed Non-Governmental Organization registered both as an NGO and a Company Limited by guarantee committed to working with the poor and excluded people to eradicate poverty and injustice in Uganda. AAIU as an affiliate of AAI seeks to end poverty globally through working with the poor and excluded communities.

The organization's board remains steadfast in implementing governance practices where substance prevails over form. The governance framework allows the board members to consider conformity and performance, enabling them to balance their responsibility for oversight with their role as strategic counsel. Three committees - Governance Board and Development Committee, Finance and Audit Committee and Programme Committee were established to assist the board in fulfilling its stated objectives. The committees' roles and responsibilities are set out in terms of reference, which are reviewed annually to ensure they remain relevant.

Codes and Regulations

As an NGO and a Company Limited by Guarantee, AAU is committed to complying with legislation, regulations and codes of best practice and seeks to maintain the highest standards of governance, including transparency and accountability. Whilst the organization continues to nurture a strong culture of governance, it is constantly monitoring its practice to ensure that they are best fit for it and serve to enhance social and community objectives. The organization complies with applicable legislation, regulations, standards and codes, with the Board continually monitoring regulatory compliance.

General Assembly Members' Responsibilities

The general Assembly members' role is to appoint the board and external auditors. This role is extended to holding the board accountable and responsible for efficient and effective corporate governance.

National Governance Board

The National Governance Board has ultimate responsibility for the management and strategic guidance of the organization and assumes the primary responsibility of fostering the sustainability of the organization's objectives. The board is also responsible for the overall corporate governance of the entity, ensuring that appropriate controls, systems and practices are in place.

Board Composition

There were eleven (11) members on the Board in the year 2014. The board has the right balance of diverse skills, expertise, competencies and experience to effectively guide the organization and ensure that the objectives of the poor and excluded people are achieved. The skills, knowledge and experience as the demographic profile of the board are regularly reviewed to ensure that the board composition remains appropriate given the dynamics of society.

Strategy

The board is fully aware of its obligations to members and other stakeholders for forging the strategic direction that the organization will follow, and accordingly meets with Management at least thrice a year to consider and or approve the organization's plans and budgets for the year ahead as well as review performance. Agreed financial and corporate governance objectives for the following year are monitored by the board through management's quarterly reporting.

Delegation and effective control

The ultimate responsibility for AAU's operations rests with the board. The board retains effective control through a well developed governance structure of board committees. These committees provide in depth focus on specific areas of board responsibility.

CORPORATE GOVERNANCE – CONT'D

Authority has been delegated to the Country Director to manage the operations together with his Central Management Team. Further delegations are managed through a process that is monitored by the organization secretariat's office. The Country Director and management in effect are tasked with the implementation of board decisions and there is a clear flow of information between management and the board, which facilitates both the qualitative and quantitative evaluation of the organisation's performance.

Directors have full and unrestricted access to management and all organization and project/field information. This includes unlimited access to the advice and services of the organization secretary, who assists in providing any information or documentation they may require to facilitate the discharge of their duties and responsibilities.

Appointments

The appointment of directors is governed by the organization's governance manual and is subject to regulatory approval in line with the applicable legislation and regulations. Directors are appointed by members at the General Assembly and interim board appointments are allowed between General Assemblies. These appointments are then confirmed at the General Assembly.

In effecting appointments, the board takes cognizance of the skills, knowledge and experience of the proposed director, as well as other attributes that may be considered necessary. The board is also cognizant of the need to ensure demographic representation when making a new appointment.

Induction and training

On appointment, each new director receives a pack which includes relevant information such as mandates, management structures, significant reports, important legislation and key organization policies. In addition, one-on-one meetings are scheduled with management to introduce new directors to the organization and its operations.

Board meetings

The board meets at a minimum of three times a year with a provision for extra ordinary board meetings where necessary. Directors are provided with comprehensive board documentation at least four days prior to each of the scheduled meetings. Attendance at board meetings during the period is set out in the table below:

Name of Director	29 March 2014	7 June 2014	1 November 2014	15 December 2014
Judith Davey	✓	✓	x	✓
James A Otto	✓	✓	✓	✓
Dr. Consolata Kabonesa	✓	✓	✓	✓
Evelyn Mugenyi	✓	✓	✓	✓
Judy Kamanyi	✓	x	✓	✓
Edna Rugumayo	✓	✓	Resigned 31 August 2014	
Caroline Ekobu	✓	✓	✓	✓
Prof. Jassy .B. Kwesiga	✓	✓	✓	x
Deogratius Yiga	✓	x	✓	✓
Nicholas Opio	Appointed 14 June 2014		✓	✓
Moses Opondo	Appointed 14 June 2014		✓	x

x – Absent with apologies
✓ – Members present

CORPORATE GOVERNANCE – CONT'D

Fees
No professional fee is paid to any board member but ActionAid makes a contribution to transport costs incurred by Board Members depending on where they come from.

