In support of a right to decent living, SMF EA Ltd supports the Housing Microfinance loan product with partners like Letshego Kenya through which clients like Margaret are able to construct rental units for the low income families.
TABLES OF CONTENTS

04
List of abbreviations and acronyms

05
Company Details

06
Chairperson's Statement

07
Word from the Chief Executive Officer

08
Background Information
Our Vision, Mission, Goal and Core Values

09
Corporate Governance

10
SMF EA LTD. Board Members - 2014

11
Management and Staff

12
Performance Report

13
1.0 Social Highlights
2.0 FINANCIAL HIGHLIGHTS
2.1 Microfinance Partners

2.2 Loan Portfolio volume and Quality
2.3 Distribution of Loan Portfolio by Country and Product Type

2.4 Total Assets ................................................................. 14
2.5 Equity and Liabilities .................................................... 15
2.6 Profits After Tax ......................................................... 15

3.0 NON-FINANCIAL SERVICES ............................................ 16
3.1 Institutional Capacity building support ............................... 16
3.2 South to South Exchange Program ................................ 17
3.3 Practitioner networks ..................................................... 17
3.4 Social Performance Management .................................... 17

4.0 CHALLENGES FACED DURING THE YEAR .......................... 18
APPENDIX I: SMF EA LTD FINANCIAL STATEMENTS, 2014 .......... 19
APPENDIX II: VOICES FROM THE PARTNER CLIENTS ................. 21
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>FM</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>IGA’s</td>
<td>Income Generating Activities</td>
</tr>
<tr>
<td>IO</td>
<td>Investment Officer</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organization</td>
</tr>
<tr>
<td>RBM</td>
<td>Result Based Management</td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Cooperative Organization</td>
</tr>
<tr>
<td>SF</td>
<td>Stromme Foundation</td>
</tr>
<tr>
<td>SIDI</td>
<td>Solidarité Internationale pour le Développement et l’Investissement</td>
</tr>
<tr>
<td>SMF EA Ltd</td>
<td>Stromme Microfinance East Africa Limited</td>
</tr>
<tr>
<td>SPM</td>
<td>Social Performance Management</td>
</tr>
</tbody>
</table>

George is now able to employ 5 people in his shoe making business. This is possible through business loan support from ECLOF Kenya a partner institute of SMF EA Ltd.
## Company Details

<table>
<thead>
<tr>
<th>Company Registration</th>
<th>Limited by Shares</th>
</tr>
</thead>
</table>
| **Board of Directors, 2014** | Mrs Priscilla Serukka (Chairperson SMF EA Ltd)  
Dr. Oyvind Aadland (SMF AS)  
Mr. Bjorn Stan Hellgren (SMF AS)  
Mrs. Aasa Sildnes (SMF AS)  
Mrs. Clare Wavamuno (Independent)  
Justice Mike Chibita (SMF AS)  
Mrs. Valentine Githeko (Independent)  
Mrs. Sascha Noe (CORDAID)  
Mr. Frederic Foulon (SIDI) |
| **Head Office & Registered Office** | Plot 25 Bukoto Street, Kamwokya  
P.O. Box 27200, Kampala, Uganda  
Tel: +256 414 532842 / 4  
Fax: +256 414 532834  
Email: sfeastfrica@stromme.org / rdeastfrica@stromme.org  
Website: www.strommeestiftelsen.no  
Facebook: www.facebook.com/StrommeEA |
| **Bankers** | **Standard Chartered Bank, Uganda**  
Speke Road  
P.O Box 544, Kampala.  
Uganda, East Africa. |
| **Solicitors** | **Nyombi and Company Advocates**  
Amber House, 1st Floor, Room 111B/112 Wing B  
P.O. Box 10885, Kampala.  
Uganda, East Africa. |
| **Nambogo & Co. Advocates** | Plot 7, Luwum Street, Jafar Kibirige House, 2nd Floor, suite B-3  
P.O.Box 9071, Kampala Uganda |
| **CRB Africa Legal** | **CRB Law House, Plot 1025 Buzwagi Street**  
Buzwagi Street  
P.O.Box 79958 Dar es Salaam Tanzania |
| **TRIPLEOKLAW Advocates** | **ACK Garden House, 5th Floor, Wing C First Ngong Avenue, off Bishops Road,**  
P. O. Box 43170 - 00100, Nairobi  
Kenya |
| **Auditors** | **KPMG**  
Certified Public Accountants  
3rd Floor Rwenzori Courts, Plot 2 and 4A Nakasero Road  
P.O Box 3509 Kampala  
Uganda |
It's always a pleasure when a year comes to an end and we have an opportunity to present the performance report and achievements of Stromme Microfinance East Africa Limited (SMF EA Ltd) for the year. This is an act of accountability and transparency that we exercise as we account for the time and financial resources entrusted to us by the shareholders, lenders and other stakeholders.

