NATIONAL SOCIAL SECURITY FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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DIRECTORS

Mr. Patrick Balarama Kaberenge	Chairman
Mr. Pius Bigirimana	Member
Mr. Patrick Ocailap	Member
Mr. Peter Christopher Werikhe	Member
Mr. Isaac Magoola	Member
Mr. Fred Bamwesigye	Member
Mr. Stephen Mugole	Member
Mrs. Penninah Tukamwesiga	Member
Mrs. Florence Namatta Mawejje	Member
Mr. Richard Byarugaba	Managing Director

REGISTERED OFFICE

14th Floor, Workers House
Plot No. 1, Pilkington Road
P. O. Box 7140
Kampala

AUDITOR

The Auditor General
Office of the Auditor General
Apollo Kaggwa Road
P. O. Box 7083
Kampala

DELEGATED AUDITORS

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18 Clement Hill Road
P. O. Box 7215
Kampala, Uganda

BANKERS

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

Citibank Uganda Limited
Plot 4, Ternan Avenue Nakasero
P. O. Box 7505
Kampala, Uganda

BANKERS (cont'd)

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

Housing Finance Bank Limited
Plot 25 Kampala Road
P. O. Box 1539
Kampala, Uganda

Tropical Bank Limited
Plot 27 Kampala Road
P. O. Box 9485
Kampala, Uganda

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

Commercial Bank of Africa
Plot 10 Kafu Road, Nakasero
P. O. Box 74827
Kampala, Uganda

Ecobank Uganda Limited
Plot 4 Parliament Avenue
P. O. Box 7368
Kampala, Uganda

Finance Trust Bank
Plot 121 & 115, Block 6, Katwe
P. O. Box 6972
Kampala, Uganda

Exim Bank
Plot 6, Hannington Road
P. O. Box 36206
Kampala, Uganda

Orient Bank Limited
Orient Plaza No. 14 Kampala Road
P. O. Box 3072
Kampala, Uganda

PostBank Uganda Limited
Plot 4/6 Nkurumah Road
P. O. Box 7189
Kampala, Uganda

Bank of Baroda Uganda Limited
Plot 18 Kampala Road
P. O. Box 7197
Kampala, Uganda

Barclays Bank of Uganda Limited
Plot 2A & 4A, Nakasero Road
P. O. Box 7101
Kampala, Uganda

dfcu Bank Limited
Plot 26, Kyadondo Road
P. O. Box 70
Kampala, Uganda

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

Diamond Trust Bank Uganda Limited
Plot 17/19, Kampala Road
P. O. Box 7155
Kampala, Uganda

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

Guaranty Trust Bank
Plot 56 Kiira Road
P. O. Box 7323
Kampala, Uganda

KCB Bank Uganda Limited
Plot 7 Kampala Road
P.O. Box 7399
Kampala, Uganda

NC Bank Uganda
Rwenzori Towers
P. O. Box 28707
Kampala, Uganda

United Bank for Africa (Uganda) Limited
Plot 2, Jinja Road
P. O. Box 7396
Kampala, Uganda

ADVOCATES

Sebalu & Lule Advocates
S&L Chambers
Plot 14, Mackinnon Road
P. O. Box 2255
Kampala, Uganda

Kiwanuka & Karugire Advocates
Plot 5A2, Acacia Avenue
P. O. Box 6061
Kampala, Uganda

Kampala Associated Advocates
Plot 14, Nakasero Road
P. O. Box 9566
Kampala, Uganda

Kasirye, Byaruhanga & Co. Advocates
Plot 33, Clement Avenue
P. O. Box 10946
Kampala, Uganda

GP Advocates
(Formerly Omunyokol & Co. Advocates)
Colline House, 3rd Floor
Plot 4, Pilkington Road
P. O. Box 6737
Kampala, Uganda

Ligomarc Advocates
5th Floor Western Wing
Social Security House
P. O. Box 8230
Kampala, Uganda

Nangwala Rezida & Co. Advocates
Plot 9, Yusuf Lule Road
P. O. Box 10304
Kampala, Uganda

BNB Advocates
Kisozi House (Annex) 4th Floor (Suite No.10)
Plot 6/8 Nakasero Lane, off Kyaggwe Rd
P. O. Box 12386
Kampala, Uganda

Muhimbura & Co. Advocates
Plot 2, Parliament Avenue
P. O. Box 22971
Kampala, Uganda

The directors submit their report together with the audited financial statements for the year ended 30 June 2019 which disclose the state of affairs of the National Social Security Fund ('the Fund' or "NSSF"), in accordance with Section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

1. Incorporation

The Fund is a body corporate established by an Act of Parliament and is domiciled in Uganda and is licensed as a Retirement Benefit Scheme under the Ugandan Retirement Benefits Regulatory Act (2011).

2. Principal activity

The Fund was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund (pays out contributions in lump sum). It covers all employees in the private sector including Non-Governmental Organizations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by the employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which 10% is paid by the employer and 5% is paid by the employee.

3. Results from operations

The results of the Fund are set out on page 15.

4. Interest to members

Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate paid during the year ended 30 June 2019 was 11% (2018: 15%).

5. Reserves and accumulated members' funds

The reserves of the Fund and the accumulated members' funds are set out on page 18.

6. Unallocated members' funds

These are collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers to update the individual members' accounts.

7. Directors

The directors who held office during the year and up to the date of this report are set out on page 1.

8. Auditors

In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 30 June 2019, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on....12th Sept.....2019.

By order of the board,

....
Ms Agnes Tibayeita Isharaza
Corporation Secretary

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011 and Regulations require the directors to make available to the Fund's members and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Fund as at the end of the financial year.

It also requires the directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act and National Social Security Fund (NSSF) Act 1985; and, for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors confirm that, during the period under review, in the execution of their duties they have complied with the duties imposed by URBRA Act and the NSSF Act. The directors also confirm that:

- Adequate accounting records were kept inclusive of proper minutes of all resolutions passed by the Board of Directors;
- They took such steps as were reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- Proper internal control systems were employed by or on behalf of the Fund;
- Adequate and appropriate information was communicated to the members including their rights, benefits and duties in terms of the rules of the Fund;
- Reasonable steps to ensure that contributions, where applicable, were paid timely to the Fund;
- Expert advice was obtained on matters where they lacked sufficient expertise;
- The rules, operation and administration of the Fund complied with the URBRA Act and all applicable legislation; and,
- Funds were invested and maintained in accordance with the Fund's investment policy statement and Investment Regulations issued by URBRA.

Approval of the annual financial statements

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the NSSF Act. The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and its operating results.

The directors believe that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above-mentioned information, the directors wish to draw attention to the following:

The Fund did not appoint a custodian for internally managed investments as required by section 60 (2) of the URBRA Act.

These financial statements:

- were approved by the Board of Directors on 12th Sept. 2019;
- are, to the best of the Directors' knowledge and belief, confirmed to be complete and correct; and,
- fairly represent the net assets of the Fund as at 30 June 2019 as well as the results of its activities for the year then ended in accordance with IFRS.

The Directors confirm that for the period under review, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

Nothing has come to the attention of the Directors to indicate that the Fund will not be able to meet its obligations and the requirements of the URBRA Act for the next twelve months from the date of this statement.

Mr. Patrick Byabakama Kaberenge
Chairman

Mr. Richard Byarugaba
Managing Director

Mr. Isaac Magoola
Director

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REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of National Social Security Fund as set on pages 15 to 112 which comprise the Statement of Net Assets Available for Benefits as at 30 June 2019 and the Statement of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of National Social Security Fund. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Unallocated Members' Funds
We draw attention to Notes 32 and 33 to the financial statements which describe how the Fund accounted for contributions received from employers that had not yet been allocated to the members' individual accounts as a result of incomplete members' records and errors in the members' records. Our opinion is not modified in respect of this matter.

URA Tax Matter
We draw attention to Note 36(b) to the financial statements, which indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses relating to the years of income 2005 to 2012 and raised a tax assessment. The note also indicates the directors have not recognised any provision for the liability of Ushs 42.2 billion to the URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act. The note gives details of the case and explains that the directors have disclosed the matter as a contingent liability as the ultimate outcome of the case cannot presently be determined. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Emphasis of Matters section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Accounting for investment in associates	
As at 30 June 2019, the carrying amount of investments in associates was Ushs 318 billion(2018: Ushs 298 billion). As disclosed in note 21 to the financial statements, investments in associates are carried at cost and adjusted for post-acquisition changes in the Fund's share of net assets of the associates less any impairment in value. The financial reporting periods for the associates end on 31 December necessitating the Fund to use half-year unaudited financial reports for the purpose of determining the Fund's share of post-acquisition changes in net assets of the associates. Valuation of investments in associates was considered to be a key audit matter due to the significance of the Fund's interest in associates and the judgements involved in the impairment assessment of the investments. We also considered there to be a risk that the disclosures in note 21 to the financial statements which are significant to the understanding of the Fund's investments in associates are not complete.	Our audit procedures included but were not limited to: • Understanding the Fund's processes for recording the Fund's share of post-acquisition changes in net assets of the associates and other changes in the carrying amount of the investments. • Understanding the Fund's processes for assessing impairment of investments in associates. • Assessing that the computation of the Fund's share of post-acquisition changes in net assets of the associates was in accordance with the Fund's shareholding and associate's financial statements. • Assessing the adequacy of the Fund's disclosures in respect to investments in associates.

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Litigation and other claims	
The Fund is involved in legal matters as disclosed in Note 36(c) to the financial statements. We focused on this because some of the legal matters relating to claims over the Fund's investment property are the subject of media coverage and are of interest to the Fund's members. Assessing the liabilities and contingencies that could arise from legal matters involves judgement. There is a risk that the disclosures in the financial statements which are significant to the understanding of the Fund's financial exposure to litigation are not complete.	Our audit procedures included but were not limited to: • Understanding the Fund's processes for recording and assessing of litigation provisions and contingent liabilities. • Determining the completeness and reasonableness of the amounts recognized/disclosed as litigation liabilities and contingent liabilities, including the assessment of the legal reports by the Fund's internal and external lawyers. • Obtaining direct confirmations from the Fund's external lawyers and comparing the confirmed positions with the Fund management's assessment of the likely outcome of the legal matters • Obtaining written representation from the Fund's directors regarding completeness of the legal matters. • Assessing the adequacy of the Fund's disclosures in respect to litigation.
Expected credit losses on Financial assets under IFRS 9	
On 1 July 2018, the Fund adopted IFRS 9 Financial Instruments. The standard requires the Fund to recognise a loss allowance for expected credit loss (ECL) on its financial assets measured at amortised cost. IFRS 9 is a complex standard that introduces a new model for impairment of financial assets that is based on forward looking factors. Determination of expected credit losses is a subjective area due to the level of judgement applied by management in determining the provisions. We focused	Our audit procedures included but were not limited to: • Evaluating the Fund's expected credit loss model against the IFRS 9 requirements. • Comparing the Fund's inputs into the expected credit loss model to industry, financial and economic data and our own assessment. As part of this, we assessed the Fund's

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
on the measurement of the expected credit losses, including the assessment of whether the expected credit loss model applied by the Fund was in accordance with IFRS 9. As disclosed in Note 37 to the financial statements, judgement is applied in determining the appropriate parameters and assumptions used to calculate expected credit losses. This includes the determination of probabilities of default, loss given default, and the expected future cash flows. The Fund also considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses. The impact of adoption of IFRS 9 is disclosed in note 3(t). The maximum exposure to credit risk and the resultant expected credit losses computed in accordance with IFRS 9 as at 30 June 2019 are disclosed in note 38(c). The accounting policies for impairment of financial assets are disclosed in note 3 (d).	inputs used including the consistency of judgement applied in the classification of financial assets and determination of probabilities of default. • Testing that the reported expected credit losses were determined in accordance with the Fund's expected credit loss model. • Evaluating the completeness of the disclosures on expected credit losses on the financial assets. • Obtained management representations for any adjustments made in the Fund's financial statements in respect to the expected credit losses.
Valuation of investments	
The Fund adopted IFRS 9 Financial Instruments on 1 July 2018. IFRS 9 requires the Fund to make a policy choice of the business model used to manage its assets to determine the classification and measurement of its financial instruments. The Fund classified its financial assets as either financial assets held at amortised cost or financial assets at fair value through profit or loss, of which 87% are measured at amortised cost. The Fund's investment portfolio represents 99% of the Fund's total assets. Of these assets, 38% relates to investments which are denominated in foreign currency. The financial assets at fair value through profit or loss comprise quoted equity instruments which are valued using share prices that were observable in the market at the year-end date. Changes in the prices of these shares could have a significant impact on the performance of the Fund. During the year there was a decrease in share prices which led to unrealised fair value losses of Ushs 207 billion (2018: unrealised fair value gains of Ushs 164 billion).	Our audit procedures included but were not limited to: • Identified relevant controls over valuation of financial assets and evaluated the design and implementation and, where possible, the operating effectiveness, of these controls. • Checked for a selection, that pricing inputs used were externally sourced and were correctly input into valuation computations. • Recalculated the revaluation of the foreign currency denominated investments with a particular focus on the appropriateness of the foreign exchange rates used for the valuation at the year end.

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
As the Fund holds a portion of its investments in foreign currency, changes in foreign exchange rates also impact on the valuation of the investments at the reporting date. There were fluctuations in foreign currency rates during the year which led to unrealised foreign exchange losses of Ushs 382 billion (2018: unrealised foreign exchange gains of Ushs 333 billion). The valuation of investments has been considered a key audit matter because the financial performance of the Fund significantly depends on the performance of the investments. The changes in carrying amounts of financial assets as a result of share price and or foreign exchange movements are indicated in notes 15,16,18 and19. The accounting policies for initial recognition and subsequent measurement of financial assets are disclosed in note 3 (d).	• Assessed the disclosures made relating to the valuation of financial assets for consistency with the requirements of the relevant accounting standards and with the methodologies applied by management.

Other information

The directors are responsible for the other information. The other information comprises the Fund information, the Directors' Report and the Statement of Directors' Responsibilities. The other information does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONTINUED)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The Engagement Partner on the audit resulting in this independent auditor's report is CPA Geoffrey Byamugisha – P0231.

Ernst & Young
....
Ernst & Young
Certified Public Accountants of Uganda
Kampala, Uganda

....
Geoffrey Byamugisha
Partner

Date: 24 September **2019**

NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Ushs'000	2018 Ushs'000
Revenue			
Interest income	5	1,167,203,782	978,134,226
Rental income	6	10,720,456	10,858,364
Dividend income	7	77,053,488	52,990,410
Total revenue		**1,254,977,726**	**1,041,983,000**
Other (loss)/income			
Fair value (loss)/ gains on investments at fair value through profit or loss, investment property and finance leases	8(a)	(168,857,234)	212,180,855
Foreign exchange (loss)/gains	8(b)	(247,372,686)	320,636,939
Other operating income	8(c)	13,387,291	553,388
Total other income		**(402,842,629)**	**533,391,182**
Expenditure			
Administrative expenses	9	(112,971,799)	(90,751,260)
Impairment losses on financial assets	10	(5,031,109)	(2,845,413)
Other operating expenses	11	(21,968,509)	(16,308,216)
Amortisation of intangible assets	25	(1,090,515)	(1,746,833)
Depreciation on property and equipment	26	(4,115,058)	(4,012,001)
Total expenditure		**(145,176,990)**	**(115,663,723)**
Share of results of associates, net of tax	21	39,011,232	26,664,147
Surplus from operations		**745,969,339**	**1,486,374,606**
Interest transfer to members	32	(978,000,706)	(1,100,080,203)
(Loss)/surplus before tax	12	**(232,031,367)**	**386,294,403**
Income tax expense (withholding tax as final tax)	13(a)	(172,861,268)	(145,850,312)
Surplus for the year		**(404,892,635)**	**240,444,091**
Other comprehensive income			
Other comprehensive income to be reclassified to surplus or deficit in subsequent years:		-	-
Items not to be reclassified to surplus or deficit in subsequent years:		-	-
Share of other comprehensive income of an associate Exchange differences on translation from functional to presentation currency, net of tax	21	330,524	12,430,101
Total other comprehensive income for the year, net of tax		**330,524**	**12,430,101**
Total comprehensive income for the year, net of tax		**(404,562,111)**	**252,874,192**

	Note	2019 Ushs'000	2018 Ushs'000
Total comprehensive income for the year, net of tax		**(404,562,110)**	**252,874,192**
DEALINGS WITH MEMBERS			
Contributions received during the year	32	1,208,290,143	1,049,089,149
Benefits paid	32	(449,965,213)	(359,670,494)
Net dealings with members		**758,324,930**	**689,418,655**
Net increase in scheme funds during the year		**353,762,820**	**942,292,847**

NATIONAL SOCIAL SECURITY FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 30 JUNE 2019

	Note	30 June 2019 Ushs'000	30 June 2018 Ushs'000
ASSETS			
Cash and bank balances	14	17,640,161	17,894,729
Deposits with commercial banks	15	145,736,449	99,835,759
Trade and other receivables	17	69,289,155	47,763,900
Equity securities held-for-trading	16	91,432,601	112,181,205
Tax deposit receivable	13 (c)	25,323,522	25,323,522
Investments in securities held-to-maturity	18	-	7,354,563,778
Debt instruments at amortised cost	18	8,528,619,800	-
Equity investments at fair value through profit or loss	19	1,265,470,262	1,326,207,276
Loans and advances	20	19,024,785	22,985,894
Investments in associates	21	317,606,820	298,309,967
Inventories	22	14,447,603	10,830,186
Capital work-in-progress	23	310,279,797	167,015,801
Investment properties	24	491,746,647	465,027,140
Intangible assets	25	7,876,182	6,628,743
Property and equipment	26	12,564,918	10,918,028
Tax claimable	27	21,185,091	16,929,197
Finance leases	28	730,000	630,000
Total Assets		**11,338,973,793**	**9,983,045,125**
LIABILITIES			
Other payables	29	60,535,554	31,889,141
Contract liabilities	30	3,856,061	1,067,791
Provision for litigation	31	807,041	13,796,545
Total Liabilities		**65,198,656**	**46,753,477**
NET ASSETS		**11,273,775,137**	**9,936,291,648**
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	32	11,138,207,557	9,407,593,129
Reserve account	33	125,212,466	105,313,084
Accumulated surplus		4,484,199	417,845,044
Translation reserve		5,870,915	5,540,391
TOTAL MEMBERS' FUNDS AND RESERVES		**11,273,775,137**	**9,936,291,648**