Organization Country Director/Secretary

The organization secretary ensures that board records are kept intact and board decisions implemented by management.

Going concern

The board members test the going concern basis for the preparation of financial statements at the year-end and renew this conclusion at the interim reporting period. The board members have sufficient reason to believe that AAU has adequate resources to continue operating as a going concern.

REVIEW OF FINANCIAL PERFORMANCE

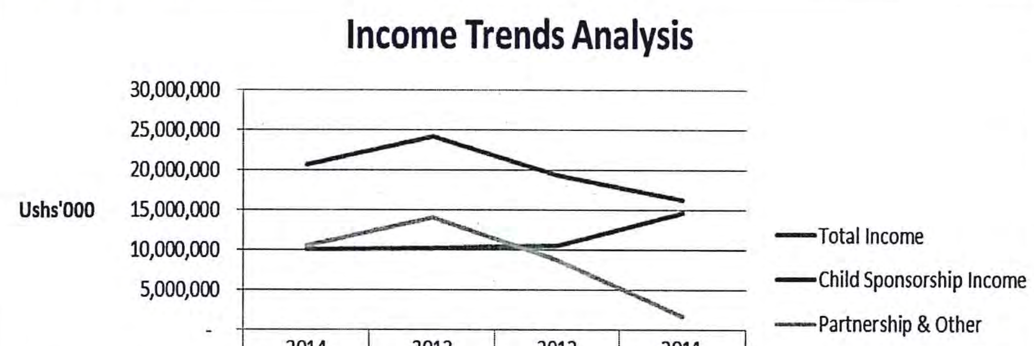
Introduction

ActionAid International Uganda (AAIU) total income in 2014 was Ushs 20.6 billion (2013:Ushs 24 billion). This is an impressive result in the context of the continuing global recession environment, and exposure to European sources of funding which is the main driver for the decrease of 17% compared to the prior year. Total expenditure was Ushs 26.2 billion an increase of 18% which resulted in a deficit of Ushs 5.5 billion after exchange gains and losses are considered.

According to the World Bank, Uganda's economy in the course of 2014 grew at a lower than expected rate of 4.5 percent, as economic activities in the services and industry sector slowed down. The rate of inflation declined over the year. Despite a decline in the value of exports, the overall external position remained strong due to increases in the values of Foreign Direct Investments and tourism inflows. However, the exchange rate has been very volatile. Uncertainties in the global economy pose threats to the country's exports and hence to its overall external position, while spending pressures in the context of 2016 elections could have an inflationary effect.

Income

The performance on total income decreased in 2014 by 15% compared to prior year.This was derived mainly from Child sponsorship, official and non-official fundraising and other donors through ActionAid International during the year ended 31 December 2014. Official and non-official income also includes income from Trusts, Foundations, Corporate Bodies, individuals and other NGOs. This reduction in income is attributed to normal attrition of child sponsors, closure of high value funding projects like Gender Social Accountability in Health, Danish TV collection project and also EC funding for 2014 was received towards close of 2013: and a decision by AADK to offset prior year realised exchange gains from 2014 planned income. Most significant non child-sponsorship funders were DFID at Ushs 2 billion, Democratic Governance Facility at Ushs 1.4 billion and UNFPA at Ushs 1 billion. Strong performance of child sponsorship income resulted from expansion in new markets of Brazil which offset declines in Greece, Sweden and Ireland.



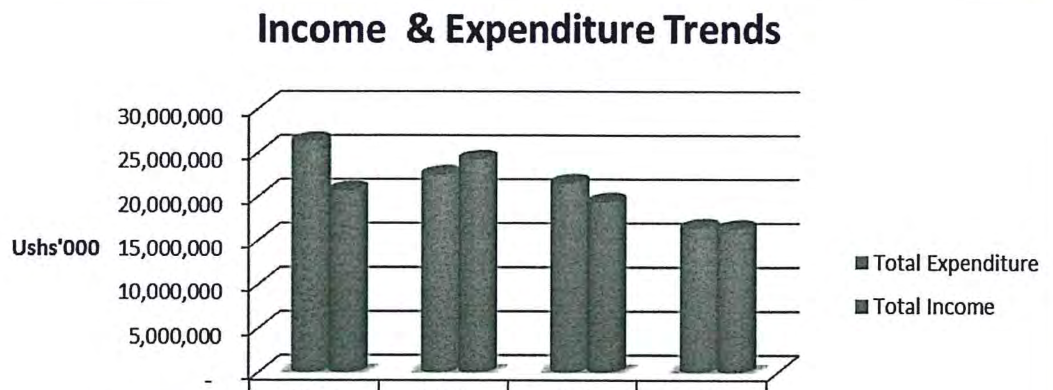
	2014	2013	2012	2011
Total Income	20,678,673	24,214,369	19,379,204	16,307,313
Child Sponsorship Income	10,145,248	10,228,959	10,565,940	14,678,484
Partnership & Other	10,533,425	13,985,410	8,813,264	1,628,829

