NATIONAL SOCIAL SECURITY FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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DIRECTORS

Mr.	Patrick Byabakama Kaberenge	Chairman
Mr.	Pius Bigirimana	Member (Resigned August 2019)
Mr.	Patrick Ocailap	Member
Mr.	Peter Christopher Werikhe	Member
Mr.	Isaac Magoola	Member
Mr.	Fred Kanyangoga Bamwesigye	Member
Mr.	Stephen Mugole	Member
Ms.	Penninah Tukamwesiga	Member
Mrs.	Florence Namatta Mawejje	Member
Mr.	Richard Byarugaba	Managing Director

REGISTERED OFFICE

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

AUDITOR

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

DELEGATED AUDITORS

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

BANKERS

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

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

BANKERS (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADVOCATES

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

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

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

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

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

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

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

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

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

The directors submit their report together with the audited financial statements for the year ended 30 June 2020 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 licensed as a Retirement Benefit Scheme under the Uganda Retirement Benefits Regulatory Act (2011).

2. Principal activity

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

3. Results from operations

The results of the Fund are set out on page 14.

4. Interest to members

Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate paid during the year ended 30 June 2020 was 10.75% (2019: 11%).

5. Reserves and accumulated members' funds

The reserves of the Fund and the accumulated members' funds are set out on page 17.

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 2020, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on……10th September……2020.

By Order of the Board,

……………………………………
Ms Agnes Tibayeita Isharaza
Corporation Secretary

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

It also requires the directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and 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; and, for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Approval of the annual financial statements

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

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

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

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

These financial statements:

- were approved by the Board of Directors on 10 Sept 2020;
- 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 2020 as well as the results of its activities for the year then ended in accordance with IFRS.

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

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

Mr. Patrick Byabakama Kaberenge
Chairman

Mr. Richard Byarugaba
Managing Director

Dr. Isaac Magoola
Director

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REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of National Social Security Fund set on pages 14 to 110 which comprise the Statement of Net Assets Available for Benefits as at 30 June 2020 and the Statement of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

Basis for opinion

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

Emphasis of matters

Unallocated Members' Funds
We draw attention to Notes 33 and 34 to the financial statements which describe how the Fund accounted for contributions received from employers that had not yet been allocated to the members' individual accounts as a result of incomplete members' records and errors in the members' records. Our opinion is not modified in respect of this matter.

URA Tax Matter
We draw attention to Note 37(b) to the financial statements, which indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses relating to the years of income 2005 to 2012 and raised a tax assessment. The note also indicates the directors have not recognised any provision for the liability of Ushs 42.2 billion to the URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act. The note gives details of the case and explains that the directors have disclosed the matter as a contingent liability as the ultimate outcome of the case cannot presently be determined. Our opinion is not modified in respect of this matter.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Accounting for investment in associates	
As at 30 June 2020, the carrying amount of investments in associates was Ushs 361 billion (2019: Ushs 318 billion). As disclosed in note 3(a) to the financial statements, investments in associates are carried at cost and adjusted for post-acquisition changes in the Fund's share of net assets of the associates less any impairment in value. The financial reporting periods for the associates end on 31 December, necessitating the Fund to use half-year unaudited financial reports for the purpose of determining the Fund's share of post-acquisition changes in net assets of the associates. Valuation of investments in associates was considered to be a key audit matter due to the significance of the Fund's interest in associates and the judgements involved in the impairment assessment of the investments. We also considered there to be a risk that the disclosures in note 21 to the financial statements which are significant to the understanding of the Fund's investments in associates are not complete.	Our audit procedures included but were not limited to: • Understanding the Fund's processes for recording the Fund's share of post-acquisition changes in net assets of the associates and other changes in the carrying amount of the investments. • Understanding the Fund's processes for assessing impairment of investments in associates. • Assessing that the computation of the Fund's share of post-acquisition changes in net assets of the associates was in accordance with the Fund's shareholding and associate's financial statements. • Assessing the adequacy of the Fund's disclosures in respect to investments in associates.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Litigation and other claims	
The Fund is involved in legal matters as disclosed in Note 37(c) to the financial statements. We focused on this because some of the legal matters relating to claims over the Fund's investment property are the subject of media coverage and are of interest to the Fund's members. Assessing the liabilities and contingencies that could arise from legal matters involves judgement. There is a risk that the disclosures in the financial statements which are significant to the understanding of the Fund's financial exposure to litigation are not complete.	Our audit procedures included but were not limited to: • Understanding the Fund's processes for recording and assessing of litigation provisions and contingent liabilities. • Determining the completeness and reasonableness of the amounts recognized/disclosed as litigation liabilities and contingent liabilities, including the assessment of the legal reports by the Fund's internal and external lawyers. • Obtaining direct confirmations from the Fund's external lawyers and comparing the confirmed positions with the Fund management's assessment of the likely outcome of the legal matters. • Obtaining written representation from the Fund's directors regarding completeness of the legal matters. • Assessing the adequacy of the Fund's disclosures in respect to litigation.
Valuation of investment properties	
The Fund's investment property portfolio relates to land and buildings held to earn rental income and/or capital appreciation, with a total valuation of Ushs 524 billion as at 30 June 2020 (2019: Ushs 491 billion). As disclosed in notes 3(e) and 3(h), investment properties are carried at fair value on the Statement of Net Assets Available for Benefits. The fair value was determined by independent registered valuers appointed by the Fund. The fair value gain recorded for the current financial year amounts to Ushs 47 billion (2019: Ushs 38 billion) as disclosed in note 24. Valuation of the investment properties was considered to be significant to the audit due to reasons below:	Our audit procedures included but were not limited to: • Understanding the Fund's processes for valuation of investment properties. • Reviewing valuation reports for all properties and assessing the valuation methodology and the reasonableness of the significant underlying assumptions. • Discussing with management and the valuers the nature of key assumptions and the expected impact of COVID-19 on these assumptions. • Assessing the competence, objectivity

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

• The determination of fair value involves significant judgement by management and the use of external valuation experts. In estimating the fair value of the investment properties, valuers used valuation techniques i.e. discounted cash flow, cost approach and sales comparison methods, taking into consideration the nature and usage of the investment properties. • Due to uncertainty of the economic impact of COVID-19, management re-assessed the assumptions used to measure the fair value of the investment properties, on account of changes in the market conditions and related observable inputs. Given the market conditions that existed at 30 June 2020, the independent registered valuers have reported on a basis of "material valuation uncertainty" and note that, as a result, less certainty and a higher degree of caution should be attached to the valuation. In this situation, the disclosures in the financial statements provide particularly important information about the assumptions made in the valuation and the market conditions as at 30 June 2020. The valuation techniques as well as changes in carrying amounts of investment properties as a result of the valuation exercise by the valuers are indicated in notes 24, 28 and 40. Details on the effects of COVID 19 and related judgements and assumptions are indicated in note 44.	and integrity of the independent registered valuers. We assessed their professional qualifications and experience. We also obtained representation from them about their independence and the scope of their work. • Assessing the integrity of source data such as contractual rentals, vacancy factors, occupancy rates and expenditure used in the valuation calculations. • Assessing the adequacy of disclosures in respect to investment properties. • Obtained management representations for any adjustments made in the Fund's financial statements in respect to the valuation of investment properties.