On behalf of the shareholders and the Board, I thank all Partners of Stromme Microfinance EA Ltd for their contribution and innovative approaches that have enabled the Company to register such tremendous results.

In 2014, SMF EA Ltd through its support to Microfinance Institutions enabled them to reach out to 1.65 million people by offering them an opportunity to access financial services that included savings, money transfers, credit and training in financial literacy. The Company provided financial and non-financial services to 27 partners during the year.

Through partnership with practitioner networks, the Company undertook a social baseline survey of its partners in Uganda and Kenya to assess the status of Social Performance Management (SPM) implementation in Partner institutions. This was to inform the Company of the specific interventions required to support Partner institutions to deliver to their social mission.

SPM is a key intervention in SMF EA Ltd in ensuring that partner institutions translate their social mission into practice in line with accepted social values such as serving larger numbers of poor and excluded people, improving the quality and appropriateness of financial services, creating benefits for clients and improving social responsibility of a partner institution.

SMF EA Ltd carried out an impact baseline survey with three Partner institutions including Advance Uganda Microfinance Limited, Uganda Ecumenical Church Loan Fund Limited (ECLOF-U) and KEDEP (U) Limited. A total of 1,002 partner clients participated in the study and will be monitored over a three year period to track the changes in their livelihood.

I am also pleased to inform you that the Company started the implementation of its new Strategic plan 2014-2018 and the first year results confirm being on a right track. We will continue on the same path as listed below:

a) Pursue business growth and increase client outreach
b) Deliberately work with small and emerging Institutions that are closer to the communities in rural areas
c) Promote and support institutions in Social Performance Management
d) Source for required resources to support the business strategies.

I thank all stakeholders including our partners, shareholders, funders and the regional governments, for their continued partnership and support. In a special way, I thank the Board of Directors for the continued oversight, management and staff for their dedication, hard work and commitment.

As we look at 2015, SMF EA Ltd envisages the following results by end of its 2nd year of the Business Plan (2014-2018).

1. Increased business growth in Kenya and Tanzania that will lead to an increase in number of partners from 23 to 29.
2. Mentoring and Coaching of Partner staff from Small and emerging institutions through attachments to mature Partner institutions
3. Rollout of Institutional development Loan product
4. Pilot test the Agricultural Loan product
5. Pilot test and support creation of formal organizations from SF Community Managed microfinance

SMF EA Ltd remains committed to contributing to the vision of “A World free from Poverty” through improving the lives of the enterprise poor in the Eastern Africa region.

Priscilla Mirembe Serukka
Chairperson, Board of Directors
2014 was a great year of achievement as Stromme Microfinance East Africa Limited (SMF EA Ltd) marked its 10th anniversary of supporting access to financial services by the enterprising poor. I take this opportunity to extend our appreciation to all the Microfinance Institutions that we have partnered with over the period. Because of their dedication and a team of passionate staff, we have seen great results achieved.

I also want to extend our appreciation to our shareholders and funders; the trust and confidence they have shown over the years has encouraged us to aim for more growth as a company and broaden our focus on financial inclusion.

In 2014, the Company grew its asset base by 17%, from Ugx.29.97bn (USD10.8 million) in 2013 to Ugx. 35bn (USD 12.6 million) in 2014. The quality of the Portfolio as measured by Portfolio at Risk (PAR > 30 days) was 0% in 2014 compared to 0.06% in 2013.