Expenditure

Total expenditure at Ushs 26.2 billion is 18% higher than 2013. Direct programme costs increased by 16% in large part explained by increased costs of outreach and campaign work especially on the anti-corruption caravan and a national conference on Gender Based Violence which involved considerably high input, transport and travel increased by 47.9% due to high cost of fuel, repair and maintenance of an old fleet of vehicles and staff costs increased by 14% due to increase in head count as a result of new projects, the staff compliment increased from 111 in 2013 to 129 in 2014. Service costs increased by 31% due to additional external audit fees for end of projects and 26% increase in office costs is because the cost of doing business

REVIEW OF FINANCIAL PERFORMANCE-(CONT'D)

has also been rising especially for goods and services (rent, fuel, IT services, stationery etc) and 29% increase in capital costs because of increase in depreciation and amortization.



	2014	2013	2012	2011
Total Expenditure	26,244,969	22,476,886	21,509,822	16,429,413
Total Income	20,678,673	24,214,369	19,379,204	16,307,313

Audit and Risk Management

The Finance and Audit Committee (FAC) meets four times a year or as necessary. This has greatly improved the understanding and strengthened the relationship between Finance and Programs at the Board level. FAC's responsibilities include review of the integrity of the financial statements and financial performance, compliance with accounting standards, and maintaining oversight on internal control systems. The internal auditors, the Country Director and Finance Director attend all meetings of the committee. Other management staffs and External Auditor attend as may be required.

AAIU has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out by Internal Audit. Also, a comprehensive management accounting system is in place providing financial and operational performance and the financial position of AAIU remained stable and healthy over the period.

Outlook for 2015

AAIU, in an overall sense remains poised for stability in the next 3 years and beyond.The planned midterm review of the CSPIV in the first half of 2015 will assess actual progress in implementation; assess efficiency and effectiveness of AAIU mode of delivery. Managment envisage opportunities to rationalize, especially non-programme expenditure and thus hope to deliver better and perhaps more, with less. With the completion of local fundraising strategy scheduled for approval by the Board by end of second quarter 2015, AAIU shall invest more in local fundraising and this, it is envisaged will lead to a more balanced and greater funding. While Sponsorship income and link levels remain on a downward trend and certainly below the CSP IV targets, institutional income from DFID, DGF and UNFPA has improved and growing.

Management is confident to report that AAIU continues to run in ways that reinforce our credibility and financial standing because financial hygiene, programming and funding realities are and projected to remain stable and even improve as we move towards 2015 and 2017, the end time of current CSP IV.

NATIONAL GOVERNANCE BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The members of the National Governance Board have pleasure in presenting their report together with the financial statements of ActionAid International Uganda for the year ended 31 December 2014, which disclose the state of affairs of the organization.

1. Incorporation

ActionAid International Uganda (AAIU) was incorporated on 2 August 2006 as a Company Limited by Guarantee. The organization was also registered as a Non Government Organization on 25 April 2006 under the non-Government Registration Statute 1989. ActionAid International Uganda, has its headquarters in Kansanga and operates 10 LRP offices in different parts of Uganda i.e in Kapchorwa, Busiki, Katakwi, Pallisa, Kumi, Masindi, Nebbi, Pader, Kalangala, Amuru.

2. Principal activities

AAIU is an affiliate of AAI, a global federation –with its international secretariat in Johannesburg - South Africa. AAIU started operating in Uganda in 1982 and the programme became a fully fledged country programme in 1987. ActionAid International Uganda (AAIU) is uniquely rooted, working directly with people living in poverty and their organizations to achieve greater human rights and defeat poverty.

ActionAid International Uganda has the following vision, mission and values;

Vision; "A world without poverty and injustice in which every person enjoys their right to a life with dignity"

Mission; "To work with poor and excluded people to eradicate poverty and injustice. "

Values; "Mutual respect, equity and justice, honesty and transparency, solidarity with the poor, courage of conviction, independence and humility. "

ActionAid International Uganda is in its fourth year of the current strategy consolidating efforts in the three mission priorites i.e;

- Women rights and gender equality
- Sustainable livelihoods; and
- Participatory democracy and governance

3. Results

The financial results for the year are set out on page 12.

4. National Governance Board

The members of the National Governance Board are disclosed on page 3.

5. Auditors

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

6. Approval of the financial statements

The financial statements were approved by the members of the National Governance Board on 24th - April - 2015.