Other information

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

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

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

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

Ernst & Young

Ernst & Young
Certified Public Accountants of Uganda
Kampala, Uganda

Geoffrey Byamugisha
Partner

22 September **2020**

	Note	2020 Ushs'000	2019 Ushs'000
Revenue			
Interest income	5	1,398,768,129	1,167,203,782
Rental income	6	11,125,662	10,720,456
Dividend income	7	62,276,226	77,053,488
Total revenue		**1,472,170,017**	**1,254,977,726**
Other (loss)/income			
Fair value gains/(losses) on investments at fair value through profit/loss	8(a)	62,191,502	(168,857,234)
Foreign exchange (losses)	8(b)	(94,386,858)	(247,372,686)
Other income	8(c)	156,533	13,387,291
Total other loss		**(32,038,823)**	**(402,842,629)**
Expenditure			
Administrative expenses	9	(124,215,494)	(112,971,799)
Impairment losses on financial assets	10	(3,392,944)	(5,031,109)
Other operating expenses	11	(22,528,216)	(21,968,509)
Amortisation of intangible assets	25	(1,397,334)	(1,090,515)
Depreciation on property and equipment and right of use assets	26	(6,366,421)	(4,115,058)
Total expenditure		**(157,900,409)**	**(145,176,990)**
Finance costs	30	(519,721)	-
Share of results of associates, net of tax	21	30,497,502	39,011,232
Surplus from operations from continuing operations		**1,312,208,566**	**745,969,339**
Interest transfer to members	33	(1,154,269,188)	(978,000,706)
Surplus/(loss) before tax from continuing operations	12	**157,939,378**	**(232,031,367)**
Income tax expense (withholding tax as final tax)	13(a)	(153,049,039)	(172,861,268)
Surplus for the year from continuing operations		**4,890,339**	**(404,892,635)**
Discontinued operations			
Surplus after tax for the period from discontinued operations	29	588,563	-
Surplus/(loss) for the year		**5,478,902**	**(404,892,635)**

	Note	2020 Ushs'000	2019 Ushs'000
Surplus/(loss) for the year		**5,478,902**	**(404,892,635)**
Other comprehensive income			
Other comprehensive income to be reclassified to surplus or deficit in subsequent years:		-	-
Items not to be reclassified to surplus or deficit in subsequent years:		-	-
Share of other comprehensive income of associates		-	-
Exchange differences on translation from functional to presentation currency, net of tax	21	(8,374,505)	330,524
Total other comprehensive loss for the year, net of tax		**(8,374,505)**	**330,524**
Total comprehensive income for the year, net of tax		**(2,895,603)**	**(404,562,111)**
DEALINGS WITH MEMBERS			
Contributions received during the year	33	1,271,505,205	1,208,290,143
Benefits paid	33	(496,411,396)	(449,965,213)
Net dealings with members		**775,093,809**	**758,324,930**
Net increase in scheme funds during the year		**772,198,206**	**353,762,819**

NATIONAL SOCIAL SECURITY FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 30 JUNE 2020

	Note	30 June 2020 Ushs'000	30 June 2019 Ushs'000
ASSETS			
Cash and bank balances	14	26,022,095	17,640,161
Deposits with commercial banks	15	203,157,273	145,736,449
Trade and other receivables	16	52,961,898	69,289,155
Equity securities held-for-trading	17	87,662,482	91,432,601
Tax deposit receivable	13 (c)	25,323,522	25,323,522
Debt instruments at amortised cost	18	10,016,837,661	8,528,619,800
Equity investments at fair value through profit or loss	19	1,463,176,697	1,265,470,262
Loans and advances	20	15,382,874	19,024,785
Investments in associates	21	361,245,165	317,606,820
Inventories	22	14,447,603	14,447,603
Capital work-in-progress	23	419,354,937	310,279,797
Investment properties	24	523,638,485	491,746,647
Intangible assets	25	9,138,880	7,876,182
Property and equipment and right-of-use assets	26	23,559,101	12,564,918
Tax claimable	27	25,020,206	21,185,091
Finance leases	28	-	730,000
		13,266,928,879	**11,338,973,793**
Assets held for sale	29	16,631,516	-
Total assets		**13,283,560,395**	**11,338,973,793**
LIABILITIES			
Other payables	30	54,894,101	60,535,554
Contract liabilities	31	9,911,421	3,856,061
Provision for litigation	32	814,522	807,041
		65,620,044	**65,198,656**
NET ASSETS		**13,217,940,351**	**11,273,775,137**
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	33	13,062,237,946	11,138,207,557
Reserve account	34	142,056,178	125,212,466
Accumulated surplus		5,863,520	4,484,199
Translation reserve		7,782,707	5,870,915
TOTAL MEMBERS' FUNDS AND RESERVES		**13,217,940,351**	**11,273,775,137**

These financial statements were approved for issue by the Board of Directors on ..10/Sept/..2020 and signed on its behalf by:

Mr. Patrick Byabakama Kaberenge
Chairman

Dr. Isaac Magoola
Director

Mr. Richard Byarugaba
Managing Director

NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Reserve account Ushs 000 (Note 34)	Accumulated members' funds Ushs 000 (Note 33)	Accumulated surplus Ushs 000	Translation reserve* Ushs 000	Total Ushs 000
At 1 July 2018		**105,313,084**	**9,407,593,129**	**417,845,044**	**5,540,391**	**9,936,291,648**
Impact of adoption of IFRS 9		-	-	(4,422,994)	-	(4,422,994)
Share of impact of adoption of new standards of associates, net of tax	21	-	-	(3,341,597)	-	(3,341,597)
Share of prior period adjustments of associates, net of tax	21	-	-	(703,619)	-	(703,619)
Revised opening balance		**105,313,084**	**9,407,593,129**	**409,376,834**	**5,540,391**	**9,927,823,438**
Loss for the year		-	-	*(404,892,635)*	-	*(404,892,635)*
Other comprehensive income, net of tax	*21*	-	-	-	*330,524*	*330,524*
Total comprehensive income for the year, net of tax		-	-	(404,892,635)	330,524	(404,562,111)
Special contributions received	34(a)	14,453,476	-	-	-	14,453,476
Members' contributions received	33	-	1,208,290,143	-	-	1,208,290,143
Benefits paid to members	33	-	(449,965,213)	-	-	(449,965,213)
Interest allocated to members arising from arrears recovered	33	-	4,355,440	-	-	4,355,440
Provision for interest to members	33	5,445,906	967,934,058	-	-	973,379,964
At 30 June 2019		**125,212,466**	**11,138,207,557**	**4,484,199**	**5,870,915**	**11,273,775,137**
At 1 July 2019		**125,212,466**	**11,138,207,557**	**4,484,199**	**5,870,915**	**11,273,775,137**
Share of prior period adjustments of associates, net of tax	21	-	-	(4,099,581)	10,286,297	6,186,716
Revised opening balance		**125,212,466**	**11,138,207,557**	**384,618**	**16,157,212**	**11,279,961,853**
Surplus for the year		-	-	*5,478,902*	-	*5,478,902*
Other comprehensive income, net of tax	*21*	-	-	-	*(8,374,505)*	*(8,374,505)*
Total comprehensive income for the year, net of tax		-	-	5,478,902	(8,374,505)	(2,895,603)
Special contributions received	34(a)	10,936,142	-	-	-	10,936,142
Members' contributions received	33	-	1,271,505,205	-	-	1,271,505,205
Benefits paid to members	33	-	(496,411,396)	-	-	(496,411,396)
Interest allocated to members arising from arrears recovered	33	-	4,943,492	-	-	4,943,492
Provision for interest to members	33	5,907,570	1,143,993,088	-	-	1,149,900,658
At 30 June 2020		**142,056,178**	**13,062,237,946**	**5,863,520**	**7,782,707**	**13,217,940,351**

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

	Note	2020 Ushs '000	2019 Ushs '000
Net cash flows used in operating activities	**35**	**20,793,185**	**86,206,828**
Investing activities			
Purchase of software	25	(629,172)	(2,337,953)
Purchase of property and equipment	26	(7,922,449)	(5,761,948)
Purchase of investment properties	24	(486,240)	-
Additions to capital work-in-progress	23	(115,963,750)	(132,003,140)
Purchase of equity investments at fair value through profit or loss	19	(193,739,955)	(199,242,136)
Purchase of equity investments held for trading	17	(12,776,151)	(13,041,187)
Proceeds from disposal of equity investments held for trading	17	7,020,097	10,098,630
Purchase of debt instruments at amortised cost	18	(1,910,816,202)	(1,587,279,720)
Maturities of debt instruments at amortised cost	18	458,924,177	318,088,914
Placement of deposits with commercial banks	15	(656,066,104)	(233,988,588)
Maturities of deposits with commercial banks	15	598,317,434	190,460,779
Maturities of loans and advances	20	3,666,667	3,666,668
Interest received from debt instruments at amortised cost	18	1,034,884,756	763,380,789
Interest received from loans and advances	20	2,282,243	2,793,967
Interest received from commercial bank deposits	15	19,157,530	10,190,737
Increase in investment in associate	21	(31,557,500)	-
Dividends received from associates		3,378,299	11,378,946
Net cash flows used in investing activities		**(802,326,320)**	**(863,595,242)**
Financing activities			
Repayment of principal portion of lease liabilities	30	(1,058,374)	-
Benefits paid out to members	33	(496,411,396)	(449,965,213)
Contributions received from members	33	1,271,505,205	1,208,290,143
Interest recovered on arrears	33	4,943,492	4,355,440
Special contributions received	34	10,936,142	14,453,476
Net cash flows generated from financing activities		**789,915,069**	**777,133,846**
Increase/(decrease) in cash and cash equivalents		8,381,934	(254,568)
Cash and cash equivalents at the beginning of the year		17,640,161	17,894,729
Cash and cash equivalents at 30 June	**14**	**26,022,095**	**17,640,161**

1. FUND INFORMATION

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

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees’ gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2020, 21,726 beneficiaries were paid (2019: 26,181).