Profit after tax remained constant at Ugx 1.790 billion (USD 644,348) comparing the years 2013 and 2014. This was a result of implementing our strategic intervention of supporting small and emerging MFI; plough-back some revenue towards strengthening the capacity of institutions and sharpening skills of their staff.

The Company invested a total of Ugx 624.5 million (USD 224,626) in strengthening the capacity of different partner staff and Partner institutions out of which, Ugx 480 million (USD 172,786) was grants and Ugx 144.5 million (52,016) from internal revenue.

A total of 713 Partner staff were supported in various trainings including: Branch Operations and Risk Management, Performance Monitoring Tool and Corporate Governance. During the trainings, Staff were equipped with skills of managing their respective branches and the expected outcomes in the improvement of staff productivity and institutional performance will be assessed in the year 2015.

To register the above results, the company was able to raise additional Ugx4.3bn (U$1.57m) to grow its business from KOLIBRI, SIDI, STROMME MICROFINANCE AS and Stromme Foundation. This enabled the partner institutions to provide more financial services to the enterprising poor in the region.

Once again, we are grateful to all stakeholders and believe that 2015 will be yet another great year of achievement.
BACKGROUND INFORMATION

Stromme Microfinance East Africa Limited (SMF EA Ltd) is a company limited by shares that was incorporated in 2004 to provide wholesale lending services to microfinance institutions in the Eastern Africa region. SMF EA Ltd is owned by Stromme Microfinance AS (SMF AS) in Norway, Stromme Foundation Regional Office in East Africa, Solidarite Internationale pour le Developpement et l’Investissement (SIDI) in France and Catholic Organisation for Relief and Development Aid (CORDAID) in Netherlands.

<table>
<thead>
<tr>
<th>Our Vision</th>
<th>To contribute to a world free from poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Mission</td>
<td>To provide, on a sustainable basis, market responsive, financial services and capacity building support to financial and business service providers to enhance access to financial services by the enterprising poor in the Eastern Africa region.</td>
</tr>
<tr>
<td>Our goal</td>
<td>Enhanced socio-economic empowerment of the poor and marginalised through increased access to financial and non-financial services on a sustainable basis.</td>
</tr>
<tr>
<td>Our Core Values</td>
<td></td>
</tr>
<tr>
<td>Dignity:</td>
<td>We believe in all people realizing their rights, respect and healthy self-esteem.</td>
</tr>
<tr>
<td>Justice:</td>
<td>We strive for social rights of individuals and communities and access to resources and power</td>
</tr>
<tr>
<td>Solidarity</td>
<td>We empathically identify ourselves with the plight of marginalised and discriminated groups.</td>
</tr>
</tbody>
</table>

Products & Services
SMF EA Ltd. offers a number of products and services as listed below:
- Institutional Business Loan
- Housing Microfinance Loan
- Capacity Building support e.g. system and policy development, product refinement & development, Partner staff training, Business Plan development etc.
- Institutional Development Loan (New product to be pilot tested in 2015)
- Institutional Agriculture loan - developed awaiting pilot testing.

Countries of operation
Uganda, Kenya and Tanzania
CORPORATE GOVERNANCE

Stromme Microfinance East Africa Limited has established a system of best practices in corporate governance. The corporate governance framework is based on an effective independent board, the separation of the board’s supervisory role from the executive management and the constitution of board committees generally comprising of a majority of non-executive directors and chaired by non-executive directors to oversee critical areas.

BOARD OF DIRECTORS
The institution has a broad-based board of directors. The board functions as a full board and through various committees constituted to oversee specific operational areas. The board has constituted five committees comprising non-executive directors which meet on a quarterly basis. These include the Executive Committee, Finance Sub Committee, the Audit Sub Committee, the extra ordinary Sub Committee of Local Directors and Operations Committee. As at 31st December 2014, the Board of Directors consisted of 8 members.

The Board continued to pursue its overall mandate as stated below:

a. To guide the company in fulfilling its corporate mission,
b. To give strategic direction to Management

c. To protect the Company’s assets over time and ensure survival and the prosperity of Company in a transparent and accountable manner

d. To protect the shareholder’s interest.