These financial statements were approved for issue by the Board of Directors on 12 September 2019 and signed on its behalf by:

Mr. Patrick Byabakama Kaberenge
Chairman

Mr. Isaac Magoola
Director

Mr. Richard Byarugaba
Managing Director

NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Reserve account Ushs 000 (Note 33)	Accumulated members' funds Ushs 000 (Note 32)	Accumulated surplus Ushs 000	Translation reserve* Ushs 000	Total Ushs 000
At 1 July 2017		**90,069,937**	**7,623,061,300**	**177,400,953**	**(6,889,710)**	**7,883,642,480**
Surplus for the year		-	-	240,444,091	-	240,444,091
Other comprehensive income, net of tax	21	-	-	-	12,430,101	12,430,101
Special contributions received	33(a)	8,785,551	-	-	-	8,785,551
Members' contributions received	32	-	1,049,089,149	-	-	1,049,089,149
Benefits paid to members	32	-	(359,670,494)	-	-	(359,670,494)
Interest reallocated arising from arrears recovered	32	-	4,709,663	-	-	4,709,663
Provision for interest to members	32	6,457,596	1,090,403,511	-	-	1,096,861,107
At 30 June 2018		**105,313,084**	**9,407,593,129**	**417,845,044**	**5,540,391**	**9,936,291,648**
At 1 July 2018		**105,313,084**	**9,407,593,129**	**417,845,044**	**5,540,391**	**9,936,291,648**
Impact of adoption of IFRS 9	3(t)	-	-	(4,422,994)	-	(4,422,994)
Share of impact of adoption of new standards of associates, net of tax	21	-	-	(3,341,597)		(3,341,597)
Share of prior period adjustments of associates, net of tax	21	-	-	(703,619)		(703,619)
Revised opening balance		**105,313,084**	**9,407,593,129**	**409,376,834**	**5,540,391**	**9,927,823,438**
(Loss)/ Surplus for the year		-	-	(404,892,635)	-	(404,892,635)
Other comprehensive income, net of tax	21	-	-	-	330,524	330,524
Special contributions received	33(a)	14,453,476	-	-	-	14,453,476
Members' contributions received	32	-	1,208,290,143	-	-	1,208,290,143
Benefits paid to members	32	-	(449,965,213)	-	-	(449,965,213)
Interest allocated to members arising from arrears recovered	32	-	4,355,440	-	-	4,355,440
Provision for interest to members	32	5,445,906	967,934,058	-	-	973,379,964
At 30 June 2019		**125,212,466**	**11,138,207,557**	**4,484,199**	**5,870,915**	**11,273,775,137**

* The translation reserve comprises the Fund's share of translation differences arising from the translation of the financial statements of an associate (UMEME Limited) from its functional currency to its presentation currency.

	Note	2019 Ushs '000	2018 Ushs '000
Net cash flows used in operating activities	**34**	**(86,654,440)**	**(206,876,595)**
Investing activities			
Purchase of software	25	(2,337,953)	(2,605,043)
Purchase of property and equipment	26	(5,761,948)	(4,363,186)
Purchase of investment properties	24	-	(21,784,965)
Proceeds from disposal of investment properties		-	500,000
Additions to capital work-in-progress	23	(132,003,140)	(57,335,686)
Purchase of equity investments at fair value through profit or loss	19	(199,242,136)	(185,800,294)
Purchase of equity investments held for trading	16	(13,041,187)	(14,394,032)
Proceeds from disposal of equity investments held for trading	16	10,098,630	9,903,346
Purchase of debt instruments at amortised cost	18	(1,587,279,720)	(1,754,330,332)
Maturities of debt instruments at amortised cost	18	318,088,914	417,385,506
Placement of deposits with commercial banks	15	(233,988,588)	(260,697,379)
Maturities of deposits with commercial banks	15	190,460,779	371,462,259
Maturities of loans and advances	20	3,666,668	4,742,252
Interest received from debt instruments at amortised cost	18	936,242,057	917,274,695
Interest received from loans and advances	20	2,793,967	2,560,610
Interest received from commercial bank deposits	15	10,190,737	36,620,291
Dividends received from associates		11,378,946	6,476,543
Net cash flows used in investing activities		**(690,733,974)**	**(534,385,415)**
Financing activities			
Benefits paid out to members	32	(449,965,213)	(359,670,494)
Contributions received from members	32	1,208,290,143	1,049,089,149
Interest recovered on arrears	32	4,355,440	4,709,663
Special contributions received	33	14,453,476	8,785,551
Net cash flows generated from financing activities		**777,133,846**	**702,913,869**
Decrease in cash and cash equivalents		(254,568)	(38,348,141)
Cash and cash equivalents at the beginning of the year		17,894,729	56,242,870
Cash and cash equivalents at 30 June	**14**	**17,640,161**	**17,894,729**

1. FUND INFORMATION

National Social Security Fund (the "Fund") is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members as stipulated under the National Social Security Fund (NSSF) Act (Cap 222).

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2019, 26,181 beneficiaries were paid (2018: 21,971).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- Age Benefits - payable to a member who has reached the retirement age of 55 years;
- Withdrawal Benefits - payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- Invalidity benefits - payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- Survivors Benefits – Payable to the dependant survivor(s) in the unfortunate event of member's death;
- Emigration Grants – Payable to a member (Ugandan or Expatriate) who is leaving the country for good. Such a member must have been contributing for a minimum of four financial years; else will have to forfeit the 10% employer contribution; and,
- Exempted Employment Benefits – Payable to a contributing member who joins employment categories that are exempted i.e. have their social protection schemes that are recognised under the existing law and are exempted from contributing to NSSF e.g. the army, police, prison, civil service and government teaching service employees or members of any scheme who have received exemption from the Minister responsible for Social Security in writing.

The Government is currently implementing policy reforms whose objective is a liberalised and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established a Retirement Benefits Regulatory Authority [RBRA] whose function is to regulate all retirement schemes including NSSF. Like all other schemes, the Fund has an operating license, which has since been renewed until June 2020.

The Government also tabled the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament. The objective of the bill was, among others, to repeal the National Social Security Fund Act. In March 2018, Cabinet approved the National Social Security Fund Amendment Bill 2018.The Cabinet's position embedded in the amendment renders the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament, irrelevant. The amendment seeks to permit the fund continue as a national scheme and seal off its position as sole recipient of mandatory contributions for the country's working population. The amendment also seeks to provide for mid-term access of voluntary benefits, enable the fund to lend to the government, and bring on board new products including education, maternity, housing, health and unemployment.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management's expectation is that government will do all it can to ensure that the Fund continues to exist in the new liberalised and regulated framework.
The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund's ability to continue as a going concern in the foreseeable future.

2. BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

The financial statements have been prepared on a historical cost basis except for some financial assets (equity investments held-for-trading or designated at fair value through profit or loss), and investment properties that have been measured at fair value. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund's functional currency, and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in the financial statements.

a) Investment in associates

An associate is an entity in which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Fund's investments in its associates are accounted for using the equity method.

Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of changes in net assets available for benefits reflects the share of the results of operations of the associates. Any change in OCI of the associates is presented as part of the Fund's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Fund recognises its share of any changes, when applicable, in the statement of changes in members' funds and reserves. Unrealised gains and losses resulting from transactions between the Fund and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Fund's share of profit or loss of associates is shown on the face of the statement of changes in net assets available for benefits and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are not necessarily prepared for the same reporting period as the Fund. Where the reporting periods differ by over 3 months, the Fund uses half-year unaudited financial statements for the differential period, with adjustments for over/under sharing of results upon receipt of the audited financial statements being made in the subsequent period. Where necessary, adjustments are made to make an associate's accounting policies conform to those of the fund when the associate's financial statements are used by the fund in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Investment in associates (Continued)

After application of the equity method, the Fund determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Fund determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Fund calculates the amount of impairment as the difference between the recoverable amount of an associate and its carrying amount, and then recognises the loss within 'Share of profit of associates' in the statement of changes in net assets available for benefits.

Upon loss of significant influence over an associate, the Fund measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of changes in net assets available for benefits.

b) Foreign currencies

The Fund's financial statements are presented in Uganda Shillings, which is also the Fund's functional currency.

Transactions in foreign currencies during the year are translated into Uganda Shillings at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Uganda Shillings at the date when the fair value was determined.

Foreign currency gains and losses arising from settlement or translation of monetary items are recognised in the statement of changes in net assets available for benefits.

c) Revenue recognition (For the year ended 30 June 2019)

Revenue from contracts with customers

The Fund is in the business of collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members. The Fund has three major classes of investments including;

- Fixed income portfolio, which includes government securities i.e. treasury bills and bonds as well as corporate bonds and other corporate debt. This is the largest class with a mirror image of the risk appetite of the fund and its major stake holders.
- Equity Portfolio, which is majorly made of investments in equities with holdings not giving control nor significant influence.
- Real estate portfolio, which is made up of land and buildings and this forms the smallest portion of investment holding.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (For the year ended 30 June 2019) (Continued)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the good. The normal credit term is 30 to 90 days upon delivery.

The Fund considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer, loyalty points). In determining the transaction price for the sale of goods, the Fund considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Fund estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The rights of return and volume rebates give rise to variable consideration. Currently under the standard contracts for the Fund the sale of goods do not provide customers with a right of return and volume rebates.

(ii) Significant financing component

Generally, the Fund receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Fund does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Non-cash consideration

The Fund generally agrees all its contracts settlements to be in cash.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Fund performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Fund's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3 (d) Financial instruments – initial recognition and subsequent measurement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Fund has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Fund transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Fund performs under the contract.

The following specific recognition criteria must also be met before revenue is recognised:

Interest Income
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividends
Dividends on equity investments are recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established which generally after declaration of dividends and approval by the shareholders of investee companies.

Rental income
Rental income from investment properties is recognized in the statement of changes in net assets available for benefits on the straight-line basis over the term of the lease.

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

Revenue recognition (For the year ended 30 June 2018)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income from investment properties is recognized in the statement of changes in net assets available for benefits on the straight-line basis over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d) Financial instruments (For the year ended 30 June 2019)
Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 3(c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of changes in net assets available for benefits when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost includes trade receivables, and all fixed income portfolio investments.

Financial assets at fair value through OCI (debt instruments)
The Fund measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling;
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of changes in net assets available for benefits and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Fund did not hold any debt instruments at fair value through OCI at reporting date.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund has not elected to classify irrevocably any equity investments under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with net changes in fair value recognised in the statement of changes in net assets available for benefits.

This category includes equity investments which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired.

Or

- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 37)
- Debt instruments at amortised cost (Note 18)
- Loans and advances (Note 20)
- Trade and other receivables- (Note 17)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund is applying a single loss-rate approach to receivables or groups of receivables as might be appropriate based on its average historical loss rate.
Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period.
In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – Recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.
The Fund considers whether ECLs should be estimated individually for any period-end receivables, e.g because specific information is available about those debtors.

The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se.

For debt instruments at amortised cost which mainly relate to government debt securities issued by sovereign governments in their local currencies i.e Uganda, Kenya, Tanzania, Rwanda with fixed interest payments and no history of default, the Fund applies the low credit risk simplification. At every reporting date, the Fund evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the debt instrument. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Fund also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs

The Fund's debt instruments at amortised cost are graded with stable outlook by Standard & Poor, Moody's and Fitch. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (continued)

The Fund considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Fund's financial liabilities are trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables include trade payables and are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation are recognised in surplus or deficit.

Other accounts payable

Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial instruments (For the year ended 30 June 2018)
Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs to the acquisition of the financial asset. The Fund's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, deposits with commercial banks, investments in government and corporate bonds and equity investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with changes in fair value recognised in surplus or deficit.

Financial assets held for trading
Financial assets held for trading include securities held for trading which are equity investments held by fund managers. Financial assets held for trading are carried in the statement of changes in net assets available for benefits at fair value with changes in fair value recognised in surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of changes in net assets available for benefits. The losses arising from impairment are recognised in impairment losses in the statement of changes in net assets available for benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of changes in net assets available for benefits.

Other receivables

Other receivables are carried at amortised cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a fund of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund’s continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of changes in net assets available for benefits. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is recovered in the future, the recovery is credited to other income in the statement of changes in net assets available for benefits.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings measured at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Trade payables
Trade payables include trade payables and are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation are recognised in surplus or deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Other accounts payable
Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

e) *Fair value measurement*

The Fund measures financial instruments, such as financial assets at fair value through profit or loss, and non-financial assets, such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) *Fair value measurement (Continued)*

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Fund's Management Investment Committee determines the policies and procedures for recurring fair value measurement of investment properties. The management Investment Committee delegates the role of selection of/determination of involvement of the external valuers to a Valuation Committee which is comprised of the real estate manager, finance manager, procurement manager and Legal Officer.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined every two years by the Valuation Committee and after discussion with and approval by the Contracts Committee and the Accounting Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated at each round of valuation with no single valuer performing consecutive valuations. The Valuation Committee decides, after discussions with the Fund's external valuers, which valuation techniques and inputs to use for each case.

Annually, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Fund's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Fund's external valuers present the valuation results to the Audit Committee and the Fund's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions – Note 4.
- Quantitative disclosures of fair value measurement hierarchy – Note 39.
- Financial instruments (including those carried at amortised cost) – Notes 15,16, 18,19, 20 and 39
- Investment property – Note 24

f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment (Continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The cost of day-to-day servicing of the property and equipment is recognized in surplus or deficit as incurred.

Depreciation is recognized in surplus or deficit and calculated to write off the cost of the property and equipment on a straight-line basis over the expected useful lives of the assets concerned. Land is not depreciated.
The estimated annual depreciation rates for the current and comparative periods are as follows: -

	Percentage
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment	25%

Management and directors review the depreciation method, residual value and useful life of an asset at the year-end and any change considered to be appropriate is recorded in surplus or deficit as a change in estimates.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the statement of changes in net assets available for benefits when the asset is derecognised.

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of changes in net assets available for benefits in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortised at a rate of 10% p.a.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Intangible assets (Continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of changes in net assets available for benefits when the asset is derecognised.

h) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. All of the Fund's property interests held under operating leases to earn rentals or for Capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a valuation performed by an accredited external, independent valuer at most after every two years applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in surplus or deficit in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property. Any gain arising on revaluation is recognized through other comprehensive income. Any loss arising on revaluation is recognized through the surplus or deficit.

i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on average cost principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or the replacement cost, as appropriate.

j) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the asset's recoverable amount is estimated and an impairment loss recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of changes in net assets available for benefits in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of changes in net assets available for benefits.

k) Employee benefits

(i) Gratuity
The Fund's terms and conditions of employment provide for gratuity to qualifying employees equivalent to 20% of the monthly salary per year of service to the organisation. This employment benefit is accrued on a monthly basis and paid annually in arrears. The provision in the financial statements takes account of service rendered by employees up to the reporting date and is based on the calculated staff benefits payable.

(ii) Staff provident fund
The Fund operates a defined contribution plan for all qualifying employees with contributions being made by the employees and a portion by the fund on behalf of each employee. The contributions payable to the plan are in proportion to the services rendered to the Fund by the employees and are recorded as an expense under 'staff costs' in the statement of changes in net assets available for benefits. Unpaid contributions are recorded as a liability.

l) Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in surplus or deficit except to the extent that it relates to items recognised through other comprehensive income or equity, in which case it is recognised through other comprehensive income or equity.

Current tax is provided for on the surplus for the year adjusted in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided for using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the and reporting date. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable surplus or deficit, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable surplus will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax is recognized as an expense/(income), except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or rendering of services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Income tax (Continued)

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the statement of net assets available for benefits.

n) Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances that are available on demand as at the reporting date.

o) Capital work-in-progress

The ongoing construction/installation of capital projects are recorded at the cost to date or valuation and are only transferred into the relevant assets categories once completed and commissioned. No depreciation is computed on capital work-in-progress as these assets are not yet available for use. However, an expected impairment loss on capital work-in-progress is recognized immediately in surplus or deficit.

p) Members' funds

The Fund is funded through contributions from members and investment income.

(i) Contributions from members
Contributions from employees remitted by the employers are recognized on a cash basis. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognized in subsequent years when received.

(ii) Benefit payments to members
Benefits to members are accounted for on a cash basis. Benefit payments made but not collected by members are written back in the cash book and no liability thereof recognized in the financial statements.

(iii) Interest payments to members
Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act and is treated as an expense.

q) Reserve account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non-eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognised through the statement of changes in net assets available for benefits and then appropriated from the accumulated surplus/deficit to the reserve account. Transfers from the reserve account require the approval of the Minister of Finance in accordance with the NSSF Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Fund as a lessee
A lease is classified at the inception date as a finance lease or an operating lease.
Leases, where substantially all the risks and rewards incidental to ownership are transferred to the Fund are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in surplus or deficit. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Fund as a lessor
Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

s) Current/non-current distinction

The Fund presents assets and liabilities in decreasing order of liquidity which provides information that is reliable and more relevant than a current/non-current presentation because the Fund does not supply goods or services within a clearly identifiable operating cycle.
The operating cycle of the Fund is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the Fund’s normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

Disclosures for the amounts expected to be recovered or settled in no more than twelve months after the reporting period and after more than twelve months for each asset and liability line item are in note 40.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund classifies an asset as expected to be recovered in no more than twelve months after the reporting period when;

- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- it expects to realise the asset within twelve months after the reporting period;
- it holds the asset primarily for the purpose of trading; or,
- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle.