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

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

The Government is currently implementing policy reforms whose objective is a liberalised and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established the Uganda Retirement Benefits Regulatory Authority [URBRA] whose function is to regulate all retirement schemes including NSSF. The Fund has a valid operating license (Licence No. RBS 0002) issued by URBRA.

In March 2018, Cabinet approved the National Social Security Fund Amendment Bill 2018.This Bill was tabled before Parliament in 2019. The amendment seeks to permit the fund continue as a national scheme and seal off its position as sole recipient of mandatory contributions for the country’s working population. The amendment also seeks to provide for mid-term access to benefits, and bring on board new products including education, maternity, housing, health and unemployment.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management’s expectation is that government will do all it can to ensure that the Fund continues to exist in the foreseeable future.

The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund’s ability to continue as a going concern in the foreseeable future.

2. BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Investment in associates

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Investment in associates (Continued)

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

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

b) Foreign currencies

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

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

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

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

c) Revenue recognition

Revenue from contracts with customers

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (Continued)

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

Sale of properties
The Fund develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Fund due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. The Fund provides handover checklists at the time of handover of the properties for purposes of ensuring completeness of every aspect is duly noted and agreed to by the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The Fund has requirements for full prepayment of consideration under its standard property sale contracts. A contract liability for the advance payment is recognised at the time of the receipt. Revenue is recognised when the property sale is concluded under the contract terms which is generally at transfer of title deed or ownership.

The revenue is measured at the transaction price agreed under the contract. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(i) Variable consideration

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

(ii) Significant financing component

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

(iii) Non-cash consideration

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

Contract balances

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

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.

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

Interest income/expense
The effective interest rate method
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount.

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 revenue/expense calculated using the effective interest method.
For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (Continued)

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

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

Other income
Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of the Fund's assets.

d) Financial instruments

Financial instruments – initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

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

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

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

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

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

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

The Fund's financial assets at amortised cost are as indicated 39(d).

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in the statement of changes in net assets available for benefits when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with net changes in fair value recognised in the statement of changes in net assets available for benefits.

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

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

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

Or

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

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 38)
- Debt instruments at amortised cost (Note 18)
- Loans and advances (Note 20)
- Trade and other receivables (Note 16)
- Deposits with commercial banks (Note 15)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

Impairment of financial assets (continued)
risk simplification. At every reporting date, the Fund evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the debt instrument. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past

due. The Fund also uses the ratings from the Standard & Poor, Moody's and Fitch to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs. The ratings are utilised on the Debt instruments at amortised cost and Deposits with commercial banks.

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

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

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

(ii) Financial liabilities

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

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

Other payables
The Fund's payables majorly relate to amounts due to contractors for works being 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

Gains and losses on derecognition and amortisation are recognised in Statement of Changes in Net Assets Available for Benefits.

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.

The Fund didn’t have any offsetting agreements in the years ended 30 June 2020 and 2019

e) Fair value measurement

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Fair value measurement (continued)

- 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 of/determination of involvement of the external valuers to a Valuation Committee which is comprised of the real estate manager, finance manager, procurement manager and Legal Officer.

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

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

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

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

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

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

- Disclosures for valuation methods, significant estimates and assumptions – Note 4.
- Quantitative disclosures of fair value measurement hierarchy – Note 40.
- Financial instruments (including those carried at amortised cost) – Notes 14,17, 19, and 39
- Investment property – Note 24

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property and equipment and right of use assets

Property and equipment is stated at cost excluding the costs of day–to–day servicing, 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 capitalized 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. Right-of-use assets (except those meeting the definition of investment property) are presented together with property and equipment in the statement of financial position – refer to Notes 3(r) and 26. Right-of-use assets (except those meeting the definition of investment property) are depreciated on a straight-line basis over the lease term.
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%
Right of Use Assets	Straight line over the lease term

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

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. Fair values are determined based on a valuation performed by an accredited external, independent valuer at most after every two years applying a valuation model recommended by the International Valuation Standards Committee.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investment properties (Continued)

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

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

i) Inventories

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

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

j) Impairment of non-financial assets

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

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

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

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

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

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

m) Income tax

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Income tax (Continued)

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

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

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

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

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

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

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 14) that are available on demand as at the reporting date.

o) Capital work-in-progress

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Members' funds

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

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

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

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

q) Reserve account

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

r) Leases (For the year ended 30 June 2020)

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 3 to 6 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Leases (For the year ended 30 June 2020) (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 26 Property, equipment and right-of-use assets 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 30.

- **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 12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (For the year ended 30 June 2019)

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

Fund as a lessee
A lease is classified at the inception date as a finance lease or an operating lease.

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

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

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

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

s) Current/non-current distinction

The Fund presents assets and liabilities in0 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 41.

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)

t) Non-current assets held for sale and discontinued operations (Continued)

Additional disclosures are provided in Note 29. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

u) Changes in accounting policies and disclosures

New and amended standards and interpretations

During the current year, the Fund has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019.

The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Fund has listed the disclosure of new and amended standards and interpretations that are effective from 1 January 2019, that had an impact on the Fund's financial statements.

The adoption of these new and revised standards and interpretations is described below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Fund is the lessor.

The Fund adopted IFRS 16 using the option (ii) of the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied from the beginning of the current period with neither restatements nor effects to accumulated surplus. The Fund elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 July 2019. Instead, the Fund applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Fund has lease contracts for various branches and some plots of land. Before the adoption of IFRS 16, the Fund classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 3(r) for the accounting policy prior to 1 July 2019.

Upon adoption of IFRS 16, the Fund applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3(r) for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Changes in accounting policies and disclosures (Continued)

Leases previously classified as finance leases

The Fund did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.
The resulting right-of-use assets meet the definition of investment property and are therefore presented in the statement of net assets available for benefits within investment property.

Leases previously accounted for as operating leases

The Fund recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. The resulting right-of-use assets don’t meet the definition of investment property and have been presented in the statement of net assets available for benefits within property, equipment and right of use assets.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right of Use asset was recognized an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of net assets available for benefits immediately before the date of initial application.

The Fund also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adopting IFRS 16 as at 1 July 2019 led to an increase/(decrease) in the line items in the financial statements, as follows:

	1 July 2019 Ushs ‘000
Assets	
Property and equipment and right-of-use assets	4,958,371
Trade and other receivables	(276,432)
Investment properties	730,000
Finance Leases	(730,000)
Total Assets	**4,681,939**
Liabilities	
Other liabilities	4,681,939
Total liabilities	**4,681,939**
Members’ fund and reserves	**-**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Changes in accounting policies and disclosures (Continued)

- Right-of-use assets (except those meeting the definition of investment property) of Ushs 4.96 billion were recognised and presented in the statement of net assets available for benefits within “Property, equipment and right-of-use assets”.
- Lease liabilities of Ushs 4.7 billion (included in “Other liabilities”) were recognised.
- Right-of-use assets that meet the definition of investment property of Ushs 730 million were reclassified from finance leases and to investment properties.
- The adoption of IFRS 16 had no impact on the Fund’s accumulated surplus

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Ushs ‘000
Operating lease commitments as at 30 June 2019	6,237,902
Weighted average incremental borrowing rate as at 1 July 2019	15%
Discounted operating lease commitments as at 1 July 2019	4,681,939
Less:	
Commitments relating to short-term leases	-
Lease Liabilities at 1 July 2019	**4,681,939**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Fund determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Fund applies significant judgement in identifying uncertainties over income tax treatments. Since the Fund operates in a complex environment, it assessed whether the interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Fund considered whether it has any uncertain tax positions, particularly those relating to the tax matter as disclosed in note 37(b). The Fund’s tax filings include deductions related to interest provision to members and the taxation authorities have challenged this tax treatment. This matter is before the courts for determination as described in note 37(b). The Fund determined, based on its tax compliance and legal experts’ opinions, that it is probable that its tax treatment will be accepted by the taxation authorities upon conclusion of the tax matter. As such the Interpretation did not have an impact on the financial statements of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Changes in accounting policies and disclosures (Continued)

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

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle
    - IFRS 3 Business Combinations
    - IFRS 11 Joint Arrangements
    - IAS 12 Income Taxes
    - IAS 23 Borrowing Costs

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 of the Fund's financial statements are not expected to have a significant impact on the Fund's financial statements.