In line with the above mandate, the Board undertook key activities that included the following:

• The Board conducted the 360degree evaluation and was compliant to the King III Code of Corporate Governance.

• Continuous Director Education was undertaken where special training session on Social Performance Management was conducted and one member attended the Corporate Governance training at the Institute of Corporate Governance in Kenya.

• The Board continuously reviewed the institutions performance in line with the approved Business Plan 2014-2018 and approved a number of policy documents.

The Board considers diversity of views and experience as an essential part of ensuring that all aspects of the strategic plan are fully considered.
SMF EA LTD BOARD MEMBERS- 2014

The present membership of the board comprises of shareholder representatives and two independent directors as shown below;

Dr. Oyvind Aadland
Alternate Director
Norwegian

Mr. Bjorn Stian Hellgren
Director- Representative of SMF AS
Norwegian

Justice Mike Chibita
Director- Representative of SF, Ugandan

Mrs. Aasa Sildnes
Director- Representative of SF
Norwegian

Mrs. Priscilla M. Serukka
Chairperson
Ugandan

Mrs. Clare Wavamunno
Director- Independent
Ugandan

Mrs. Valentine Gitobo
Director- Independent
Kenyan

Mr. Frederic Foulon
Director – Representative of SIDI
French

Mrs. Sascha Noe Director- Representative of CORDAID
Dutch
MANAGEMENT AND STAFF

Peter Kasajja
Finance Manager

Joseph Odeke
Driver

Harriet Mulyanti
Chief Executive Officer

Cressy Musasiizi
Investment Officer

Andrew Sooka
Investment Officer

Christopher Luyima
Accountant

Paul Katende
Operations Manager
1.0 SOCIAL HIGHLIGHTS

SMF EA Ltd through its Microfinance intervention is committed to causing positive changes in the lives of the enterprising poor. In 2014, the company in partnership with practitioner networks in Uganda and Kenya undertook social baseline studies in the two countries as a way of tracking and documenting the impact of its services.

As at December 31, 2014, SMF EA Ltd Partner institutions reached out to 1.65 million people by offering them an opportunity to access financial and non-financial services that included savings, money transfers, credit and training in financial literacy. Out of these clients reached, 61% were female and 39% male. Overall, 44% of the clients reached had access to credit facilities through partner institutions and hence enabled them to improve their livelihood.

To further evaluate its interventions, SMF EA Ltd carried out an impact baseline survey with three Partner institutions where a total of 1,002 partner clients participated in the study and will be monitored over a three year period to track the changes in their livelihood.

2.0 FINANCIAL HIGHLIGHTS

This section gives an overview of SMF EA Ltd’s performance for the year 2014 based on different indicators.

2.1 Microfinance Partners

SMF EA Ltd provided financial and non-financial services to 27 Partners during the year although the year ended with 23 Partner Microfinance partners having outstanding loans i.e. Uganda (14), Kenya (4) and Tanzania (5).

1 Some Partners had paid off their loans
2.2 Loan Portfolio Volume and Quality

The Company registered a 21% increase in Loan portfolio from Ugx 26.6 billion (USD 9.6 Million) as at December 2013 to Ugx 32.1 billion (USD 11.6 Million), as 31st December, 2014. Figure 2, below shows the trend in gross loan portfolio of over the period 2010-2014. Portfolio quality as measured by portfolio at risk (>30 days) was 0% compared to 0.06% compared as at December 2013.

2.3 Distribution of Loan Portfolio by Country and Product Type

Figure 3 and 4 show the loan portfolio distribution by Country and by product type as at December 2014. The biggest portfolio concentration was in Uganda (51%), followed by Kenya (26%) and Tanzania (23%).
During the year the company rolled out the Housing Microfinance loan product and disbursements amounting to Ugx 2.73 billion (USD 982,721) were made to three Partners including HOFOKAM Ltd, Uganda Microcredit Foundation Ltd and Letshego Kenya Ltd. To date, the Company is in partnership with 6 partner institutions under the Housing Microfinance loan product. Figure 4 below shows the portfolio distribution by product type.