The Fund classifies a liability as expected to be settled in no more than twelve months after the reporting period when;

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

t) Changes in accounting policies and disclosures

New and amended standards and interpretations

The Fund applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Fund. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 **supersedes** IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Fund adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Fund elected to apply the standard to all contracts as at 1 July 2018.
The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of accumulated surplus. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’. However, the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Fund has adopted the terminology used in IFRS 15 to describe such balances. The Fund had contract liabilities as at year-end related to advance payments/bookings by customers for property to be sold on commissioning.

The Fund’s accounting policies for its revenue streams are disclosed in detail in note 3 (c) above. Apart from providing more extensive disclosures for the Fund’s revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Fund.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in accumulated surplus and other components of equity.

(i) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Fund’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Fund’s business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Fund. The Fund continued measuring at fair value all financial assets previously held at fair value under IAS 39.
The following are the changes in the classification of the Fund’s financial assets:

- Trade receivables and Other non-current financial assets (i.e., rent receivables, contributions receivable) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 July 2018.

- Debt instruments classified as Held to Maturity financial assets as at 30 June 2018 are classified and measured as Debt instruments at amortised cost beginning 1 July 2018. The Fund expects to hold the assets to collect contractual cash flows. The Fund’s debt instruments are regular government and corporate bonds/debt that passed the SPPI test.

- Equity investments in companies classified as FVTPL financial assets as at 30 June 2018 are classified and measured as Equity instruments measured at fair value through Profit or Loss beginning 1 July 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Fund's financial liabilities.

In summary, upon the adoption of IFRS 9, the Fund had the following classifications as at 1 July 2018.

IAS 39 measurement category		IFRS 9 measurement category		
		Fair value through profit or loss	Amortised Cost	Fair value through OCI
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Loans and receivables				
Cash and bank balances	17,894,729	-	17,894,729	-
Deposits with commercial banks*	99,835,759	-	99,190,094	-
Trade and other receivables*	41,181,526	-	41,678,634	-
Loans and advances*	22,985,894	-	22,687,276	-
	181,897,908	**-**	**181,450,733**	-
Financial assets at fair value through profit or loss				
Equity investments	1,326,207,276	1,326,207,276	-	-
Investment securities held-for-trading	112,181,205	112,181,205	-	-
	1,438,388,481	**1,438,388,481**	**-**	**-**
Held-to-maturity investments*	**7,354,563,778**	**-**	**7,350,587,959**	**-**

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(ii) Impairment

The adoption of IFRS 9 has fundamentally changed the Fund's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.
IFRS 9 requires the Fund to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Fund recognised additional impairment on the Fund's Financial assets of Ushs 4,423 million, which resulted in a decrease in accumulated surplus of Ushs 4,423 million. The deferred tax implication was not recognised as a result of the facts as disclosed in note 13.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of adopting IFRS 9 as at 1 July 2018 was, as follows:

	1 July 2018 Ushs 000
Assets	
Trade and other receivables	497,108
Deposits with commercial banks	(645,665)
Held-to-maturity investments/ Financial assets at amortised cost under IFRS 9	(3,975,819)
Loans and advances	(298,618)
Total assets	**(4,422,994)**
Total adjustment on members' funds and reserves	
Accumulated surplus	(4,422,994)
	(4,422,994)

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 30 June 2018 Ushs'000	Re-measurement Ushs '000	ECL under IFRS 9 as at 1 July 2018 Ushs'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	31,332,096	447,175	31,779,271
Held-to-maturity investments under IAS 39/Financial assets at amortised cost under IFRS 9	-	3,975,819	3,975,819
	31,332,096	**4,422,994**	**35,755,090**

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have any impact on the Fund's financial statements. However, they could have an impact in the future since the Fund continues to hold investment property among its assets.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are not relevant to the Fund.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Fund.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Fund's financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Fund's financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Fund plans to adopt IFRS 16 applying the modified retrospective approach and will not restate comparative figures. Instead, the Fund will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated surplus at the date of initial application.
The Fund will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Fund is in the process of performing a detailed impact assessment of IFRS 16 and expects that due to the adoption of IFRS 16, the Fund's surplus from operations will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Fund.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Fund will apply the interpretation from its effective date. Since the Fund operates in a complex retirement benefits management tax environment, applying the Interpretation may affect its financial statements. In addition, the Fund may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments have no impact on the financial statements of the Fund.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Fund.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Fund does not have such long-term interests in associates and or joint ventures, the amendments will not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

(i) IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. Since the Fund does not have any business combinations, the amendments will not have an impact on its financial statements.

(ii) IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Fund but may apply to future transactions.

(iii) IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Fund's current practice is in line with these amendments, the Fund does not expect any effect on its financial statements.

(iv) IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Fund's current practice is in line with these amendments, the Fund does not expect any effect on its financial statements.

Other amendments and new standards which have been issued but are not yet effective, which the Fund does not expect to have an impact on the financial statements, are listed below:

- Definition of Material – Amendments to IAS 1 and IAS 8-effective annual periods after 1 January 2020
- Definition of a Business- Amendments to IFRS 3- effective annual periods after 1 January 2020
- The Conceptual Framework for Financial Reporting-effective annual periods after 1 January 2020

4. DETERMINATION OF FAIR VALUE

The fair value of both financial/non-financial assets and fair values have been determined for measurement and/or disclosure purposes based on the methods below.

(i) Investment properties

The Fund uses an external independent valuer with recognized professional qualification and experience to value the Fund's investment properties after every two years (previously on an annual basis). The fair values are based on the market conditions being the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. In the absence of an active price in an active market, the values are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. The yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(ii) Investment in debt and equity instruments

The fair value of financial assets at fair value through profit or loss and debt instruments at amortised cost is determined by reference to their quoted bid prices at the reporting date, if available. The fair value for non-quoted equity instruments has been estimated using the net asset value methodology.

5. INTEREST INCOME

	2019	2018
	Ushs 000	**Ushs 000**
Interest income on short term deposits with banks	16,403,361	22,176,101
Interest income on government bonds: debt instruments at amortised cost/ held-to-maturity	1,136,529,434	940,388,562
Interest income on corporate bonds: debt instruments at amortised cost/ held-to-maturity	11,632,872	12,368,801
Interest income on loans and receivables measured at amortised cost	2,638,115	3,200,762
	1,167,203,782	**978,134,226**

All interest income arises from financial assets that are not at fair value through profit or loss.

6. RENTAL INCOME

	2019	2018
	Ushs 000	**Ushs 000**
Workers House	5,110,870	5,268,051
Social Security House	2,881,811	2,824,503
Service charge	1,900,563	1,914,787
Others - Naguru & Yusuf Lule	827,212	851,023
	10,720,456	**10,858,364**

This relates to rental income earned from investment properties (refer to Note 24) owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements.

The timing of revenue recognition for rental income is entirely over time as the tenants occupy the property.

7. DIVIDEND INCOME

	2019	2018
	Ushs 000	Ushs 000
Stanbic Bank Uganda Limited	2,536,817	2,346,362
Bank of Baroda (Uganda) Limited	499,563	374,672
New Vision Printing and Publishing Company Limited	375,000	-
DFCU Limited	1,842,071	3,808,025
Safaricom Limited	20,794,969	11,183,896
Equity Group Holdings Ltd	7,911,641	6,630,029
Kenya Commercial Bank (KCB)	10,849,277	6,744,890
Bank of Kigali	4,758,684	2,784
Tanzania Breweries	7,190,982	4,575,408
East Africa Breweries	5,255,116	3,446,791
Eastern and Southern African Trade and Development Bank (TDB Bank)	-	3,278,566
Dividend Inc -PTA Shares CB	3,400,770	-
Twiga Ltd	4,428,938	-
Vodacom Ltd	779,318	-
Jubilee Insurance Ltd	394,521	-
Kenya Re Ltd	99,525	-
Centum Ltd	197,410	-
CRDB Tanzania Ltd	1,286,080	-
Other dividend income earned from fund managers	4,452,806	10,598,987
	77,053,488	**52,990,410**

8. OTHER OPERATING (LOSS)/INCOME

(a) Fair value (loss)/ gains

Fair value gains on investment property and finance leases	38,080,363	48,059,065
Fair value gains/(loss) on equity investments held for trading	(17,375,852)	18,321,014
Fair value gains /(losses) from equity investments at fair value through profit or loss	(189,561,745)	145,800,776
	(168,857,234)	**212,180,855**

(b) Foreign exchange (loss)/gains	**(247,372,686)**	**320,636,939**

Foreign exchange (loss)/gains arose from (depreciation)/appreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities.

(c) Other income

Gain on disposal of investment property	-	136,360
Write back of Alcon provision (Note 31)	12,989,504	-
Gain on disposal of equity investments held for trading	-	128,650
Notional income on staff loans	106,769	208,486
Miscellaneous income	291,018	79,892
	13,387,291	**553,388**
	(402,842,629)	**533,391,182**

Miscellaneous income mainly comprises fees from sale of bid documents, insurance claims.

9. ADMINISTRATIVE EXPENSES

	2019 Ushs 000	2018 Ushs 000
Staff costs (Note 9a)	71,170,996	56,476,736
Staff medical insurance	1,417,315	1,148,636
General staff and training expenses	8,256,531	6,289,388
Advertising and promotion	5,991,081	5,383,236
Auditors' remuneration	162,385	162,385
Bank charges and commission	10,559	9,210
Board expenses	826,179	1,005,323
Cleaning expenses	426,767	347,254
IT connectivity and internet	1,143,217	694,760
Directors' allowances	959,103	813,887
Professional fees	5,148,832	3,441,591
Legal fees	1,447,544	1,210,936
Motor vehicle fuel costs, maintenance & repairs	1,556,545	1,063,979
Printing and stationery	720,021	698,009
Subscriptions	705,511	615,196
Telephone, fax, telex and post	815,634	773,027
Travel and subsistence costs	4,525,205	3,664,512
Commission and brokerage fees	1,363,380	1,533,712
Uganda Retirement Benefits Regulatory Authority annual levy	5,749,723	5,026,177
Other administrative expenses	575,271	393,306
	112,971,799	**90,751,260**

a) Staff costs

Leave pay	995,652	819,830
Overtime expenses	52,279	76,330
Salaries and wages	58,523,523	46,325,518
Social security contributions	6,218,763	4,971,196
Contributions to the staff provident fund	4,299,328	3,328,688
Gratuity	1,081,451	955,174
	71,170,996	**56,476,736**

Average number of employees: 536 (2018: 549)

10. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Note	2019 Ushs 000	2018 Ushs 000
Deposits due from banks	15	409,286	-
Investment securities held-to-maturity	18	142,594	-
Loans and advances	20	(53,260)	-
Trade and other receivables	17	4,532,489	2,845,413
		5,031,109	**2,845,413**

11. OTHER OPERATING EXPENSES

	2019 Ushs 000	2018 Ushs 000
Office Rent (branches)	1,822,291	1,911,191
Electricity and water	1,684,905	1,630,779
Repairs and maintenance	9,808,056	8,492,458
Insurance	3,459,298	2,134,954
Security expenses	1,931,921	1,579,763
Research and library expenses	3,262,038	559,071
	21,968,509	**16,308,216**

Future minimum rentals payable under non-cancellable operating leases are as follows:

At 30 June 2019

	Up to 1 year Ushs' 000	1 to 5 years Ushs' 000	Over 5 years Ushs' 000
Branch office rentals	1,247,574	2,495,149	-

At 30 June 2018

	Up to 1 year Ushs' 000	1 to 5 years Ushs' 000	Over 5 years Ushs' 000
Branch office rentals	1,001,902	2,003,803	-

Operating leases relate to leases of office space for different Fund branches across the country with lease terms averaging 3 years which are renewable. There are no operating lease contracts bearing terms for contingent rent payments. The Fund does not have an option to purchase the leased office space at the expiry of the lease periods and neither does it have restrictions imposed by any lease arrangements.

12. SURPLUS BEFORE TAX

Surplus before tax is arrived at after charging / (crediting):

	2019 Ushs 000	2018 Ushs 000
Amortisation of intangible assets (Note 25)	1,090,515	1,746,833
Depreciation on property and equipment (Note 26)	4,115,058	4,012,001
Gain on disposal of investment property	-	(136,360)
Auditors' remuneration	162,385	162,385
Directors' emoluments	959,103	813,887
Foreign exchange loss /(gains)	247,372,685	(319,401,570)
Fair value loss /(gains) on equity instruments at FVTPL	189,561,745	(145,800,776)
Fair value loss /(gains) on equity instruments held for trading	17,375,852	(18,321,014)
Fair value gains on investment property and finance leases	(38,080,363)	(48,059,065)

13. TAX

(a) Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,376 billion as at 30 June 2019 (2018: Ushs 1,202 billion). The tax on the Fund's surplus after interest transfer to member's funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2019	2018
	Ushs 000	Ushs 000
Surplus from operations before tax	**(232,031,367)**	**386,294,403**
Tax calculated at 30%	(69,609,410)	115,888,321
Tax effect of:		
Expenses relating to income taxed at source	20,208,463	16,731,554
Expenses relating to government securities	152,295,133	177,413,720
Interest Income on government securities	(270,563,218)	(230,900,640)
Non- taxable income	(11,703,370)	(7,999,240)
Other non-deductible expenses	591,741	650,706
Unrecoverable withholding tax deducted at source	172,861,268	145,850,312
Prior year deferred tax (over)/under provision	(3,784,123)	31,470
Unrecognised deferred tax(charge)/ credit (Note 13(b))	182,564,784	(71,815,891)
Tax charge	**172,861,268**	**145,850,312**

(b) Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2018: 30%).

	At 30 June 2018	Charge/ (Credit) to members' funds and reserves	Charge/(Credit) to changes in net assets available for benefits	At 30 June 2019
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Deferred tax assets				
Unrealized foreign exchange losses	(86,756,298)		(96,530,520)	(183,286,818)
Provision for impairment loss	(9,402,462)	(1,326,898)	(186,604)	(10,915,964)
Provision for litigation			(242,112)	(242,112)
Bonus provision	(2,021,126)		(2,301,983)	(4,323,109)
Tax losses carried forward	(360,720,949)		(51,940,162)	(412,661,111)
	(458,900,835)	**(1,326,898)**	**(151,201,381)**	**(611,429,114)**
Deferred tax liabilities				
Unrealized foreign exchange gains	223,563,004	-	24,362,354	247,925,358
Fair value gains on investment properties	89,281,169	-	11,424,109	100,705,278
Fair value changes on equity instruments	83,492,499	-	(62,081,279)	21,411,220
Unrealised gains in investments with fund managers	9,198,360	-	(5,341,280)	3,857,080
Accelerated depreciation	2,324,222	-	272,693	2,596,915
	407,859,254	**-**	**(31,363,403)**	**376,495,851**
Net deferred tax asset	**(51,041,581)**	**(1,326,898)**	**(182,564,784)**	**(234,933,263)**

13. TAX (CONTINUED)

	At 30 June 2017 Ushs 000	Movement for the year Ushs 000	At 30 June 2018 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(36,320,157)	(50,436,141)	(86,756,298)
Provision for impairment loss on trade and other receivables	(8,546,005)	(856,457)	(9,402,462)
Bonus provision	(1,657,085)	(364,041)	(2,021,126)
Tax losses carried forward	(272,366,373)	(88,354,576)	(360,720,949)
	(318,889,620)	**(140,011,215)**	**(458,900,835)**
Deferred tax liabilities			
Unrealized foreign exchange gains	75,818,075	147,705,355	223,563,004
Fair value gains on investment properties	74,897,024	14,423,719	89,281,169
Fair value changes on equity instruments	39,752,266	43,740,233	83,492,499
Unrealised gains in investments with fund managers	3,702,056	5,496,304	9,198,360
Accelerated depreciation	1,862,727	461,495	2,324,222
	196,032,148	**211,827,106**	**407,859,254**
Net deferred tax asset	**(122,857,472)**	**71,815,891**	**(51,041,581)**

The net deferred tax asset of Ushs 234 billion (2018: Ushs 51 billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilise the benefits therefrom. As at 30 June 2019, tax losses carried forward amounted to Ushs 1,375 billion. Despite the Fund making surplus earnings, Section 22(1) and 25 of the Income Tax Act allows a deduction of interest incurred during the year of income in respect of a debt obligation. In addition, the Fund obtained a ruling from Uganda Revenue Authority in 2001 advising that interest paid to members is tax deductible. The Fund follows this ruling when preparing income tax computations and it is unlikely that the Fund will have taxable profits against which the deferred income tax asset can be utilised. The Fund's business is to collect contributions from members, invest and distribute interest to the members. With the deductibility of the interest distribution, it is unlikely that the Fund will have taxable profit against which to utilise the tax assets since the largest portion of the surplus earnings are distributed to members as interest.

c) Tax deposit receivable

	2019 Ushs 000	2018 Ushs 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed in Note 36(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be refunded in the event of a successful outcome, or applied toward the tax obligation in the event that the fund is not successful in its court case.

14. CASH AND BANK BALANCES

	2019	2018
	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	468,318	662,419
Citibank Uganda Limited	5,305,953	827,797
Housing Finance Uganda Limited (Note 35)	9,729	10,545
Stanbic Bank Uganda Limited	1,281,613	7,049,087
Standard Chartered Bank Uganda Limited	2,876,151	4,412,393
KCB Rwanda	10,531	648,436
Imperial Bank Limited	23,248	15,261
Eco Bank Uganda Limited	1,434,142	346,705
Bank of Africa	369,286	241,988
Centenary Bank	3,063	434,975
DFCU Bank Limited	512,438	1,018,397
United Bank for Africa	1,517,630	14,982
Orient Bank Limited	58,665	144,584
Guaranty Trust Bank	125,017	295,635
Tropical Bank -collection account	91,538	88,448
Bank of Baroda Uganda Limited-collection account	431,736	318,156
Post Bank	1,792,908	690,139
KCB Uganda	195,243	-
Finance Trust Bank	67,548	73,054
Diamond Trust	897,969	480,645
NC Bank	99,488	79,161
Cash at hand	48,954	8,656
Mobile Money	18,993	33,266
	17,640,161	**17,894,729**

Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held to the Fund except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% respectively. The fair value of the cash and bank balances is equal to their carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and bank balances above.

