"In our commitment to make lives better and provide financial growth to our members future and well-being, we are proud to present positive returns amidst global uncertainty."

Workers House,
NSSF Headquarters

NATIONAL SOCIAL SECURITY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2022

NSSF
a better life

National Social Security Fund financial statements
for the year ending 30 June 2022

a better life

CONTENTS

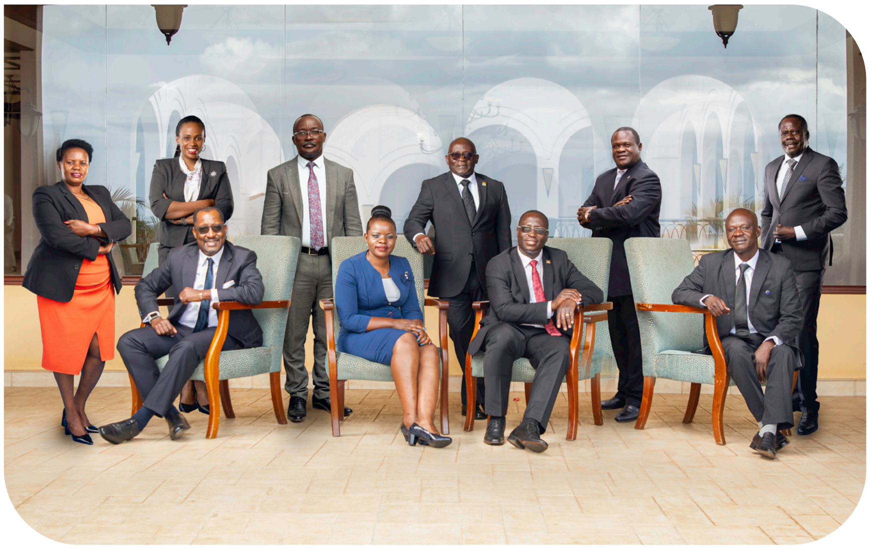
FINANCIAL STATEMENTS

FUND INFORMATION

DIRECTORS

Dr.	Peter Kimbowa	Chairman (Appointed on 1 September 2021)
Mr.	Aggrey David Kibenge	Member (First Appointed 10 November 2020)
Mr.	Patrick Ocailap	Member (First appointed 1 September 2015)
Ms.	Penninah Tukamwesiga	Member (First appointed 1 September 2015)
Dr.	Sam Lyomoki	Member (Appointed on 1 September 2021)
Dr. Eng.	Silver Mugisha	Member (Appointed on 1 September 2021)
Mr.	Lwabayi Mudiba Hassan	Member (Appointed on 1 September 2021)
Mr.	Richard Byarugaba	Managing Director (First Appointed 20 July 2010)
Ms.	Annet Birungi	Member (Appointed on 28 February 2022)
Ms.	Annet Mulindwa Nakawunde	Member (Appointed on 28 February 2022)
Mr.	Bahemuka Julius	Member (Resigned on 24 February 2022)
Mr.	Fred Kanyangoga Bamwesigye	Member (Resigned on 28 February 2022)
Mr.	Patrick Byabakama Kaberenge	Chairman (Term ended on 31 August 2021)
Mr.	Peter Christopher Werikhe	Member (Term ended on 31 August 2021)
Dr.	Isaac E.W. Magoola	Member (Term ended on 31 August 2021)
Mr.	D. Stephen Mugole Mauku	Member (Term ended on 31 August 2021)
Mrs.	Florence Namatta Mawejje	Member (Term ended on 31 August 2021)

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 AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
10th Floor, Communications House
1 Colville Street
P. O. Box 882
Kampala, Uganda

ADVOCATES

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

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

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

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

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

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

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

BANKERS

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

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

Housing Finance Bank
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

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

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

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

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

I&M Bank (Uganda) Limited
(formerly Orient Bank Uganda Limited)
Orient Plaza No. 14 Kampala Road
P. O. Box 3072
Kampala, Uganda

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

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

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

Absa Bank 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 Uganda Limited
Plot 56 Kiira Road
P. O. Box 7323
Kampala, Uganda

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

NCBA Bank Uganda Limited
Rwenzori Towers
P. O. Box 28707
Kampala, Uganda

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022 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 corporate body established by an Act of Parliament and is domiciled in Uganda and licenced as a Retirement Benefit Scheme under the Uganda Retirement Benefits Regulatory Act (2011) with dual supervision from the Ministry of Finance and Economic Development and the Ministry of Gender Labour and Social Development.

2. Principal activity
The Fund was established by an Act of Parliament to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund that pays out contributions in lump sum. It is open to all employees in the private sector including Non-Governmental Organisations 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 employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which the employer is entitled to recover 5% from the employee.

3. Results from operations
The results of the Fund are set out on page 12.

4. Interest to members
Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The interest rate used to allocate interest for the year the year ended 30 June 2022 was 9.65% (2021: 12.15%).

5. Reserves and accumulated funds
The reserves of the Fund and the accumulated members' funds are set out on page 13.

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 2022, PricewaterhouseCoopers Certified Public Accountants was 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 27 September 2021.

By Order of the Board,

Ms. Agnes Tibayeita Isharaza
Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 safeguard 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 (as amended 2022); 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 year under review, in the execution of their duties they have complied with the requirements 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 ascertain that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

These financial statements:

- were approved by the Board of Directors on 27 September 2022;
- 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 2022 as well as the results of its activities for the year then ended in accordance with IFRS.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. In performing this assessment, the Directors have considered the results of the Fund's assessment of the possible impact on its cash flows and operations as a result of the macroeconomic impact of COVID-19 on the local Ugandan market and wider international economy that is disclosed in Note 44 of the financial statements. The Directors hereby report that nothing has come to their attention to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

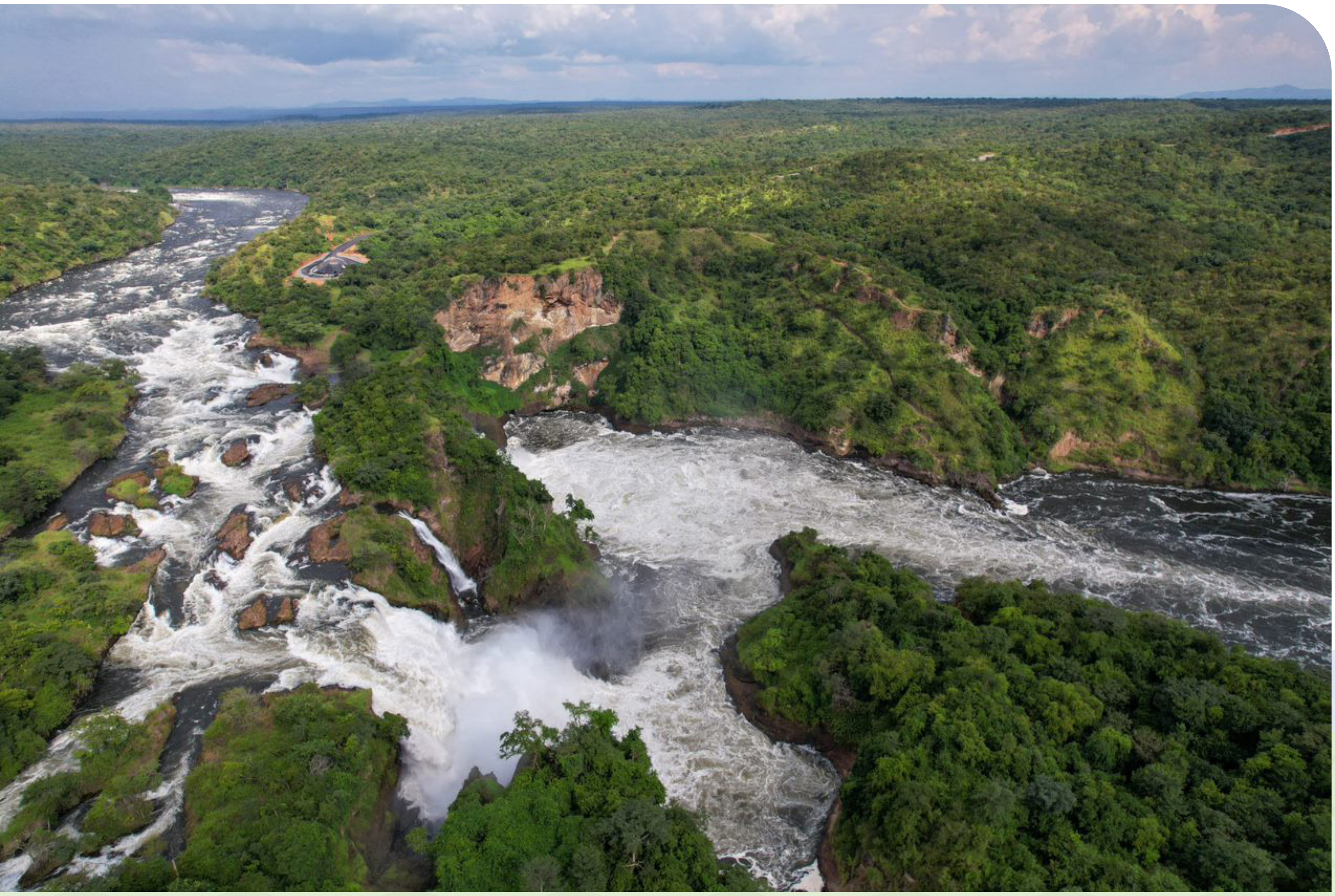
The Directors confirm that for the year ended 30 June 2022, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

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.

Dr. Peter Kimbowa
Chairman

Mr. Richard Byarugaba
Managing director

Dr. Eng. Silver Mugisha
Director



REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2022

The Rt. Hon. Speaker of Parliament

Our opinion

I have audited the financial statements of National Social Security Fund (NSSF) which comprise the Statement of Net Assets Available for Benefits as at 30 June 2021 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 as set out on pages 14 to 28.

In my opinion, the financial statements present a true and fair view of the financial position of the Fund as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, 2008, the

International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matter

A key audit matter is that which in my professional judgment was of most significance in my audit of the financial statements of the current period. This matter was addressed in the context of my audit of the Fund's financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on it.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties As disclosed in Note 25 of the financial statements, the Fund has estimated fair values of investment properties amounting to Shs 892,185 million at 30 June 2022 (2021: Shs 852,506 million). I considered this a key audit matter due to significant judgment exercised by the Directors and the complexity involved in the determination of the fair value of investment properties. Specifically, significant judgement has been exercised in: • determining the appropriateness of valuation techniques applied in view of the facts and circumstances applicable to each property, taking into consideration the effects of Corona Virus 2019 (COVID – 19) pandemic; and • evaluation of the assumptions applied in determination of unobservable inputs relevant to the determination of the fair value of investment properties, such as comparable market prices, projected future cash flows and discount rates.	**My audit procedures are summarised as follows:** • I obtained an understanding of the Fund's approach to valuation of its investment properties including policies on use and selection of external valuers and the review and approval processes for results of valuations; • I evaluated the competence and objectivity of the external valuers selected by the Fund to carry out independent valuation of its investment properties. I also reviewed their experience and professional qualifications; • I evaluated the appropriateness of the valuation methodology applied by the Directors in the determination of fair value for consistency with IFRS requirements; • On a sample basis, we validated the mathematical accuracy of valuations arrived at by external valuers taking into account the specific estimates and assumptions made by the respective valuers; • I tested the accuracy of the data used to derive unobservable inputs into the valuations, such as comparable market prices, expected future rental income in view of historical occupancy rates and future rent escalations, exit values and discount rates and • independently recomputed unobservable inputs on a sample basis to determine that they were derived in line with the Fund's valuation policy; and • I assessed the adequacy of the disclosures in the financial statements in accordance with IAS 40.

Other information

The Directors are responsible for the other information. The other information comprises the annual report but does not include the financial statements and my report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of the other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, Uganda Retirement Benefits Regulatory Act, National Social Security Act and, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

The Directors are responsible for overseeing the Fund's financial reporting process.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2022 *(continued)*

Auditor's responsibilities for the audit of the financial statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is 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 auditor's 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 the financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusion is based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

From the matters communicated with the Directors, I 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. I describe these matters in my 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.