Housing Microfinance Loan Product is intended to improve Partner client’s livelihood by enabling them to access loan funding to have to decent housing and minimize health related dangers associated to poor shelter and environment.

The institutional development loan product was also developed and introduced in 2014 although no loan disbursements had been made by end of year. Pilot testing shall be undertaken in 2015.

### 2.4 Total Assets

Total assets increased by 17% from Ugx 29.9 bn (USD 10.8 million) in 2013 to Ugx 35 billion (USD 12.6 million) as at December 2014.
2.5 Equity and Liabilities

Total Liabilities increased by 27.3% from Ugx. 11.871 billion (USD 4.3 million) as at 31st December 2013 to Ugx.15.12 billion (USD 5.4 million) as at 31st December 2014. Equity increased by 9.9%, from Ugx.18.072 billion (USD 6.5 million) as at 31st December 2013 to Ugx.19.86 billion (USD 7.1 million) as at 31st December 2014. Increase in liabilities was mainly due to accessing more loans for on-lending to partners. Increase in equity was as a result of the profitability of the Company.

2.6 Profits After Tax

The Company’s profitability has been on the increase over the years. Comparing the period 2013 and 2014, profit after tax almost remained constant at Ugx 1.79 billion (USD 644,348 million) due to the 60% increase in interest expense on borrowed funds and investing part of the generated revenue into strengthening the capacity of small and emerging institutions in the year 2014. Figure 7 provides the trends for the years 2010 to 2014.
3.0 NON-FINANCIAL SERVICES

3.1 Institutional Capacity building support

The capacity building support and intervention during the year 2014, were worth Ugx 624.5 million (USD 224,626) comprising of Ugx 480 million (USD 172,786) as grants from Stromme Foundation and Cordaid in addition to Ugx 144.5 million (USD 52,016) from internal revenue.

The biggest budget was on training of Partner staff where a total of 713 partner staff received training in Branch Operations and Risk Management, Performance Monitoring Tool and Corporate Governance. Our expectation is to see improved performance of the supported institutions in terms of staff productivity, financial and social indicators attainment. The expected outcomes will continuously be assessed during the routine monitoring visits to partner institutions in the year 2015.

Other specific capacity building support to partners during the period included:

- Advance Uganda Microfinance in Uganda was supported to improve its Management Information system (MIS) and development of ICT policies and procedures.
- Opportunity Bank Limited in Uganda was supported to undertake a financial literacy training drama program on Bukedde Television; this did not only benefit Opportunity Uganda clients but a lot more viewers within different communities in the Country.
- Business Initiatives and Management Assistance Services Ltd (BIMAS) in Kenya was supported to upgrade its loan tracking system.
- Uganda Microcredit Foundation Limited in Uganda was supported to acquire 5 (Five) motorcycles for field operations.

Board members of SMF EA Ltd hand over motor cycles to Uganda Microcredit Foundation (UMF) team as support to boost field operations.
SMF EA Ltd is committed to support its partners to improve their systems, processes and delivery channels in order to facilitate service delivery to the enterprising poor in the East African region.

3.2 South to South Exchange Program

SMF EA Ltd’s partners including PRIDE-Uganda and BIMAS were engaged in the above program. The South to South Professional Exchange program aims at enhancing individual and institutional capacities in order to foster community development through Stromme partners in the region. Young professionals are exchanged for 11 months and on return to home organisations they share information in their home organisation through follow up activities.

Both Partners exchanged staff in operations to be able to learn from each other. BIMAS staff worked closely with PRIDE-Uganda to roll out the new product of Community banking whereas PRIDE-Uganda staff worked closely with BIMAS to improve their SME product.

SMF EA Ltd will continue supporting partners in this program to enable them to learn from each other as they build the capacity of both the individual staff and institution in the long-run.

3.3 Practitioner networks

SMF EA Ltd continued its support to the Microfinance industry by working closely with practitioner networks of Tanzania, Uganda and Kenya. As a result of this support;

- The Association of Microfinance institutions of Uganda (AMFIU) was supported to organise the Uganda National Microfinance Conference that brought together all the players in the Country to learn and share from each other.
- The Association of Microfinance institutions of Uganda (AMFIU) was also engaged to train Partner staff from the 3 Countries in use of the Performance Monitoring tool (PMT). As a result, Partners greatly improved their financial reporting to SMF EA Ltd and more quality reports are expected in the year 2015.
- There was continued sharing of information in the region SMF EA Ltd staff continued engaging and meeting other wholesale lenders/players in the region.