15. DEPOSITS WITH COMMERCIAL BANKS

	2019 % in class	2018 % in class	2019 Ushs 000	2018 Ushs 000
Housing Finance Bank Limited (Note 35)	54.8	40.3	80,422,723	40,247,673
Stanbic Bank	2.0	-	3,001,048	-
Standard Chartered Bank Uganda Limited	15.6	-	22,941,395	-
Commercial Bank of Africa	6.8	18.4	10,007,056	18,396,864
Tropical Bank Uganda Limited	-	10.4	-	10,307,397
Equity Bank Uganda Limited	20.8	30.9	30,419,178	30,883,825
Gross deposits	**100**	**100**	**146,791,400**	**99,835,759**

The gross deposits with commercial banks are analysed as follows:

	2019 Ushs 000	2018 Ushs 000
Amounts due within three (3) months	46,955,641	-
Amounts due after three (3) months	99,835,759	99,835,759
Gross deposits	**146,791,400**	**99,835,759**
Less: allowance for expected credit losses	(1,054,951)	-
Net carrying amount	**145,736,449**	**99,835,759**

The allowance for expected credit losses is analysed as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**-**	**-**
Impact of IFRS 9 adoption at 1 July 2018	645,665	-
Increase in impairment allowance during the year	409,286	-
At 30 June	**1,054,951**	**-**

The allowance relates to the expected credit losses. Refer to Note 38 (c) for details.

The change in the bank deposits during the year was as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**99,835,759**	**224,775,364**
New placements / deposits	233,988,588	260,697,379
Maturities	(190,460,779)	(371,462,259)
Interest accrued	16,403,361	22,176,101
Interest received	(10,190,737)	(36,620,291)
Foreign exchange (losses)/gains	(2,784,792)	269,465
Allowance for credit losses	(1,054,951)	-
At 30 June	**145,736,449**	**99,835,759**

The deposits are carried at amortised cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2019 was 13.12% (2018: 14.99%).

16. EQUITY SECURITIES HELD-FOR-TRADING

	2019	2018
	Ushs 000	Ushs 000
GenAfrica	6,607,884	7,389,300
Pinebridge Investments	84,824,717	104,791,905
	91,432,601	**112,181,205**

The investments in securities held-for-trading are equity investments managed by the Fund Managers; GenAfrica and Pinebridge Investments. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

16. EQUITY SECURITIES HELD-FOR-TRADING (CONTINUED)

	% in class 2019	% in class 2018	Number of shares held 2019	Number of shares held 2018	Market Value 2019 Ushs'000	Market Value 2018 Ushs'000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	25.3	21.6	114,549,447	114,549,447	3,321,934	3,665,582
dfcu Limited	53.3	56.1	10,440,437	5,835,580	6,995,093	9,533,584
New Vision Printing and Publishing Company Limited	5.5	5.8	2,185,857	2,185,857	721,333	983,636
Umeme Limited	8.4	6.5	3,654,088	3,654,088	1,096,226	1,096,226
Uganda Clays Limited	1.1	1.2	9,575,568	9,575,568	144,974	205,875
Bank of Baroda	6.4	8.8	6,525,000	12,525,000	839,967	1,482,012
	100	**100**			**13,119,527**	**16,966,915**
Nairobi Securities Exchange						
Bamburi Cement Limited	0.03	1.91	5,100	220,845	20,862	1,517,095
Barclays Bank Kenya Limited	5.52	3.37	9,690,000	6,090,000	3,657,519	2,676,054
BAT Kenya Limited	-	6.74	-	283,700	-	5,358,211
Britam Holdings Limited	1.43	2.26	3,207,400	3,207,400	949,978	1,797,124
CFC Stanbic Holdings	-	5.61	-	1,269,400	-	4,457,504
Co-operative Bank of Kenya	3.59	4.43	5,485,564	5,242,864	2,377,656	3,521,104
Diamond Trust Bank Kenya	7.03	9.12	1,096,553	948,953	4,663,770	7,247,195
East African Breweries Ltd	14.67	11.75	1,348,416	1,116,016	9,728,754	9,336,822
Equity Group Holdings Ltd	12.72	9.34	5,504,042	4,183,842	8,432,416	7,426,072
I&M Holdings Ltd	2.38	2.2	793,400	396,700	1,576,164	1,750,782
Kenya Airways Ltd	-	3.06	-	3,500,000	-	2,431,189
Kenya Commercial Bank	12.53	9.35	6,013,174	4,189,574	8,307,718	7,436,246
Kenya Power & lighting	-	0.71	-	2,140,750	-	566,875
Nation Media Group	0.13	1.13	47,779	260,712	84,563	900,483
NIC Bank Limited	1.58	1.63	949,505	260,712	1,049,458	1,293,595
Safaricom Limited	29.04	25.22	18,972,400	17,711,400	19,256,401	20,051,509
Stanbic Holdings PLC	6.95	-	1,289,400	-	4,610,727	-
Standard Chartered Bank Kenya Ltd	2.40	2.17	227,019	227,019	1,594,881	1,725,042
	100	**100**			**66,310,867**	**79,492,902**

16. EQUITY SECURITIES HELD-FOR-TRADING (CONTINUED)

Dar es Salaam Stock Exchange

	% in Class	% in Class	Number of shares held		Market Value	
	2019	2018	2019	2018	2019	2018
					Ushs'000	Ushs'000
Tanzania Breweries Limited	85.3	88.2	560,00	460,000	10,242,636	12,991,044
CRDB Bank Plc	14.7	11.8	9,970,000	4,700,000	1,759,571	2,730,344
	100	**100**			**12,002,207**	**15,721,388**

The changes in held-for-trading investments during the year were as follows:

	2019	2018
	Ushs 000	Ushs 000
At the beginning of the year	**112,181,205**	**88,373,503**
Purchases	13,041,187	14,394,032
Disposals	(10,098,630)	(9,903,346)
Fair value (loss)/gain	(17,375,852)	18,321,014
Foreign exchange (loss)/gain	(6,315,309)	996,002
As at 30 June	**91,432,601**	**112,181,205**

The trading prices at the last date of trading for the years ended 30 June 2019 and 2018 were as follows:

	2019			2018		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	29.00	-	-	32.00	-	-
DFCU Limited	670.00	-	-	970.00	-	-
New Vision Printing and Publishing Company Limited	300.00	-	-	450.00	-	-
Umeme Limited	300.00	-	-	300.00	-	-
Uganda Clays Limited	15.50	-	-	21.50	-	-
Bank of Baroda (Uganda)	128.73	-	-	150.00	-	-
BAT Kenya Limited	18,051.00	500.00	-	23,069.64	600.00	-
Safaricom Limited	1,014.97	28.10	-	1,134.26	29.50	-
Kenya Commercial Bank	1,381.59	38.25	-	1,778.28	46.25	-
East African Breweries Limited	7,214.95	199.75	-	8,381.97	218.00	-
Bamburi Cement ltd	4,090.58	113.25	-	7,074.69	184.00	-
Equity Group Holdings Limited	1,406.87	38.95	-	1,778.28	46.25	-
NIC Bank Limited	1,105.27	30.60	-	1,364.95	35.50	-
Barclays Bank Kenya Limited	377.45	10.45	-	440.25	11.45	-
Nation Media Group	1,769.88	49.00	-	3,460.45	90.00	-
Diamond Trust Bank Kenya Limited	4,253.12	117.75	-	7,651.43	199.00	-
Standard Chartered Bank Kenya Limited	7,025.32	194.50	-	7612.98	198.00	-
Kenya Power & lighting	-	-		265.30	6.90	
Co-operative Bank Kenya Limited	433.44	12.00	-	672.86	17.50	-
CFC Stanbic Holdings	-	-	-	3,518.12	91.50	-

16. EQUITY SECURITIES HELD-FOR-TRADING (CONTINUED)

	2019			2018		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Britam Holdings Limited	296.18	8.20	-	561.36	14.60	-
I&M Holdings Limited	1,986.55	55.00	-	4,421.68	115.00	-
Kenol Kobil Limited	-	-	-	695.93	18.10	-
Tanzania Breweries Limited	18,290.16		11,400.00	28,241.40	-	16,500.00
CRDB Bank Plc	176.48		110.00	273.86	-	160.00

17. TRADE AND OTHER RECEIVABLES

	2019	2018
	Ushs 000	Ushs 000
Prepayments	1,979,144	1,776,563
Trade receivables	6,911,655	6,377,065
Contributions receivable	1,879,493	1,879,493
Deferred staff expense	482,648	609,152
Dividends receivable	58,150,226	34,959,876
VAT recoverable	4,756,477	4,196,659
Other receivables	5,504,498	8,704,349
Provision for impairment loss	(10,374,986)	(10,739,257)
	69,289,155	**47,763,900**

The staff advances are interest free and repayable within one month through payroll deductions. The contributions receivable relate to cheque payments in previous years (2011) that were not honoured and fully recognised as a receivable. These have been fully provided for.

The provision for impairment loss is analysed as follows:

	2019	2018
	Ushs 000	Ushs 000
At the beginning of the year	**10,739,257**	**7,893,844**
Impact of IFRS 9 adoption at 1July 2018	(497,108)	-
Utilised during the year (write offs)	(4,399,652)	-
Increase in impairment loss	4,532,489	2,845,413
At 30 June	**10,374,986**	**10,739,257**

The provision relates to the expected credit losses on trade receivables, contributions receivable, dividends receivable and other receivable accounts. Refer to Note 38 (c) for details.

18. DEBT INSTRUMENTS AT AMORTISED COST /INVESTMENTS IN SECURITIES HELD-TO- MATURITY

	2019 % in Class	2018 % in Class	2019 Ushs 000	2018 Ushs 000
Treasury bonds	99.1	98.8	8,457,362,393	7,268,765,602
Corporate bonds	0.9	1.2	75,375,820	85,798,176
Gross investments	**100**	**100**	**8,532,738,213**	**7,354,563,778**

The gross investments are analysed as follows:

Maturing within 3 months	422,913,464	247,046,309
Maturing after 3 months but within 1 year	893,053,213	910,765,604
Maturing after 1 year	7,216,771,536	6,196,751,865
	8,532,738,213	**7,354,563,778**
Less: allowance for expected credit losses	(4,118,413)	-
Net carrying amount	**8,528,619,800**	**7,354,563,778**

The allowance for expected credit losses is analysed as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**-**	**-**
Impact of IFRS 9 adoption at 1 July 2018	3,975,819	-
Increase in impairment allowance during the year	142,594	-
At 30 June	**4,118,413**	**-**

The allowance relates to the expected credit losses (ECL), refer to Note 38 (c) for detail.

The change in debt instruments at amortised cost investments during the year were as follows:

	2019 Ushs 000	2018 Ushs 000
As at 01 July	**7,354,563,778**	**5,747,059,614**
Purchases	1,587,279,720	1,754,330,332
Maturities	(318,088,914)	(417,385,506)
Interest accrued	1,148,162,306	952,757,363
Interest received	(936,242,057)	(917,274,695)
Foreign exchange (loss)/ gain	(302,936,620)	235,076,670
Allowance for credit losses	(4,118,413)	-
As at 30 June	**8,528,619,800**	**7,354,563,778**

The yield rates on the treasury bonds ranged from 10.81% to 21.22% (2018: 10.81% to 21.22%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2018: 11.5% to 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 % in Class	2018 % in Class	2019 % Held	2018 % Held	2019 Ushs 000	2018 Ushs 000
Bank of Baroda (Uganda) Limited	0.5	0.6	2.00	2.00	6,430,868	7,493,438
DFCU Limited	3.0	4.1	7.34	7.34	37,388,289	54,129,314
Safaricom Limited	24.0	23.6	0.75	0.69	303,900,171	311,353,629
Centum Investments Limited	0.4	0.5	0.73	0.73	5,127,936	6,376,568
Stanbic Bank Uganda Limited	3.1	3.2	2.61	2.61	38,719,841	42,725,342
Cooperative Rural Dev't	1.4	2.1	3.83	3.38	17,671,500	27,385,600
Vodacom TZ shares	2.8	2.8	0.24	0.23	35,750,241	37,199,052
New Vision Printing and Publishing Company Limited	0.4	0.5	19.61	19.61	4,950,000	6,750,000
Bank of Kigali	3.7	4.1	6.36	6.36	47,280,619	53,843,004
Tanzania Breweries Ltd	10.4	12.2	2.43	1.93	131,074,014	160,951,975
Equity Bank Kenya	12.3	13.9	2.97	2.78	155,404,067	183,192,235
Jubilee Insurance Ltd	1.6	-	1.93	-	20,173,362	-
East African Breweries Ltd (EABL)	10.0	10.9	2.22	2.13	126,774,559	141,487,640
Eastern and Southern African Trade and Development Bank (TDB Bank)	9.9	8.8	3.95	3.84	125,618,758	126,042,710
Tanzania Portland Cement (Twiga)	2.4	2.0	5.28	5.28	30,523,500	26,666,728
British-American Invest (Britam)	0.9	1.7	2.03	2.03	11,648,845	22,089,453
CIPLAQC	3.4	-	7.38	-	43,097,822	-
Kenya Re-Insurance	0.3	0.3	3.43	0.86	3,257,808	3,691,142
Kenya Commercial Bank	9.5	8.7	2.94	2.17	120,678,062	114,829,446
	100	**100**			**1,265,470,262**	**1,326,207,276**

All the above equity investments are traded on the Uganda Securities Exchange (USE) except for Safaricom, KCB, Kenya Re-Insurance and Equity Group which are traded on the Nairobi Securities Exchange (NSE), Tanzania Breweries, Cooperative Development Bank, Vodacom and Twiga which are traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), TDB Bank which is not traded on a stock exchange.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The trading prices at the last date of trading for the years ended 30 June 2019 and 2018 were as follows:

	2019					2018				
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf	USD
Bank of Baroda (Uganda) Limited	128.73	-	-	-	-	150.00	-	-	-	-
DFCU Limited	670.00	-	-	-	-	970.00	-	-	-	-
Safaricom Limited	1,014.45	28.10	-	-	-	1,134.26	29.50	-	-	-
Centum Investments Limited	1,165.44	-	-	-	-	1,449.22	-	-	-	-
Stanbic Bank Uganda Limited	29.00	-	-	-	-	32.00	-	-	-	-
New Vision Printing and Publishing Company Limited	330.00	-	-	-	-	450.00	-	-	-	-
Kenya Re	6.00	-	16.00	-	-	27.30	-	16.00	-	-
Vodacom	1,285,20	-	800.00	-	-	1,454.86	-	850.00	-	-
Cooperative Development Bank	3,971.18	110.00	-	-	-	6,151.89	160.00	-	-	-
Equity Bank Kenya	1,406.16	38.95	-	-	-	1,778.28	46.25	-	-	-
Kenya Commercial Bank	1,380.87	38.25	-	-	-	1,778.28	46.25	-	-	-
Bank of Kigali	1,112.49	-	-	274.00	-	1,266.89	-	-	286.00	-
Tanzania Breweries Limited	18,314.10	-	11,400.00	-	-	28,241.40	-	16,500.00	-	-
Tanzania Portland Cement Limited	3,213.00	-	2,000.00	-	-	2,807.02	-	1,640.00	-	-
British-American Invest (Britam)	296.00	8.20	-	-	-	561.36	14.60	-	-	-
Eastern and Southern African Trade and Development Bank (TDB Bank) *	42,352,919.00	-	-	-	11,463.00	43,761,786.00	-	-	-	11,273.00

*The shares are not quoted in an active market and the price used to determine the carrying amount has been determined through techniques as described in note 39.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

During the year, the Fund purchased the following shares:

	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
CIPLAQC	Ushs	269,361,386	256.50	1.00	69,091,196
EABL	Kshs	700,000	181.76	37.55	4,777,432
Equity Bank	Kshs	7,500,000	38.71	37.78	10,972,381
Safaricom (K) Ltd	Kshs	25,069,900	23.48	37.1529	21,868,266
Jubilee Insurance Limited	Kshs	1,397,859	409.91	37.1358	21,278,658
KCB Kenya	Kshs	22,818,600	43.18	37.4243	37,174,897
Tanzanian Breweries	Tzs	1,457,850	12,588	1.6223	29,770,319
Vodacom	Tzs	65,000	800	1.7116	890,032
TDB Bank	USD	86	10,418	3,816.02	3,418,955
					199,242,136

The change in the equity investments during the year was as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**1,326,207,276**	**899,971,553**
Acquisition of new shares	199,242,136	185,800,294
Transfer to associates	-	(2,257,621)
Fair value (losses)/gains	(189,561,745)	145,800,776
Foreign exchange (losses)/gains	(70,417,405)	96,892,274
At 30 June	**1,265,470,262**	**1,326,207,276**

The Fund's investments in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Fund holds less than 20% of the voting rights of the investee companies and the Fund does not have significant influence over the financial and operating decisions of the investee companies.

20. LOANS AND ADVANCES

	2019 Ushs 000	2018 Ushs 000
Uganda Clays Limited (Note 35)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 35)	18,666,667	22,333,333
Staff loans	1,086,124	1,261,713
	40,345,629	**44,187,884**
Fair value of discount on staff loans	(482,648)	(609,152)
	39,862,981	**43,578,732**
Allowance for credit losses	(20,838,196)	(20,592,838)
	19,024,785	**22,985,894**

The allowance for credit losses is analysed as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	20,592,838	20,592,838
Impact of adoption of IFRS 9 at 1 July 2018	298,618	-
Decrease in impairment allowance during the year	(53,260)	-
At 30 June	**20,838,196**	**20,592,838**

20. LOANS AND ADVANCES (CONTINUED)

The change in the loans and advances during the year was as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**22,985,894**	**26,879,508**
Maturities (proceeds from maturing loans)	(3,666,668)	(4,742,252)
Interest accrued	2,638,115	3,200,762
Interest received	(2,793,967)	(2,560,610)
Fair value adjustment	106,769	208,486
Allowance for credit losses	(245,358)	-
At 30 June	**19,024,785**	**22,985,894**

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly instalments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months' period to 30 June 2019, Uganda Clays Limited made a loss before tax of Ushs 311 million and its current assets exceeded current liabilities by Ushs 18,407 million as at 30 June 2019. However, the Company has experienced financial problems since the loan was disbursed and no loan repayment had been received by 30 June 2019. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 14.5 billion at a rate of 11.5% (2018: 11.5%) and Ushs 4.5 billion at a rate of 13.5% (2018: 13.5%), respectively. The Loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 14.5 billion is repayable over a period of 15 years while that of Ushs 4.5 billion is repayable over 10 years. Instalments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2018: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2019, the average market rate for mortgages was 17.0% (2018: 17.5%)

All the above loans and advances are measured at amortised cost with exception of the staff loans which are marked to market.

21. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Ltd Ushs 000	Yield Fund Ushs 000	Total Ushs 000
At 1 July 2017	**65,994,544**	**12,157,711**	**7,913,721**	**180,459,110**	**-**	**266,525,086**
Transfer from investments at FVTPL	-	-	-	-	2,257,621	2,257,621
Share of profit	9,488,373	411,123	1,215,600	16,068,096	(519,045)	26,664,147
Share of OCI, net of tax		-	-	12,430,101	-	12,430,101
Less: dividends	(5,980,840)	(325,704)	(419,777)	(2,840,667)	-	(9,566,988)
At 30 June 2018	**69,502,077**	**12,243,130**	**8,709,544**	**206,116,640**	**1,738,576**	**298,309,967**
Share of profit / (loss)	9,755,835	238,163	519,370	28,747,312	(249,448)	39,011,232
Share of impact of adoption of new standards	(2,614,030)	-	-	(727,567)	-	(3,341,597)
Share of prior period adjustments	(1,555,169)	851,550	-	-	-	(703,619)
Share of OCI, net of tax		-	-	330,524	-	330,524
Less: dividends	-	(292,639)	(419,776)	(15,287,272)	-	(15,999,687)
At 30 June 2019	**75,088,713**	**13,040,204**	**8,809,138**	**219,179,637**	**1,489,128**	**317,606,820**

As at 30 June 2019, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.2% and 16.5% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited, TPS Uganda Limited, Umeme Ltd and Yield Fund respectively. These investments have been accounted for under the equity method.

The Fund is involved in the activities of TPS Uganda Limited with board representation. Key investment and finance decisions are made in consultation with the Fund because of its holding in the company. This is therefore classified as an investment in associate even though the percentage holding is less than the presumptive 20%.

The Fund increased its involvement in the activities of Yield Fund in 2018 getting representation on the Board. Investment decisions and key decisions at Yield Fund have to be done in consultation with NSSF hence a change from equity investments at fair value through profit or loss to investment in an associate even though the percentage holding is less than the presumptive 20%.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give it joint control and as such, the investment continues to be accounted for as an associate.

Although the Fund holds 16.5% the Yield Fund, it has a significant influence in it due to the fact that it has a third of the Board composition. In addition, their input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

Nature of activities of associates

Company	**Nature of activities**
Housing Finance Bank Limited	The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	The principal activities of the company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles.
TPS (Uganda) Limited	The principal activities of the company are operating and running a hotel facility in Uganda, serving the business and tourist markets.
Umeme Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.
Yield Fund	Yield Uganda Investment Fund specializes in investments in small and medium agri-businesses in the form of equity, semi-equity and debt. The Fund targets agriculture-related businesses across all value chains, with clear competitive advantage and ambitious local management.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo, Kampala
Market price	Not Listed.	Ushs 15 per share	Not Listed	Ushs 300 per share	Not Listed

	Number of Shares Held		Price per Share		Fair Value	
	2019	2018	2019 Ushs	2018 Ushs	2019 Ushs 000	2018 Ushs 000
Umeme Limited	373,771,921	373,771,921	300	300	112,131,576	112,131,576
Housing Finance Bank	3,050,000	3,050,000	-	-	-	-
TPS (Uganda) Limited	19,500	19,500	-	-	-	-
Yield Fund	500,000	500,000	-	-	-	-
Uganda Clays Limited	292,640,000	292,640,000	15	21.5	4,389,600	6,291,760
					116,521,176	**118,423,336**

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The summary of the financial information for the investments in associates as at 30 June is as follows:

	Housing Finance Bank Limited		**Uganda Clays Limited**		**TPS (Uganda) Limited**		**Umeme Limited**		**Yield Fund**	
	2019 Ushs 000	**2018 Ushs 000**	**2019 Ushs 000**	**2018 Ushs 000**	**2019 Ushs 000**	**2018 Ushs 000**	**2019 Ushs 000**	**2018 Ushs 000**	**2019 Ushs 000**	**2018 Ushs 000**
Percentage held	**50%**	**50%**	**32.52%**	**32.52%**	**13.99%**	**13.99%**	**23.02%**	**23.02%**	**16.5%**	**16.5%**
Current assets	844,445,131	745,362,407	25,259,000	23,228,000	21,522,357	31,797,809	450,046,000	436,396,000	16,374,640	9,454,243
Non-current assets	39,817,355	34,066,678	43,386,000	45,149,000	100,228,132	89,921,825	2,109,603,000	2,137,085,000	5,811,771	1,288,236
Current liabilities	565,615,035	451,392,515	6,852,000	5,169,000	14,567,480	6,314,361	864,472,000	798,555,000	585,386	58,710
Non-current liabilities	167,443,625	192,500,210	27,938,000	31,814,000	27,093,433	41,717,184	916,348,000	1,015,781,000	26,830,659	13,688,264
Net assets	151,203,826	135,536,360	33,855,000	31,394,000	80,089,577	73,688,087	778,829,000	722,145,000	49,602,456	24,489,453
Fund's share of Net assets	75,601,913	67,768,180	11,009,646	10,209,329	11,204,532	10,308,963	179,286,436	166,237,779	8,184,405	4,040,760
Reconciliation between Carrying amount and Share of Net Assets*	(513,200)	1,733,897	2,030,558	2,066,865	(2,395,394)	(1,599,419)	39,893,201	39,878,861	(6,695,277)	(2,302,184)
Carrying amount in the Statement of Net Assets available for benefits	75,088,713	69,502,077	13,040,204	12,243,130	8,809,138	8,709,544	219,179,637	206,116,640	1,489,128	1,738,576
Revenue	66,587,872	47,117,016	14,986,000	14,445,000	13,307,789	18,990,468	815,683,000	735,834,000	929,426	548,867
Profit after tax from continuing operations	7,094,149	8,490,740	(218,000)	1,037,000	1,697,631	3,619,166	61,238,000	69,157,000	(1,489,285)	(2,925,556)
Other comprehensive income, net of tax	-	-	-	-	-	-	41,184,000	47,589,000	-	-
Total Comprehensive income	7,094,149	8,490,740	(218,000)	1,037,000	1,697,631	3,619,166	102,422,000	116,746,000	(1,489,285)	(2,925,556)
Reporting date of associate	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	30 June 2019	30 June 2018
Unaudited results for 6 months	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

In applying the equity method for all associates except Yield Fund, the Fund has used the audited financial statements for period ended 31 December 2018 in deriving the share of results for the 6 months to 31 December 2018 and the over/under sharing of results for the 6 months to 30 June 2018 as reported in the prior year financial statements of the Fund. The Fund has used unaudited results for the 6 months to 30 June 2019 in deriving the share of results for the 6 months differential period between the associates' reporting date and the fund's reporting date.

*Reconciliation between the carrying amount and Share of Net assets relates to the difference between the carrying amount of the investment in the Fund's Financial Statements and the Fund's share of the investee's net assets. The difference mainly relates to the results pre-acquisition reserves to which the Fund was not entitled to hence are not included in the carrying amount of the investment in the Fund's financial statements.

22. INVENTORIES

	30 June 2019 Ushs'000	30 June 2018 Ushs'000
Mbuya project housing units -WIP	14,447,603	10,830,186
	14,447,603	10,830,186

Mbuya project- This relates to the Mbuya 2 Housing estate project (40 apartments) with amenities like a swimming pool, fully equipped gym, a club house and 24-hour CCTV surveillance. The site works are currently in progress in their final stages with projected completion for August 2019. The apartments are being constructed for sale.

23. CAPITAL WORK-IN-PROGRESS (CWIP)

Cost	Arua Ushs '000	Lubowa Ushs '000	Lumumba Ushs '000	Jinja Ushs '000	Mbarara Ushs '000	Bwebajja Ushs '000	CAPEX Ushs '000	Workers House Ushs '000	Total Ushs '000
At 1 July 2017	2,330,000	245,254,907	66,358,217	2,202,866	1,429,559	-	1,089,732	261,135	318,926,416
Additions	-	50,648,301	179,348	525,350	1,378,614	-	4,604,073	-	57,335,686
Transfer to/ from investment property	-	(223,000,000)	19,184,965	(2,728,216)	-	-	(111,915)	(261,135)	(206,916,301)
At 30 June 2018	**2,330,000**	**72,903,208**	**85,722,530**	**-**	**2,808,173**	**-**	**5,581,890**	**-**	**169,345,801**
Additions	-	30,737,939	5,630,342	-	1,955,974	91,272,668	2,406,217	-	132,003,140
Transfer from/(to) investment Property	-	17,419,397	-	-	(4,764,147)	-	(1,394,394)	-	11,260,856
At 30 June 2019	**2,330,000**	**121,060,544**	**91,352,872**	**-**	**-**	**91,272,668**	**6,593,713**	**-**	**312,609,797**
Provision for impairment									
At 1 July 2017/2018	(2,330,000)	-	-	-	-	-	-	-	(2,330,000)
Net carrying amount									
At 30 June 2019	**-**	**121,060,544**	**91,352,872**	**-**	**-**	**91,272,668**	**6,593,713**	**-**	**310,279,797**
At 30 June 2018	**-**	**72,903,208**	**85,722,530**	**-**	**2,808,173**	**-**	**5,581,890**	**-**	**167,015,801**

The **Arua** capital work-in-progress relates to construction costs for a hotel at the golf course. As at 30 June 2009, construction of the hotel was near completion but modalities of share of interest in the hotel had not been finalized with the trustees of the Arua Golf Club. The Fund has estimated to incur losses as a result of the delayed implementation of this joint venture and ownership structure of the joint venture. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired in 2008. Management is currently negotiating with the trustees of the Golf Club with a view to finalizing the joint venture arrangements.

Lubowa-This relates to the Lubowa Housing Estate project (LHP) and the Fund Contracted Soleh Boneh International (SBI) holdings AG Uganda as the project designer and supervisor. The expected project completion date is June 2020 and to date approximately 10% of the overall works have been completed. The Project is classified under Work in Progress as it is still under construction and its fair value cannot reliably be determined and therefore it is carried at cost until completion.

Lumumba- This relates to the construction and development of Pension Towers on Lumumba Avenue. Phase two commenced on 25th July 2018 with the Construction Contract awarded to China Railway Construction Engineering Group.

Bwebajja-This relates construction of headquarters of government ministries and agencies in Bwebajja on Entebbe Road. The Fund has so far secured the land and construction works are expected to commence later in 2019.

Capex-This relates to the various CAPEX expenditure developments at the head office, designs for the biometric systems, contactless smart card solution design and development, portfolio management system, Electronic document and records management system (EDRMS) among others.

24. INVESTMENT PROPERTIES

	Valuation at 30 June 17 Ushs '000	Additions Ushs '000	Disposal Ushs '000	Change in Fair value Ushs '000	Reclassification from/(to) CWIP Ushs '000	Valuation at 30 June 18 Ushs '000	Change in Fair value Ushs '000	Reclassification from/(to) CWIP Ushs '000	Valuation at 30 June 19 Ushs '000
Workers House	58,000,000	-	-	5,098,865	373,050	63,471,915	3,558,127	859,958	67,890,000
Plot 5 Mvule Rd Naguru	2,000,000	-	-	1,500,000	-	3,500,000	500,000	-	4,000,000
Land on Yusuf Lule Road	20,000,000	-	-	-	-	20,000,000	2,000,000	-	22,000,000
Independence Ave Arua	170,000	-	-	-	-	170,000	40,000	-	210,000
Land in Kisugu	250,000	-	-	50,000	-	300,000	50,000	-	350,000
Land in Kabale	230,000	-	-	-	-	230,000	70,000	-	300,000
Land in Tororo	200,000	-	-	-	-	200,000	50,000	-	250,000
Social Security House	30,000,000	-	-	420,000	-	30,420,000	2,612,500	-	33,032,500
Land in Lubowa	-	11,000,000		39,207,009	223,000,000	273,207,009	14,212,388	(17,419,397)	270,000,000
Jinja	-	-	-	-	2,728,216	2,728,216	737,348	534,436	4,000,000
Mbarara	-	-	-	-	-	-	-	4,764,147	4,764,147
Land in Busiro Temangalo	26,537,500	-	(363,640)	826,140	-	27,000,000	9,000,000	-	36,000,000
Nsimbe	42,422,949	-	-	977,051	-	43,400,000	5,100,000	-	48,500,000
Pl677& 678 Ndeba Kibuga	400,000	-	-	-	-	400,000	50,000	-	450,000
Plot 16 Nakasero Rd (FRV 304)	8,400,000	10,784,965	-	-	(19,184,965)	-	-	-	-
Total	**188,610,449**	**21,784,965**	**(363,640)**	**48,079,065**	**206,916,301**	**465,027,140**	**37,980,363**	**(11,260,856)**	**491,746,647**

24. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Stanfield certified professional valuer as at 30 June 2019. In determining the fair values of investment properties (majorly bare land), the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment. The valuers also utilised the income capitalisation approach by reference to the net cashflows/annual incomes from commercial property (majorly buildings) where the buildings were set up primarily for rental purposes unless the approach did not reflect reasonable estimates based on current market conditions. In such cases, an alternative was selected.

In instances where the market value of a property could not be ascertained due to lack of information, the valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present-day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly.

Changes in fair values are recognised in surplus or deficit and included in ‘other operating income’.

The impact of revaluing investment properties on surplus for the year is Ushs 38 billion (2018: Ushs 48 billion) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

Significant unobservable input

		Range (weighted average)
Office properties	Estimated rental value	Ushs 3,788 million – Ushs 10,655 million (Ushs 7,221 million)
	Estimated rental expenditure	Ushs 1,273 million-Ushs. 3,983 million (Ushs. 2,628 million)
	Vacancy factor	4.35% - 4.49% (4.42%)
	Discount rate	7%- 9% (8%)
Land	Price per acre	Ushs.57 million -Ushs.5,618 million

24. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques for investment properties:

Land

Market Approach

Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

Buildings

A combination of approaches was adopted to obtain reasonable estimations of the market values of buildings.

Income capitalisation approach

The valuers used this approach to estimate the value of income-producing buildings. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value.

Cost approach

Some of the buildings, structures and services were valued at current replacement costs taking into account their depreciation. This was applied for property that was not constructed in the form of commercial property.

Market Approach

Some buildings were valued by the sales comparison method on the basis of that these were vacant with tenants yet to obtained or by the nature of the buildings that they are not necessarily high rental value earners but are located in prime locations. Other factors such as location, services, accessibility, and proximity to prime locations were taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of investment properties included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs

24. INVESTMENT PROPERTIES (CONTINUED)

The Fund generated rental income from its investment properties as shown below:

	2019 Ushs 000	2018 Ushs 000
Workers House	5,110,870	5,268,051
Social Security House	2,881,811	2,824,503
Others –Naguru & Yusuf Lule	827,212	1,914,787
Service charge	1,900,563	851,023
	10,720,456	**10,858,364**

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year as shown below:

		2019		
	Workers House Ushs 000	**Social Security House Ushs 000**	**Others-Naguru & Yusuf Lule Ushs 000**	**Total Ushs 000**
Maintenance & repairs	1,777,818	931,083		**2,708,901**
Ground & property rent	198,355	83,718	89,288	**371,361**
Cleaning services	180,283	67,780		**248,063**
Security services	565,354	93,360		**658,714**
Electricity	800,287	363,438	14,514	**1,178,239**
Water	160,357	145,853	-	**306,210**
	3,682,454	**1,685,232**	**103,802**	**5,471,488**

		2018		
	Workers House Ushs 000	**Social Security House Ushs 000**	**Others-Naguru & Yusuf Lule Ushs 000**	**Total Ushs 000**
Maintenance & repairs	1,420,138	444,224		**1,864,362**
Ground & property rent	198,356	71,118	22,320	**291,794**
Cleaning services	180,131	47,844	-	**227,975**
Security services	411,626	82,560	-	**494,186**
Electricity	766,954	300,778	14,584	**1,082,316**
Water	209,246	150,307	-	**359,553**
	3,186,451	**1,096,831**	**36,904**	**4,320,186**

24. INVESTMENT PROPERTIES (CONTINUED)

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties which did not generate rental income during the period as shown below (no expenses were incurred on properties other than those indicated in the table below):

	2019				
	Land in Lubowa Ushs 000	**Land in Busiro Temangalo Ushs 000**	**Land in Nsimbe Ushs 000**	**Land in Kisugu Ushs 000**	**Total Ushs 000**
Security expenses	173,592	-	44,368	5,452	223,412
Demolition expenses	8,142	-	-	-	8,142
	181,734	**-**	**44,368**	**5,452**	**231,554**

	2018				
	Land in Lubowa Ushs 000	**Land in Busiro Temangalo Ushs 000**	**Land in Nsimbe Ushs 000**	**Land in Kisugu Ushs 000**	**Total Ushs 000**
Security expenses	173,592	23,789	44,368	5,452	247,201
Demolition expenses	9,000	-	-	-	9,000
	182,592	**23,789**	**44,368**	**5,452**	**256,201**

As at 30 June 2019, there were no restrictions on the realisability of investment property with the exception of LRV 2172 Folio 10, Plot 1 Pilkington Road which had a caveat. There was no restriction to the remittance of income and proceeds of disposal and there were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fund has not entered into any finance lease arrangements and bears no encumbrances on its titles of ownership of the reported properties. The Fund has several tenants on its properties including Workers House and Social Security House with tenancy agreements averaging three years in duration. The Fund maintains the properties and only charges a service fee to the tenants for auxiliary services and has, therefore, included these as investment properties in its financial statements.