John F.S. Muwanga
Auditor General

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Note	2022 Ushs 000	2021 Ushs 000
CONTINUING OPERATIONS			
Dealings with members			
Contributions received during the year	33	1,486,439,181	1,367,321,591
Benefits paid	33	(1,189,454,740)	(642,324,102)
Net dealings with members		**296,984,441**	**724,997,489**
Revenue			
Interest income	5	1,800,043,561	1,605,409,548
Real estate income	6 (b)	11,971,781	15,419,002
Dividend income	7	99,771,051	74,908,277
Total revenue		**1,911,786,393**	**1,695,736,827**
Other income/(losses)			
Fair value gains on investments	8 (a)	(123,158,647)	433,255,407
Foreign exchange losses	8 (b)	(13,404,163)	(302,220,865)
Other income	8 (c)	1,019,144	9,838,826
Total other income/(loss)		**(135,543,666)**	**140,873,368**
Expenditure			
Administrative expenses	9	(154,463,316)	(124,917,354)
Impairment losses on financial assets	10	(9,357,696)	(2,273,274)
Other operating expenses	11	(27,496,107)	(26,914,803)
Amortisation of intangible assets	26	(2,706,455)	(1,667,461)
Depreciation on property and equipment and right-of-use assets	27 and 28	(8,095,613)	(7,005,698)
Total expenditure		**(202,119,187)**	**(162,778,590)**
Finance costs	12	(1,126,330)	(1,519,559)
Surplus before income tax from continuing operations	13	**1,869,981,651**	**2,397,309,535**
Income tax expense	14 (a)	(180,411,829)	(167,428,279)
Net increase in the fund for the year from continuing operations		**1,689,569,822**	**2,229,881,256**
DISCONTINUED OPERATIONS			
Net increase in the fund for the year from discontinued operations	30	–	465,032
Net increase in the fund for the year		**1,689,569,822**	**2,230,346,288**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Note	2022 Ushs 000	2021 Ushs 000
ASSETS			
Cash and bank balances	15	72,790,863	80,835,813
Deposits with commercial banks	16	225,803,016	204,709,471
Trade and other receivables	17	200,413,183	71,148,444
Equity securities externally managed	18	89,069,119	104,109,596
Tax deposit receivable	14 (c)	25,323,522	25,323,522
Debt instruments at amortised cost	19	12,826,279,795	11,556,221,300
Equity investments internally managed	20	2,094,024,863	1,899,950,381
Loans and advances	21	9,365,377	11,704,035
Investment in associates	22	424,392,946	374,073,633
Inventories	23	278,891,159	275,474,873
Capital work-in-progress	24	2,062,062	13,610,044
Investment properties	25	892,184,570	852,506,254
Intangible assets	26	27,940,077	11,513,843
Property and equipment	27	50,060,959	44,628,040
Right-of-use assets	28	2,714,466	3,330,227
Tax claimable	29	34,140,625	29,264,762
Assets held for sale	30	–	728,000
TOTAL ASSETS		**17,255,456,602**	**15,559,132,238**
LIABILITIES			
Other payables	31	92,558,405	88,141,355
Contract liabilities	32	9,411,806	9,020,690
TOTAL LIABILITIES		**101,970,211**	**97,162,045**
MEMBER LIABILITIES			
Accumulated member's funds	33	16,961,837,142	15,299,197,333
Member reserve accounts	35	74,843,156	68,256,412
Accumulated surplus		15,372,770	2,529,619
TOTAL MEMBER LIABILITIES		**17,052,053,068**	**15,369,983,364**
NET ASSETS		**101,433,324**	**91,986,829**
Represented by:			
Fund reserves		**101,433,324**	**91,986,829**

These financial statements were approved for issue by the Board of Directors on 20 September 2022 and signed on its behalf by

Dr. Peter Kimbowa
Chairman

Mr. Richard Byarugaba
Managing director

Dr. Eng. Silver Mugisha
Director

Date: 23 September 2022

STATEMENT OF CHANGES IN FUND RESERVES

	Fund Reserves* Ushs 000
At 1 July 2020	**81,194,465**
Special contributions received	10,792,364
At 30 June 2021	**91,986,829**
At 1 July 2021	
Special contributions received	9,446,495
At 30 June 2022	**101,433,324**

* Fund Reserves relate to accumulated special contributions received in accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222).

STATEMENT OF CASH FLOWS

	Note	2022 Ushs 000	2021 Ushs 000
Net cash flows used in operating activities	36	**(142,339,457)**	**(102,834,902)**
Investing activities			
Purchase of software	26	(2,302,575)	(3,978,591)
Purchase of property and equipment	27	(6,584,840)	(8,037,730)
Purchase of investment properties	25	(46,628,302)	(81,245,342)
Proceeds from disposal of investment property		921,046	–
Additions to capital work-in-progress	24	(13,266,855)	(6,904,532)
Purchase of equity investments internally managed	18	(428,071,760)	(186,731,555)
Purchase of equity investments externally managed	18	(14,434,718)	(6,370,470)
Proceeds from disposal of equity investments externally managed	18	11,653,111	1,265,715
Purchase of debt instruments at amortised cost	19	(2,153,419,694)	(2,159,344,868)
Maturities of debt instruments at amortised cost	19	898,435,339	451,382,495
Placement of deposits with commercial banks	16	(1,546,691,199)	(175,128,211)
Maturities of deposits with commercial banks	16	1,518,832,589	175,627,748
Maturities of loans and advances	21	2,254,874	3,753,923
Interest received from debt instruments at amortised cost	19	1,572,174,423	1,388,626,625
Interest received from loans and advances	21	1,260,019	1,667,244
Interest received from commercial bank deposits	16	27,453,813	16,826,312
Increase in investment in associate	22	(2,652,910)	(808,313)
Dividends received		5,805,402	9,844,685
Net cash flows used in investing activities		**(175,262,236)**	**(579,554,865)**
Financing activities			
Repayment of principal amount lease liabilities	30	(939,401)	(1,006,252)
Benefits paid out to members	33	(1,189,454,740)	(642,324,102)
Contributions received from members	33	1,486,439,181	1,367,321,591
Interest recovered on arrears	33	4,065,207	2,419,884
Special contributions received	34	9,446,495	10,792,364
Net cash flows generated from financing activities		**309,556,743**	**737,203,485**
Increase in cash and cash equivalents		(8,044,950)	54,813,718
Cash and cash equivalents at the beginning of the year		80,835,813	26,022,095
Cash and cash equivalents at 30 June	14	**72,790,863**	**80,835,813**

NOTES TO THE FINANCIAL STATEMENTS

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 Act (Cap 222). The address of the Fund's registered office is:

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

The Fund is a defined contribution scheme which is open to 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 ended 30 June 2022, the Fund paid benefits to 53,035 beneficiaries (2021: 29,914 beneficiaries). According to the NSSF Act (Cap. 19), the benefits paid out of the Fund include:

- **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.
- **Mid-term Benefits** – payable to a member who has attained the age of 45 years and has saved for a period of 10 years.

As part of reforms whose objective is a liberalised and regulated retirement benefits sector. Government of Uganda enacted the Retirement Benefits Regulatory Authority Act in September 2011. The law established the Uganda Retirement Benefits Regulatory Authority (URBRA) whose function is to regulate all retirement schemes including NSSF. The Fund has a valid operating licence (Licence No. RBS 0002) issued by URBRA in line with UBRA Act.

On 2 January 2022, The President assented to the NSSF (Amendment) Act 2021 which presented a number of reforms including the introduction of Midterm Access, voluntary saving over and above the mandatory 15% contributions and expansion of social security coverage to all workers.

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.

2. BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance and compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and fulfilment of the requirements of the NSSF Act.

The financial statements have been prepared on a historical cost basis except as otherwise indicated below. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

Associates are all entities over which the Fund has significant influence but not control or joint control. This is generally the case where the Fund holds between 20% and 50% of the voting rights of the underlying entity. Investments in associates are initially recognised at cost and subsequently measured at fair value. Where the measurement of fair value is not possible due to absence of quoted prices in an active market, the Fund applies its share of net assets in the associate as derived using the equity method of accounting as a proxy to fair value. Under the equity method, the carrying amount of the investment is adjusted to recognise changes in the Fund's share of the net assets of the associate since the acquisition date. Changes in the Fund's share of net assets are 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

Revenue from contracts with customers
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 properties
The Fund develops and sells residential properties. Revenue is recognised at a point in time when legal tittle has passed to the buyer.

The Fund has arrangements for full or partial prepayment of consideration under its standard property sale contracts. A contract liability for the advance payment is recognised at the time of cash receipt. Revenue is recognised when the property sale is concluded as described above.

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 properties to a customer before payment is due, a contract asset is recognised for the earned consideration.

Significant financing component
Generally, the Fund receives accepts advance rent payment 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Revenue recognition *(continued)*

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.

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.

Interest income/expense
Interest income and expense on all interest-bearing instruments are recognised using the effective interest method in statement of changes in net assets available for benefits.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts financial instruments estimated future cash payments or receipts through its expected life or, where appropriate, a shorter period to the net carrying amount. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest income/expense calculated using the effective interest method.

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 is generally after declaration of dividends and approval by the shareholders of investee companies.

Rental income
Rental income from investment properties is recognised 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 relates to fair value gains and losses related to equity instruments and investment in associates. It also includes gains from disposal of the Fund's assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) 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 recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, being the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value are expensed in statement of changes in net assets available for benefits. After initial recognition subject to increase in credit risk, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost.

For a financial asset to be classified and measured at amortised cost or fair value, 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 to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
The financial assets are subsequently measured at fair value with the exception of government securities and fixed bank deposits which are subsequently measured at amortised cost This treatment reflects the fact that these instruments are used to match the obligations of the Fund.

The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The Fund's financial assets comprise of the following:

- Cash and cash equivalent (Note 15)
- Debt instruments at amortised cost (Note 19)
- Equity instruments (Notes 18 and 20)
- Loans and advances (Note 21)
- Trade and other receivables (Note 17)
- Deposits with commercial banks (Note 16)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Derecognition *(continued)*

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 39)
- Debt instruments at amortised cost (Note 19)
- Loans and advances (Note 21)
- Trade and other receivables (Note 17)
- Deposits with commercial banks (Note 16)

The Fund recognises an allowance for ECLs for all financial assets that are measured at amortised cost. 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 twelve 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 is computed as the ratio of outstanding invoice beyond the default period and invoices raised at the beginning of each period. Currently invoices raised majorly relate to rental space occupied by the tenants on the Fund's lettable properties.

In case of payments on the outstanding invoices, the recovery rate is 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Impairment of financial assets *(continued)*

The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast,12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible withintwelve months after the reporting date.

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Financial assets are written off either partially or in their entirety only when the Fund has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of changes in net assets available for benefits.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value are recognised immediately in the statement of changes in net assets available for benefits.

Subsequent measurement

The Fund's payables majorly relate to amounts due to contractors for works done on property developments and amounts due to other suppliers of goods and services consumed in day-to-day operations of the Fund.

Other payables 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.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Changes in Net Assets Available for Benefits.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Fair value measurement

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 is usually 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.

Where the market price of a financial asset is not observable the Fund applies a valuation model to estimate the fair value at the reporting date.

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.

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/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. Selection 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Fair value measurement *(continued)*

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.

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

- Disclosures for valuation methods, significant estimates and assumptions – Note 4 and 39;
- Quantitative disclosures of fair value measurement hierarchy – Note 41;
- Financial instruments (including those carried at amortised cost) – Notes 15,16, 17, 18, 20 and 40;
- Investment property – Note 25; and
- Capital work in progress – Note 24.

f) Property and equipment

- Property and equipment is stated at cost, net of accumulated depreciation and/or 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 assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
- When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
- Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.
- Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.
- Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the reducing balance method over their estimated useful lives and is generally recognised in surplus or deficit.

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 and other electronic gadgets	25%–33%

Depreciation commences once the asset is capitalised and is ready for use as intended by management and ceases on the day of derecognition.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal, when the fund loses control of the asset 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.

Land and buildings, which represent that portion of mixed-use properties that is owner occupied, are subsequently measured at fair value with changes in fair value recognised in the statement of changes in net assets available for benefits and depreciation measured to write down the post valuation amount over the remaining useful life of the property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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.

Right-of-use assets that meet the definition of investment property are presented as investment property.

i) Inventories

The Fund's inventories comprise of completed housing units for sale and housing units for sale that are under development. Inventories are initially recognised at cost and remeasured to fair value at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) 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.

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.

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 in the statement of net assets available for benefits comprise cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term highly liquid deposits in form of mobile money balances (as disclosed in Note 15 that are available on demand as at the reporting date.

o) Capital work-in-progress

Capital work in progress (CWIP) relates to ongoing capital projects of investment or operational nature. Additions to capital work in progress are initially recognised at cost and subsequently measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Members' funds

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

(i) The Fund recognises a liability to pay benefits to members composed of contributions declared on the account of each member and interest accumulated on each account in accordance with the obligations laid out in the NSSF Act.

(ii) Interest is allocated to each members' account at the rate declared by the Minister for each member in consultation with the Board of Directors each year, and is recognised in the statement of net assets available for benefits.

(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.

The recognition of the expense and respective interest provision is based on the requirement under the NSSF Act to recognise member balances as a debt obligation.

(iv) Benefit payments to members

Benefits payments to members are made upon meeting criteria for payment as set out in the NSSF Act. Such payments recognised as a charge in the statement of changes in net assets available for benefits, and as a reduction from members' funds when paid.

(v) Contributions from members

Member contributions remitted by their employers are recognised in the statement of changes in net assets available for benefits when received. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognised in subsequent years when received.

q) Reserve account

The reserve account is credited with 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.

r) Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Fund as a lessee

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets (except those meeting the definition of investment property)

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Fund considered tenancy arrangements for its branches with an estimated lease term of years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) Leases *(continued)*

If ownership of the leased asset transfers to the Fund at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are presented within Note 28 and are subject to impairment in line with the Fund's policy as described in Note 3 (j) Impairment of non-financial assets.

Right-of-use assets (meeting the definition of investment property)
The Fund's accounting policy for investment properties is disclosed in Note 3 (h).

Lease liabilities
At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Fund's lease liabilities are presented within other payables in Note 31.

Short-term leases and leases of low-value assets
The Fund applies the short-term lease recognition exemption to its short-term leases of any rental payments (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The Fund as a lessor
Leases in which the Fund does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

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 (b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Current/non-current distinction *(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) Non-current assets held for sale and discontinued operations

The Fund classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

For investment property previously accounted for using the fair value model, immediately before the initial classification of the asset as held for sale, the carrying amounts of the asset are measured in accordance with policies as disclosed in Note 3 (h).

Assets and liabilities classified as held for sale are presented separately as current items in the statement of net assets available for benefits.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as surplus or deficit after tax from discontinued operations in the statement of changes in net assets available for benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u) Changes in accounting policies and disclosures

Below are standards issued and effective during the year that had lesser or no impact on the Fund's financial statements;

- **IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment – Effective for annual periods beginning on or after 1 April 2021**

  The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. This amendment had no impact on the financial statements of the Fund.

- **Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2) – Effective for annual periods beginning on or after 1 January 2021**

  The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. These amendments had no impact on the financial statements of the fund.

- **Annual improvements cycle 2018 -2020 – Effective for annual periods beginning on or after 1 January 2022**

  These amendments include minor changes to:

  i. IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. This amendment had no impact on the financial statements of the fund.

  ii. IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. This amendment had no impact on the financial statements of the fund.

  iii. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. This amendment had no impact on the financial statements of the fund.

  iv. IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. This amendment had no impact on the financial statements of the fund.

- **Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract – Effective for annual periods beginning on or after 1 January 2022**

  The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. These amendments had no impact on the financial statements of the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u) Changes in accounting policies and disclosures *(continued)*

- **Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use – Effective for annual periods beginning on or after 1 January 2022**

  The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. These amendments had no impact on the financial statements of the fund.

- **Amendments to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity – Effective for annual periods beginning on or after 1 January 2022**

  The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

  In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

  The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. These amendments had no impact on the financial statements of the fund.