The Company registered good reporting progress from its partners after undertaking PMT training.

3.4 Social Performance Management (SPM)

- To further evaluate its interventions, SMF EA Ltd carried out an impact baseline survey with three Partner institutions including Advance Uganda Microfinance Limited, Uganda Ecumenical Church Loan Fund Limited (ECLOF-U) and KEDEP (U) Limited. A total of 1,002 partner clients participated in the study and will be monitored over a three year period to track the changes in their livelihood.

- The Company in collaboration with the Association of Microfinance institutions of Uganda (AMFIU) and Association of Microfinance institutions of Kenya (AMFI-K) conducted a Social Performance Baseline Study of 15 partner institutions in Uganda and 4(four) partner institutions in Kenya. With support from CORDAID, 8(eight) partner institutions shall be supported in 2015 to streamline Social Performance Management in their Operations. The collaboration with the apex association is to form a background for entrenching best practices within the MFI that are members and also set a platform for the industry standards at large.
To enhance the on-going efforts to increase financial inclusion and use of models that increase outreach to the poor, the synergy between SF Education and Microfinance programs shall be stepped up. The company shall in 2015 provide support to the clustered Community managed microfinance entities of SF partner institutions including; WAHI Financial Services in Tanzania, Community Volunteers Initiative for Development Sacco (COVOID SACCO) and CBS Nsindikanjake SACCO in Uganda. The support is intended to enable them to professionally and sustainably manage the formed Saccos and make them more holistic and sustainable in the long run.

4.0 CHALLENGES FACED DURING THE YEAR

The company was faced with the following challenges;

a. Working with small and emerging partner institutions which normally have weak governance structures and systems. To mitigate this, the Company plans to continue building the capacity of its partners in 2015, through a mentoring and coaching program of Partner staff, by attaching them to mature/ regulated Partner institutions.

The Company also deliberately chose to undertake continuous training at Governance and Senior management level in additional to the middle managers who steer the direction of institutions and also implement the approved strategies. With such deliberate interventions the small and emerging institutions will improve over a period of time.

b. With the limited funding challenge, the company explored options of diversifying the current pool of funding source and will continue the search for more like-minded funders.

Margaret with her family at their newly constructed units acquired through a loan support from Letshego Kenya. This is part of SMF EA Ltds partnership initiative with Letshego aimed at providing access to decent housing for low income groups.
## APPENDIX I: SMF EA LTD FINANCIAL STATEMENTS, 2014

### a) Statement of Financial position as at 31st December 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ushs ‘000</td>
<td>Ushs ‘000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1,890,451</td>
<td>2,755,244</td>
</tr>
<tr>
<td>Deposits with other financial institutions</td>
<td>546,234</td>
<td>766,243</td>
</tr>
<tr>
<td>Investments</td>
<td>8,483</td>
<td>8,483</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>31,758,735</td>
<td>25,667,648</td>
</tr>
<tr>
<td>Other receivables</td>
<td>173,883</td>
<td>263</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>117,550</td>
<td>295,971</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>132,956</td>
<td>84,711</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6,004</td>
<td>8,578</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>343,743</td>
<td>357,406</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>34,978,039</td>
<td>29,944,547</td>
</tr>
</tbody>
</table>

| **Liabilities and equity** |       |       |
| **Liabilities** |       |       |
| Borrowings       | 14,274,788 | 10,915,896 |
| Corporate tax payable | 224,699 | 387,292 |
| Trade and other payables | 556,867 | 500,123 |
| Deferred grants  | 63,555 | 68,380 |
| **Total liabilities** | 15,119,909 | 11,871,691 |

| **Equity** |       |       |
| Share capital | 5,387,270 | 3,557,410 |
| Share premium | 6,241,565 | 6,241,565 |
| Equity contribution | 3,253,079 | 5,082,939 |
| Retained earnings | 4,976,216 | 3,190,942 |
| **Total equity** | 19,858,130 | 18,072,856 |
| **Total liabilities and equity** | 34,978,039 | 29,944,547 |