Future minimum rentals receivable under non-cancellable operating leases are, as follows:

2019	**Up to 1 year Ushs'000**	**1 to 5 years Ushs'000**	**Over 5 years Ushs'000**
Property rentals	8,368,024	16,736,048	-
2018			
Property rentals	8,755,315	17,486,499	-

25. INTANGIBLE ASSETS

	2019 Ushs 000	2018 Ushs 000
Cost		
At the beginning of the year	**25,049,742**	**22,444,699**
Additions	2,337,953	2,605,043
At 30 June	**27,387,695**	**25,049,742**
Amortisation		
At the beginning of the year	**18,420,998**	**16,674,165**
Charge for the year	1,090,515	1,746,833
At 30 June	**19,511,513**	**18,420,998**
Net carrying amount	**7,876,182**	**6,628,743**

Intangible assets mainly relate to software which makes up the Integrated Management Information System (IMIS) of the Fund.

26. PROPERTY AND EQUIPMENT

	Machinery	Motor Vehicles	Furniture and Fittings	Computer Equipment	TOTAL
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cost					
At 1 July 2017	**3,683,823**	**6,157,510**	**6,159,642**	**15,138,814**	**31,139,789**
Additions	299,017	1,506,346	1,667,436	890,387	4,363,186
Disposals	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
As at 30 June 2018	**3,961,240**	**7,495,248**	**7,706,532**	**15,638,984**	**34,802,004**
Additions	164,932	743,204	4,133,864	719,948	5,761,948
As at 30 Jun 2019	**4,126,172**	**8,238,452**	**11,840,396**	**16,358,932**	**40,563,952**
Depreciation					
At 1 July 2017	**2,247,877**	**2,533,537**	**3,177,914**	**12,613,618**	**20,572,946**
Charge for the year	499,777	1,439,261	724,403	1,348,560	4,012,001
Disposals	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
As at 30 June 2018	**2,726,054**	**3,804,190**	**3,781,771**	**13,571,961**	**23,883,976**
Charge for the year	499,741	1,559,659	892,310	1,163,348	4,115,058
As at 30 June 2019	**3,225,795**	**5,363,849**	**4,674,081**	**14,735,309**	**27,999,034**
Net carrying amount					
As at 30 June 2019	**900,377**	**2,874,603**	**7,166,315**	**1,623,623**	**12,564,918**
As at 30 June 2018	**1,235,186**	**3,691,058**	**3,924,761**	**2,067,023**	**10,918,028**

27. TAX CLAIMABLE

	2019 Ushs 000	2018 Ushs 000
Withholding tax claimable	21,185,091	16,929,197

This relates to tax withheld at source claimable from Uganda Revenue Authority.

28. FINANCE LEASES

	Valuation as At 30 June 2018 Ushs 000	Change in fair value Ushs 000	Valuation as At 30 June 2019 Ushs 000
Plot 47 Masaka K'la rd	240,000	20,000	260,000
Plot 87 Churchill Gulu	190,000	30,000	220,000
Plot 8 Msk CL. Mbarara	200,000	50,000	250,000
	630,000	**100,000**	**730,000**

	Valuation as At 30 June 2017 Ushs 000	Change in fair value Ushs 000	Valuation as At 30 June 2018 Ushs 000
Plot 47 Masaka K'la rd	220,000	20,000	240,000
Plot 87 Churchill Gulu	180,000	10,000	190,000
Plot 8 Msk CL. Mbarara	250,000	(50,000)	200,000
	650,000	**(20,000)**	**630,000**

The Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. However, this was changed, and the plots are now held for capital appreciation and will later be sold off. These were reclassified from property and equipment and are accounted for as investment property. The lease terms for Plot 47 Masaka K'la RD, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards.

The properties have not been pledged as security for liabilities.

The impact of revaluing finance leases on surplus for the year is a gain of Ushs 100 million (2018: loss of Ushs 20 million) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the finance leases between the opening and closing dates.

Valuation techniques for finance leases:

Market Approach
Finance leases were valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

28. FINANCE LEASES (CONTINUED)

The fair value measurement for all of the finance leases has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of finance leases included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs

29. OTHER PAYABLES

	2019 Ushs 000	2018 Ushs 000
Accounts payable	54,801,328	24,546,950
Accrual for legal costs	5,137,384	4,677,430
Alcon retention payable	-	2,333,846
WHT payable	596,842	330,915
	60,535,554	**31,889,141**

The accounts payable are interest free and not overdue. Deferred income relates to advance rent payments from customers as required by the Fund's rental agreements.

The accrual for legal costs is analysed as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**4,677,430**	**6,963,360**
Payments made during the year	(732,596)	(2,330,159)
Increase in accrual during the year	1,192,550	44,229
At 30 June	**5,137,384**	**4,677,430**

The accrual for legal costs relates to fees for the lawyers who handled the Alcon case disclosed in Note 31 and other legal fees relating to other cases based on the fee notes raised by the lawyers. The fee notes relating to the Alcon case have been referred to court for assessment of reasonableness before they can be paid.

30. CONTRACT LIABILITIES

		2019 Ushs 000	2018 Ushs 000
			-
Advance payments for housing	(a)	2,316,100	-
Advance payments for activities	(b)	380,010	-
Deferred rental income	(c)	1,159,951	1,067,791
		3,856,061	**1,067,791**

30. CONTRACT LIABILITIES (CONTINUED)

a) Advance payments for housing

Mbuya Housing project is a proposed housing development by the Fund at Mbuya, an upscale residential area located about 7 kilometres from Kampala city Centre. The project comprises 40 high-end apartments with amenities like a swimming pool, fully equipped gym, a club house and 24-hour CCTV surveillance.

The housing project is close to completion with target handover to owners in July/August 2019. Currently bookings are being made by prospective owners and this balance relates to the amounts received as booking fees for these apartments. The deposits are 10% of the value with each unit being sold for Ushs 650million.

b) Advance payments for activities

The Fund has over the past years engaged in a number of corporate social responsibility initiatives, such as the Annual Torch Awards through which individuals or community-based organisations that are making a positive impact on the community are rewarded; Friends with Benefits Campaign - an initiative through which the Fund promotes savings by showcasing inspirational stories of savers who received their NSSF benefits and sustainably used them to do something life changing for themselves, their families or their community; blood donation drives in partnership with Ministry of Health and Uganda Blood Transfusion Services, the Annual Dental Camp at Mulago Hospital in partnership with Rotary Kampala North, the NSSF Kampala Hash 7 Hills Run, an initiative through which the Fund will progressively raises funds to improve learning conditions in public schools among others. The Fund in conducting these activities partners with several other organisations through sponsorship arrangements where collections of funds for the activities are made prior to the execution of the activities and ultimately channelled to the respective beneficiaries. This balance relates to funds received in advance before activities are done or funds not yet channelled to the respective beneficiaries

(c) Deferred rental income

The Fund collects an equivalent of one month's rent from its tenants which acts as a security deposit in case the tenant leaves behind damages when exiting the buildings. When a tenant leaves and the Fund deems that all is well with the property, the security deposit is then refunded to the tenant. Otherwise the deposit is used to repair any damages.
The Fund also bills and receives rental payments from some of its tenants for periods after the year-end. These amounts are not recognized as revenue during the financial year in which they are billed/received since they relate to the subsequent period. On average, for customers where this arrangement is present, billings/receipts are made 3 months in advance.
This balance relates to security deposits received as well as rental income billed/received for subsequent periods after the year end.

31. PROVISION FOR LITIGATION

	2019 Ushs 000	2018 Ushs 000
Alcon International Limited		
At the beginning of the year	13,796,545	12,801,429
Write back during the year	(12,989,504)	-
Foreign exchange losses	-	995,116
At 30 June	**807,041**	**13,796,545**

This suit arose from the termination of the contract for construction of Workers House executed by the Fund and Alcon International Limited, a company registered in the Republic of Kenya. The suit was registered in 1998 under High Court Civil Suit No. 1255/1998 - ***Alcon International Limited (registered in Uganda) -vs-National Social Security Fund & Anor.***

31. PROVISIONS FOR LITIGATION (CONTINUED)

The claim in Court by Alcon International Limited registered in Uganda "***Alcon Uganda***" was for USD 8,497,429.38 (*United States Dollars Eight Million Four Hundred Ninety-Seven Thousand Four Hundred Twenty Nine and Thirty-Eight cents*.) being sums due for unpaid certificates of works, plant & machinery, materials and damages.

Alcon Uganda obtained an award for the sums claimed against the Fund. However, the Supreme Court in 2013, overturned the award after finding that the construction contract was fraudulently assigned by Alcon Kenya to Alcon Uganda without the consent of the Fund.
The Supreme Court ordered the transmission of the matter back to the High Court for disposal of the case filed by Alcon Uganda in 1998.

The High Court dismissed the suit after finding that Alcon Uganda, the party in Court did not have a cause of action against the Fund based on a contract that they were not privy to and their participation in the fraudulent assignment.

A complaint has now been lodged with the Uganda Police Force, by which Alcon Uganda seeks to recover the plant, machinery and materials left at the site after the contract was terminated. Investigations are ongoing.

The plant, machinery and materials were valued at the point of termination of the contract and assigned a value of USD 64,252 (United States Dollars Sixty-Four Thousand Two Hundred Fifty-Two only)

The provision of USD 218,429 translating to Ushs 807 million is the present value of the equipment left at the site at the time of contract termination. Management has provided for this figure to cater for the costs, if any, that may be incurred if investigations culminate into a case filed against the Fund. Consequently, management has written back the value of the claim that doesn't relate to the equipment.

32. ACCUMULATED MEMBERS' FUNDS

	2019	2018
	Ushs 000	Ushs 000
At the beginning of the year	9,407,593,129	7,623,061,300
Contributions received during the year	1,208,290,143	1,049,089,149
Interest on arrears	4,355,440	4,709,663
Interest allocation for the year	967,934,058	1,090,403,511
Members' fund liability before benefit payments	**11,588,172,770**	**9,767,263,623**
Benefits paid during the year		
Age benefits	(135,802,293)	(128,626,447)
Withdrawal benefits	(123,752,742)	(96,224,114)
Exempted employee benefits	(79,612,342)	(51,089,384)
Invalidity benefits	(33,655,756)	(25,073,712)
Survivors benefits	(11,265,618)	(8,521,505)
Emigration grant benefits	(65,876,462)	(50,135,332)
Total benefits payments	**(449,965,213)**	**(359,670,494)**
At 30 June	**11,138,207,557**	**9,407,593,129**

32. ACCUMULATED MEMBERS' FUNDS (CONTINUED)

Interest to members:

	2019 Ushs 000	2018 Ushs 000
Prior year over provision of interest to members	(4,620,742)	(3,219,096)
Charge to surplus or deficit	978,000,706	1,100,080,203
Total interest available to members	**973,379,964**	**1,096,861,107**
Allocated as follows:		
To members funds		
Opening provision balance	(4,620,742)	(3,219,096)
Charge to surplus or deficit	972,554,800	1,093,622,607
	967,934,058	**1,090,403,511**
To reserves		
Charge to surplus or deficit	5,445,906	6,457,596
	5,445,906	**6,457,596**
Total provision	**973,379,964**	**1,096,861,107**
Total charge to surplus or deficit		
Allocated to Members fund	972,554,800	1,093,622,607
Allocated to reserves	5,445,906	6,457,596
	978,000,706	**1,100,080,203**

The accumulated members' funds are made up of members' accounts which comprise all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).
Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2019, the Minister for Finance, Planning & Economic Development approved an interest rate of 11% (2018: 15%) to be calculated and added to the members' funds.

Included in the accumulated members' fund balance is Ushs 38.21 billion (2018: Ushs 40.5 billion), which relate to collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual member accounts.

33. RESERVES

	Note	2019 Ushs 000	2018 Ushs 000
Special contributions	(a)	70,258,323	55,804,847
Unallocated members' contributions	(b)	54,954,143	49,508,237
		125,212,466	**105,313,084**

33. RESERVES (CONTINUED)

a) Special contributions

	2019 Ushs 000	2019 Ushs 000
At the beginning of the year	**55,804,847**	**47,019,296**
Special contributions received	14,453,476	8,785,551
At 30 June	**70,258,323**	**55,804,847**

In accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222), special contributions by non-eligible employees are recognised directly in reserves since they relate to members' contributions and not operating results of the Fund.

b) Unallocated members' contributions

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	49,508,237	43,050,641
Provision for interest on unallocated members' contributions	5,445,906	6,457,596
	54,954,143	**49,508,237**

The movement in the provision for interest on unallocated members' contributions was as follows:

	2019 Ushs 000	2018 Ushs 000
At the beginning of the year	**24,915,736**	**18,458,140**
Charged to surplus or deficit	5,445,906	6,457,596
At 30 June	**30,361,642**	**24,915,736**

As at 30 June 2019, the Reserve account included unallocated members' contributions and interest thereon amounting to Ushs 54.9 billion (2018: Ushs 49.5 billion), comprising contributions amounting to Ushs 24.6 billion (2018: Ushs 24.6 billion) and interest thereon amounting to Ushs 30.3 billion (2018: Ushs 24.9 billion).

The unallocated members' contributions amounted to Ushs 360 billion as at 30 June 2007. This prompted management to undertake measures to identify the respective members whom the amounts belonged to and as a result, the unallocated amounts gradually reduced over the years to Ushs 24.6 billion as at 30 June 2012. The directors believe that, in addition to putting in place measures to curtail the growth of the unallocated amounts, the Fund had exhausted all possible measures to identify the members whom these amounts belonged to and accordingly resolved to transfer the unallocated contributions balance of Ushs 24.6 billion from the accumulated members' funds to the reserve account in accordance with Section 36 (1) (b) of the NSSF Act. In the event that a member of the Fund presents adequate documentation proving that these contributions should be credited to their individual members account, NSSF will transfer the contributions from the reserve account to the members' account following approval by the Minister of Finance as stipulated in Section 36 (2) of the NSSF Act. During the year, there was no transfer of funds from the accumulated members' funds to the reserve account and vice versa. However, as stated in note 33 above, interest was accrued on these balances and credited in the reserve account accordingly.

34. NET CASH USED IN OPERATING ACTIVITIES

	Note	2019 Ushs'000	2018 Ushs'000
Surplus from operations		**745,969,340**	**1,486,374,606**
Depreciation on property and equipment	26	4,115,058	4,012,001
Gain / (loss) on disposal of equity investments held for trading	8	-	(128,650)
Increase in allowance for expected credit losses	10	5,031,109	2,845,413
Gain on disposal of investment property	8(c)	-	(136,360)
Amortisation of intangible assets	25	1,090,515	1,746,833
Share of results of associates	21	(39,011,232)	(26,664,147)
Staff loans fair value adjustment	20	(106,769)	(208,486)
Unrealised foreign exchange losses / (gains) on equity investments at fair value through profit or loss	19	70,417,405	(96,892,274)
Unrealised foreign exchange loss / (gain) on debt instruments at amortised cost	18	302,936,620	(235,076,670)
Unrealised foreign exchange loss/(gain) on held for trading investments	16	6,315,309	(996,002)
Unrealised foreign exchange loss/ (gain) on deposits with commercial banks	15	2,784,792	(269,465)
Fair value gains on investment properties	24	(37,980,363)	(48,079,065)
Fair value loss /(gain) on equity investments held for trading	16	17,375,852	(18,321,014)
Fair value loss/ (gain) on equity investments at fair value through profit or loss	19	189,561,745	(145,800,776)
Fair value loss on finance leases	27	(100,000)	20,000
Interest income on loans & advances	20	(2,638,115)	(3,200,762)
Interest income on debt instruments at amortised cost	18	(1,148,162,306)	(952,757,363)
Interest income on commercial bank deposits	15	(16,403,361)	(22,176,101)
Withholding tax on investments paid at source	13(a)	(172,861,268)	(145,850,312)
(Decrease) / increase in Provision for litigation	31	(12,989,504)	995,116
Changes in working capital			
Increase in inventories		(3,617,421)	(2,404,775)
Increase in trade and other receivables		(25,560,635)	(5,571,057)
Increase in other payables		27,578,622	5,137,126
Increase in Contract Liabilities		3,856,061	-
Increase in WHT claimable		(4,255,894)	(3,474,411)
Net cash used in operating activities		**(86,654,440)**	**(206,876,595)**

35. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2019 and 2018, refer to Notes 14, 15, 18, 19, 20 and 21:

	2019 Ushs'000	2018 Ushs'000
Bank balances		
Housing Finance Bank Limited	9,729	10,545
Loans and Advances		
Housing Finance Bank Limited	18,666,667	22,333,333
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	410,494	432,809
	39,669,999	**43,358,980**
Corporate Bonds		
Housing Finance Bank Limited	-	528,065
Fixed deposits		
Housing Finance Bank Limited	80,422,723	40,247,673
Treasury Bonds		
Government of Uganda	5,312,122,996	5,213,531,235
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	2,990,419	8,183,241
Uganda Clays Limited	541,385	248,744
Umeme Ltd	8,959,313	-
As at 30 June	**12,491,117**	**8,431,985**

Other related party transactions during the year:

	2019 Ushs'000	2017 Ushs'000
Housing Finance Bank Limited		
Interest income on loans and advances	2,525,999	3,070,844
Interest income on corporate bonds	6,121	153,370
Interest income on term deposits	8,168,335	2,783,314
	10,700,455	**6,007,528**

Dividend Income

	2019 Ushs '000	2018 Ushs '000
TPS (U) Limited	419,776	419,777
Umeme Limited	15,287,272	2,840,667
Uganda Clays	292,641	325,704
Housing Finance	-	5,980,840
	15,999,689	**9,566,988**

35. RELATED PARTY DISCLOSURES (CONTINUED)

Government of Uganda

	2019 Ushs'000	2018 Ushs'000
Withholding tax expense for the year	172,861,268	145,850,312
Interest income on treasury bonds	764,784,508	643,933,725

a) Housing Finance Bank Limited

The Fund has 50% shareholding in Housing Finance Bank Limited (the bank).

Bank balances - The bank balances relate to balances on the current accounts held by NSSF in the bank. These accounts are non-interest bearing.