BY ORDER OF THE GOVERNANCE BOARD

....
Secretary to the National Governance Board

Date: 24 - April - 2015

STATEMENT OF NATIONAL GOVERNANCE BOARD MEMBERS' RESPONSIBILITIES

Management on behalf of the board members is responsible for the preparation and fair presentation of the financial statements of ActionAid International Uganda, comprising the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in reserves 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 12 to 34, 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 misstatements, whether due to fraud or error.

The members accept responsibility for the financial statements and the notes thereto set out on pages 12 to 34, 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 the Companies Act of Uganda. The members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the deficit for the year ended 31 December 2014. The members 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 members have made an assessment of the ability of the organization to continue as a going concern and have no reason to believe that the organization will not be a going concern in the next 12 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 International Financial Reporting Standards and the Companies Act of Uganda.

Approval of the financial statements

The financial statements of ActionAid International Uganda were approved by the board on...24th April...2015 and were signed on its behalf by:

Board Chairperson	**Treasurer**	**Country Director**

Date: 24th April **2015**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ACTIONAID INTERNATIONAL UGANDA

Report on the Financial Statements

We have audited the financial statements of ActionAid International Uganda, which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in reserves 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 12 to 34.

Board Members' Responsibility for the Financial Statements

The board members of ActionAid International Uganda 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 members 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 auditors' 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 ActionAid International Uganda as at 31 December 2014 and its financial performance and its cashflows 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 purposes of our audit.
ii. In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii. The statements of financial position and comprehensive income are in agreement with the books of account.

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 24 April 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Ushs '000	2013 Ushs '000
Income			
Child Sponsorship Income	4	10,145,248	10,228,959
Partnership income-AAI	4	5,543,517	8,160,010
Local income	5	1,455,517	1,981,056
DFID	6	2,079,101	1,587,872
EC	7	-	1,506,701
DGF	8	1,455,290	749,771
Total income		**20,678,673**	**24,214,369**
Expenditure			
Staff costs	9	5,489,844	4,805,749
Office costs	10	1,447,535	1,144,728
Transport and travel	11	742,662	502,036
Service costs	12	383,313	292,319
Capital costs	13	505,661	391,311
Direct programme costs	14	17,035,925	14,658,137
Flexible fund levy by AAI	15	854,923	717,086
Exchange gains		(214,894)	(34,480)
Total Expenditure		**26,244,969**	**22,476,886**
(Deficit)/Surplus for the year		**(5,566,296)**	**1,737,483**
Other comprehensive income		-	-
Total comprehensive (deficit)/income		**(5,566,296)**	**1,737,483**

The notes set out on pages 16 to 34 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 Ushs '000	2013 Ushs '000
Assets			
Non -current assets			
Property and equipment	17	1,004,643	672,001
Prepaid lease rentals	18	9,430	9,654
Total Non-current assets		**1,014,073**	**681,655**
Current assets			
Receivables	19	8,089,721	11,180,792
Bank and cash balance	21	2,344,156	4,812,196
Total current assets		**10,433,877**	**15,992,988**
Total assets		**11,447,950**	**16,674,643**
Reserves and Liabilities			
Reserves			
Revaluation reserves		9,408	9,632
Other reserves (AAI)	22	7,338,467	9,933,341
Accumulated reserves		2,126,434	5,097,632
Total reserves		**9,474,309**	**15,040,605**
Liabilities			
Current Liabilities			
Payables and accrued Liabilities	23	1,973,641	1,634,038
Total liabilities		**1,973,641**	**1,634,038**
Total reserves and liabilities		**11,447,950**	**16,674,643**

The financial statements of ActionAid International Uganda were approved by the National Governance Board members on 24th - April - 2015 and were signed on its behalf by:

Board Chairperson | **Treasurer** | **Country Director**

The notes set out on pages 16 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2014

	Revaluation reserve	Other reserves (AAI)	Accumulated reserves	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At January 2013	**57,878**	**12,961,744**	**148,380**	**13,168,002**
Transfer of depreciation	(48,022)	-	48,022	-
Transfer of amortisation	(224)	-	224	-
Intercompany charges to other affiliates	-	135,120	-	**135,120**
Surplus during the year	-	-	1,737,483	**1,737,483**
Transfer within reserves	-	(3,163,523)	3,163,523	-
At 31 December 2013	**9,632**	**9,933,341**	**5,097,632**	**15,040,605**
Transfer of amortisation	(224)	-	224	-
Deficit for the year	-	-	(5,566,296)	**(5,566,296)**
Transfer within reserves	-	(2,594,874)	2,594,874	-
At 31 December 2014	**9,408**	**7,338,467**	**2,126, 434**	**9,474,309**