The financial statement set out were approved by the Board of Directors on 19th March 2015 and were signed on its behalf by:-

**Director**

**Director**
### b) Statement of Comprehensive Income for the Year ended 31st December 2014

<table>
<thead>
<tr>
<th></th>
<th>2014 Ushs ‘000</th>
<th>2013 Ushs ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>3,943,933</td>
<td>3,412,043</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(905,853)</td>
<td>(563,346)</td>
</tr>
<tr>
<td><strong>Net interest Income</strong></td>
<td><strong>3,038,080</strong></td>
<td><strong>2,848,697</strong></td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>88,039</td>
<td>84,937</td>
</tr>
<tr>
<td>Other income</td>
<td>49,388</td>
<td>50,733</td>
</tr>
<tr>
<td>Reversal of excess loan loss provision</td>
<td>528,880</td>
<td>619,981</td>
</tr>
<tr>
<td>Grants for non-financial activities</td>
<td>480,000</td>
<td>1,119,696</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>4,184,387</strong></td>
<td><strong>4,724,044</strong></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(499,610)</td>
<td>(575,646)</td>
</tr>
<tr>
<td>Expenses on non-financial activities</td>
<td>(624,046)</td>
<td>(809,010)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>(765,955)</td>
<td>(757,158)</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(155,196)</td>
<td>(260,441)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>(2,044,807)</strong></td>
<td><strong>(2,402,255)</strong></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>2,139,580</td>
<td>2,321,789</td>
</tr>
<tr>
<td>Taxation</td>
<td>(354,306)</td>
<td>(531,681)</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>1,785,274</td>
<td>1,790,108</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td><strong>1,785,274</strong></td>
<td><strong>1,790,108</strong></td>
</tr>
</tbody>
</table>
APPENDIX II:

VOICES FROM THE PARTNER CLIENTS

“When Victor Kiyangi, a client of Uganda Microcredit Foundation Limited (UMF),”

When Victor Kiyangi, 42, lost his job at a local non-government organisation in August 2013, life did not only become difficult for himself but his family too. “There I was, a father who was not able to feed my 6 children. It is obvious that if I could not afford to feed my family, my children were not in school.”

During that time of unemployment, Kiyangi attended an industrial training from where he acquired skill of making children toy cars from wood. He registered his unique initiative with a brand name, Mr. Toys.

Kiyangi first made five toy cars and tested them on his children. The toy cars are for children between the ages of two to five. After he tested the toys and realized that they were good and children will like them, Kiyangi took them to some parents who instantly liked them and ordered for more. With a skill, what Kiyangi lacked was capital. He needed money to buy machinery to begin production.

In January, Kiyangi got a loan of Shs500,000 (USD 180) from UMF for a period of six months and invested it buying machinery. “I was assured of demand for my products but I lacked money to implement my vision that’s why it was a great relief for me joining Kawempe Kwagala Development Group and acquiring a loan that boasted my efforts to be self-employed,” says Kiyangi joyfully. His weekly instalment was Shs26,600 (USD 9.6).
Kiyangi started by producing 20 pieces a month. With the loan, he increased his production to 80 pieces a month. He sells a small toy at Shs15,000 (USD 5.4) and Shs20,000 (USD 7.2) for the bigger ones. Kiyangi has set up a workshop in his home and employs one full-time employee. Two others work on a part-time basis.

"To date I have sold over 450 toy cars. At the moment I make 100 toys a month up from 20 pieces a month before I got the loan. I want to produce more because there is surely demand for my products," says Kiyangi. "I earn approximately Shs500,000 (USD 180) a month from my business. I am now able to support my children in school and look after my family very well. My plan, beginning August, 2014 is to increase production to 200 toys per month, for then my profits will also increase."
SMF EA Ltd supports access to clean water in communities through support of social loan products. Cathy is client to SMF EA Ltd partner Uganda Microcredit Foundation (UMF) and has been able to set up a safe water selling business through a soft loan from UMF.