These standards and interpretations are listed below;

- Definition of a Business – Amendments to IFRS 3 -effective 1 January 2020
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 -effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 -effective 1 January 2020
- The Conceptual Framework for Financial Reporting-effective 1 January 2020
- Covid-19-Related Rent Concessions – Amendment to IFRS 16-effective 1 June 2020
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 -effective 1 January 2022
- Reference to the Conceptual Framework – Amendments to IFRS 3 -effective 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 - effective 1 January 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37-effective 1 January 2022
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first- time adopter -effective 1 January 2022
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities -effective 1 January 2022
- AIP IAS 41 Agriculture – Taxation in fair value measurements-effective 1 January 2022
- IFRS 17 Insurance Contracts -effective 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 -postponed indefinitely

4. DETERMINATION OF FAIR VALUE

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

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

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

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

	2020 Ushs 000	2019 Ushs 000
Interest income on short term deposits with banks	21,382,495	16,403,361
Interest income on government bonds: debt instruments at amortised cost	1,365,625,028	1,136,529,434
Interest income on corporate bonds: debt instruments at amortised cost	9,571,915	11,632,872
Interest income on loans and receivables measured at amortised cost	2,188,691	2,638,115
	1,398,768,129	**1,167,203,782**

All interest income arises from financial assets that are not at fair value through profit or loss and is calculated using the effective interest method.

6. RENTAL INCOME

	2020 Ushs 000	2019 Ushs 000
Workers House	4,963,396	5,110,870
Social Security House	3,034,962	2,881,811
Service charge	2,123,826	1,900,563
Others – Naguru, Mbarara & Jinja	1,003,478	827,212
	11,125,662	**10,720,456**

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

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

7. DIVIDEND INCOME

	2020 Ushs 000	2019 Ushs 000
Stanbic Bank Uganda Limited	6,299	2,536,817
Bank of Baroda (Uganda) Limited	-	499,563
New Vision Printing and Publishing Company Limited	375,000	375,000
dfcu Limited	-	1,842,071
Safaricom Limited	16,277,080	20,794,969
Equity Group Holdings Ltd	-	7,911,641
Kenya Commercial Bank (KCB)	11,715,198	10,849,277
Bank of Kigali	2,439,554	4,758,684
Tanzania Breweries	1,933,790	7,190,982
East Africa Breweries	5,742,046	5,255,116
Dividend Inc -PTA Shares CB	4,260,568	3,400,770
Twiga Ltd	4,530,046	4,428,938
Britam Kenya	348,692	-
Vodacom Ltd	1,086,360	779,318
Jubilee Insurance Ltd	604,406	394,521
Kenya Re Ltd	85,068	99,525
Centum Ltd	181,898	197,410
CRDB Tanzania Ltd	5,472,194	1,286,080
National Microfinance Bank	3,676,907	-
Other dividend income earned from fund managers	3,541,120	4,452,806
	62,276,226	**77,053,488**

8. OTHER OPERATING (LOSS)/INCOME

(a) Fair value (loss)/ gains	2020 Ushs '000	2019 Ushs '000
Fair value gains on investment properties and finance leases	46,929,148	38,080,363
Fair value losses on equity investments held for trading	(7,581,995)	(17,375,852)
Fair value gains /(losses) from equity investments at fair value through profit or loss	22,844,349	(189,561,745)
	62,191,502	**(168,857,234)**
(b) Foreign exchange losses	**(94,386,858)**	**(247,372,686)**

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

(c) Other income	2020 Ushs '000	2019 Ushs '000
Write back of Alcon provision (Note 32)	-	12,989,504
Notional income on staff loans	73,070	106,769
Miscellaneous income	83,463	291,018
	156,533	**13,387,291**

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

9. ADMINISTRATIVE EXPENSES

	2020 Ushs 000	2019 Ushs 000
Staff costs (Note 9a)	76,284,904	71,170,996
Staff medical insurance	1,512,107	1,417,315
General staff and training expenses	6,865,726	8,256,531
Advertising and promotion	7,167,497	5,991,081
Auditors' remuneration	186,742	162,385
Bank charges and commission	98,387	10,559
Board expenses	1,337,004	826,179
Cleaning expenses	364,763	426,767
IT connectivity and internet	1,764,870	1,143,217
Directors' allowances	954,801	959,103
Professional fees	4,338,028	5,148,832
Legal fees	4,887,393	1,447,544
Motor vehicle fuel costs, maintenance & repairs	1,508,473	1,556,545
Printing and stationery	420,221	720,021
Subscriptions	873,357	705,511
Telephone, fax, telex and post	1,312,174	815,634
Travel and subsistence costs	4,643,560	4,525,205
Commission and brokerage fees	1,992,192	1,363,380
Uganda Retirement Benefits Regulatory Authority annual levy	6,854,508	5,749,723
Other administrative expenses	848,787	575,271
	124,215,494	**112,971,799**

9. ADMINISTRATIVE EXPENSES (CONTINUED)

a) Staff costs

	2020 Ushs 000	2019 Ushs 000
Leave pay	1,137,324	995,652
Overtime expenses	113,569	52,279
Salaries and wages	62,747,787	58,523,523
Social security contributions	6,601,346	6,218,763
Contributions to the staff provident fund	4,537,250	4,299,328
Gratuity	1,147,628	1,081,451
	76,284,904	**71,170,996**

Average number of employees: 532 (2019: 536)

10. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Note	2020 Ushs 000	2019 Ushs 000
Deposits due from banks	15	459,744	409,286
Trade and other receivables	16	3,003,947	4,532,489
Debt instruments at amortised cost	18	(25,509)	142,594
Loans and advances	20	(45,238)	(53,260)
		3,392,944	**5,031,109**

11. OTHER OPERATING EXPENSES

	2020 Ushs 000	2019 Ushs 000
Rent and rates*	812,455	1,822,291
Electricity and water	1,590,155	1,684,905
Repairs and maintenance	9,888,934	9,808,056
Insurance	4,225,807	3,459,298
Security expenses	2,357,054	1,931,921
Research and library expenses	3,653,811	3,262,038
	22,528,216	**21,968,509**

*The rent and rates expense for the year ended 30 June 2020 relate to KCCA Ground rent and rates charges paid to the Kampala Capital City Authority for some of the Fund's investment properties.

12. SURPLUS/(LOSS) BEFORE TAX

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

	2020 Ushs 000	2019 Ushs 000
Amortisation of intangible assets (Note 25)	1,397,334	1,090,515
Depreciation on property and equipment and right of use assets (Note 26)	6,366,421	4,115,058
Auditors' remuneration	186,742	162,385
Directors' emoluments	954,801	959,103
Foreign exchange losses	94,386,859	247,372,685
Fair value (gains)/losses on equity instruments at FVTPL	(22,844,349)	189,561,745
Fair value losses on equity instruments held for trading	7,581,994	17,375,852
Fair value gains on investment property and finance leases	(46,929,148)	(38,080,363)

13. TAX

(a) Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,452 billion as at 30 June 2020 (2019: Ushs 1,376 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:

	2020 Ushs 000	2019 Ushs 000
Surplus before tax from continuing operations	**157,939,378**	**(232,031,367)**
Surplus before tax from discontinued operations	**588,563**	**-**
Surplus before tax	**158,527,941**	**(232,031,367)**
Tax calculated at 30%	47,558,382	(69,609,410)
Tax effect of:		
Expenses relating to income taxed at source	18,870,576	20,208,463
Non- taxable income	(3,560,936)	(11,703,370)
Other non-deductible expenses	(6,660,207)	591,741
Effect of differential between the income tax statutory rate and the WHT rate on government securities	41,500,834	54,593,183
Effect of discontinued operation	163,158	-
Prior year deferred tax over provision	(1,009,256)	(3,784,123)
Unrecognised deferred tax credit (Note 13(b))	56,186,488	182,564,784
Tax charge	**153,049,039**	**172,861,268**

(b) Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2019: 30%).