The notes set out on pages 16 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		Ushs '000	Ushs '000
Cash flows from operating activities			
(Deficit)/surplus for the year		(5,566,296)	1,737,483
Adjustments:			
Depreciation	17	231,033	181,022
Amortization	18	224	224
Decrease in receivables	19	3,091,071	990,671
Recovery of intercompany charges to other AAI Afilliates		-	135,120
Increase/(decrease) in accounts payable	23	339,603	(724,973)
Net cash (used)/generated from operating activities		**(1,904,365)**	**2,319,547**
Cash flows from investing activities			
Purchase of property and equipment	17	(563,675)	(600,000)
Net cash from investing activities		**(563,675)**	**(600,000)**
Net (decrease)/increase in cash and cash equivalents		**(2,468,040)**	**1,719,547**
Cash and cash equivalents at 1 January		4,812,196	3,092,649
Cash and cash equivalents at 31 December	21	**2,344,156**	**4,812,196**

The notes set out on pages 16 to 34 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

ActionAid International Uganda was incorporated on 2 August 2006 as a company limited by guarantee under the Companies Act (Cap 110). The organization is also registered by the NGO board under the Non Governmental Organisation Registration statute 1989. The main aim of the Organization is to work with poor and excluded people to eradicate poverty and injustice.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The Financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

(c) Functional and presentation currency

The financial statements are presented in Uganda Shillings (Ushs), which is the company's functional currency. All financial information presented in Uganda Shillings has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Income

Grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(b) Expenses

Expenditure incurred is recognized on an accrual basis.

(c) Transactions in foreign currencies

Transactions in foreign currencies are translated into Uganda shillings at the exchange rates ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

(d) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The organization policy is to capitalize assets procured or donated costing at least GBP 5,000 per unit.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in profit or loss.

ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditures will flow to the company. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Items of property and equipment are depreciated on a straight line basis in profit or loss over the estimated useful life of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates for the current and comparative years of significant items of property plant and equipment are as follows:

Buildings	10%
Motor vehicles	33%
Other equipment	33%

Items of property plant and equipment are depreciated from the date they are installed and are ready for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(f) Receivables

Receivables are stated at nominal value, net of provisions for any amounts expected to be irrecoverable. Provisions are made when, in management's assessment there is objective evidence the company will not be able to collect all amounts due according to the original terms of the receivables, the amount of the provision is the difference between the carrying amount and the recoverable amount.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

(g) Taxation

The organization is a registered Non Government Organisation (NGO) and was also incorporated under the Companies Act. As provided for under Section 2b(b) of the Income Tax Act Cap 340 (ITA) Laws of Uganda, the organisation was granted tax exempt status effective 1 January 2014 to 31 December 2015.

(h) Impairment

(i) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of the asset that can be estimated reliably.

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

(ii) Non-financial assets

The carrying amounts of the company's non- financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated.

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 risk characteristics.

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. The reversal is recognized in profit or loss.

(i) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

Financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flow.

(i) Classification

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the company, or held to maturity. Available-for-sale instruments include cash and bank balances and deposits and balances with banking institutions.

(ii) Recognition

The company recognises available-for-sale assets on the date it commits to purchase the assets. From that date, any gains and losses arising from changes in fair value of the assets are recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their market price at the statement of financial position date without any deduction for transaction costs.

(v) De-recognition

A financial asset is derecognised when the company looses control over the contractual rights that comprise that asset. This occurs when the rights are released, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the company commits to sell the assets. The company uses the specific identification method to determine the gain or loss on de-recognition.

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

(k) Provisions

A provision is recognized if, as a result of a past event, the company has a present 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 rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Comparatives

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

(m) Employee benefits

The company makes contributions to a statutory scheme, the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are shared between employer and employee. The company's contributions of 10% on employee emoluments are charged to the profit and loss account.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

(n) Adoption of new standards and interpretations

The table below summarises the new and amended Standards and Interpretations which were in issue but not yet effective for the year ended 31 December 2014.

New standard or amendments	Effective for annual periods beginning on or after
• Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
• 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 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 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

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

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient 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 the practical expedient, 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 with early adoption permitted.

The adoption of these changes will not have a material impact on the financial statements of the Company.

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 recognized.

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

The adoption of these changes will not have a material impact on the financial statements of the Company.

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 will not have a material impact on the financial statements of the Company.

***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 the amendments will not have an impact on the financial statements of the Company.

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 the amendments will not have an impact on the financial statements of the Company.

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.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of the amendments will not have an impact on the financial statements of the Company.

***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.

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

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 the amendments will not have an impact on the financial statements of the Company.

***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 the amendments will not have an impact on the financial statements of the Company.

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*.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

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 2017, with early adoption is permitted. The adoption of the amendments will not have an impact on the financial statements of the Company.