Fixed deposits - The Fund has fixed deposit placements with the bank maturing within a period of 365 days.

Corporate bonds - Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 17.5 billion repayable over a period of 15 years while that of Ushs 8.5 billion is repayable over 10 years at rates of 13.5% and 13.75% respectively.

Loans - Loans to the bank are at interest rates ranging between 11.5% and 13.5%. Refer to Note 20 for the terms and conditions of the facilities.

b) Uganda Clays Limited

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 20 for the terms and conditions of the loan facility. The outstanding amount on the loan facility as at 30 June 2019 amounted to Ushs 20.6billion (2018: Ushs 20.6billion)

c) TPS -The Fund has 13.9% shareholding in TPS.

d) Government of Uganda

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions disclosed in Note 18. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay As-You-Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties. Rental income for the year amounted to Ushs 5 billion (2018: Ushs 5 billion)

e) Terms and conditions

Other than the terms disclosed above, there have been no guarantees provided or received for any of the above related party balances.

35. RELATED PARTY DISCLOSURES (CONTINUED)

f) Compensation for key management personnel and directors' emoluments

	2019 Ushs'000	2018 Ushs'000
Non-executive directors' emoluments:		
Directors' allowances	959,103	813,887
Key management remuneration:		
Salaries and allowances	5,440,178	5,190,753
Gratuity	1,081,451	955,174
	6,521,629	**6,145,927**
Total compensation for key management personnel	**7,480,732**	**6,959,814**

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel and directors.

36. CONTINGENT LIABILITIES

a) The Fund is a litigant in various cases for breach of contracts arising in the normal course of business. The directors are of the view that the Fund has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Fund's operation. The directors are confident that the Fund shall receive favourable rulings from the outstanding cases. Information on these cases has not been disclosed as the directors consider that the disclosure of the information could prejudice the Fund's position. The cases in which the Fund is a litigant mainly relate to alleged breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.

b) The Fund objected to a tax assessment by Uganda Revenue Authority (URA) on 15 April 2013 on the grounds that URA's tax computations wrongly disallowed expenses that are deductible for tax purposes. Management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act which allows a deduction for interest incurred during the year of income in respect of a debt obligation. Guidance received from the URA in 2001 allowed for these expenses to be deductible for tax purposes. There have been no changes to those sections of the Income Tax Act. The Fund has treated the interest incurred in the past in exactly the same way.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process, both parties agreed to reduce the taxes in dispute from Ushs.84.4 billion to Ushs.42.2 billion. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognised any provision for liability to the URA.

In accordance with the Income Tax Act, the Fund was required to pay 30% deposit of the assessed tax as disclosed in Note 13(c). Payment of this deposit is not an admission of guilt but purely a statutory payment.

The ultimate outcome of this case cannot presently be determined. Accordingly, this matter has been disclosed as a contingent liability as the Fund currently has a possible obligation but the existence of any obligation to URA will be confirmed only by the decision of the court. There have been submissions but with no significant change in the status of the case as there has not been any decisions taken nor changes made in the underlying facts.

36. CONTINGENT LIABILITIES (CONTINUED)

c) The Fund is also a defendant on various legal actions arising from its investment property, mainly land.

The Directors have considered the 2 cases below to be of significance hence disclosure;

HCCS NO.414 OF 2016, TEMANGALO TEA ESTATES LIMITED V AMOS NZEYI, DANIEL MUGWANYA & NSSF

The suit was filed by the Plaintiffs against the defendants seeking for orders for recovery of land known as Temangalo Estate formerly comprised in LRV 6 Folio 7 (measuring 366.2 acres), an order of eviction, mesne profits, general and punitive damages, a permanent injunction, a declaration that all transactions on the suit property are subject to the Plaintiff's interests by virtue of the Expropriated Properties Act and costs.

A written statement of defence in the matter was filed and leave was granted to issue a Third-Party notice against Mr. Amos Nzeyi to indemnify the Fund to the full extent of the judgement and orders of the court as may be passed against the Fund.

The Plaintiff applied to Court to amend its Plaint, which application was granted by Court on 6th November 2017. The Fund's written statement of defence in response was filed on 4th December 2018.

The matter came up on various dates for mediation culminating into an appearance on 6th May 2019 at the High Court, Land Division before the court-appointed Mediator when the Mediator closed the mediation proceedings and referred the matter for trial by the Trial Judge.

On 28th June 2019, the Fund filed Miscellaneous Application No. 1016 of 2019, seeking to have the suit struck out and/or dismissed for being caught by limitation of actions and for failure to disclose a cause of action.

The matter is fixed for mention before the court on 25th September 2019.

HCCS NO. 93 OF 2017, LEO LUKE KIMALEMPAKA V. NATIONAL SOCIAL SECURITY FUND & OTHERS

K&K Advocates received Instructions to defend NSSF in a litigation commenced by Leo Lule Kimalempaka (Administrator of the Estate of the Late Leo Lule Kimalempaka) in the High Court at Mpigi against the Attorney General, The Commissioner Land Registration, NSSF, Mugoya Estates Limited and James Abiam Mugoya Isabirye, seeking for cancellation of NSSF's certificates of title for land comprised in LRV 14 Folio 7 (app. 452.76 acres) and LRV 14 Folio 8 (app. 390.36 acres), and commonly known as Nsimbe Estate.

It is the Plaintiff's claim that the land comprised in the titles mentioned above is part of the Estate of the late Leo Lule Kimalempaka (his grandfather) on account of *inter-alia* a customary interest dating back to 1908.

A written statement of defence in the matter was filed in the main suit contending that the Plaintiff does not have a cause of action, the suit is misconceived and frivolous and that NSSF is a bona fide purchaser for value without notice of any fraud.

An application for leave to use a Third Party notice and an affidavit in support of the application were also filed on 5th July 2017 seeking for leave to issue a Third Party notice against Mugoya Estates Limited and James Abiam Isabirye to indemnify the Fund.

The suit was fixed for mediation and after several appearances, mediation was closed and the matter was referred to the trial judge for hearing.

36. CONTINGENT LIABILITIES (CONTINUED)

After several adjournments, the matter was fixed for mention on 14th June 2019 and subsequently on 12th July 2019. When the matter came up for mention the Court directed the parties to file a joint scheduling memorandum, witness statements and trial bundles by 2nd August.

The matter will then come up for hearing of the Plaintiff's case on 12th and 13th September 2019.

The Fund has been advised by its legal counsel that it is unlikely that actions from the cases will succeed. Accordingly, no provision for these liabilities have been made in these financial statements.

37. USE OF ESTIMATES AND JUDGEMENTS

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

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

The accounting policies that involve high judgement in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

(i) Impairment of financial assets
For the year ended 30 June 2019
Provision for expected credit losses of financial assets (For - The Fund is applies a single loss-rate approach to receivables or groups of receivables as might be appropriate based on its average historical loss rate. Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period. In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – Recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.
The Fund considers whether ECLs should be estimated individually for any period-end receivables, e.g because specific information is available about those debtors.
The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se. The information about the ECLs on the Fund's trade and other receivables is disclosed in note 17. Further information on impairment is disclosed in Notes 38(c).

37. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation of expected credit loss on government treasury bills and bonds, corporate bonds, deposits with commercial banks and cash and bank balances is determined by getting a predefined default rate relating to the issuer of the bills and
bonds and the bank where the cash is held, respectively, as established by one of the top credit rating agents namely Standards and poor's, Fitch and Moody's. These default rates are then used to estimate the expected credit losses on the outstanding amounts of the above respective financial assets. The Loans and advances held by the Fund are mainly with corporate entities and has, therefore, used credit rating agency information rather than internal risk weighting methods. The information about the ECLs on the Fund's deposits with commercial banks, government treasury bills and bonds and corporate bonds and Loans and advances is disclosed in Notes 15,18 and 20, respectively.

For the year ended 30 June 2018
Impairment - The Fund regularly reviews its assets and makes judgements in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Further information on impairment is disclosed in Notes 17 and Note 20.

(ii) *Impairment of non-financial assets*-Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The Fund also assessed impairment for the assets and no additional impairments were required. The Fund's non-financial assets include inventories, capital work in progress, investment properties, intangible assets, property and equipment and finance leases with carrying amounts as disclosed in notes 22,23,24,25,26 & 28 respectively.

(iii) *Current income taxes*-Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Fund and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing. Details on the current income tax amounts recognised in the financial statements are disclosed in note 13.

(iv) *Property and equipment*- Critical estimates are made by the management in determining the useful lives and residual values to property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Details of the Fund's property and equipment are disclosed in note 26.

37. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(v) *Determining fair values* - The determination of fair value for financial assets for which there is no observable market price requires the use of 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. Further information on determination of fair value is disclosed in Notes 24, 28 and 39.

(vi) *Provisions and contingencies* - A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be
required to settle the obligation. Management has made judgements in determining the provisions presented in Note 31.

(vii) *Valuation of investment properties and finance leases*- The Fund carries its investment properties and finance leases at fair value, with changes in fair value being recognised in surplus or deficit. Details of the Fund's investment properties and finance leases are disclosed in note 24 and 28 respectively.

(viii) *Determination of significant influence*-Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Details of the Fund's investments in associates are disclosed in note 21.

(ix) *Lease classification*- Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Fund. The carrying amounts are disclosed in note 28.

38. FINANCIAL RISK MANAGEMENT

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

- Market risk,
- Liquidity risk,
- Credit risk, and
- Capital management risk.

Included below is information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing the risks and the Fund's management of capital.

Risk management framework

The Fund's Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board has established an Audit and Risk Committee, and the Risk Department, which are responsible for developing and monitoring the risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management standards and procedures, aims to develop a disciplined

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

and constructive control environment, in which all employees understand their roles and obligations.

The Fund's Audit and Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions.

Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(a) Market risk

Market risk is the risk that changes in market prices, such as investment prices, interest rates and foreign exchange rates will affect the Fund'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 optimising the return on investment.

Management of market risks

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as equity, bonds and property prices, currency exchange rates and interest rates.

The Board grants authority to take on market risk exposure to the Management Investment Committee (MIC). This committee manages this risk through the guidelines set out in the Fund's investment policy.

Equity price risk

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy. All shares held by the Fund are either quoted or traded on the Uganda, Dar es salaam, Rwanda and Nairobi Securities Exchanges.

The table below shows the effect of share price sensitivity on the surplus before tax based on the share price volatility as at 30 June:

2019

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax Ushs 000
Equity securities held-for-trading	+/-5%	+/-4,923,362
Equity investments at fair value through profit or loss	+/-5%	+/-63,273,513

2018

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax Ushs 000
Equity securities held-for-trading	+/-5%	+/-5,609,060
Equity investments at fair value through profit or loss	+/-5%	+/-65,832,379

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Fund is exposed to currency risk through transactions in foreign currencies. The Fund transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Fund ensures that its net exposure is kept to an acceptable level by matching foreign currency assets to liabilities when considered appropriate. Monitoring of foreign currency fluctuations is done through the Management and Investment Committee. The Fund operates wholly within Uganda and its assets and liabilities are reported in Uganda Shillings, although it maintains some of its assets and trades with banks in foreign currencies.

The Fund had the following currency positions as at 30 June 2019. All balances are in Ushs '000's.

	USD	Kshs	Tshs	Rwf	Total
Financial assets					
Cash and bank balances	120,799	1,186,773	2,620,410	10,530	3,938,512
Equity securities held-for-trading	-	66,310,868	12,002,207	-	78,313,075
Trade and other receivables	-	2,560,008	4,326,887	1,987,005	8,873,900
Debt instruments at amortised cost	-	2,411,706,581	745,299,304	21,341,014	3,178,346,899
Equity investments at fair value through profit or loss	125,618,758	722,681,449	215,019,255	47,280,619	1,110,600,081
Total assets	**125,739,557**	**3,204,445,679**	**979,268,063**	**70,619,168**	**4,380,072,467**
Financial liabilities					
Other payables	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Currency gap At 30 June 2019	**125,739,557**	**3,204,445,679**	**979,268,063**	**70,619,168**	**4,380,072,467**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Fund had the following currency positions as at 30 June 2018. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Rwf	Total
Financial assets					
Cash and bank balances	1,345,859	1,450,841	1,883,343	648,436	5,328,479
Equity securities held-for-trading	-	84,725,360	14,398,579	-	99,123,939
Trade and other receivables	-	2,221,650	4,958,127	2,527,653	9,707,430
Investments in securities held-to-maturity	-	1,230,821,284	546,378,683	21,174,789	1,798,374,756
Equity investments at fair value through profit or loss	116,483,008	776,643,547	252,203,355	53,843,004	1,199,172,914
Total assets	**117,828,867**	**2,095,862,682**	**819,822,087**	**78,193,882**	**3,111,707,518**
Financial liabilities					
Other payables	(7,244,963)	-	-	-	(7,244,963)
	(7,244,963)	**-**	**-**	**-**	**(7,244,963)**
Currency gap At 30 June 2018	**110,583,904**	**2,095,862,682**	**819,822,087**	**78,193,882**	**3,104,462,555**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

The table below indicates the currencies to which the Fund had significant exposure at 30 June on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement of the currency rate against the Uganda Shilling, with all other variables held constant, on the statement of changes in net assets available for benefits (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the surplus for the year and equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Uganda Shilling would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in %	Effect on surplus before tax	Change in currency rate in %	Effect on surplus before tax
	2019	2019	2018	2018
		Ushs '000		Ushs '000
USD	+/-5%	+/- 6,287,135	+/-5%	+/- 5,859,165
KES	+/-5%	+/- 160,222,292	+/-5%	+/-104,793,134
TZS	+/-5%	+/- 48,963,404	+/-5%	+/- 40,991,104
RWF	+/-5%	+/- 3,530,962	+/-5%	+/- 3,909,694

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
	Ushs	Ushs	Ushs	Ushs
KES	36.98	35.91	36.10	38.45
USD	3,744.78	3,670.91	3,694.74	3,882.27
TZS	1.63	1.63	1.61	1.71
RWF	4.20	4.30	4.06	4.43

Interest rate risk

In broad terms, interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in interest rates. The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimize interest rate risk, the Fund has a policy whereby the approved investment commitments are matched to members' funds.

The Fund does not account for any fixed rate or variable rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date will not affect the Fund's surplus or deficit but would change the future performance of the Fund. The financial assets held at variable interest rates relate to the corporate bonds for African Development Bank (ADB). These balances are not significant when compared with the total financial assets of the Fund as at year-end, hence a change of 1 basis point in the interest rate for these instruments would have an insignificant effect on the statement of changes in net assets available for benefits.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing dates and the maturity dates. All balances are in Ushs 000.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

2019 **Assets**	**<3 months** **Ushs'000**	**3-12 months** **Ushs'000**	**> 1 year** **Ushs'000**	**Non-Interest bearing** **Ushs'000**	**Total** **Ushs'000**
Cash and bank balances	12,585,332	-	-	5,054,829	17,640,161
Deposits with commercial banks	14,409,150	40,062,961	91,264,338	-	145,736,449
Equity securities held-for-trading	-	-	-	91,432,601	91,432,601
Trade and receivables	-	-	-	62,070,886	62,070,886
Debt instruments at amortised cost	422,913,464	894,353,521	7,211,352,815	-	8,528,619,800
Equity investments at fair value through profit or loss	-	-	-	1,265,470,262	1,265,470,262
Loans and advances	-	7,682,835	32,180,146	-	39,862,981
Total assets	**449,907,946**	**942,099,317**	**7,334,797,299**	**1,424,028,578**	**10,150,833,140**
Liabilities					
Other payables	-	-	-	(59,938,712)	(59,938,712)
Total liabilities	**-**	**-**	**-**	**(59,938,712)**	**(59,938,712)**
Gap as at 30 June 2019	**449,907,946**	**942,099,317**	**7,334,797,299**	**1,364,089,866**	**10,090,894,428**

2018 **Assets**	**<3 months** **Ushs'000**	**3-12 months** **Ushs'000**	**> 1 year** **Ushs'000**	**Non-Interest bearing** **Ushs'000**	**Total** **Ushs'000**
Cash and bank balances	12,303,329	-	-	5,591,400	17,894,729
Deposits with commercial banks		99,835,759	-	-	99,835,759
Equity securities held-for-trading	-	-	-	112,181,205	112,181,205
Trade and receivables	-	-	-	41,181,526	41,181,526
Investments in securities held-to-maturity	247,046,309	910,765,604	6,196,751,865	-	7,354,563,778
Equity investments at fair value through profit or loss	-	-	-	1,326,207,276	1,326,207,276
Loans and advances	-	7,320,241	36,258,491	-	43,578,732
Total assets	**259,349,638**	**1,017,921,604**	**6,233,010,356**	**1,485,161,407**	**8,995,443,005**
Liabilities					
Other payables	-	-	-	(31,558,226)	(31,558,226)
Total liabilities	**-**	**-**	**-**	**(31,558,226)**	**(31,558,226)**
Gap as at 30 June 2018	**259,349,638**	**1,017,921,604**	**6,233,010,356**	**1,453,603,181**	**8,963,884,779**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management of liquidity risk

The Fund has access to a diverse funding base. Funds are raised mainly from members' contributions and reserves. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Fund strategy. In addition, the Fund has a Management Investment Committee that meets on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

Exposure to liquidity risk

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2019 to the contractual maturity date. All balances are in Ushs 000.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2019	Matured Ushs'000	<3 months Ushs'000	3-12 months Ushs'000	1-5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000
Financial assets						
Cash and bank balances	17,640,161	-	-	-	-	17,640,161
Deposits with commercial banks	-	15,012,197	46,219,821	128,095,344	-	189,327,362
Equity securities held-for-trading	-	-		91,432,601	-	91,432,601
Trade and other receivables		-	62,070,886	-	-	62,070,886
Debt instruments at amortised cost	-	427,913,464	1,093,531,230	5,529,243,549	9,948,105,560	16,998,793,803
Equity investments at fair value through profit or loss	-	-	-	-	1,265,470,262	1,265,470,262
Loans and advances	-	-	4,729,685	17,467,694	-	22,197,379
Total financial assets	**17,640,161**	**442,925,661**	**1,206,551,622**	**5,766,239,188**	**11,213,575,822**	**18,646,932,454**
Financial liabilities						
Other payables	-	(33,150,300)	(26,788,412)		-	(59,938,712)
Financial liabilities	**-**	**(33,150,300)**	**(26,788,412)**		**-**	**(59,938,712)**
Liquidity gap as at 30 June 2019	**17,640,161**	**409,775,361**	**1,179,763,210**	**5,766,239,188**	**11,213,575,822**	**18,586,993,742**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2018	**Matured Ushs'000**	**<3 months Ushs'000**	**3-12 months Ushs'000**	**1-5 years Ushs'000**	**> 5 years Ushs'000**	**Total Ushs'000**
Financial assets						
Cash and bank balances	17,894,729	-	-	-	-	17,894,729
Deposits with commercial banks	-		129,788,450	-	-	129,788,450
Equity securities held-for-trading	-	-		112,181,205	-	112,181,205
Trade and other receivables		-	41,181,526	-	-	41,181,526
Investments in securities held-to-maturity	-	92,337,840	910,765,604	4,724,244,546	8,947,175,559	14,674,523,549
Equity investments at fair value through profit or loss	-	-	-	-	1,326,207,276	1,326,207,276
Loans and advances	-	-	2,740,365	27,745,421	1,559,757	32,045,543
Total financial assets	**17,894,729**	**92,337,840**	**1,084,475,945**	**4,864,171,172**	**10,274,942,592**	**16,333,822,278**
Financial liabilities						
Other payables	-	(19,931,423)	(11,626,803)		-	(31,558,226)
Financial liabilities	**-**	**(19,931,423)**	**(11,626,803)**		**-**	**(31,558,226)**
Liquidity gap as at 30 June 2018	**17,894,729**	**72,406,417**	**1,072,849,142**	**4,864,171,172**	**10,274,942,592**	**16,302,264,052**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including investments in investments in government and corporate bonds, loans and advances deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. For risk management reporting purposes, the Fund considers all elements of credit risk exposure such as individual obligator default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Management Investment Committee. The Investments Department is responsible for oversight of the Fund's credit risk, including:

- Formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting. Documentary, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Fund's Legal and Compliance Department.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Management Investment Committee. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing compliance of investment mix with agreed exposure limits, including those for selected industries, country risk and product types. The Fund's Investment Committee is responsible for monitoring the credit quality of investments and ensuring that appropriate corrective action is taken and providing advice, guidance and specialist skills to business units to promote best practice throughout the Fund in the management of credit risk.