New and revised International Financial Reporting 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. The changes are not expected to have a significant impact on the Fund's financial statements. These standards will be applied where applicable on the effective dates.

These standards and interpretations are listed below:

- IFRS 17 Insurance Contracts – effective 1 January 2023.
- IFRS 17 Insurance Contracts Amendments – effective 1 January 2023.
- Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current – effective 1 January 2023.
- Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective 1 January 2023.
- Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – effective 1 January 2023.

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 recognised professional qualification and experience to value the Fund's investment properties 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.

4. DETERMINATION OF FAIR VALUE *(continued)*

(ii) Capital work in progress

The Fund applies cost as a proxy to the fair value of capital work in progress in the absence of an active market for assets in a similar condition and in the absence of reliable inputs with which market or income-based estimate of fair value can be made.

(iii) 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 adjusted net asset value methodology. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities (recognised and unrecognised).

5. INTEREST INCOME

	2022 Ushs 000	2021 Ushs 000
Interest income on short-term deposits with banks	26,440,741	20,099,689
Interest income on government bonds	1,767,637,728	1,576,449,595
Interest income on corporate bonds	4,688,696	7,153,499
Interest income on loans and receivables	1,276,396	1,706,765
	1,800,043,561	**1,605,409,548**

6. REAL ESTATE INCOME

a) Rental income*		
Workers House	4,848,065	4,720,418
Social Security House	3,290,259	2,862,575
Service charge	2,250,453	2,103,951
Others – Naguru, Mbarara and Jinja	1,107,250	863,423
	11,496,027	**10,550,367**
b) House sales		
Net gains on sale of property**	475,754	4,868,635
Net real estate income	**11,971,781**	**15,419,002**

* *This relates to rental income earned from investment properties. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements.*

** *House sales income arose on the disposal of Mbuya condominiums.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. DIVIDEND INCOME

	2022 Ushs 000	2021 Ushs 000
Safaricom Limited	7,285,485	16,781,604
Vodacom Limited	–	8,425,424
Stanbic Bank Uganda Limited	4,101,311	8,261,954
dfcu Limited	–	7,473,315
CRDB Tanzania Limited	10,827,184	6,618,773
Twiga Limited	5,671,985	5,673,837
National Microfinance Bank	7,348,761	4,909,362
Kenya Commercial Bank (KCB)	14,803,016	4,203,600
Dividend Inc – PTA Shares CB	–	3,749,884
Dividend income from internally managed equities	45,166,029	5,155,479
Dividend income earned from fund managers	4,567,280	3,655,045
	99,771,051	**74,908,277**

8. INCOME/(LOSSES)

	2022 Ushs 000	2021 Ushs 000
a) Fair value gains		
Fair Value Gains on Investment properties	46,081,232	69,884,516
Fair value gains/(losses) on externally managed equity securities (Noted 18)	(17,883,551)	11,194,583
Fair value (losses)/gains on internally managed equity securities (Noted 20)	(230,422,263)	328,960,909
Fair value gains on investments in associates (Note 22)	79,065,935	23,215,399
	(123,158,647)	**433,255,407**
b) Foreign exchange losses	**(13,404,163)**	**(302,220,865)**

Foreign exchange losses arose from appreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities.

c) Other income		
Gains on disposal of investment property*	453,046	8,519,539
IFRS modifications	68,988	28,036
Notional income on staff loans	28,432	25,231
Miscellaneous income	468,678	1,266,020
	1,019,144	**9,838,826**

The gain on disposal of investment property relates to disposal of property and equipment and Yusuf Lule land as sold to Government of Uganda and disclosed under Note 30.

9. ADMINISTRATIVE EXPENSES

	2022 Ushs 000	2021 Ushs 000
Staff costs – Note 9 (a)	117,525,330	88,855,639
Uganda Retirement Benefits Regulatory Authority levy*	–	7,503,754
General staff and training expenses	7,736,151	5,852,335
Motor vehicle fuel costs, maintenance and repairs	2,310,343	2,026,619
Staff medical insurance	1,978,320	1,648,906
Directors' allowances	2,141,486	1,420,147
Board expenses	2,016,946	1,063,914
Auditors' remuneration	280,635	244,031
Legal fees	366,053	(162,778)
Other administrative expenses	20,108,052	16,464,787
	154,463,316	**124,917,354**

* *The URBRA levy was reversed during the financial year following a Presidential directive.*

a) Staff costs

Salaries and wages	101,538,770	73,850,967
Social security contributions	7,976,335	7,570,482
Contributions to the staff provident fund	5,263,939	4,932,525
Gratuity	1,196,455	1,170,759
Leave pay	1,290,429	1,260,119
Overtime expenses	259,402	70,787
	117,525,330	**88,855,639**

The average number of employees were: 565 (2021: 532)

10. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Note	2022 Ushs 000	2021 Ushs 000
Deposits due from banks	16	2,190,961	212,918
Trade and other receivables	17	5,970,349	1,797,014
Debt instruments at amortised cost	19	1,074,455	313,195
Loans and advances	21	121,931	(49,853)
		9,357,696	**2,273,274**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. OTHER OPERATING EXPENSES

	2022 Ushs 000	2021 Ushs 000
Rent and rates*	579,312	656,459
Electricity and water	1,968,997	1,789,806
Repairs and maintenance	11,093,062	10,081,278
Insurance	4,708,160	4,324,067
Security expenses	2,747,110	2,266,621
Research and library expenses	6,169,051	7,572,547
Fund manager expenses	230,415	224,025
	27,496,107	**26,914,803**

* *The rent and rates expense relate to KCCA ground rent and rates charges paid to the Kampala Capital City Authority in respect of the Fund's investment properties.*

12. FINANCE COSTS

	2022 Ushs 000	2021 Ushs 000
Interest expense on lease liabilities	406,641	454,026
Interest expense on bank overdraft*	719,689	1,065,533
	1,126,330	**1,519,559**

* *The Fund utilises a bank overdraft facility from Stanbic Bank Uganda Limited to enable it to meet investments cash flow gaps when the need arises.*

13. SURPLUS BEFORE INCOME TAX

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

	2022 Ushs 000	2021 Ushs 000
Amortisation of intangible assets (Note 26)	2,706,455	1,667,461
Depreciation on property and equipment and right-of-use assets (Note 27 and 28)	8,095,613	7,005,698
Auditors' remuneration	280,635	244,031
Directors' emoluments (Note 9)	2,141,486	1,420,147
Foreign exchange losses (Note 8 (b))	(13,628,085)	302,220,865
Fair value gains on internally managed equity securities (Note 20)	(230,422,263)	(328,960,909)
Fair value (gains)/losses on externally managed equity securities (Note 18)	(17,883,551)	(11,194,583)
Fair value gains on investment property (Note 25)	46,081,232	(69,884,516)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. 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 1,379 billion as at 30 June 2022 (2021: Ushs 1,656 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:

	2022 Ushs 000	2021 Ushs 000
Surplus before tax from continuing operations net of dealings with members	**1,572,997,210**	**1,672,312,046**
Surplus before tax from discontinued operations		**465,032**
Surplus before tax net of dealings with members	**1,572,997,210**	**1,672,777,078**
Tax calculated at 30%	471,899,163	501,833,123
Tax effect of:		
Expenses relating to income taxed at source	23,326,068	19,911,468
Non- taxable income		(4,179,819)
Other non-deductible expenses	(134,067,941)	(457,686,223)
Effect of differential between the income tax statutory rate and the WHT rate on government securities	(162,578,252)	62,375,210
Effect of discontinued operation		139,510
Prior year deferred tax under/(over) provision	111,602,043	1,355,768
Unrecognised deferred tax credit (Note 13 (b))	(129,769,252)	43,679,242
Tax charge	**180,411,829**	**167,428,279**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. TAX *(continued)*

b) Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2021: 30%).

Year ended 30 June 2022	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax assets			
Unrealised foreign exchange losses	(99,706,026)	(208,337,158)	(308,043,184)
Impairment allowance on financial assets	(12,615,829)	(2,807,309)	(15,423,138)
Provision for litigation	244,357	–	244,357
Lease liability under IFRS 16	(1,085,509)	339,295	(746,214)
Impairment of associate	(1,484,013)	23,719,781	22,235,768
Bonus provision	(4,728,393)	(332,757)	(5,061,150)
Tax losses carried forward	(496,727,372)	83,027,083	(413,700,289)
	(616,102,785)	**(104,391,066)**	**(720,493,851)**

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2021: 30%).

Year ended 30 June 2022	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax liabilities			
Unrealised foreign exchange gains	9,137,921	294,892,668	304,030,589
Fair value gains on investment properties	135,749,377	13,824,370	149,573,747
Fair value changes on equity instruments	126,952,798	(69,126,679)	57,826,119
Right-of-use asset	771,299	(288,700)	482,599
Unrealised gains in investments with fund managers		(332,757)	(5,061,150)
4,735,344	(5,365,065)	(629,721)	(5,061,150)
Accelerated depreciation	3,957,053	223,725	4,180,778
	281,303,792	**234,160,321**	**515,464,111**
Net deferred tax asset	**(334,798,993)**	**129,769,253**	**(205,029,740)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. TAX *(continued)*

b) Deferred tax asset *(continued)*

Year ended 30 June 2021	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax assets			
Unrealised foreign exchange losses	(6,184,456)	(93,521,570)	(99,706,026)
Impairment allowance on financial assets	(11,933,847)	(681,982)	(12,615,829)
Provision for litigation	(242,112)	486,469	244,357
Lease liability under IFRS 16	(1,181,696)	96,187	(1,085,509)
Impairment of associate	(1,484,013)	–	(1,484,013)
Bonus provision	(4,288,717)	(439,676)	(4,728,393)
Tax losses carried forward	(435,591,298)	83,027,083	(413,700,289)
	(460,906,139)	**(155,196,646)**	**(616,102,785)**

Year ended 30 June 2021	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax liabilities			
Unrealised foreign exchange gains	21,866,794	(12,728,873)	9,137,921
Fair value gains on investment properties	114,784,022	20,965,355	135,749,377
Fair value changes on equity instruments	28,264,525	98,688,273	126,952,798
Right-of-use asset	1,200,877	(429,578)	771,299
Unrealised gains in investments with fund managers	1,376,969	3,358,375	4,735,344
Accelerated depreciation	2,293,201	1,663,852	3,957,053
	169,786,388	**111,517,404**	**281,303,792**
Net deferred tax asset	**(291,119,751)**	**(43,679,241)**	**(334,798,993)**

The net deferred tax asset of Ushs 205 billion (2021: Ushs 335 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. At 30 June 2022, tax losses carried forward amounted to Ushs 1,379 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 declared 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 pay 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 earnings are paid to members as interest. Subsequent to the 2001 ruling from URA, however, URA has since challenged NSSF's tax computations and the basis of the deductibility of interest declared to members. Details of this and the current status of the open tax matter are disclosed in Note 38 (a).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. TAX *(continued)*

c) Tax deposit receivable

	2022 Ushs 000	2021 Ushs 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed in Note 38 (a), the Fund received an assessment for tax from URA 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.

15. CASH AND BANK BALANCES

	2022 Ushs 000	2021 Ushs 000
Cash at bank	72,079,858	80,729,704
Cash at hand	237,159	98,530
Mobile money	473,846	7,579
	72,790,863	**80,835,813**

The Fund utilises the services of several commercial banks to collect contributions from employers each month. Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Stanbic Bank and Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% (2020: 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. The Fund's cash and bank balances are not restricted for use.

16. DEPOSITS WITH COMMERCIAL BANKS

	2022 % in class	2021 % in class	2022 Ushs 000	2021 Ushs 000
Housing Finance Bank Uganda Limited	26.9	39.2	61,411,985	80,903,663
Stanbic Bank Uganda Limited	1.8	26.2	4,133,417	54,013,596
Standard Chartered Bank Uganda Limited	–	5.1	–	10,509,370
United Bank of Africa	17.8	12.1	40,677,881	25,052,979
Finca Bank Uganda Limited	–	1.6	–	3,278,229
KCB Bank Uganda Limited	0.1	–	270,053	–
Equity Bank Uganda Limited	0.0	15.8	–	32,679,247
Absa Bank Uganda Ltd	0.3	–	570,112	–
Orient Bank Limited	17.7	–	40,479,260	–
Post Bank Uganda Ltd	15.5	–	35,518,384	–
Finance Trust Bank	13.3	–	30,314,384	–
Opportunity Bank	2.2	–	5,092,796	–
Pride Micro Finance Bank	4.4	–	10,119,815	–
Gross deposits	**100**	**100**	**228,588,087**	**206,437,084**
Expected credit loss			(2,785,071)	(1,727,613)
Net carrying amount			**225,803,016**	**204,709,471**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. DEPOSITS WITH COMMERCIAL BANKS *(continued)*

The gross deposits with commercial banks are analysed as follows:

	2022 Ushs 000	2021 Ushs 000
Amounts due within three months	4,973,583	54,092,628
Amounts due after three months but less than one year	223,614,504	119,982,991
Amounts due after one year	–	32,361,465
Gross deposits	**228,588,087**	**206,437,084**

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

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**204,709,471**	**203,157,273**
New placements/deposits	1,546,691,199	172,953,409
NARO RBS transfer to NSSF (Note 34)	–	2,174,802
Maturities	(1,518,832,589)	(175,627,748)
Interest accrued	24,967,999	19,431,646
Interest received	(27,453,813)	(15,623,415)
Foreign exchange losses	211,566	(340,681)
Allowance for credit losses	(1,057,458)	(212,918)
WHT deducted at source	(3,433,359)	(1,202,897)
At 30 June	**225,803,016**	**204,709,471**

The deposits are carried at amortised cost and made for varying periods of between one 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 2022 was 12.35% (2021: 11.94%).