IFRS 9: Financial Instruments (2014)

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

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

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).
All the above standards and interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

4. ACTIONAID INTERNATIONAL

This represent funds received from donors and funding afilliates by AAI on behalf of ActionAid Uganda during the year.

	2014	2013
	Ushs '000	Ushs '000
Child sponsorship income	10,145,248	10,228,958
Partnership income	5,543,517	8,160,011
	15,688,765	**18,388,969**

5. LOCAL INCOME

This represent transfers directly to ActionAid International Uganda from other donors during the year ended 31 December 2014.

	2014	2013
	Ushs '000	Ushs '000
Miscellanious income	127,437	296,992
Non Official fundraising	198,192	1,224,105
Official fundraising	1,069,888	388,926
Profit on disposal of assets	60,000	-
Donations	-	71,033
	1,455,517	**1,981,056**

6. DFID

This represents transfers directly to ActionAid International Uganda from DFID during the year.

	2014	2013
	Ushs '000	Ushs '000
DFID	2,079,101	1,587,872

7. EC

This represent transfers directly to ActionAid International Uganda from EC during the year.

	2014	2013
	Ushs '000	Ushs '000
EC	-	1,506,701

8. DGF

This represent transfers directly to ActionAid International Uganda from DGF during the year.

	2014	2013
	Ushs '000	Ushs '000
DGF	1,455,517	749,771

Notes to the financial statements for the year ended 31 December 2014 (Continued)

9. PERSONNEL COSTS

	2014 Ushs '000	2013 Ushs '000
Local staff salaries	2,916,362	2,375,823
MS personal costs	-	552,077
International staff salaries	136,825	128,698
Salaries project staff	1,437,039	861,732
Casual staff	24,049	16,812
Graduate trainee staff	86,442	66,240
Funeral expenses	1,173	4,257
Secondment/acting allowance	-	831
Relocation expenses	68,850	36,080
Medical insurance	179,836	150,986
Pension	17,966	16,180
NSSF	397,709	345,509
Personal accident/travel insurance	56,065	48,802
Life assurance	-	2,502
Advertising	14,134	12,890
Interview expenses	2,248	1,256
Staff training	32,960	144,857
Induction (Local)	536	3,705
Conferences	117,650	36,512
	5,489,844	**4,805,749**

Notes to the financial statements for the year ended 31 December 2014 (Continued)

10. OFFICE COSTS

	2014 Ushs '000	2013 Ushs '000
Ms office costs	4,990	63,362
Rent	232,879	105,355
Office repairs and maintenance	52,768	28,203
Insurance	2,914	22,301
Office security	182,673	113,406
Office costs- cleaning firms	114,835	89,162
Fuel and energy	44,754	31,917
Water, electricity and gas	39,357	32,486
Stationery	98,235	85,183
Photocopying/printing	52,282	70,373
Tea/coffee/meals	54,665	33,405
Publications	29,673	47,407
Photography	7,229	14,456
Entertainment/public relations	27,718	14,416
Computer consumables	58,459	41,623
Phone	70,319	68,068
Email/internet	144,602	109,221
Courier and postage	124,156	144,289
Broadcasting and promotions	20,335	-
Inventory-Non capital	2,999	149
Maintenance/repairs	56,980	29,886
Equipment insurance	24,713	60
	1,447,535	**1,144,728**

11. TRANSPORT AND TRAVEL COSTS

	2014 Ushs '000	2013 Ushs '000
Ms transport and travel costs	-	17,436
Vehicle repairs/maintenance	286,776	219,384
Motor cycle repairs/maintenance	13,107	8,517
Vehicle insurance	64,944	42,129
Motor cycle insurance	702	4,949
Vehicle hire	43,352	8,837
Vehicle fuel	112,828	77,193
Motor cycle fuel	11,299	6,902
General expenses	532	2,465
Parking/road toll	278	116
Local travel	29,458	27,893
International travel	44,672	25,673
Local perdiems	124,528	53,856
International perdiems	10,186	6,686
	742,662	**502,036**

Notes to the financial statements for the year ended 31 December 2014 (Continued)

12. SERVICE COSTS

	2014 Ushs '000	2013 Ushs '000
Local consultant fees	38,577	6,884
Legal fees	61,172	23,400
Audit fees and expenses	83,717	77,133
Bank charges	35,675	27,676
Other fees	164,172	157,246
	383,313	**292,319**

13. CAPITAL COSTS

	2014 Ushs '000	2013 Ushs '000
Depreciation and amortization	231,257	181,022
Motor cycles	50,450	36,556
Furniture and accessories	34,635	34,399
TV, videos and projectors	4,594	12,936
Photocopiers	18,434	-
Cameras and communication equipment	22,127	11,400
Generators	8,500	-
IT Equipement (Other)	11,842	16,898
Power backup system	9,679	55
Software	29,579	-
Computers	82,914	87,399
Printers	1,650	10,646
	505,661	**391,311**