	At 30 June 2019 Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	At 30 June 2020 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(183,286,818)	177,102,362	(6,184,456)
Impairment allowance on financial assets	(10,915,964)	(1,017,883)	(11,933,847)
Provision for litigation	(242,112)	-	(242,112)
Lease liability under IFRS 16	-	(1,181,696)	(1,181,696)
Impairment of associate		(1,484,013)	(1,484,013)
Bonus provision	(4,323,109)	34,392	(4,288,717)
Tax losses carried forward	(412,661,111)	(22,930,187)	(435,591,298)
	(611,429,114)	**150,522,975**	**(460,906,139)**
Deferred tax liabilities			
Unrealized foreign exchange gains	247,925,358	(226,058,564)	21,866,794
Fair value gains on investment properties	100,705,278	14,078,744	114,784,022
Fair value changes on equity instruments	21,411,220	6,853,305	28,264,525
Right of use Asset	-	1,200,877	1,200,877
Unrealised gains in investments with fund managers	3,857,080	(2,480,111)	1,376,969
Accelerated depreciation	2,596,915	(303,714)	2,293,201
	376,495,851	**(206,709,463)**	**169,786,388**
Net deferred tax asset	**(234,933,263)**	**(56,186,488)**	**(291,119,751)**

13. TAX (CONTINUED)

(b) Deferred tax asset (continued)

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

The net deferred tax asset of Ushs 291 billion (2019: Ushs 235 billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilise the benefits therefrom. As at 30 June 2020, tax losses carried forward amounted to Ushs 1,452 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 distribute interest to the members. With the deductibility of the interest distribution, it is unlikely that the Fund will have taxable profit against which to utilise the tax assets since the largest portion of the surplus earnings are distributed to members as interest. 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 37 (b).

13. TAX (CONTINUED)

c) Tax deposit receivable

	2020 Ushs 000	2019 Ushs 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed in Note 37(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be refunded in the event of a successful outcome, or applied toward the tax obligation in the event that the fund is not successful in its court case.

14. CASH AND BANK BALANCES

	2020 Ushs 000	2019 Ushs 000
Absa Bank Uganda Limited	1,353,979	468,318
Citibank Uganda Limited	2,390,672	5,305,953
Housing Finance Uganda Limited	115,129	9,729
Stanbic Bank Uganda Limited	6,226,894	1,281,613
Standard Chartered Bank Uganda Limited	5,776,730	2,876,151
KCB Rwanda Custodian	1,371	10,531
Imperial Bank Limited	32,898	23,248
Eco Bank Uganda Limited	1,412	1,434,142
Bank of Africa	182,928	369,286
Centenary Bank	853,795	3,063
DFCU Bank Limited	449,428	512,438
United Bank for Africa	41,491	1,517,630
Orient Bank Limited	26,950	58,665
Guaranty Trust Bank	47,201	125,017
Tropical Bank -collection account	24,596	91,538
Bank of Baroda Uganda Limited-collection account	452,427	431,736
Post Bank	27,002	1,792,908
KCB Uganda	171,939	195,243
Finance Trust Bank	15,981	67,548
Diamond Trust	453,894	897,969
NC Bank	206	99,488
Equity Bank	194,334	-
Commercial Bank of Africa	23,128	-
Standard Chartered Tanzanian Custodian	6,917,703	-
KCB Kenya Custodian	79,865	-
Cash at hand	40,370	48,954
Mobile Money	119,772	18,993
	26,022,095	17,640,161

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

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

The Fund's cash and bank balances are not restricted for use.

15. DEPOSITS WITH COMMERCIAL BANKS

	2020 % in class	2019 % in class	2020 Ushs 000	2019 Ushs 000
Housing Finance Bank Limited	39.3	54.8	80,456,041	80,422,723
Stanbic Bank	25.9	2.0	53,007,405	3,001,048
Standard Chartered Bank Uganda Limited	5.3	15.6	10,945,036	22,941,395
Commercial Bank of Africa	9.9	6.8	20,195,616	10,007,056
United Bank of Africa	18.2	-	37,333,387	-
Kenya Commercial Bank	1.4	-	2,734,483	-
Equity Bank Uganda Limited	-	20.8	-	30,419,178
Gross deposits	**100**	**100**	**204,671,968**	**146,791,400**
Expected Credit Loss			(1,514,695)	(1,054,951)
			203,157,273	**145,736,449**

The gross deposits with commercial banks are analysed as follows:

	2020 Ushs 000	2019 Ushs 000
Amounts due within three (3) months	55,741,888	46,955,641
Amounts due after three (3) months but less than 1 year	57,596,241	8,571,421
Amounts due after 1 year	91,333,839	91,264,338
Gross deposits	**204,671,968**	**146,791,400**

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

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**145,736,449**	**99,835,759**
New placements / deposits	656,066,104	233,988,588
Maturities	(598,317,434)	(190,460,779)
Interest accrued	21,382,495	16,403,361
Interest received	(19,157,530)	(10,190,737)
Foreign exchange (losses)/gains	(2,093,067)	(2,784,792)
Allowance for credit losses	(459,744)	(1,054,951)
At 30 June	**203,157,273**	**145,736,449**

The deposits are carried at amortised cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2020 was 9.28% (2019: 13.12%).

The allowance for expected credit losses is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	1,054,951	**-**
Impact of IFRS 9 adoption at 1 July 2018	-	645,665
Increase in impairment allowance during the year	459,744	409,286
At 30 June	**1,514,695**	**1,054,951**

The allowance relates to the expected credit losses. Refer to Note 39 (c) for details.

16. TRADE AND OTHER RECEIVABLES

	2020 Ushs 000	2019 Ushs 000
Trade receivable	8,015,701	6,911,655
Contributions receivable*	1,879,493	1,879,493
Dividends receivable	36,464,911	58,150,226
Other receivables	4,091,599	5,504,498
Provision for impairment loss	(13,378,933)	(10,374,986)
	37,072,771	**62,070,886**
Prepayments	2,008,955	1,979,144
VAT recoverable	13,470,595	4,756,477
Deferred staff expense	409,577	482,648
	52,961,898	**69,289,155**

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

The provision for impairment loss is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**10,374,986**	**10,739,257**
Impact of IFRS 9 adoption at 1July 2018	-	(497,108)
Utilised during the year (write offs)	-	(4,399,652)
Increase in impairment allowance during the year	3,003,947	4,532,489
At 30 June	**13,378,933**	**10,374,986**

The provision relates to the expected credit losses on trade receivables, contributions receivable, dividends receivable and other receivable accounts. Refer to Note 39 (c) for details.

17. EQUITY SECURITIES HELD-FOR-TRADING

	2020 Ushs 000	2019 Ushs 000
GenAfrica	6,281,038	6,607,884
Pinebridge Investments	81,381,444	84,824,717
	87,662,482	**91,432,601**

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

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

	% in class 2020	% in class 2019	Number of shares held 2020	Number of shares held 2019	Market Value 2020 Ushs'000	Market Value 2019 Ushs'000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	33.70	25.3	193,169,286	114,549,447	4,636,063	3,321,934
dfcu Limited	48.95	53.3	10,440,437	10,440,437	6,734,082	6,995,093
New Vision Printing and Publishing Company Limited	5.01	5.5	2,185,857	2,185,857	688,545	721,333
Umeme Limited	6.51	8.4	3,654,088	3,654,088	895,252	1,096,226
Uganda Clays Limited	0.61	1.1	9,330,620	9,575,568	83,976	144,974
Bank of Baroda	5.22	6.4	6,525,000	6,525,000	717,750	839,967
	100	**100**			**13,755,668**	**13,119,527**
Nairobi Securities Exchange						
Absa Bank Kenya Limited	7.39	5.52	13,013,400	9,690,000	4,556,798	3,657,519
Bamburi Cement Limited	0.01	0.03	5,100	5,100	5,017	20,862
Britam Holdings Limited	-	1.43	-	3,207,400	-	949,978
Co-operative Bank of Kenya	3.79	3.59	5,485,564	5,485,564	2,334,918	2,377,656
Diamond Trust Bank Kenya	4.89	7.03	1,217,422	1,096,553	3,016,037	4,663,770
East African Breweries Ltd	12.83	14.67	1,390,316	1,348,416	7,912,596	9,728,754
Equity Group Holdings Ltd	15.58	12.72	7,899,442	5,504,042	9,601,331	8,432,416
I&M Holdings Ltd	2.25	2.38	793,400	793,400	1,389,649	1,576,164
Kenya Commercial Bank	13.23	12.53	6,406,674	6,013,174	8,157,663	8,307,718
Nation Media Group	-	0.13	-	47,779	-	84,563
NCBA Bank	0.06	1.58	40,260	949,505	37,552	1,049,458
Safaricom Limited	33.37	29.04	20,501,500	18,972,400	20,575,800	19,256,401
Stanbic Holdings PLC	6.38	6.95	1,334,000	1,289,400	3,935,453	4,610,727
Standard Chartered Bank Kenya Ltd	0.22	2.40	23,090	227,019	137,269	1,594,881
	100	**100**			**61,660,083**	**66,310,867**
Dar es Salaam Stock Exchange						
Tanzania Breweries Limited	80.99	85.3	560,000	560,000	9,918,465	10,242,636
CRDB Bank Plc	19.01	14.7	9,970,000	9,970,000	2,328,266	1,759,571
	100	**100**			**12,246,731**	**12,002,207**