The allowance for ECLs is analysed as follows:

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**1,727,613**	**1,514,695**
Increase during the year	2,190,961	212,918
Write-offs	(1,133,503)	–
At 30 June	**2,785,071**	**1,727,613**

The allowance relates to the ECLs. Refer to Note 40 (c) for details.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. TRADE AND OTHER RECEIVABLES

	2022 Ushs 000	2021 Ushs 000
Trade receivable	8,077,072	8,788,036
Contributions receivable*	–	1,879,494
Dividends receivable	77,840,545	37,004,566
Other receivables	2,562,492	5,221,289
Yusuf Lule land receivable**	–	25,000,000
Provision for ECL	(9,384,500)	(15,152,009)
	79,095,609	**62,741,376**
Prepayments	6,934,060	2,022,980
Temangalo Advance***	18,140,450	–
Bwebajja – Government Office Campus****	91,272,667	–
VAT recoverable	4,628,135	5,999,741
Deferred staff expense	342,262	384,347
	200,413,183	**71,148,444**

* *The contributions receivable relate to cheque payments in previous years (2011) that were not honoured and fully recognised as a receivable. These have been written off in current year.*

** *This relates to a receivable from the Government of Uganda for the sale of Yusuf Lule land as disclosed in Note 30. This monies were received on 11 August 2021.*

*** *This relates to an advance payment made to Henan Gouji Industry Group Company Limited for the construction of Temangalo housing units.*

*****This relates to a Project Development Agreement (PDA) to construct a one-stop office campus under a build, own and transfer arrangement. The construction period is estimated at four years and the concession/rent paying period will begin at the completion and handover of the project and is 15 years. The amount above relates to the cost incurred to acquire the property.*

The provision for impairment loss is analysed as follows:

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**15,152,009**	**13,378,933**
Utilisation	(11,737,858)	(23,938)
Increase in ECL	5,970,349	1,797,014
At 30 June	**9,384,500**	**15,152,009**

The provision relates to the ECLs on trade receivables, contributions receivable, dividends receivable and other receivable accounts. Refer to Note 40 (c) for details.

18. EQUITY SECURITIES EXTERNALLY MANAGED

	2022 Ushs 000	2021 Ushs 000
GenAfrica	5,991,136	7,876,265
Sanlam Investments	83,077,983	96,233,331
	89,069,119	**104,109,596**

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

The changes in equity securities externally managed during the year were as follows:

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**104,109,596**	**87,662,482**
Purchases	14,434,718	6,370,470
Disposals	(11,653,110)	(1,265,715)
Fair value gains/ (losses)	(16,646,096)	11,194,583
Foreign exchange gains/ (losses)	(1,175,989)	147,776
As at 30 June	**89,069,119**	**104,109,596**

18. EQUITY SECURITIES EXTERNALLY MANAGED *(continued)*

	% in class		Number of shares held		Market value	
	2022	2021	2022	2021	2022 Ushs 000	2021 Ushs 000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	17.84	37.81	193,169,286	193,169,286	4,249,725	5,118,986
dcfu Limited	24.10	45.50	10,440,437	10,440,437	5,742,240	6,159,858
New Vision Printing and Publishing Company Limited	1.47	5.00	2,185,857	2,185,857	349,737	677,616
Umeme Limited	3.67	5.91	3,654,088	3,654,088	873,364	800,245
Uganda Clays Limited	–	–	–	–	–	–
Bank of Baroda	2.19	5.78	6,525,000	6,525,000	522,000	783,000
MTN Uganda	50.74	–	67,881,763	–	12,089,063	–
	100	**100**			**23,826,129**	**13,539,705**
Nairobi Securities Exchange						
Absa Bank Kenya Limited	8.88	5.55	13,013,400	13,013,400	4,339,415	4,255,226
Bamburi Cement Limited	–	–	–	–	–	–
Co-operative Bank of Kenya	0.35	3.26	487,100	5,485,564	169,422	2,495,287
Diamond Trust Bank Kenya	3.73	3.10	1,142,922	1,217,422	1,823,291	2,377,659
East African Breweries Limited	12.58	10.86	1,404,616	1,397,016	6,151,684	8,323,382
Equity Group Holdings Limited	14.86	15.27	5,293,542	7,933,542	7,263,382	11,702,545
I & M Holdings Limited	–	–	–	–	–	–
Kenya Commercial Bank	19.82	16.05	7,854,174	8,747,474	9,686,661	12,297,642
NCBA Bank	0.07	0.05	44,286	44,286	33,351	37,224
Safaricom Limited	39.71	41.20	24,381,400	23,102,100	19,411,240	31,564,299
Stanbic Holdings PLC		4.65	–	1,334,000	–	3,561,730
Standard Chartered Bank Kenya Limited	0.01	0.01	1,222	1,222	4,864	5,226
	100	**100**			**48,883,310**	**76,620,220**
Dar es Salaam Stock Exchange (DSE)						
Tanzania Breweries Limited	60.70	67.68	565,000	560,000	9,929,640	9,440,918
CRDB Bank Plc	39.30	32.32	9,970,000	9,970,000	6,430,040	4,508,753
	100	**100**			**16,359,680**	**13,949,671**

18. EQUITY SECURITIES EXTERNALLY MANAGED *(continued)*

	2022			2021		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	22.00	–	–	26.50	–	–
dcfu Limited	550.00	–	–	590.00	–	–
New Vision Printing and Publishing Company Limited	160.00	–	–	310.00	–	–
Umeme Limited	239.01	–	–	219.00	–	–
Uganda Clays Limited	–	–	–	–	–	–
Bank of Baroda (Uganda)	80.00	–	–	120.00	–	–
Safaricom Limited	–	24.95	–	–	41.45	–
Kenya Commercial Bank	–	38.65	–	–	42.65	–
East African Breweries Limited	–	137.25	–	–	180.75	–
Bamburi Cement Limited	–	–	–	–	–	–
Equity Group Holdings Limited	–	43.00	–	–	44.75	–
Stanbic Holdings Plc	–	–	–	–	81	–
NCBA Bank Limited	–	23.60	–	–	25.5	–
Absa Bank Kenya Limited	–	10.45	–	–	9.92	–
Nation Media Group	–	–	–	–	–	–
Diamond Trust Bank Kenya Limited	–	49.95	–	–	59.25	–
Standard Chartered Bank Kenya Limited	–	124.75	–	–	129.75	–
Co-operative Bank Kenya Limited	–	10.90	–	–	13.8	–
I & M Holdings Limited		–	–	–	41.45	
Tanzania Breweries Limited	–	–	10,900.00	–		10,900.00
CRDB Bank Plc	–	–	400.00	–		295.00

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. DEBT INSTRUMENTS AT AMORTISED COST

	2022 % in class	2021 % in class	2022 Ushs 000	2021 Ushs 000
Treasury bonds	99.82	99.65	12,809,049,069	11,520,467,150
Corporate bonds	0.18	0.35	22,711,280	40,160,249
Gross investments	**100**	**100**	**12,831,760,349**	**11,560,627,399**
Impairment provision			(5,480,554)	(4,406,099)
Net investments			**12,826,279,795**	**11,556,221,300**

The allowance for ECLs is analysed as follows:

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**4,406,099**	**4,092,904**
Increase/(decrease) during the year	1,074,455	313,195
At 30 June	**5,480,554**	**4,406,099**

Further information about allowances for ECLs, is presented in Note 40 (c). The change in debt instruments at amortised cost investments during the year were as follows:

	2022 Ushs 000	2021 Ushs 000
At start of year	**11,556,221,300**	**10,016,837,661**
Purchases	2,153,419,694	2,159,344,868
NARO RBS transfer to NSSF	–	26,161,752
Maturities	(898,435,339)	(451,382,495)
Interest accrued	1,772,326,424	1,583,603,094
Interest received	(1,572,174,423)	(1,388,626,625)
Foreign exchange losses	(18,991,199)	(222,777,935)
Allowance for credit losses	(1,074,455)	(313,195)
Withholding tax deducted at source as a final tax	(165,012,207)	(166,625,825)
At end of year	**12,826,279,795**	**11,556,221,300**

The yield rates on the treasury bonds ranged from 10.91% to 20.50% (2021: 10.92% to 20.51%) and the treasury bonds have maturity periods of between one and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2021: 11.5% to 14.7%) and the corporate bonds have maturity periods of between one and eight years.

Pledged assets: The Fund has two liens issued on treasury bonds with a carrying amount at year end of Ushs 18billion (2021: Ushs 33 billion) as security for the construction of Pension Towers.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. EQUITY INVESTMENTS INTERNALLY MANAGED

	2022 % in class	2021 % in class	2022 % held	2021 % held	2022 Ushs 000	2021 Ushs 000
Bank of Baroda (Uganda) Limited	0.2	0.3	2.00	2.00	4,196,488	6,294,732
dcfu Limited	1.5	1.8	7.34	7.34	31,098,762	33,360,490
Safaricom Limited	14.3	25.5	0.83	0.83	299,227,957	483,742,230
Centum Investments Limited	0.1	0.1	0.73	0.73	1,398,408	2,321,088
Stanbic Bank Uganda Limited	2.2	2.9	4	4.00	46,271,201	54,495,701
Cooperative Rural Development	6.1	4.7	7.52	7.52	126,902,977	89,076,280
Vodacom TZ shares	1.7	1.7	0.24	0.24	34,589,527	32,920,987
New Vision Printing and Publishing Company Limited	0.1	0.2	19.61	19.61	2,400,000	4,650,000
Bank of Kigali	2.0	1.9	6.36	6.36	41,411,086	36,415,020
Tanzania Breweries Limited	10.8	11.2	4.19	4.19	224,498,919	213,669,477
Equity Bank Holdings Plc	10.1	11.6	3.25	3.25	210,300,746	221,322,869
Jubilee Insurance Limited	1.1	1.4	2.6	2.60	22,211,560	26,817,383
East African Breweries Limited	5.6	8.4	2.29	2.29	117,379,208	159,860,395
Trade and Development Bank	8.1	8.2	3.03	3.03	174,977,410	155,782,636
Tanzania Portland Cement	2.7	2.8	5.28	5.28	57,070,566	52,565,400
British-American Invest (Britam)	0.3	0.5	2.03	2.03	7,032,666	9,402,736
CIPLA QC	0.9	1.4	7.38	7.38	18,585,936	26,936,139
Kenya Re-Insurance	0.1	0.1	3.43	3.43	1,524,241	1,956,507
Kenya Commercial Bank	9.7	10.7	3.2	3.20	201,854,605	203,679,278
National Microfinance Bank (NMB)	5.6	4.4	4.68	4.68	117,900,619	84,159,972
Absa Bank Kenya Plc (ABSA.ke)	0.0	–	–	0.00	87,146	85,551
Diamond Trust Bank (Kenya) Limited	0.0	–	–	0.00	60,800	74,583
I & M Holdings Limited	0.0	–	–	0.00	153,650	102,115
CFC Stanbic (Kenya) Holdings	0.0	–	–	0.00	93,602	24,996
Co-operative Bank of Kenya Limited	0.0	–	–	0.00	178,582	233,816
MTN Uganda	16.9	–	–	0.00	352,618,200	–
	100	**100**			**2,094,024,863**	**1,899,950,381**

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, National Microfinance Bank, East African Breweries Limited, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. EQUITY INVESTMENTS INTERNALLY MANAGED *(continued)*

The trading prices at the last date of trading for the years ended 30 June 2022 and 2021 were as follows:

	2022					2021				
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf	USD
Bank of Baroda (Uganda) Limited	80.00	–	–	–	–	120.00	–	–	–	–
dfcu Limited	550.00	–	–	–	–	590.00	–	–	–	–
Safaricom Limited	–	24.95	–	–	–	–	41.45	–	–	–
Centum Investments Limited	317.82	–	–	–	–	527.52	–	–	–	–
Stanbic Bank Uganda Limited	22.00	–	–	–	–	26.5	–	–	–	–
New Vision Printing and Publishing Company Limited	160.00	–	–	–	–	310.00	–	–	–	–
Kenya Re-Insurance	–	1.99	–	–	–	–	2.47	–	–	–
Vodacom	–	–	770.00	–	–	–	–	770.00	–	–
Cooperative Development Bank	–	–	400.00	–	–	–	–	295.00	–	–
Equity Bank Kenya	–	43.00	–	–	–	–	34.70	–	–	–
Jubilee Insurance Limited	–	259.50	–	–	–	–	350.50	–	–	–
East African Breweries Limited	–	137.25	–	–	–	–	180.75	–	–	–
Kenya Commercial Bank	–	38.65	–	–	–	–	42.65	–	–	–
Bank of Kigali	–	–	–	265.00	–	–	–	–	245.00	–
Tanzania Breweries Limited	–	–	10,900.00	–	–	–	–	10,900.00	–	–
Tanzania Portland Cement Limited	–	–	3,720.00	–	–	–	–	3,600.00	–	–

20. EQUITY INVESTMENTS INTERNALLY MANAGED (continued)

	2022					2021				
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf	USD
British-American Invest (Britam)	–	5.60	–	–	–	–	7.24	–	–	–
CiplaQC	69.00	–	–	–	–	100.00	–	–	–	–
Trade Development Bank	–	–	–	–	13,846.00	–	–	–	–	12,938.00
National Microfinance Bank (NMB)	–	–	3,120.00	–	–	–	–	2,340	–	–
Absa Bank Kenya Plc (ABSA.ke)	–	10.45	–	–	–	–	9.92	–	–	–
Diamond Trust Bank (Kenya) Limited.	–	49.95	–	–	–	–	59.25	–	–	–
I & M Holdings Limited	–	17.00	–	–	–	–	21.85	–	–	–
CFC Stanbic (Kenya) Holdings	–	98.75	–	–	–	–	25.50	–	–	–
Co-operative Bank of Kenya Limited	–	10.90	–	–	–	–	13.80	–	–	–
MTN Uganda	178.09	–	–	–	–	–	–	–	–	–

* *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 40.*

During the year, the Fund purchased the following shares:

2022	Currency	Shares	Share price	Exchange rate	Cost Ushs 000
Equity Bank (Kenya)	Kes	3,392,800	48.36	31.515595	5,170,947
Jubilee Insurance Limited	Kes	363,737	355.00	31.912071	4,120,698
KCB Kenya	Kes	18,948,500	45.74	31.355702	27,176,125
Safaricom (K) Ltd	Kes	22,184,100	34.92	31.216018	24,182,074
MTN IPO	Ugx	1,980,000,000	181.82	1.0	360,000,000
Stanbic Bank Ltd	Ugx	46,794,900	26.50	1.0	1,240,065
TDB	USD	81	12,938.00	3,548.58	3,942,755
TDB	USD	46	12,938.00	3,762.25	2,239,096
					428,071,760