Notes to the financial statements for the year ended 31 December 2014 (Continued)

14. DIRECT PROGRAMME COSTS

		2014 Ushs '000	2013 Ushs '000
Programme materials		1,421,162	1,716,794
Awareness workshops		3,796,230	3,256,194
Research costs		933,638	696,127
Networking		388,633	23,334
Influencing		2,254,878	519,678
Support to NGOs		-	17,928
Community training materials		-	7,438
Community training – accommodation and meals		-	8,164
Intermediary/CDW costs		-	38
M & E costs		-	90,391
Programme meetings		2,303,197	2,194,497
Quarterly reviews		1,211,128	937,568
Direct overheads		-	59,040
Staff training		-	215
Partner/program salaries		-	63,438
Programme fuel		-	2,009
Gift expenditure		-	23,054
Photocopying and printing		-	7,079
Programme documentation		961,853	624,238
Local travel		-	858
Local perdiem		-	1,020
Reportable grants to other NGOs	14(a)	3,765,206	4,409,035
		17,035,925	**14,658,137**

14 (a) Reportable Grants to other NGOs

This represents transfers from Action Aid Internationl Uganda to over 60 implementing partners in Uganda.

15. FLEXIBLE FUND LEVY BY AAI

This represents levy charged by funding Affiliates on child sponsorship income collected by them on behalf of AAIU based on child sponsorship rules.

	2014 Ushs '000	2013 Ushs '000
Flexible fund levy	854,923	717,086

Notes to the financial statements for the year ended 31 December 2014 (Continued)

16. (DEFICIT)/SURPLUS FOR THE YEAR

	2014 Ushs '000	2013 Ushs '000
This is stated after charging: -		
Board members' Re-imbursments	40,887	35,111
Depreciation on property and equipment *(note 17)*	231,032	181,022
Auditors' remuneration	83,717	77,133

17. PROPERTY AND EQUIPMENT

	Land and Buildings Ushs '000	Other Equipment Ushs '000	Motor Vehicles Ushs '000	Total Ushs '000
Cost				
At 1 January 2013	96,000	150,200	1,278,799	1,524,999
Additions	600,000	-	-	600,000
At 31 December 2013	**696,000**	**150,200**	**1,278,799**	**2,124,999**
Additions	-	-	563,675	563,675
At 31 December 2014	**696,000**	**150,200**	**1,842,474**	**2,688,674**
Depreciation				
At 1 January 2013	48,000	150,200	1,073,776	1,271,976
Charge for the year	9,600	-	171,422	181,022
At 31 December 2013	**57,600**	**150,200**	**1,245,198**	**1,452,998**
Charge for the year	9,600	-	221,433	231,033
At 31 December 2014	**67,200**	**150,200**	**1,466,631**	**1,684,031**
Carrying Value				
As at 31 December 2014	**628,800**	**-**	**375,843**	**1,004,643**
As at 31 December 2013	**638,400**	**-**	**33,601**	**672,001**

18. PREPAID LEASE RENTALS

	2014 Ushs '000	2013 Ushs '000
Cost		
At 1 January	11,000	11,000
Additions	-	-
At 31 December	**11,000**	**11,000**
Amortization		
At 1 January	1,346	1,122
Charge for the year	224	224
At 31 December	**1,570**	**1,346**
Carry value as at 31 December	**9,430**	**9,654**

Notes to the financial statements for the year ended 31 December 2014 (Continued)

19. RECEIVABLES

	2014 Ushs '000	2013 Ushs '000
International Staff Advances	11,004	10,377
Local Staff Advances	25,632	10,488
Staff Floats	38,094	25,251
Partners' Advances	559,633	579,464
Project debtors	322,873	197,182
P4C - Advisor	-	160
P4C - Inspirators	-	5,491
Prepayments	111,950	311,917
Other Sundry Debtors	20,104	11,923
Intercompany receivables(Note 20)	7,000,431	10,028,539
	8,089,721	**11,180,792**

20. Intercompany Receivables

	2014 Ushs '000	2013 Ushs '000
AA Nepal	-	100
AA Senegal	-	701
AA Ghana	2,946	-
AA DRC	-	77
AA Rwanda	-	103
AA Kenya	161	506
AA Burundi	-	3,150
AA Africa Region-E&S	-	3,341
AA Malawi	-	3,738
AA Lesotho	230	-
AAI-Secretariat	413,728	323,624
AA South Africa	2,666	-
AA Australia - Project	400	2,438
Azione Aiuto (Italy)	-	765
AA United Kingdom	102,029	133,465
AA United States	-	320
Action Aid International	6,478,271	9,325,860
15% AAU Support	-	230,351
	7,000,431	**10,028,539**