The Investment department is required to implement the Fund's credit policies and procedures, with credit approval authorities delegated from the Fund's Board of Directors. The Investment department is responsible for the quality and performance of the Fund's investment portfolio and for monitoring and controlling all credit risks in the Fund's portfolio, including those subject to Board approval.

Regular audits of the Investment department and the Fund's credit processes are undertaken by the Internal Audit department.

Exposure to credit risk

Debt instruments at amortised cost and cash deposits
The Fund's maximum exposure to credit risk for the components of the statement of net assets available for benefits at 30 June 2019 and 30 June 2018 is the carrying amounts or the principal deposits plus accrued interest and expected cashflows in the next 12 months.

For debt instruments at amortised cost, which mainly relate to government debt securities issued by sovereign governments in their local currencies i.e. Uganda, Kenya, Tanzania, Rwanda with fixed interest payments and no history of default, the Fund applies the low credit risk simplification.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

At every reporting date, the Fund evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the debt instrument. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Fund also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs

The Fund's debt instruments at amortised cost are graded with stable outlook by Standard & Poor, Moody's and Fitch. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance is based on the lifetime ECL.

The staff loans have been considered insignificant and as such no ECLs have been computed.

The resultant ECLs on bank balances have been considered insignificant and as such no ECLs have been included for the amounts.

The maximum exposure to credit risk at the reporting date is as disclosed in below;

	2019 Ushs 000	2018 Ushs 000
Bank and mobile balances	17,591,207	17,886,073
Deposits due from banks	145,736,449	99,835,759
Trade and other receivables	62,070,886	41,181,526
Debt instruments at amortised cost	8,528,619,800	-
Investment securities held-to-maturity	-	7,354,563,778
Loans and advances	19,024,785	22,985,894
	8,773,043,127	**7,536,453,030**

Set out below is the information about the credit risk exposure on the deposits with commercial banks, government and corporate bonds and loans and advances as at 30 June:

2019	Note	Gross amount Ushs 000	ECL Ushs 000	Carrying amount Ushs 000
Bank and mobile money balances		17,591,207	-	17,591,207
Deposits due from banks	15	146,791,400	(1,054,951)	145,736,449
Debt instruments at amortised cost	18	8,532,738,213	(4,118,413)	8,528,619,800
Loans and advances	20	39,862,981	(20,838,196)	19,024,785
		8,736,983,801	**(26,011,560)**	**8,710,972,241**

For 2018 there was no allowance for impairment of deposits with commercial banks, government and corporate bonds. The allowance for impairment recognised entirely related to the loan issued to Uganda Clays Limited whose details are as included in note 20.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Trade and other receivables

An impairment analysis is performed at each reporting date using a single loss rate approach to measure expected credit losses. Under the loss rate approach, the Fund develops loss-rate statistics on the basis of the amounts collected over the life of the financial assets rather than using separate probability of default and loss given default statistics. The Fund then adjusts these historical credit loss trends for current conditions and expectations about the future. The loss rates are based on groupings of various customer segments with similar loss patterns (i.e., by building location). The calculation reflects a simple average of all loss rates per period, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Fund uses an overlay of measuring and forecasting the level of defaults. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Fund does not hold collateral as security.

The staff advances have been considered insignificant and as such no ECLs have been computed.

The maximum exposure to credit risk at the reporting date is the carrying amounts of the financial assets disclosed below;

	2019	2018
	Ushs 000	Ushs 000
Trade receivables	5,987,515	3,317,301
Dividends receivable	53,406,919	34,959,875
Other receivables	2,676,453	2,904,349
Gross receivables	**62,070,887**	**41,181,525**

Set out below is the information about the credit risk exposure on the Fund's trade and other receivables using a single loss rate approach as at 30 June:

2019

	Gross receivable	Loss rates	ECL	Carrying amount
	Ushs' 000		Ushs' 000	
Trade receivables*	6,911,655		(924,140)	5,987,515
Contributions receivable	1,879,493	100%	(1,879,493)	-
Dividends receivable	58,150,226	8%	(4,743,307)	53,406,919
Other receivables	5,504,498	51%	(2,828,045)	2,676,453
	72,445,872		**(10,374,985)**	**62,070,887**

For 2018, the allowance for impairment of trade receivables was under the incurred loss model and reflected more of general and specific provisions rather than loss rates. Movements in the allowance in 2018 have been disclosed in note 17.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Set out below is the information about the credit risk exposure on the Fund's trade receivables based on the customer segment i.e. building location using a single loss rate approach as at 30 June 2019:

	Gross receivable Ushs' 000	Loss rates	ECL Ushs' 000	Carrying amount Ushs' 000
Workers House	1,930,947	9%	(166,146)	1,764,801
Social Security House	4,396,814	14%	(605,366)	3,791,448
Yusuf Lule parking	440,846	26%	(113,417)	327,429
Naguru-Muvule	143,048	27%	(39,211)	103,837
	6,911,655		**(924,140)**	**5,987,515**

For 2018, the allowance for impairment of trade receivables was under the incurred loss model and reflected more of general and specific provisions rather than loss rates. Movements in the allowance in 2018 have been disclosed in note 17.

d) Categories of financial assets and financial liabilities

Set out below, is an overview of financial assets and financial liabilities held by the Fund as at 30 June:

	2019 Ushs 000	2018 Ushs 000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Equity securities held-for-trading	91,432,601	112,181,205
Equity investments at fair value through profit or loss	1,265,470,262	1,326,207,276
Total financial assets at fair value	**1,356,902,863**	**1,438,388,481**
Debt instruments at amortised cost		
Cash and bank balances	17,640,161	17,894,729
Deposits with commercial banks	145,736,449	99,835,759
Trade and other receivables	62,070,886	41,181,526
Debt instruments at amortised cost	8,528,619,800	-
Investments in securities held-to-maturity	-	7,354,563,778
Loans and advances	19,024,785	22,985,894
Total financial assets at amortised cost	**8,773,092,081**	**7,536,461,686**
Total financial assets	**10,129,994,944**	**8,974,850,167**
Total current	**1,469,933,853**	**1,320,585,037**
Total non-current	**8,660,061,091**	**7,654,265,130**
	10,129,994,944	**8,974,850,167**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Other payables	59,938,712	31,558,226
Total financial liabilities	**59,938,712**	**31,558,226**

All financial liabilities are current

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

Set out below is a comparison of the carrying amounts and fair values of the Fund's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount		Fair value	
	2019 Ushs 000	2018 Ushs 000	2019 Ushs 000	2018 Ushs 000
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Equity securities held-for-trading	91,432,601	112,181,205	91,432,601	112,181,205
Equity investments at fair value through profit or loss	1,265,470,262	1,326,207,276	1,265,470,262	1,326,207,276
Debt instruments at amortised cost				
Debt instruments at amortised cost	8,528,619,800	-	9,397,886,707	-
Held-to-maturity investments	-	7,354,563,778	-	7,504,017,455
Total financial assets	**9,885,522,663**	**8,792,952,259**	**10,754,789,570**	**8,942,405,936**

All financial liabilities have carrying amounts that approximate their fair values.

e) Capital management

The primary source of capital used by the Fund is member contributions and income from investments. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board. There have been no significant changes in the Fund's capital management policies and processes and capital structure during the past year and previous year. An important aspect of the Fund's overall capital management process is the setting of target risk and inflation adjusted rates of return, which are aligned to performance objectives and ensure that the Fund is focused on the creation of value for the members. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate actions that will provide the target return in light of changes in economic conditions and risk characteristics.

The Fund seeks to optimise the structure and investment of capital to ensure that it consistently maximises returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 11% was declared for the year 2019 (2018: 15%).

39. FAIR VALUE MEASUREMENT

Fair values of cash and deposits with commercial banks, trade receivables, loans and advances and other payables reasonably approximate their carrying amounts largely due to the short-term maturities of these instruments and/or because they carry interest rates that reasonably approximate market rates.

The carrying amounts of equity securities held for trading and at fair value through profit of loss are the same as their fair values since the instruments are presented at fair value.

The financial instruments whose fair values differ from the carrying amounts as shown in the statement of net assets available for benefits are analysed as follows:

	30 June 2019		30 June 2018	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Debt instruments at amortised cost	**8,528,619,800**	9,397,886,707	**-**	**-**
Investment securities held to maturity	-	-	7,354,563,778	7,504,017,455

Valuation techniques
Description of valuation techniques used and key inputs to valuation for investment properties and finance leases are disclosed under note 24 and 28 respectively, and below for debt instruments at amortised cost/held to maturity investments (Government debt securities and Corporate bonds) and investments at fair value through Profit or loss:

Government debt securities: - Government debt securities are bonds issued by sovereign governments i.e Uganda, Kenya, Tanzania, Rwanda with fixed interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Other debt securities: - Most of these instruments are standard fixed rate securities made up of mainly corporate bonds. The fund uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments where usually there is no sufficient third-party trading data to justify Level 1 classification. The corporate bonds held by the fund have sufficient third-party trading and have, therefore, been considered Level 1.

Equity instruments: -The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions. Such instruments are generally Level 2. Equity instruments in non-listed entities including investment in private equity funds are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as Level 3.

39. FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides the fair value measurement hierarchy of the Fund's assets and liabilities measured at fair value or those for which fair value is disclosed:

As at 30 June 2019

	Date of valuation	Total Ushs '000	Fair value measurement using: Quoted price in active market (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservable inputs (Level 3) Ushs '000
Assets measured at fair value					
Investment at fair value through profit or loss (Note 19)	30-Jun-19	1,265,470,262	1,139,851,504	125,618,758	-
Quoted equities-held for trading (Note 16)	30-Jun-19	91,432,601	91,432,601	-	-
Investment Properties (Note 24)	30-Jun-19	491,746,647	-	-	491,746,647
Finance leases (Note 28)	30-Jun-19	730,000	-	-	730,000
Assets for which fair values are disclosed					
Debt instruments at amortised cost	30-Jun-19	9,397,886,707	9,397,886,707	-	-

There have been no transfers between the levels during the period.

As at 30 June 2018

	Date of valuation	Total Ushs '000	Fair value measurement using: Quoted price in active market (Level 1) Ushs '000	Significant observable input (Level 2) Ushs '000	Significant unobservable input (Level 3) Ushs '000
Assets measured at fair value					
Investment at fair value through profit or loss (Note 19)	30-Jun-18	1,326,207,276	1,200,164,566	126,042,710	-
Quoted equities-held for trading (Note 16)	30-Jun-18	112,181,205	112,181,205	-	-
Investment Properties (Note 24)	30-Jun-18	464,627,140	-	-	464,627,140
Finance leases (Note 28)	30-Jun-18	630,000	-	-	630,000
Assets for which fair values are disclosed					
Investment securities held to maturity	30-Jun-18	7,504,017,455	7,504,017,455	-	-

39. FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

2019	Investment properties Shs'000	Finance Leases Shs'000	Total Shs'000
At 1 July 2018	**465,027,140**	**630,000**	**465,657,140**
Total gains in surplus or deficit	37,980,363	100,000	38,080,363
Reclassifications	(11,260,856)	-	(11,260,856)
At 30 June 2019	**491,746,647**	**730,000**	**492,476,647**
Total gains for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**37,980,363**	**100,000**	**38,080,363**
2018			
At 1 July 2017	**188,610,449**	**650,000**	**189,260,449**
Total gains/(loss) in surplus or deficit	48,079,065	(20,000)	48,059,065
Purchases	21,784,965	-	21,784,965
Sales	(363,640)	-	(363,640)
Reclassifications	206,916,301	-	206,916,301
At 30 June 2018	**465,027,140**	**630,000**	**465,657,140**
Total gains/(loss) for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**48,079,065**	**(20,000)**	**48,059,065**

39. FAIR VALUE MEASUREMENT (CONTINUED)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2019 and 30 June 2018 are, as shown below:

Description	Input	Sensitivity used*	Effect on the Fair value Ushs,000
Workers house	Estimated rental value	2019: 10%	7,446,000
		2018:10%	13,248,000
	Estimated rental expenditure	2019:10%	10,548,500
		2018:10%	6,372,000
	Vacancy factor	2019:1%	6,132,000
		2018:1%	1,404,000
	Discount factor	2019:1%	11,899,000
		2018:1%	7,610,400
Social Security house	Estimated rental value	2019: 10%	3,139,000
		2018:10%	3,816,000
	Estimated rental expenditure	2019:10%	7,099,250
		2018:10%	828,000
	Vacancy factor	2019:1%	6,898,500
		2018:1%	421,200
	Discount factor	2019:1%	9,490,000
		2018:1%	4,064,400

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

No sensitivity analysis was done for the other properties and finance leases as these were revalued using the sales comparison/market approach which was considered to be the most appropriate to determine the fair values of the properties that were mainly composed of vacant land, residential properties, and unoccupied buildings with no establishments to warrant use of other methods with varying inputs.

40. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 30 June 2019

	Within 12 months Ushs '000	After 12 months Ushs '000	Total Ushs'000
ASSETS			
Cash and bank balances	17,640,161	-	17,640,161
Deposits with commercial banks	54,472,111	91,264,338	145,736,449
Trade and other receivables	69,289,155	-	69,289,155
Equity securities held-for-trading	-	91,432,601	91,432,601
Tax deposit receivable	-	25,323,522	25,323,522
Debt instruments at amortised cost	1,317,266,985	7,211,352,815	8,528,619,800
Equity investments at fair value through profit or loss	-	1,265,470,262	1,265,470,262
Loans and advances	3,666,667	15,358,118	19,024,785
Investments in associates	-	317,606,820	317,606,820
Inventories	14,447,603		14,447,603
Capital work-in-progress	-	310,279,796	310,279,797
Investment properties	-	491,746,647	491,746,647
Intangible assets	-	7,876,182	7,876,182
Property and equipment	-	12,564,918	12,564,918
Tax claimable	-	21,185,091	21,185,091
Finance leases	-	730,000	730,000
Total assets	**1,476,782,682**	**9,862,191,110**	**11,338,973,793**
LIABILITIES			
Other payables	60,535,554	-	60,535,554
Contract liabilities	3,856,061		3,856,061
Provisions for litigation	807,041	-	807,041
Total liabilities	**65,198,656**	**-**	**65,198,656**

40. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 30 June 2018

	Within 12 months Ushs '000	After 12 months Ushs '000	Total Ushs'000
ASSETS			
Cash and bank balances	17,894,729	-	17,894,729
Deposits with commercial banks	99,835,759	-	99,835,759
Trade and other receivables	47,763,900	-	47,763,900
Equity securities held-for-trading	-	112,181,205	112,181,205
Tax deposit receivable	-	25,323,522	25,323,522
Investments in securities held-to-maturity	1,157,811,913	6,196,751,865	7,354,563,778
Equity investments at fair value through profit or loss	-	1,326,207,276	1,326,207,276
Loans and advances	3,861,110	19,124,784	22,985,894
Investments in associates	-	298,309,967	298,309,967
Inventories		10,830,186	10,830,186
Capital work-in-progress	-	167,015,801	167,015,801
Investment properties	-	465,027,140	465,027,140
Intangible assets	-	6,628,743	6,628,743
Property and equipment	-	10,918,028	10,918,028
Tax claimable	-	16,929,197	16,929,197
Finance leases	-	630,000	630,000
Total assets	**1,327,167,411**	**8,655,877,714**	**9,983,045,125**
LIABILITIES			
Other payables	32,956,932	-	32,956,932
Provisions for litigation	13,796,545	-	13,796,545
Total liabilities	**46,753,477**	**-**	**46,753,477**

41. ESTABLISHMENT

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

42. SUBSEQUENT EVENTS

There were no material events occurring after the reporting date which had an impact on the financial position or results of the Fund.