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

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

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**91,432,601**	**112,181,205**
Purchases	12,776,151	13,041,187
Disposals	(7,020,097)	(10,098,630)
Fair value losses	(7,581,995)	(17,375,852)
Foreign exchange losses	(1,944,178)	(6,315,309)
As at 30 June	**87,662,482**	**91,432,601**

The trading prices at the last date of trading for the years ended 30 June 2020 and 2019 were as follows:

	2020			2019		
	Ushs	**Kshs**	**Tshs**	**Ushs**	**Kshs**	**Tshs**
Stanbic Bank (U) Limited	24.00	-	-	29.00	-	-
DFCU Limited	645.00	-	-	670.00	-	-
New Vision Printing and Publishing Company Limited	315.00	-	-	300.00	-	-
Umeme Limited	245.00	-	-	300.00	-	-
Uganda Clays Limited	9.00	-	-	15.50	-	-
Bank of Baroda (Uganda)	110.00	-	-	128.73	-	-
Safaricom Limited	-	28.65	-	-	28.10	-
Kenya Commercial Bank	-	36.35	-	-	38.25	-
East African Breweries Limited	-	162.5	-	-	199.75	-
Bamburi Cement ltd	-	28.00	-	-	113.25	-
Equity Group Holdings Limited	-	34.7	-	-	38.95	-
Stanbic Holdings Plc	-	84.5	-	-	-	-
NCBA Bank Limited	-	26.55	-	-	30.60	-
Absa Bank Kenya Limited	-	10.00	-	-	10.45	-
Nation Media Group	-	-	-	-	49.00	-
Diamond Trust Bank Kenya Limited	-	70.75	-	-	117.75	-
Standard Chartered Bank Kenya Limited	-	169.75	-	-	194.50	-
Co-operative Bank Kenya Limited	-	12.15	-	-	12.00	-
Britam Holdings Limited	-	-		296.18	8.20	-
I&M Holdings Limited	-	50.00		1,986.55	55.00	-
Tanzania Breweries Limited	-		10,900.00	18,290.16		11,400.00
CRDB Bank Plc	-		145.00	176.48		110.00

18. DEBT INSTRUMENTS AT AMORTISED COST

	2020 % in Class	2019 % in Class	2020 Ushs 000	2019 Ushs 000
Treasury bonds	99.4	99.1	9,963,025,774	8,457,362,393
Corporate bonds	0.6	0.9	57,904,791	75,375,820
Gross investments	**100**	**100**	**10,020,930,565**	**8,532,738,213**

The gross investments are analysed as follows:

	2020 Ushs 000	2019 Ushs 000
Maturing within 3 months	759,759,679	422,913,464
Maturing after 3 months but within 1 year	1,645,762,026	893,053,213
Maturing after 1 year	7,615,408,860	7,216,771,536
	10,020,930,565	**8,532,738,213**
Less: allowance for expected credit losses	(4,092,904)	(4,118,413)
Net carrying amount	**10,016,837,661**	**8,528,619,800**

The allowance for expected credit losses is analysed as follows:

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**4,118,413**	**-**
Impact of IFRS 9 adoption at 1 July 2018	-	3,975,819
(Decrease)/increase in impairment allowance during the year	(25,509)	142,594
At 30 June	**4,092,904**	**4,118,413**

The allowance relates to the expected credit losses (ECL), refer to Note 39 (c) for detail.
The change in debt instruments at amortised cost investments during the year were as follows:

	2020 Ushs 000	2019 Ushs 000
As at 01 July	**8,528,619,800**	**7,354,563,778**
Purchases	1,910,816,202	1,587,279,720
Maturities	(458,924,177)	(318,088,914)
Interest accrued	1,375,196,943	1,148,162,306
Interest received	(1,034,884,756)	(763,380,789)
Withholding tax deducted at source as a final tax	(153,049,039)	(172,861,268)
Foreign exchange losses	(150,962,821)	(302,936,620)
Allowance for credit losses	25,509	(4,118,413)
As at 30 June	**10,016,837,661**	**8,528,619,800**

The yield rates on the treasury bonds ranged from 10.81% to 21.22% (2019: 10.81% to 21.22%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2019: 11.5% to 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 % in Class	2019 % in Class	2020 % Held	2019 % Held	2020 Ushs 000	2019 Ushs 000
Bank of Baroda (Uganda) Limited	0.4	0.5	2.00	2.00	5,495,188	6,430,868
DFCU Limited	2.5	3.0	7.34	7.34	35,993,203	37,388,289
Safaricom Limited	22.8	24.0	0.83	0.75	333,098,829	303,900,171
Centum Investments Limited	0.3	0.4	0.73	0.73	3,966,644	5,127,936
Stanbic Bank Uganda Limited	3.4	3.1	4.00	2.61	49,155,248	38,719,841
Cooperative Rural Dev't	3.1	1.4	7.52	3.83	45,885,536	17,671,500
Vodacom TZ shares	2.6	2.8	0.24	0.24	38,086,302	35,750,241
New Vision Printing and Publishing Company Limited	0.3	0.4	19.61	19.61	4,725,000	4,950,000
Bank of Kigali	3.0	3.7	6.36	6.36	43,354,675	47,280,619
Tanzania Breweries Ltd	14.8	10.4	4.19	2.43	216,960,746	131,074,014
Equity Bank Kenya	10.0	12.3	3.25	2.97	146,421,875	155,404,067
Jubilee Insurance Ltd	1.1	1.6	2.60	1.93	15,953,543	20,173,362
East African Breweries Ltd (EABL)	7.0	10.0	2.29	2.22	102,901,687	126,774,559
Eastern and Southern African Trade and Development Bank (TDB Bank)	9.5	9.9	3.03	3.95	139,131,656	125,618,758
Tanzania Portland Cement (Twiga)	2.3	2.4	5.28	5.28	33,665,720	30,523,500
British-American Invest (Britam)	0.7	0.9	2.03	2.03	10,501,908	11,648,845
CIPLA QC	1.8	3.4	7.38	7.38	26,936,139	43,097,822
Kenya Re-Insurance	0.1	0.3	3.43	3.43	1,798,853	3,257,808
Kenya Commercial Bank	8.3	9.5	3.20	2.94	120,942,980	120,678,062
National Microfinance Bank (NMB)	6.0	-	4.68	-	88,200,965	-
	100	**100**			**1,463,176,697**	**1,265,470,262**

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, NMB, EABL, Cooperative Development Bank, Vodacom and Twiga which are traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), TDB Bank which is not traded on a stock exchange.

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

The trading prices at the last date of trading for the years ended 30 June 2020 and 2019 were as follows:

	2020					2019				
	Ushs	**Kshs**	**Tshs**	**Rwf**	**USD**	**Ushs**	**Kshs**	**Tshs**	**Rwf**	**USD**
Bank of Baroda (Uganda) Limited	110.00	-	-	-	-	128.73	-	-	-	-
dfcu Limited	645.00	-	-	-	-	670.00	-	-	-	-
Safaricom Limited	-	28.65	-	-	-	-	28.10	-	-	-
Centum Investments Limited	901.51	-	-	-	-	1,165.44	-	-	-	-
Stanbic Bank Uganda Limited	24.00	-	-	-	-	29.00	-	-	-	-
New Vision Printing and Publishing Company Limited	315.00	-	-	-	-	330.00	-	-	-	-
Kenya Re-Insurance	-	2.14	-	-	-	-	6	-	-	-
Vodacom	-	-	850	-	-	-	-	800.00	-	-
Cooperative Development Bank	-	-	145	-	-	-	110.00	-	-	-
Equity Bank Kenya	-	34.70	-	-	-	-	38.95	-	-	-
Jubilee Insurance	-	242.00	-	-	-	-	-	-	-	-
East African Breweries Ltd	-	162.50	-	-	-	-	-	-	-	-
Kenya Commercial Bank	-	36.35	-	-	-	-	38.25	-	-	-
Bank of Kigali	-	-	-	245.00	-	-	-	-	274.00	-
Tanzania Breweries Limited	-	-	10,900.00	-	-	-	-	11,400.00	-	-
Tanzania Portland Cement Limited	-	-	2,200.00	-	-	-	-	2,000.00	-	-
British-American Invest (Britam)	-	7.62	-	-	-	-	8.20	-	-	-
CiplaQC	100.00	-	-	-	-	-	-	-		-
Eastern and Southern African Trade and Development Bank (TDB Bank) *	-	-	-	-	12,213.00	-	-	-	-	11,463.00
National Microfinance Bank (NMB)	-	-	2,340	-	-	-	-	-	-	-

*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.