21. CASH AND BANK

	2014 Ushs '000	2013 Ushs '000
Cash at bank	2,344,156	4,812,196
	2,344,156	**4,812,196**

Notes to the financial statements for the year ended 31 December 2014 (Continued)

22. OTHER RESERVES (AAI)

This represents funds held by ActionAid International on behalf of ActionAid International Uganda as at 31 December 2014. The movement in reserves is attributed to

	2014 Ushs '000	2013 Ushs '000
At 1 January	9,933,341	12,961,744
Inter-affiliate charges payable to AAIU	-	135,120
Flexi charged directly recovered from reserves by AAI	-	(717,086)
Period net reserve draw down/Transfer to AAIU	(2,594,874)	(2,446,437)
At 31 December	**7,338,467**	**9,933,341**

23. PAYABLES AND ACCRUED LIABILITIES

	2014 Ushs '000	2013 Ushs '000
NSSF	85,789	77,850
PAYE	169,352	157,569
Other taxes- WHT,LST	79,937	41,128
15% AAIU Support	-	243,681
Accruals	1,255,724	882,054
Staff Creditors	22,973	21,200
Other Creditors	359,866	210,556
Total	**1,973,641**	**1,634,038**

24. CONTINGENT LIABILITIES

As at 31 December 2014, the organization is not party to any significant contingent liability.

25. FINANCIAL RISK MANAGEMENT

The organization has exposure to the following risks from use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

(a) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they fall due. The organization'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 Organization's reputation.

The organization funds are mainly received from donors. The organization continuously assesses liquidity risk by identifying and monitoring changes in operational requirements, goals and targets as set in the strategy plan.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

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

	On demand	Due between three and twelve months	Due between one year and five years	Due after five years	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cash and bank	2,344,156	-	-	-	2,344,156
Receivables	8,089,721	-	-	-	8,089,721
Payables	(1,973,641)	-	-	-	(1,973,641)
As at 31 December 2014	**8,460,236**	-	-	-	**8,460,236**
Cash and bank	4,812,196	-	-	-	4,812,196
Receivables	11,180,792	-	-	-	11,180,792
Payables	(1,634,038)	-	-	-	(1,634,038)
As at 31 December 2013	**14,358,950**	-	-	-	**14,358,950**

(b) Credit risk

Credit risk is the risk of financial loss to the organization if a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the organization's receivables.

The Organization establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for a class of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The provisions account in respect of receivables is used to record impairment losses unless the organization is satisfied that no recovery of the amount owing is possible; at which point the amount considered irrecoverable is written off against the financial asset directly.

	2014	2013
	Ushs '000	Ushs '000
Receivables	8,089,721	11,180,792
Cash and bank	2,344,156	4,812,196
	10,433,877	**15,992,988**

There were no provisions for impairment of receivables as at 31 December 2014.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimizing the return on risk.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

The table below summarises the company's exposure to foreign currency risks:

	USD	GBP	EUR	Ushs	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets					
Receivables	-	7,000,431	-	1,089,290	8,089,721
Cash and bank	89,340	271,648	91,029	1, 892,139	2,344,156
Total assets	**89,340**	**7,272,079**	**91,029**	**2, 981,429**	**10,433,877**
Liabilities					
Payables	-	-	-	(1,973,641)	(1,973,641)
Total liabilities exposure	-	-	-	**(1,973,641)**	**(1,973,641)**
Net currency exposure 2014	**89,340**	**7,272,079**	**91,029**	**1,007,788**	**8,460,236**
Net currency exposure 2013	**459,776**	**11,197,821**	**2,114,714**	**586,639**	**14,358,950**

Management of market risks

Overall authority for market risk is vested with the national governance board as set out on Page 3.

i) Currency risk

The organiztion is exposed to currency risk through transactions in foreign currencies. There is an increasing trend by suppliers of goods and services to charge the organization in United States Dollars, Euros and UK Pound sterling.

The organization's transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of comprehensive income. In respect of monetary assets and liabilities in foreign currencies, the organization ensures that its net exposure is kept to an acceptable level. Monitoring of foreign currency fluctuations is done through the finance department.

Foreign currency risk

The following significant exchange rates applied during the year:

	Closing Ushs	Average Ushs
GBP	4,289	4,220
USD	2,730	2,554
EUR	3,359	3,405

26. FAIR VALUE INSTRUMENTS

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 organization 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 judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the financial statements for the year ended 31 December 2014 (Continued)

a) Valuation models

The Organization 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.

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.

Fair value of financial assets and liabilities

All financial assets and liabilities are carried at amortized cost as at 31 December 2014 and there carrying amount is a reasonable approximation of their fair value.

27. SUBSQUENT EVENTS

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