20. EQUITY INVESTMENTS INTERNALLY MANAGED *(continued)*

2021	Currency	Shares	Share price	Exchange rate	Cost Ushs 000
Absa Bank Kenya Plc	Kes	261,300	10.00	35.017200	91,500
CFC Stanbic (Kenya)	Kes	29,700	84.00	35.120415	87,619
Co-operative Bank of Kenya Limited	Kes	513,360	12.00	35.453903	218,407
EABL	Kes	8,717,200	176.00	34.012643	52,183,122
Equity Bank Holdings	Kes	29,373,700	35.00	34.116139	35,074,103
I & M Holdings Limited	Kes	141,600	50.00	35.016200	247,915
Jubilee Insurance Limited	Kes	436,000	263.00	32.669135	3,746,104
KCB Kenya	Kes	49,699,326	39.00	33.078218	64,114,639
Safaricom (K) Limited	Kes	21,649,400	32.00	33.010104	22,868,766
Diamond Trust Bank	Kes	38,140	71.00	34.892903	94,488
Tanzanian Breweries	Tzx	396,874	5,000.00	1.595433	3,165,929
TDB	USD	86	12,213.00	3701.23	3,887,468
Bank of Baroda	Ugx	2,499,853	110.00	1.0	274,984
dcfu Bank	Ugx	739,788	645.00	1.0	477,163
Stanbic Bank Uganda Limited	Ugx	8,306,210	24.00	1.0	199,349
					186,731,556

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

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**1,899,950,381**	**1,463,176,697**
Acquisition of new shares	428,071,760	182,296,701
NARO RBS transfer to NSSF	–	4,434,855
Fair value gains	(230,422,263)	328,960,909
Foreign exchange losses	(3,575,015)	(78,918,781)
At 30 June	**2,094,024,863**	**1,899,950,381**

21. LOANS AND ADVANCES

	2022 Ushs 000	2021 Ushs 000
Uganda Clays Limited (Note 37)	20,592,838	20,592,838
Housing Finance Bank (Note 37)	9,172,215	11,342,820
Staff loans	807,622	895,829
	30,572,675	**32,831,487**
Fair value of discount on staff loans	(342,262)	(384,347)
	30,230,413	**32,447,140**
Allowance for credit losses	(20,865,036)	(20,743,105)
	9,365,377	**11,704,035**

The allowance for credit losses is analysed as follows:

At the beginning of the year	20,743,105	20,792,958
Decrease in impairment allowance during the year	121,931	(49,853)
At 30 June	**20,865,036**	**20,743,105**

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

At the beginning of the year	**11,704,035**	**15,382,874**
Principle repayments	(2,254,874)	(3,753,922)
Interest accrued	1,256,081	1,667,244
Interest received	(1,260,019)	(1,667,244)
Fair value adjustment	42,085	25,230
Allowance for credit losses	(121,931)	49,853
At 30 June	**9,365,377**	**11,704,035**

The loan to Uganda Clays Limited (UCL) 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 2022, UCL made a profit before tax of Ushs 1,807 million and its current assets exceeded current liabilities by Ushs 17,472 million as at 30 June 2022. Despite the improvement in the company's performance, no loan repayment has been received by 30 June 2022. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank (the bank) has two loan facilities with the Fund of Ushs 25 billion at a rate of 11.5% (2021: 11.5%) and Ushs 20 billion at a rate of 13.5% (2021: 13.5%), respectively. The loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 25 billion is repayable over a period of 15 years while that of Ushs 20 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.

Staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2021: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the related property and are repayable over periods of between 15 and 20 years.

22. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Limited Ushs 000	Yield Fund Ushs 000	Total Ushs 000
At 1 July 2020	**119,073,454**	**6,726,194**	**8,119,762**	**225,442,941**	**1,882,814**	**361,245,165**
Share of profit/(loss)	16,897,684	2,944,467	(985,475)	4,536,030	(177,307)	23,215,399
Additions	–	–	–	369,282	439,031	808,313
Share of prior period adjustments	–	–	–	–	–	–
Share of OCI, net of tax	–	–	–	–	–	–
Less: dividends	(6,206,823)	(395,064)	–	(4,593,357)	–	(11,195,244)
At 30 June 2021	**129,764,315**	**9,275,597**	**7,134,287**	**225,754,896**	**2,144,538**	**374,073,633**
At 1 July 2021	**129,764,315**	**9,275,597**	**7,134,287**	**225,754,896**	**2,144,538**	**374,073,633**
Share of results of associates	24,526,749	1,442,413	408,064	52,293,539	395,170	79,065,935
Additions	–	–	–		2,652,910	2,652,910
Less: dividends	(10,243,722)	(438,960)	–	(20,302,603)	(414,247)	(31,399,532)
At 30 June 2022	**144,047,342**	**10,279,050**	**7,542,351**	**257,745,832**	**4,778,371**	**424,392,946**

As at 30 June 2022, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.11% and 9.8% (2021: 50%, 32.52%, 13.99%, 23.11% and 9.8%) in the issued share capital of Housing Finance Bank, Uganda Clays Limited, TPS Uganda Limited, Umeme Limited 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 being recognised as an associate even though the percentage holding is less than the presumptive 20%.

The Fund's 50% holding in Housing Finance Bank 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 9.8% (2021: 9.8%) 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, the Fund's input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. INVESTMENTS IN ASSOCIATES *(continued)*

Nature of activities of associates

Company	Nature of activities
Housing Finance Bank	The Bank is engaged in the business of commercial banking and the provision of related services, and is licenced 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 specialises 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.

The fair values for unquoted investment in associates have been estimated based on the Fund's shares of the net assets excluding associate at year end. Where the reporting periods differ by over three months, the Fund used the 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.

The Fund has performed a review of trading activities in the shares of Umeme Limited and Uganda Clays limited and conclude that the patterns do not fulfil the characteristics of an active market, and as a result, the price of shares in that market does not represent values at which relevant market participants trading the asset are willing to sell it. Accordingly, the Fund has applied a valuation approach that based on the valuable amount of the holding in Umeme Limited and applied its share of net assets in Uganda Clays Limited.

	Housing Finance Bank	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 19 per share	Not Listed	Ushs 239.01 per share	Not Listed

		Number of Shares Held		Price per Share		Market Value	
Security	Listed/ unlisted	2022	2021	2022 Ushs	2021 Ushs	2022 Ushs 000	2021 Ushs 000
Umeme Limited	Listed	375,279,200	375,279,200	239.01	219	89,695,482	82,186,145
Uganda Clays Limited	Listed	292,640,000	292,640,000	19	8.2	5,560,160	2,399,648
Housing Finance Bank	Unlisted	6,100,000	3,050,000	–	–	–	–
TPS (Uganda) Limited.	Unlisted	19,500	19,500	–	–	–	–
Yield Fund	Unlisted	1,499,364	753,936	–	–	–	–
						95,255,642	84,585,793

In applying the equity method for all associates except Yield Fund, the Fund has used the audited financial statements for period ended 31 December 2021 in deriving the share of results for the six months to 31 December 2021. The Fund has used unaudited results for the six months to 30 June 2022 in deriving the share of results for the six months differential period between the associates' reporting date and the fund's reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. INVENTORIES

	2022 Ushs 000	2021 Ushs 000
Completed housing units for sale [Note 23 (a)]	8,586,909	8,116,168
Housing units under development [Note 23 (b)]	270,304,250	267,358,705
	278,891,159	**275,474,873**

a) Completed housing units relate to the Mbuya housing project. Construction was completed in 2019 and the sales process is underway. During the year three housing units were sold resulting in the following movement:

	2022 Ushs 000	2021 Ushs 000
At the start of the year	8,116,168	14,447,603
Additions	1,817,355	1,784,733
Transfers from Capital Work in Progress	168,722	–
Sales	(1,515,337)	(8,116,168)
At the end of the year	**8,586,908**	**8,116,168**

b) Housing units under development related to the Lubowa, Temangalo and Kyanja housing projects. The movement in these balances was as follows:

Cost	Lubowa Ushs 000	Temangalo Ushs 000	Kyanja Ushs 000	Total Ushs 000
At 1 July 2020	171,422,750	38,900,000	–	210,322,750
Additions	36,225,774	20,710,181	–	56,935,955
Fair value gain on land	–	100,000	–	100,000
At 30 June 2021	**207,648,524**	**59,710,181**	**–**	**267,358,705**
Additions	48,040,039	9,180,673	5,175,907	62,542,187
Transfers from Capital Work in Progress	–	–	145,568	145,568
Transfer to Advance payment – Receivables	–	(20,596,642)	–	(20,596,642)
Transfer undeveloped portion of land IP	–	(39,000,000)	–	(39,000,000)
At 30 June 2022	**255,688,563**	**9,294,212**	**5,321,475**	**270,304,250**

c) The Fund has experienced a slower than anticipated period of sale of housing units at Mbuya. In conjunction with the slowdown in the property market in the wave of the COVID 19 pandemic, the Directors found it prudent to apply cost as a proxy to fair value as the sales comparison approach was deemed not to be sufficiently reliable to act as a basis for fair value at year end.

The Fund's development at Lubowa remains in progress and the marketing process has not yet commenced. As at 30 June 2022, the Fund had not concluded pricing for the housing units under development and therefore had little market experience on the demand and uptake for the units under development. The Fund was also unable to apply comparable sales price approach due to the unique nature of the Lubowa housing project.

During the year, the Fund finalised plans for the development of land at Temangalo into housing units for sale. In addition, the Fund appointed the contractor for construction of the housing units and made a mobilisation payment during the year.

Inventories for sale and inventories under development are measured at cost as an approximation of fair value reflecting the current stage of development of the properties.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. CAPITAL WORK-IN-PROGRESS (CWIP)

Cost	CAPEX Ushs 000	Total Ushs 000
At 1 July 2020	**7,200,225**	**7,200,225**
Additions	6,904,532	6,904,532
Transfer to investment property	–	–
Transfer to PPE	(430,880)	(430,880)
Transfer to intangibles	(63,833)	(63,833)
Provision for impairment	–	–
At 30 June 2021	**13,610,044**	**13,610,044**
Additions	13,266,855	13,266,855
Transfer to PPE	(3,376,064)	(3,376,064)
Transfer to intangibles	(17,338,450)	(17,338,450)
Transfer to Workers House	(1,616,773)	(1,616,773)
Transfer to WIP Kyanja	(145,568)	(145,568)
Transfer to WIP Mbuya	(168,722)	(168,722)
Write-offs	(2,169,260)	(2,169,260)
At 30 June 2022	**2,062,062**	**2,062,062**

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.

25. INVESTMENT PROPERTIES

Cost	Valuation at start of year Ushs 000	Additions Ushs 000	Disposal Ushs 000	Fair value changes Ushs 000	Reclass from/(to) CWIP, inventory and receivables Ushs 000	Valuation at end of year Ushs 000
Year ended 30 June 2022						
Commercial properties	55,042,015	46,628,302	–	12,433,869	–	**114,104,185**
Undeveloped land*	567,749,136	–	–	31,012,040	(50,395,894)	**548,365,282**
Others**	229,715,103	–	–	–	–	**229,715,103**
Total	**852,506,254**	**46,628,302**	**–**	**43,445,909**	**(50,395,894)**	**892,184,570**
Year ended 30 June 2021						
Commercial properties	80,477,001	229,533	–	(3,607,000)	(22,057,519)	**55,042,015**
Undeveloped land	495,534,152	760,000	(635,000)	73,391,516	(1,301,532)	**567,749,136**
Others	149,459,294	80,255,809	–	–	–	**229,715,103**
Total	**725,470,447**	**81,245,342**	**(635,000)**	**69,784,516**	**(23,359,051)**	**852,506,254**

* *The reclassifications include transfer of the undeveloped portion of land in Temangalo from Inventory to Investment Property and cost of acquisition of Bwebajja from Investment Property to receivables.*

** *This included the transfer of land from NARO to NSSF and Lumumba project for the construction and development of Pension Towers.*

25. INVESTMENT PROPERTIES *(continued)*

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of each investment properties were assessed by at least one of the independent certified professional valuers including Stanfield Property Partners Limited, Ridgeline Uganda Limited, S-M Cathan Property Consult and Reitis Limited as at 30 June 2022.

The valuations were carried out in accordance with the International Valuation Standards, with regard to relevant local statutes, customs, and market practice. In determining the fair values of investment properties especially in the case of undeveloped 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 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 43 billion (2021: Ushs 70 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 3,882 million–Ushs 13,043 million (Ushs 8,463 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

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 constructed in the form of residential property or single use property. **Market approach** Some buildings were valued by the sales comparison method given that they were vacant at year end or by the nature of the buildings not necessarily being 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.

25. INVESTMENT PROPERTIES *(continued)*

Valuation techniques for investment properties: *(continued)*
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 techniques 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.
- Property is unaffected by environmental issues.
- Property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load-bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.
- The outbreak of the Novel COVID-19 was declared a global pandemic by the World Health Organisation in January 2020. Due to this, the real estate market was affected and has changed due to several restrictions and regulations implemented by most governments in the world in efforts to curb the spread of this pandemic. As at year end, occupancy rates of some of the properties had decreased and this negatively impacted the valuation as disclosed.