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

During the year, the Fund purchased the following shares:

2020	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
Stanbic Bank	Ushs	712,965,437	24.68	1.0	17,595,987
Equity Bank	Kshs	10,473,100	36.00	35.4668	13,372,105
Safaricom (K) Ltd	Kshs	32,384,000	28.00	34.4666	31,252,619
KCB Kenya	Kshs	7,604,300	45.00	35.7701	12,240,301
EABL	Kshs	500,000	138.00	36.851	2,542,716
Jubilee Insurance	Tzs	484,364	358.00	35.8123	6,209,932
Tanzania Breweries	Tzs	5,200,000	7,917.24	1.5929	65,579,148
CRDB Bank	Tzs	96,456,402	95.00	1.6079	14,733,353
NMB Bank	Tzs	23,400,000	700	1.6163	26,474,994
PTA Bank	USD	89	11,463	3664.75	3,738,803
					193,739,955

2019	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
CIPLAQC	Ushs	269,361,386	256.50	1.00	69,091,196
EABL	Kshs	700,000	181.76	37.549	4,777,432
Equity Bank	Kshs	7,500,000	38.71	37.7934	10,972,381
Safaricom (K) Ltd	Kshs	25,069,900	23.48	37.1504	21,868,266
Jubilee Insurance Limited	Kshs	1,397,859	409.91	37.1358	21,278,658
KCB Kenya	Kshs	22,818,600	43.18	37.7292	37,174,897
Tanzanian Breweries	Tzs	1,457,850	12,588	1.6222	29,770,319
Vodacom	Tzs	650,000	800	1.7116	890,032
TDB Bank	USD	86	10,418	3,816.0195	3,418,955
					199,242,136

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

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**1,265,470,262**	**1,326,207,276**
Acquisition of new shares	193,739,955	199,242,136
Fair value gains/(losses)	22,844,349	(189,561,745)
Foreign exchange losses	(18,877,869)	(70,417,405)
At 30 June	**1,463,176,697**	**1,265,470,262**

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

20. LOANS AND ADVANCES

	2020 Ushs 000	2019 Ushs 000
Uganda Clays Limited (Note 36)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 36)	15,009,486	18,666,667
Staff loans	983,085	1,086,124
	36,585,409	**40,345,629**
Fair value of discount on staff loans	(409,577)	(482,648)
	36,175,832	**39,862,981**
Allowance for credit losses	(20,792,958)	(20,838,196)
	15,382,874	**19,024,785**

20. LOANS AND ADVANCES (CONTINUED

The allowance for credit losses is analysed as follows:

	2020	2019
	Ushs 000	Ushs 000
At the beginning of the year	20,838,196	20,592,838
Impact of adoption of IFRS 9 at 1 July 2018	-	298,618
Decrease in impairment allowance during the year	(45,238)	(53,260)
At 30 June	**20,792,958**	**20,838,196**

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

	2020	2019
	Ushs 000	Ushs 000
At the beginning of the year	**19,024,785**	**22,985,894**
Principle repayments	(3,666,667)	(3,666,668)
Interest accrued	2,188,691	2,638,115
Interest received	(2,282,243)	(2,793,967)
Fair value adjustment	73,070	106,769
Allowance for credit losses	45,238	(245,358)
At 30 June	**15,382,874**	**19,024,785**

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly instalments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months' period to 30 June 2020, Uganda Clays Limited made a loss before tax of Ushs 1,430 million and its current assets exceeded current liabilities by Ushs 16,420 million as at 30 June 2019. However, the Company has experienced financial problems since the loan was disbursed and no loan repayment had been received by 30 June 2020. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 14.5 billion at a rate of 11.5% (2019: 11.5%) and Ushs 4.5 billion at a rate of 13.5% (2019: 13.5%), respectively. The Loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 14.5 billion is repayable over a period of 15 years while that of Ushs 4.5 billion is repayable over 10 years. Instalments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2019: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2020, the average market rate for mortgages was 17.0% (2019: 17.0%)

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

21. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Ltd Ushs 000	Yield Fund Ushs 000	Total Ushs000
At 1 July 2018	**69,502,077**	**12,243,130**	**8,709,544**	**206,116,640**	**1,738,576**	**298,309,967**
Share of profit / (loss)	9,755,835	238,163	519,370	28,747,312	(249,448)	39,011,232
Share of impact of adoption of new standards	(2,614,030)	-	-	(727,567)	-	(3,341,597)
Share of prior period adjustments	(1,555,169)	851,550	-	-	-	(703,619)
Share of OCI, net of tax	-	-	-	330,524	-	330,524
Less: dividends	-	(292,639)	(419,776)	(15,287,272)	-	(15,999,687)
At 30 June 2019	**75,088,713**	**13,040,204**	**8,809,138**	**219,179,637**	**1,489,128**	**317,606,820**
At 1 July 2019	**75,088,713**	**13,040,204**	**8,809,138**	**219,179,637**	**1,489,128**	**317,606,820**
Share of profit / (loss)	*13,484,741*	*(423,004)*	*(269,600)*	*22,943,576*	*(291,502)*	*35,444,211*
Impairment of associate	-	*(4,946,709)*	-	-	-	*(4,946,709)*
Share of results of associates	13,484,741	(5,369,713)	(269,600)	22,943,576	(291,502)	30,497,502
Additions	30,500,000	-	-	-	1,057,500	31,557,500
Share of prior period adjustments	-	(944,297)	-	7,131,013	-	6,186,716
Share of OCI, net of tax	-	-	-	(8,374,505)	-	(8,374,505)
Less: dividends	-	-	(419,776)	(15,436,780)	(372,312)	(16,228,868)
At 30 June 2020	**119,073,454**	**6,726,194**	**8,119,762**	**225,442,941**	**1,882,814**	**361,245,165**

As at 30 June 2020, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.2% and 9.8% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited, TPS Uganda Limited, Umeme Ltd and Yield Fund respectively. These investments have been accounted for under the equity method.

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

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

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Although the Fund holds 9.8% (2019:16.5%) the Yield Fund, it has a significant influence in it due to the fact that it has a third of the Board composition. In addition, the Fund's input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

Nature of activities of associates

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

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo, Kampala
Market price	Not Listed.	Ushs 9 per share	Not Listed	Ushs 245 per share	Not Listed

	Number of Shares Held		Price per Share		Fair Value	
	2020	2019	2020 Ushs	2019 Ushs	2020 Ushs 000	2019 Ushs 000
Umeme Limited	373,771,921	373,771,921	245	300	91,574,121	112,131,576
Housing Finance Bank	3,050,000	3,050,000	-	-	-	-
TPS (Uganda) Limited.	19,500	19,500	-	-	-	-
Yield Fund	753,936	500,000	-	-	-	-
Uganda Clays Limited	292,640,000	292,640,000	9	15	2,633,760	4,389,600
					94,207,881	**116,521,176**