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

	2022 Ushs 000	2021 Ushs 000
Workers House	4,848,065	4,720,418
Social Security House	3,290,259	2,862,575
Service Charge	2,250,453	2,103,951
Others – Naguru, Mbarara and Jinja	1,107,250	863,423
	11,496,027	**10,550,367**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. INVESTMENT PROPERTIES *(continued)*

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

	Workers House Ushs 000	Social Security House Ushs 000	Others – Naguru, Mbarara and Jinja Ushs 000	Total Ushs 000
Year ended 30 June 2022				
Maintenance and repairs	1,312,186	295,273	128,732	1,736,191
Ground and property rent	223,218	77,045	4,942	305,205
Cleaning services	215,802	56,799	83,777	356,378
Security services	555,389	201,630	166,362	923,381
Electricity	1,097,226	211,630	121,135	1,429,991
Water	235,253	98,979	58,224	392,456
	3,639,074	**941,356**	**563,172**	**5,143,602**
Year ended 30 June 2021				
Maintenance and repairs	1,290,858	117,308	133,237	1,541,403
Ground and property rent	206,826	77,792	3,398	288,016
Cleaning services	186,653	59,933	56,765	303,351
Security services	462,394	124,434	49,815	636,643
Electricity	835,162	154,896	111,123	1,101,181
Water	277,297	185,173	19,786	482,256
	3,259,190	**719,536**	**374,124**	**4,352,850**

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):

	Land in Lubowa Ushs 000	Land in Temangalo Ushs 000	Land in Nsimbe Ushs 000	Land in Kisugu Ushs 000	Total Ushs 000
Year ended 30 June 2022					
Security expenses	376,800	154,080	265,920	1,712	**798,512**
Year ended 30 June 2022					
Security expenses	161,038	201,297	241,556	26,840	**630,731**

As at 30 June 2022, 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 save for the above-mentioned property. 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.

25. INVESTMENT PROPERTIES *(continued)*

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

	Up to 1 year Ushs 000	1 to 5 years Ushs 000	Over 5 years Ushs 000
2022			
Property rentals	8,138,324	40,691,620	–
2021			
Property rentals	7,582,993	37,914,965	–

Liens: The Fund has two liens issued on treasury bonds as security for the construction of Pension Towers as at 30 June 2022 valued at Ushs 18 billion. (2021: Ushs 33 billion).

26. INTANGIBLE ASSETS

	2022 Ushs 000	2021 Ushs 000
Cost		
At the beginning of the year	**34,090,151**	**30,047,727**
Transfer from capital work-in-progress	17,338,450	63,833
Additions	2,302,575	3,978,591
Write-offs	(17,028,168)	–
At 30 June	**36,703,008**	**34,090,151**
Amortisation		
At the beginning of the year	**22,576,308**	**20,908,847**
Charge for the year	2,706,455	1,667,461
Write-offs	(16,519,832)	–
At 30 June	**8,762,931**	**22,576,308**
Net carrying amount	**27,940,077**	**11,513,843**

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

Under capital work in progress, the Fund implemented a new Pension Administration System (PAS) that went live on 1 November 2021.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27. PROPERTY AND EQUIPMENT

	Land and buildings Ushs 000	Office equipment Ushs 000	Motor vehicles Ushs 000	Furniture and fittings Ushs 000	Computers and electronics Ushs 000	Total Ushs 000
Cost						
At 1 July 2020	**–**	**5,730,829**	**8,238,452**	**15,330,844**	**23,066,973**	**52,367,098**
Transfer from CWIP	–	1,135,757	2,672,911	998,932	3,230,130	8,037,730
Additions	–	(40,200)	(707,995)	(214,169)	(747,585)	(1,709,949)
Disposals	22,631,051	–	–	–	–	22,631,051
Reclassification	–	340,782	–	67,776	22,321	430,879
At 30 June 2021	**22,631,051**	**7,167,168**	**10,203,368**	**16,183,383**	**25,571,839**	**81,756,809**
Additions		355,293	3,180,048	616,488	2,433,013	6,584,842
Transfers from WIP				1,000,087	2,375,977	3,376,064
Disposals			(1,916,207)		(20,630)	(1,936,837)
Revaluation gain on owner occupied	2,635,324					2,635,324
Write-offs		(600,488)		(846,982)	(7,139,311)	(8,586,781)
Reclassification		892,809	(28)	(893,563)	782	–
At 30 Jun 2022	**25,266,375**	**7,814,782**	**11,467,181**	**16,059,413**	**23,221,670**	**83,829,421**
Depreciation						
At 1 July 2020	**–**	**3,687,313**	**6,781,447**	**5,946,850**	**16,395,311**	**32,810,921**
Charge for the year	–	773,073	924,203	1,703,900	2,626,621	6,027,797
Reclassification	–	–	–	(137,762)	137,762	–
Disposals	–	(40,200)	(707,995)	(214,169)	(747,585)	(1,709,949)
As at 30 June 2021	**–**	**4,420,186**	**6,997,655**	**7,298,819**	**18,412,109**	**37,128,769**
Charge for the year	–	761,092	1,358,537	1,867,681	3,170,905	7,158,215
Reclassification	–	(290,828)	(27)	(4,511,292)	4,802,147	–
Disposals	–		(1,916,207)		(15,534)	(1,931,741)
Write-offs	–	(600,488)		(846,982)	(7,139,311)	(8,586,781)
At 30 June 2022	**–**	**4,289,962**	**6,439,958**	**3,808,226**	**19,230,316**	**33,768,462**
Net carrying amount						
At 30 June 2022	**25,266,375**	**3,524,820**	**5,027,223**	**12,251,187**	**3,991,354**	**50,060,959**
At 30 June 2021	**22,631,051**	**2,746,982**	**3,205,713**	**8,884,564**	**7,159,730**	**44,628,040**

During the year, the Fund transferred that portion of land or buildings that is owner occupied in respect of various mixed-use properties.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

28. RIGHT-OF-USE ASSETS

	2022 Ushs 000	2021 Ushs 000
Cost		
At the beginning of the year	**5,045,868**	**4,958,371**
Effect of adoption of IFRS 16	–	–
Additions	–	–
Modifications	(41,966)	144,146
Disposals	–	(56,649)
At 30 June	**5,003,902**	**5,045,868**
Depreciation		
At the beginning of the year	**1,715,641**	**955,447**
Modifications	(363,603)	(161,058)
Charge for the year	937,398	977,901
Disposal	–	(56,649)
At 30 June	**2,289,436**	**1,715,641**
Net carrying amount	**2,714,466**	**3,330,227**

All right-of-use assets relate to office space lease arrangements for NSSF branches.

29. TAX CLAIMABLE

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	29,264,762	25,020,206
Tax withheld at source during the year	4,875,863	4,244,556
At 30 June	**34,140,625**	**29,264,762**

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

30. DISCONTINUED OPERATIONS

The Fund disposed of a property and transferred one to Investment Property. As at 30 June 2022, the Fund transferred Independence Avenue Arua to investment property.

Below is the movement in assets held for sale:

	2022 Ushs 000	2021 Ushs 000
As at 1 July	728,000	16,631,516
Disposal of Ndeba Kibuga land	(468,000)	(16,631,516)
Transfer to Investment Property	(260,000)	728,000
Closing	**–**	**728,000**

31. OTHER PAYABLES

	2022 Ushs 000	2021 Ushs 000
Accounts payable	83,936,890	79,712,638
Accrual for legal costs	4,008,742	3,478,426
Lease liabilities	3,195,430	3,461,889
WHT payable	602,821	167,727
NARO payable	–	506,154
Alcon provision	814,522	814,522
	92,558,405	**88,141,356**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 Ushs 000	2021 Ushs 000
At 1 July	3,461,889	3,938,988
Modifications	266,301	326,309
Disposal	–	(46,884)
Accretion of interest	406,641	454,026
Repayments	(939,401)	(1,210,550)
At 30 June	**3,195,430**	**3,461,889**

Leases
The Fund has entered into commercial leases for premises. The leases have an average life of between three and six years. The Fund is restricted from assigning and subleasing the leased assets.

The maturity analysis of lease liabilities is disclosed below:

	2022 Ushs 000	2021 Ushs 000
Maturity period		
Due within one year	1,127,145	1,175,589
Due with one to five years	2,039,061	2,286,300
Due over five years	29,224	–
Total liability	**3,195,430**	**3,461,889**

The maturity analysis of the lease liabilities for purposes of IFRS 7 is disclosed in Note 40 (b) as part of other payables.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31. OTHER PAYABLES *(continued)*

The following are the amounts recognised in the statement of changes in net assets available for benefits:

	2022 Ushs 000	2021 Ushs 000
Interest expense on lease liabilities	406,641	454,026
Depreciation expense of right-of-use assets	937,398	977,901
	1,344,039	**1,431,927**

32. CONTRACT LIABILITIES

		2022 Ushs 000	2021 Ushs 000
Advance payments for housing	(a)	4,618,130	3,334,300
Advance payments for activities	(b)	4,640,161	4,803,350
Deferred rental income	(c)	153,515	883,040
		9,411,806	**9,020,690**

a) Advance payments for housing

These relate to Mbuya housing project. 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 was completed and commissioned in December 2019. Currently, bookings are being made by prospective buyers and this amount relates the amount received as booking fees for these apartments. The deposits are 10% of the value of each unit.

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 recognised as revenue during the financial year in which they are billed/received since they relate to the subsequent period.

33. MEMBER LIABILITIES

a) Accumulated member fund

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	**15,299,197,333**	**13,062,237,946**
Contributions received during the year	1,486,439,181	1,325,195,875
Transfer of NARO RBS to NSSF (Note 34)	–	42,125,716
Interest on arrears	4,065,207	2,419,884
Interest allocation for the year	1,361,590,161	1,509,542,014
Members' fund liability before benefit payments	**18,151,291,882**	**15,941,521,435**
Benefits paid during the year		
Age benefits	(286,949,553)	(245,952,222)
Withdrawal benefits	(214,405,680)	(197,655,512)
Exempted employee benefits	(107,298,647)	(70,484,535)
Invalidity benefits	(43,660,994)	(50,075,865)
Survivors benefits	(21,178,715)	(14,507,827)
Emigration grant benefits	(75,352,282)	(63,648,141)
Mid-Term Age 45	(436,135,500)	–
Mid Term Disability Benefit	(4,473,369)	–
Total benefits payments	**(1,189,454,740)**	**(642,324,102)**
At 30 June	**16,961,837,142**	**15,299,197,333**

b) Accumulated surplus

Opening accumulated surplus	2,529,619	13,646,227
Net increase in the Fund for the year transferred to accumulated surplus account	1,682,379,945	2,230,346,288
Net dealings with members	(296,984,441)	(724,997,489)
Interest for the year payable to members	(1,379,742,230)	(1,516,465,407)
Closing accumulated surplus	**15,372,770**	**2,529,619**

c) Interest allocated to members

Prior year over provision of interest to members	(11,565,325)	471,305
Interest for the year payable to members	1,379,742,230	1,516,465,407
Total interest available to members	**1,368,176,904**	**1,516,936,712**
Allocated as follows:		
To members' funds	(11,565,325)	471,305
Opening provision balance	1,373,155,486	1,509,070,709
Interest for the year payable to members	**1,361,590,161**	**1,509,542,014**
To reserves		
Interest for the year payable to members	6,586,744	7,394,698
Total provision	**1,368,176,904**	**1,516,936,712**

33. MEMBER LIABILITIES *(continued)*

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 payable to members is declared by the Minister for Finance in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2022, the Minister for Finance, Planning & Economic Development approved an interest rate of 9.65% (2021: 12.15%) to be calculated and added to the members' funds.

Included in the accumulated members' fund balance is Ushs 57 billion (2021: Ushs 45 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.

34. TRANSFER OF NARO RETIREMENT BENEFIT SCHEME (RBS) TO NSSF

On 18 March 2020, the Fund held a meeting with the National Agricultural Research Organisation Retirement Benefits Scheme (NARO RBS) to explore ways in which the NARO RBS could be transferred to NSSF. The members elected to join the Fund at an Annual General Meeting of the NARO RBS in November 2018.

The transfer of NARO RBS to NSSF obtained approval from the NSSF board and a no objection from the regulator (URBRA).
On 1 July 2020, the Fund registered and recognised with NSSF the hitherto members of the NARO RBS with cumulative benefits of Ushs 42 billion in exchange for assets of the same value.

The Fund accounted for this as a transfer of assets and liabilities for financial reporting purposes.

Below is the breakdown of the transition value of the assets assumed by the Fund:

	Note	2021 Ushs 000
Cash at bank	15	247,752
Debt instruments at amortised cost	19	26,161,752
Fixed deposits	16	2,174,802
Equity securities	20	4,434,855
Dividend receivable on equity instruments		82,185
Investment properties	25	9,860,462
Total assets		**42,961,808**
Members' funds		**(42,125,576)**
Payable to NARO		**836,232**

The payable to NARO relates to members who are deceased or could not be located for registration with the Fund.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

35. MEMBERS RESERVE ACCOUNTS

Unallocated members' contributions

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	68,256,412	60,861,713
Provision for interest on unallocated members' contributions	6,586,744	7,394,699
	74,843,156	**68,256,412**

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

	2022 Ushs 000	2021 Ushs 000
At the beginning of the year	43,663,911	36,269,212
Charged to surplus or deficit	6,586,744	7,394,699
At 30 June	**50,250,655**	**43,663,911**

As at 30 June 2022, the Reserve account included unallocated members' contributions and interest thereon amounting to Ushs 74 billion (2021: Ushs 68 billion), comprising contributions amounting to Ushs 24.6 billion (2021 Ushs 24.6 billion) and interest thereon amounting to Ushs 50.3 billion (2021: Ushs 42.7 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.

36. NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	Note	2022 Ushs 000	2021 Ushs 000
Surplus before income tax from continuing operations net of dealings with members		**1,572,997,210**	**1,672,312,046**
Surplus before income tax from discontinued operations	30	**–**	**465,032**
Total surplus income before tax		**1,572,997,210**	**1,672,777,078**
Depreciation on property and equipment and right-of-use assets	27 and 28	8,095,613	7,005,698
Gain on disposal of investment property	8	(453,046)	(8,519,539)
Increase in allowance for ECLs	10	9,357,696	476,260
Amortisation of intangible assets	26	2,706,455	1,667,461
Fair value gain on associates	22	(79,065,935)	(23,215,399)
Staff loans fair value adjustment	21	(42,085)	(25,230)
Unrealised foreign exchange losses on equity investments internally managed	20	3,575,015	78,918,785
Unrealised foreign exchange losses on debt instruments at amortised cost	19	18,991,200	222,777,935
Unrealised foreign exchange (gains)/losses on externally managed investments	18	1,175,989	(147,776)
Unrealised foreign exchange losses on deposits with commercial banks	16	(211,566)	340,681
Fair value gains on investment properties	25	(43,445,908)	(69,784,516)
Fair value (gains)/losses on equity investments externally managed	18	16,646,096	(11,194,583)
Fair value gains on equity investments internally managed	20	230,422,263	(328,960,909)
Finance costs charged to lease liabilities	31	406,641	454,026
Interest income on loans and advances	21	(1,256,081)	(1,667,244)
Interest income on debt instruments at amortised cost	19	(1,772,326,424)	(1,583,603,094)
Interest income on commercial bank deposits	16	(24,967,999)	(19,431,646)
IFRS 16 modifications		68,988	–
Changes in working capital			
Inventories		(62,698,638)	(50,704,520)
Trade and other receivables	17	(22,122,587)	(18,186,546)
Withholding tax claimable		(4,875,863)	(4,244,556)
Other payables		4,683,509	32,432,732
Net cash (used in)/generated from operating activities		**(142,339,457)**	**(102,834,902)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

37. RELATED PARTY DISCLOSURES

The Fund is controlled by Government of Uganda pursuant to powers conferred upon it in the NSSF Act, including the power to appoint members of the Board of Directors, to approve investments of the Fund and to approve its annual budget. There are other companies that are related to the Fund through common shareholdings and/or directorships.

The following transactions were carried out with related parties with which the Fund shares common ownership and/or directorships:

a) Interest income

	2022 Ushs 000	2021 Ushs 000
(i) Housing Finance Bank Uganda Limited		
Interest income on loans and advances	1,187,362	1,602,666
Interest income on term deposits	9,737,682	11,137,500
	10,925,044	**12,740,166**
(ii) Government of Uganda		
Interest income on treasury bonds	1,767,637,728	1,576,449,595
	1,778,562,772	**1,589,189,761**

b) Income tax expense

Government of Uganda		
Income tax expense for the year	180,411,829	167,428,279

c) Key management compensation

Salaries and short-term benefits	6,762,975	6,105,170
Directors' renumeration (Note 37 (d))	2,141,486	1,420,147
Post-employment benefits	1,196,455	1,170,759
	10,100,916	**8,696,076**

d) Directors' renumeration

Directors' renumeration (included in key management compensation above)	2,141,486	1,420,147

e) Bank balances with related parties

Housing Finance Bank Uganda Limited	3,584,401	60,331

f) Loans and advances due from related parties

Housing Finance Bank Uganda Limited	9,172,215	11,342,820
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	330,806	359,061
	30,095,859	**32,294,719**

37. RELATED PARTY DISCLOSURES *(continued)*

g) Fixed deposits with related party

	2022 Ushs 000	2021 Ushs 000
Housing Finance Bank Uganda Limited	61,432,083	80,903,663

h) Dividends due from related parties

Housing Finance Bank Uganda Limited	10,243,722	6,206,823
Uganda Clays Limited	438,960	395,064
Umeme Limited	20,302,605	4,593,357
	30,985,287	11,195,244

i) Debt instruments with related parties

Government of Uganda	7,180,276,153	6,927,813,884

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 19. Other significant related party transactions with the Government of Uganda include utility costs and rental income earned from government ministries that occupy the Fund's properties. Rental income for the year amounted to Ushs 4 billion (2021: Ushs 4 billion).

38. CONTINGENT LIABILITIES

The Fund is a litigant in various cases arising in the normal course of business. The Directors are of the opinion, based on independent legal advice, that the outcome of these cases will not give rise to any significant loss beyond the amounts provided.

The Directors have identified the following outstanding legal cases for additional disclosure:

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. In March 2020, the Tax Appeals Tribunal delivered its ruling in favour of the URA. The Fund through its lawyers successfully appealed against this Ruling of the Tribunal. On 2nd November 2020, the High Court delivered judgment in favour of the National Social Security Fund. Court ruled that the interest paid by the Fund to its members is a deductible expense for income tax purposes and that the Fund was not liable to pay the tax assessed. URA was dissatisfied with the decision of the High Court decision and subsequently filed an application for leave to appeal vide HCMA No. 11 of 2021 and an application for stay of execution vide HCMA No. 509 of 2021.

On 16th August 2022, Court dismissed the application for leave to appeal with costs citing that it was filed outside the statutory period envisioned under Rule 40(1) of the Judicature Court of Appeal Rules. The Court further ruled that a delay of 92 days was unreasonable and there was no proper reason for the delay. Therefore, the Directors have not recognised any provisions in respect to this matter.

In accordance with the Income Tax Act, the Fund was required to pay a deposit of 30% of the assessed tax as disclosed in Note 14 (c). Payment of this deposit is not an admission of guilt, but purely a statutory payment.

The Fund is also a defendant on various legal actions arising from its investment property. The Directors have considered the cases below to be of significance hence the relevant disclosures.

38. CONTINGENT LIABILITIES *(continued)*

Temangalo Tea Estates Limited

The Fund was jointly sued alongside other parties by Temangalo Tea Estates Limited in respect of all the land held by the Fund at Temangalo. Following dismissal of the suit by the High Court, the plaintiffs in the matter lodged an appeal at the Court of appeal.

Whereas the matter has not yet been fixed for hearing, the Directors are of the opinion that the outcome of this matter will not amount in significant cash outflow to the Fund and as such no provision has been made in respect of the matter.

In addition, NSSF was jointly sued in connection with all the land held by it and Nsimbe Estate. The matter is yet to be heard in court. The Directors are of the opinion, based on professional legal advice, that the outcome of these cases will not give rise to any significant loss beyond the amounts provided.

39. 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 recognised 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 recognised in the financial statements are:

Provision for ECLs of financial assets *– The Fund annually assess all financial assets for impairment, i.e. Cash and cash equivalents, debt instruments and receivables.* The Fund uses the simplified approach to impair 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 using movements and forecasts for inflation rates, GDP and foreign exchange. The single loss rate estimates are applied to each category of gross receivables. The Fund assesses the impact of COVID on individual customers and utilises this model to stage each receivable. 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 simplified 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 Note 40 (c).

Estimation of ECL on government treasury bills and bonds, corporate bonds, deposits with commercial banks 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 ECLs on the outstanding amounts of the above respective financial assets.

39. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

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 16, 19 and 21, respectively.

(i) *Impairment of non-financial assets* – Impairment exists when the carrying amount of an asset or CGU 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 right-of-use assets with carrying amounts as disclosed in notes 23, 24, 25, 26, 27 and 28 respectively.

(ii) *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 14.

(iii) *Property and equipment and right-of-use assets* – 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 and right-of-use assets are disclosed in note 27.

(iv) *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 25 and 41.

(v) *Assets held for sale* – The Board approved the disposal of Arua and Ndeeba land. Below are the key judgments:

- The plots of land are available for immediate sale and can be sold to the buyer in their current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- The Fund is actively looking for buyers and as such sale will be completed within one year from the date of initial classification.

For more details on the discontinued operation, refer to Note 30.

(vi) *Provisions and contingencies* – A provision is recognised 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 and contingencies disclosed in Note 38.

(vii) *Valuation of investment properties and capital work in progress* – The Fund carries its investment properties and capital work in progress at fair value, with changes in fair value being recognised in surplus or deficit. Details of significant estimates and judgements made regarding the Fund's investment properties and capital work in progress are disclosed in Notes 25 and 24 respectively.

40. 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 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 *ad hoc* 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 equity 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, 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. Except for shares held in Eastern and Southern African Trade and Development Bank (TDB Bank), Housing Finance Bank, Yield Fund and TPS Uganda Limited all shares held by the Fund are valued based on market prices.

40. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

Equity price risk *(continued)*

Type of Investment	Change in share price %	Effect on surplus before tax and reserves Ushs 000
2022		
Equity securities externally managed	±5%	4,453,456
Equity investments internally managed	±5%	104,701,243
2021		
Equity securities externally managed	±5%	±5,205,480
Equity investments internally managed	±5%	±94,997,519

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 foreign currency positions as at 30 June 2022. All balances are in Ushs 000s.

	USD	Kshs	Tshs	Rwf	EUR	Total
Cash and bank balances	14,345,059	270,807	45,204,344	66,617		59,886,827
Deposits due from commercial banks	4,084,094	–	–	–		4,084,094
Equity securities externally managed	–	48,883,310	16,359,680	–		65,242,990
Trade and other receivables	961,338	25,821,253	5,995,081	4,390,754	372,312	37,540,737
Debt instruments at amortised cost	34,598,374	3,967,001,471	1,588,918,050	34,105,072		5,624,622,967
Equity investments internally managed	174,977,410	860,104,762	560,962,609	41,411,086		1,637,455,867
Total assets	**228,966,275**	**4,902,081,603**	**2,217,439,764**	**79,973,529**	**372,312**	**7,428,833,482**
Financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Other payables	–	–	–	–	–	–
Currency gap at 30 June 2022	**228,966,275**	**4,902,081,603**	**2,217,439,764**	**79,973,529**	**372,312**	**7,428,833,482**

40. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

Currency risk *(continued)*

	USD	Kshs	Tshs	Rwf	Total
Financial assets					
Cash and bank balances	27,825,331	2,096,530	5,322,395	1,111,615	**36,355,871**
Deposits due from commercial banks	3,949,847	–	–	–	**3,949,847**
Equity securities held-for-trading	–	76,620,221	13,949,671	–	**90,569,892**
Trade and other receivables	3,736,613	11,128,442	–	2,075,656	**16,940,711**
Debt instruments at amortised cost	–	2,866,142,469	1,344,274,713	29,220,266	**4,239,637,448**
Equity investments internally managed	155,782,636	1,107,302,458	472,392,116	36,415,020	**1,771,892,230**
Total assets	**191,294,427**	**4,063,290,120**	**1,835,938,895**	**68,822,557**	**6,159,345,999**
Financial liabilities	**–**	**–**	**–**	**–**	**–**
Other payables	–	–	–	–	–
Currency gap At 30 June 2021	**191,294,427**	**4,063,290,120**	**1,835,938,895**	**68,822,557**	**6,159,345,999**

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.

	2022		2021	
Currency	Change in currency rate %	Effect on surplus before tax and reserves Ushs 000	Change in currency rate %	Effect on surplus before tax and reserves Ushs 000
USD	±5%	±11,448,314	±5%	±9,564,471
KES	±5%	±245,104,080	±5%	±203,164,506
TZS	±5%	±110,871,988	±5%	±91,796,945
RWF	±5%	±3,998,676	±5%	± 3,441,128

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency	2022 Ushs	2021 Ushs	2022 Ushs	2021 Ushs
KES	31.66	33.60	31.91	33.0045
USD	3,586.89	3,656.39	3,762.25	3,561.5
TZS	1.55	1.58	1.61	1.537
RWF	3.53	3.72	3.68	3.5701

40. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

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 optimising net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimise 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 summarises the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing dates and the maturity dates. All balances are in Ushs 000:

	< 3 months Ushs 000	3–12 months Ushs 000	> 1 year Ushs 000	Non-interest-bearing Ushs 000	Total Ushs 000
2022					
Assets					
Cash and bank balances	15,164,700	–	–	57,626,163	72,790,863
Deposits with commercial banks	4,973,583	223,614,504	–	–	228,588,087
Trade and receivables	–	–	–	200,413,183	200,413,183
Debt instruments at amortised cost	27,049,826	229,316,160	12,569,913,809	–	12,826,279,795
Loans and advances	–	–	30,230,412	–	30,230,412
Total assets	**47,188,109**	**452,930,664**	**12,600,144,221**	**258,039,346**	**13,358,302,340**
Liabilities					
Other payables	–	–	–	92,558,405	92,558,405
Total liabilities	**–**	**–**	**–**	**92,558,405**	**92,558,405**
Gap as at 30 June 2022	**47,188,109**	**452,930,664**	**12,600,144,221**	**165,480,941**	**13,265,743,935**
2021					
Assets					
Cash and bank balances	69,180,720	–	–	11,655,093	80,835,813
Deposits with commercial banks	54,072,543	118,686,318	31,950,610	–	204,709,471
Trade and receivables	–	–	–	62,741,376	62,741,376
Debt instruments at amortised cost	876,161,244	1,897,906,592	8,782,153,464	–	11,556,221,300
Loans and advances	–	–	11,704,035	–	11,704,035
Total assets	**999,414,507**	**2,016,592,910**	**8,825,808,109**	**74,396,469**	**11,916,211,995**
Liabilities					
Other payables	–	–	–	(86,652,953)	(86,652,953)
Total liabilities	**–**	**–**	**–**	**(86,652,953)**	**(86,652,953)**
Gap as at 30 June 2021	**999,414,507**	**2,016,592,910**	**8,825,808,109**	**(12,256,484)**	**11,829,559,042**

40. 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 2022 to the contractual maturity date. All balances are in Ushs 000.

	Matured Ushs 000	< 3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
At 30 June 2022						
Financial assets						
Cash and bank balances	72,790,863	–	–	–	–	72,790,863
Deposits with commercial banks	–	4,973,583	223,614,504	–	–	228,588,087
Trade and other receivables	–	68,775,865	6,368,996	33,995,655	91,272,667	200,413,183
Debt instruments at amortised cost	–	27,049,826	229,316,160	12,569,913,808	–	12,826,279,794
Loans and advances	–	13,052	452,308	29,765,053	–	30,230,413
Total financial assets	**72,790,863**	**100,812,327**	**459,751,968**	**12,633,674,516**	**91,272,667**	**13,358,302,340**
Financial liabilities						
Other payables	–	602,821	89,072,777	2,853,583	29,224	92,558,405
Financial liabilities	**–**	**602,821**	**89,072,777**	**2,853,583**	**29,224**	**92,558,405**
Liquidity gap	**72,790,863**	**100,209,506**	**370,679,191**	**12,630,820,933**	**91,243,443**	**13,265,743,935**

40. FINANCIAL RISK MANAGEMENT *(continued)*

b) Liquidity risk *(continued)*

	Matured Ushs 000	< 3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
At 30 June 2021						
Financial assets						
Cash and bank balances	80,835,813	–	–	–	–	80,835,813
Deposits with commercial banks	–	54,072,543	118,686,318	31,950,610	–	204,709,471
Trade and other receivables		–	62,741,376	–	–	62,741,376
Debt instruments at amortised cost	–	450,767,665	1,587,155,962	7,736,555,916	17,528,734,314	27,303,213,857
Loans and advances	–	–	–	–	11,704,035	11,704,035
Total financial assets	**80,835,813**	**504,840,208**	**1,768,583,656**	**7,768,506,526**	**17,540,438,349**	**27,663,204,552**
Financial liabilities						
Other payables	–	(79,712,631)	(4,472,356)	(2,467,966)	–	(86,652,953)
Financial liabilities	**–**	**(79,712,631)**	**(4,472,356)**	**(2,467,966)**	**–**	**(86,652,953)**
Liquidity gap	**80,835,813**	**425,127,577**	**1,764,111,300**	**7,766,038,560**	**17,540,438,349**	**27,576,551,599**

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.

40. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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 2022 and 30 June 2021 is the carrying amounts or the principal deposits plus accrued interest.

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 and no history of default, the Fund applies the low credit risk simplification.

In the absence of default history on government securities, cash at bank and term deposits, the Fund has applied probabilities of default for instruments with financial credit risk. Furthermore, a loss given default rate has been assumed for these instruments given that they are not secured.

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 measures ECL on these 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 credit risk for all the amortised cost financial assets has not increased significantly since initial recognition, therefore the Fund has measured the loss allowance for these financial assets at an amount based on lifetime.

The resultant ECLs on staff loans and cash at bank are immaterial.

40. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

Exposure to credit risk *(continued)*

Debt instruments at amortised cost and cash deposits *(continued)*

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

	2022 Ushs 000	2021 Ushs 000
Cash and bank balances	72,790,863	80,737,283
Deposits with commercial banks	225,803,016	204,709,471
Trade and other receivables	79,095,609	62,741,376
Debt instruments at amortised cost	12,826,279,795	11,556,221,300
Loans and advances	9,365,377	11,704,035
	13,213,334,660	**11,916,113,465**

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:

	Note	Gross amount Ushs 000	ECL Ushs 000	Carrying amount Ushs 000
At 30 June 2022				
Cash and bank balances	15	72,790,863	–	72,790,863
Deposits with commercial banks	16	228,588,087	(2,785,071)	225,803,016
Debt instruments at amortised cost	19	12,831,760,348	(5,480,554)	12,826,279,795
Loans and advances	21	30,230,412	(20,865,036)	9,365,377
		13,163,369,710	**(29,130,661)**	**13,134,239,049**
At 30 June 2021				
Cash and bank balances	15	80,737,283	–	80,737,283
Deposits with commercial banks	16	206,437,084	(1,727,613)	204,709,471
Debt instruments at amortised cost	19	11,560,627,399	(4,406,099)	11,556,221,300
Loans and advances	21	32,447,140	(20,743,105)	11,704,035
		11,880,248,906	**(26,876,817)**	**11,853,372,089**

Movements in the allowance have been disclosed in Notes 15, 16, 19, 21.

Trade and other receivables

An impairment analysis is performed at each reporting date using a single loss rate approach to measure ECLs. 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. Staff advances have been considered insignificant and as such no ECLs have been computed.

40. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

The maximum exposure to credit risk on trade and other receivables at the reporting date is the carrying amounts of the financial assets disclosed below:

	2022 Ushs 000	2021 Ushs 000
Trade receivables	8,077,072	4,543,993
Dividends receivable	77,840,545	36,111,526
Other receivables	2,562,492	22,085,857
	88,480,109	**62,741,376**

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:

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
2022				
Trade receivables*	8,077,072	46	(3,842,090)	4,234,982
Dividends receivable	77,840,545	5	(3,519,372)	74,321,173
Other receivables	2,562,492	79	(2,023,039)	539,453
	88,480,109		**(9,384,501)**	**79,095,609**
2021				
Trade receivables*	8,788,036	48	(4,244,043)	4,543,993
Contributions receivable	1,879,494	100	(1,879,494)	–
Dividends receivable	37,004,566	2	(893,040)	36,111,526
Other receivables	30,221,289	27	(8,135,432)	22,085,857
	77,893,385		**(15,152,009)**	**62,741,376**

Movements in the allowance have been disclosed in Note 17.

* *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 2022 and 2021:*

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
30 June 2022				
Workers House	621,196	23	(142,545)	478,651
Social Security House	5,973,106	41	(2,470,405)	3,502,701
Yusuf Lule parking	662,817	100	(662,817)	–
Bwebajja	676,916	83	(563,029)	113,888
Other properties	143,037	2	(3,294)	139,743
	8,077,072		**(3,842,090)**	**4,234,982**

40. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
30 June 2021				
Workers House	1,530,474	50	(771,145)	759,329
Social Security House	6,057,897	50	(3,011,927)	3,045,970
Yusuf Lule parking	592,890	72	(429,335)	163,555
Bwebajja	435,000	3	(11,969)	423,031
Other properties	171,775	11	(19,667)	152,108
	8,788,036		**(4,244,043)**	**4,543,993**

Movements in the allowance 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:

	2022 Ushs 000	2021 Ushs 000
FINANCIAL ASSETS		
Financial assets at fair value		
Equity securities externally managed	89,069,119	104,109,596
Equity investments internally managed	2,094,024,863	1,899,950,381
Total financial assets at fair value	**2,183,093,982**	**2,004,059,977**
Financial instruments at amortised cost		
Cash and bank balances	72,790,863	80,835,813
Deposits with commercial banks	225,803,016	204,709,471
Trade and other receivables	79,095,609	62,741,377
Debt instruments at amortised cost	12,826,279,795	11,556,221,300
Loans and advances	9,365,377	11,704,035
Total financial assets at amortised cost	**13,213,334,660**	**11,916,211,996**
Total financial assets	**15,396,428,642**	**13,920,271,973**
Total current	**2,560,783,470**	**2,350,630,589**
Total non-current	**12,835,645,172**	**11,569,641,384**
	15,396,428,642	**13,920,271,973**

40. FINANCIAL RISK MANAGEMENT *(continued)*

d) Categories of financial assets and financial liabilities *(continued)*

	2022 Ushs 000	2021 Ushs 000
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	91,955,584	87,159,107
Total financial liabilities	**91,955,584**	**87,159,107**
Total current	**88,760,154**	**83,697,216**
Total non-current	**3,195,430**	**3,461,889**
	91,955,584	**87,159,107**

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

e) Capital management

The primary source of funding used by NSSF 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 9.65% was declared for the year 2022 (2021: 12.15%).

41. 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 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 2022		30 June 2021	
	Carrying amount Ushs 000	Fair value Ushs 000	Carrying amount Ushs 000	Fair value Ushs 000
Debt instruments at amortised cost	12,826,279,795	13,181,530,999	11,556,221,300	12,365,750,932

41. FAIR VALUE MEASUREMENT *(continued)*

Valuation techniques
Description of valuation techniques used and key inputs to valuation for investment properties and capital work in progress are disclosed under Notes 24 and 25 respectively, and below for debt instruments at amortised cost/held to maturity investments (Government debt securities and Corporate bonds) and investments at fair value:

Government debt securities – Government debt securities are bonds issued by sovereign governments, i.e. Uganda, Kenya, Tanzania, Rwanda. Valuation techniques based on observable inputs resulting in a Level 2 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. 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. The Fund's holdings in Housing Finance bank Uganda Limited, Umeme Limited, TPS Uganda Limited and Yield Fund are all fair valued using Level 3 inputs.

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

		Fair value measurement using		
	Total Ushs 000	Quoted price in active market (Level 1) Ushs 000	Significant observable inputs (Level 2) Ushs 000	Significant unobservable inputs (Level 2) Ushs 000
As at 30 June 2022				
Asset type				
Equity investments internally managed (Note 20)	**2,094,024,863**	1,919,047,453	–	174,977,410
Equity securities externally managed (Note 18)	**89,069,119**	89,069,119	–	–
Investment Properties (Note 25)	**892,184,570**	–	–	892,184,570
Investment in associates (Note 22)	**424,392,946**	–	268,024,882	156,368,064
Debt instruments at amortised cost	**12,826,279,795**	–	12,826,279,795	–
Debt instruments at amortised cost	**12,826,279,795**	–	12,826,279,795	–

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

41. FAIR VALUE MEASUREMENT *(continued)*

	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 2) Ushs 000
As at 30 June 2021				
Asset type				
Equity investments internally managed (Note 20)	**1,899,950,381**	1,744,167,745	–	155,782,636
Equity securities externally managed (Note 18)	**104,109,596**	104,109,596	–	–
Investment Properties (Note 25)	**852,506,254**	–	–	852,506,254
Investment in associates (Note 22)	**374,073,633**	–	235,030,493	139,043,140
Debt instruments at amortised cost	**11,556,221,300**	–	11,556,221,300	–

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:

	Investment properties Ushs 000
2022	
At 1 July 2021	**852,506,254**
Total gains in surplus or deficit	43,445,908
Additions	48,245,075
Disposals	–
Reclassifications	(50,395,894)
At 30 June 2022	**892,184,570**
2021	
At 1 July 2020	**725,470,447**
Total gains in surplus or deficit	69,784,516
Additions	81,245,342
Disposals	635,000
Reclassifications	(23,359,051)
At 30 June 2021	**852,506,254**

41. 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 2022 and 30 June 2021 are as shown below:

Description	Input		Sensitivity used* %	Effect on the Fair value Ushs 000
Workers house and social security house	Estimated rental value	2022:	10	22,476,822
		2021:	10	17,627,000
	Estimated rental expenditure	2022:	10	8,223,791
		2021:	10	6,365,000
	Vacancy factor	2022:	1	2,243,989
		2021:	1	6,365,000
	Discount factor	2022:	1	15,238,320
		2021:	1	11,980,000

* *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.

42. ESTABLISHMENT

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

43. SUBSEQUENT EVENTS

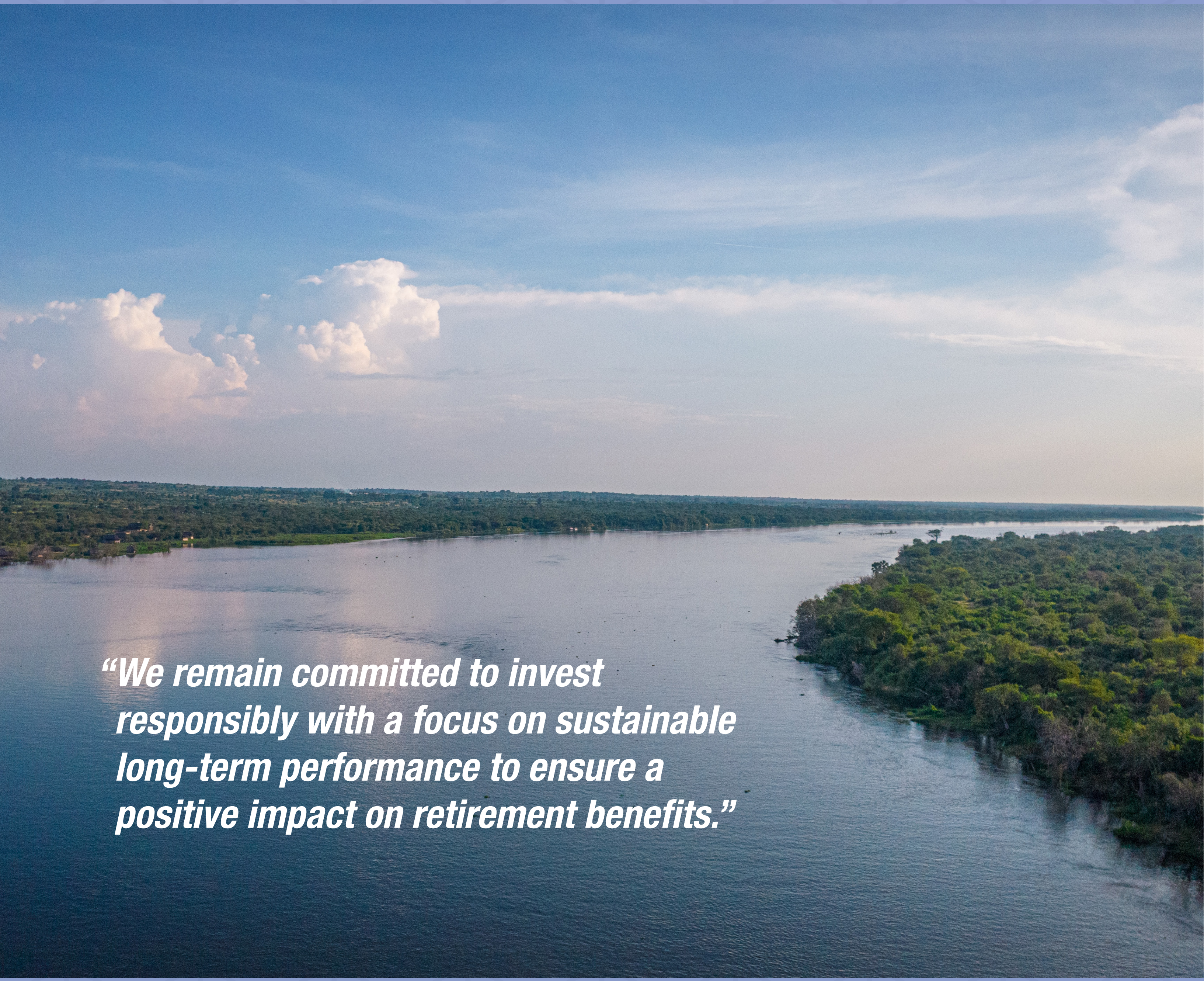
Refer to Note 44 regarding the COVID-19 pandemic.

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

44. COVID-19 PANDEMIC

The novel Coronavirus 2019 (COVID-19) poses a significant threat to global health and the World Health Organisation has officially characterised the situation as a pandemic.

The Directors have assessed the impact of COVID-19 and also reviewed the measures undertaken by the Government of Uganda to mitigate the spread of the pandemic. Based on this assessment, the Directors are of the view that the pandemic will not have a material impact on the Fund's operations, financial performance and going concern status.



"The sky's the limit when we invest responsibly."

NSSF Commercial Projects

NSSF
a better life