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Housing Finance Bank Limited		Uganda Clays Limited		TPS (Uganda) Limited		Umeme Limited		Yield Fund	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	Ushs 000	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**	**Ushs 000**
Percentage held	**50%**	**50%**	**32.52%**	**32.52%**	**13.99%**	**13.99%**	**23.02%**	**23.02%**	**9.8%**	**16.5%**
Current assets	902,922,244	844,445,131	22,967,152	25,259,000	18,630,831	21,522,357	596,079,000	450,046,000	10,191,406	16,374,640
Non-current assets	40,672,505	39,817,355	39,934,488	43,386,000	96,048,400	100,228,132	2,047,024,000	2,109,603,000	13,416,225	5,811,771
Current liabilities	661,206,008	565,615,035	5,115,337	6,852,000	13,363,725	14,567,480	860,103,000	864,472,000	114,294	585,386
Non-current liabilities	44,163,595	167,443,625	26,798,539	27,938,000	24,460,221	27,093,433	909,861,000	916,348,000	30,683,025	26,830,659
Net assets	238,225,146	151,203,826	30,987,764	33,855,000	76,855,285	80,089,576	873,139,000	778,829,000	(7,189,688)	(5,229,634)
Fund's share of Net assets	119,112,573	75,601,913	10,077,221	11,009,646	10,752,054	11,204,532	200,996,598	179,286,436	(704,589)	(862,890)
Reconciliation between Carrying amount and Share of Net Assets*	(39,119)	(513,200)	(3,351,027)	2,030,558	(2,632,293)	(2,395,394)	24,446,343	39,893,201	2,587,403	2,352,018
Carrying amount in the Statement of Net Assets available for benefits	119,073,454	75,088,713	6,726,194	13,040,204	8,119,762	8,809,138	225,442,941	219,179,637	1,882,814	1,489,128
Revenue	72,668,414	66,587,872	13,033,443	14,986,000	11,514,002	13,307,789	848,823,000	815,683,000	992,642	929,426
Profit after tax from continuing operations	11,571,081	7,094,149	(1,430,286)	(218,000)	(3,733,723)	1,697,631	21,767,000	61,238,000	(768,493)	(1,489,285)
Other comprehensive income, net of tax	-	-	-	-	-	-	17,852,000	41,184,000		-
Total Comprehensive income	11,571,081	7,094,149	(1,430,286)	(218,000)	(3,733,723)	1,697,631	39,619,000	102,422,000	(768,493)	(1,489,285)
Reporting date of associate	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	30 June 2019	30 June 2019
Unaudited results for 6 months	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2020

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

In applying the equity method for all associates except Yield Fund, the Fund has used the audited financial statements for period ended 31 December 2019 in deriving the share of results for the 6 months to 31 December 2019 and the over/under sharing of results for the 6 months to 30 June 2020 as reported in the prior year financial statements of the Fund. The Fund has used unaudited results for the 6 months to 30 June 2020 in deriving the share of results for the 6 months differential period between the associates' reporting date and the fund's reporting date.

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

The associates do not require the Fund's consent to distribute profits.
The Fund had no contingent liabilities or capital commitments relating to its associates as at 30 June 2020 and 2019.

22. INVENTORIES

	30 June 2020 Ushs'000	30 June 2019 Ushs'000
Mbuya project housing units	14,447,603	14,447,603
	14,447,603	**14,447,603**

Mbuya project- This relates to the Mbuya 2 Housing estate project (40 apartments) with amenities like a swimming pool, fully equipped gym, a club house and 24-hour CCTV surveillance. The apartments are now available for sale .

23. CAPITAL WORK-IN-PROGRESS (CWIP)

Cost	Arua Ushs '000	Lubowa Ushs '000	Mbarara Ushs '000	Lumumba Ushs '000	Bwebajja Ushs '000	CAPEX Ushs '000	Total Ushs '000
At 1 July 2018	**2,330,000**	**72,903,208**	**2,808,173**	**85,722,530**	**-**	**5,581,890**	**169,345,801**
Additions	-	30,737,939	1,955,974	5,630,342	91,272,668	2,406,217	**132,003,140**
Transfer to/ from investment property	-	17,419,397	(4,764,147)	-	-	(1,394,394)	**11,260,856**
At 30 June 2019	**2,330,000**	**121,060,544**	**-**	**91,352,872**	**91,272,668**	**6,593,713**	**312,609,797**
Additions	-	50,362,206	-	58,106,422	-	7,495,122	**115,963,750**
Transfer from/(to) investment property	-	-	-	-	-	(377,966)	**(377,966)**
Transfer to PPE	-	-	-	-	-	(4,479,784)	**(4,479,784)**
Transfer to intangibles	-	-	-	-	-	(2,030,860)	**(2,030,860)**
Provision for impairment (at 30 June 2020 and 2019)	(2,330,000)	-	-	-	-	-	**(2,330,000)**
At 30 June 2020	**-**	**171,422,750**	**-**	**149,459,294**	**91,272,668**	**7,200,225**	**419,354,937**
Net carrying amount							
At 30 June 2020	**-**	**171,422,750**	**-**	**149,459,294**	**91,272,668**	**7,200,225**	**419,354,937**
At 30 June 2019	**-**	**121,060,544**	**-**	**91,352,872**	**91,272,668**	**6,593,713**	**310,279,797**

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

Lubowa-This relates to the Lubowa Housing Estate project (LHP) and the Fund Contracted Soleh Boneh International (SBI) holdings AG Uganda as the project designer and supervisor. The expected project completion date is December 2020 and to date approximately 60% of the overall works have been completed. The Project is classified under Work in Progress as it is still under construction and its fair value cannot reliably be determined and therefore it is carried at cost until completion.

Lumumba- This relates to the construction and development of Pension Towers on Lumumba Avenue. Phase two commenced on 25th July 2018 with the Construction Contract awarded to China Railway Construction Engineering Group. The expected completion date is 06th Feb 2022.

Bwebajja-This relates construction of headquarters of government ministries and agencies in Bwebajja on Entebbe Road. The Fund has so far secured the land and construction works are expected to commence later in 2020

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

24. INVESTMENT PROPERTIES

	Valuation at 30 June 18 Ushs '000	Change in Fair value Ushs '000	Reclassification from/(to) CWIP Ushs '000	Valuation at 30 June 19 Ushs '000	Effect of adoption of IFRS 16 (note 3(u))	Additions Ushs '000	Change in Fair value Ushs '000	Reclassification to Assets Held for sale (Note 29)	Reclassification from/(to) CWIP Ushs '000	Valuation at 30 June 20 Ushs '000
Workers House	63,471,915	3,558,127	859,958	67,890,000	-	135,394	2,524,606	-	-	70,550,000
Plot 5 Mvule Rd Naguru	3,500,000	500,000	-	4,000,000	-	-	-	-	-	4,000,000
Land on Yusuf Lule Road	20,000,000	2,000,000	-	22,000,000	-	-	2,000,000	(16,631,516)	-	7,368,484
Independence Ave Arua	170,000	40,000	-	210,000	-	-	40,000	-	-	250,000
Land in Kisugu	300,000	50,000	-	350,000	-	-	50,000	-	-	400,000
Land in Kabale	230,000	70,000	-	300,000	-	-	20,000	-	-	320,000
Land in Tororo	200,000	50,000	-	250,000	-	-	15,000	-	-	265,000
Social Security House	30,420,000	2,612,500	-	33,032,500	-	-	109,500	-	-	33,142,000
Land in Lubowa	273,207,009	14,212,388	(17,419,397)	270,000,000	-	-	35,000,000	-	-	305,000,000
Jinja City House	2,728,216	737,348	534,436	4,000,000	-	139,707	232,327	-	377,966	4,750,000
Plot 6B Galt Rd Mbarara Municipality	-	-	4,764,147	4,764,147	-	211,139	201,715	-	-	5,177,000
Land in Busiro Temangalo	27,000,000	9,000,000	-	36,000,000	-	-	2,900,000	-	-	38,900,000
Nsimbe	43,400,000	5,100,000	-	48,500,000	-	-	3,771,000	-	-	52,271,000
Pl677& 678 Ndeba Kibuga	400,000	50,000	-	450,000	-	-	-	-	-	450,000
Plot 47 Masaka K'la RD*	-	-	-	-	260,000	-	15,000	-	-	275,000
Plot 87 Churchill Gulu*	-	-	-	-	220,000	-	15,000	-	-	235,000
Plot 8 Msk CL Mbarara*	-	-	-	-	250,000	-	35,000	-	-	285,000
Total	**465,027,140**	**37,980,363**	**(11,260,856)**	**491,746,647**	**730,000**	**486,240**	**46,929,148**	**(16,631,516)**	**377,966**	**523,638,485**

24. INVESTMENT PROPERTIES (CONTINUED)

***** These properties were acquired by the Fund under lease agreements to build offices. However, this was changed, and the plots are now held for capital appreciation and will later be sold off. These were reclassified from property and equipment and are accounted for as investment property. The lease terms for Plot 47 Masaka K'la Rd, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards. On adoption of IFRS 16 the resulting right-of-use assets were reviewed and considered to meet the definition of investment property and have therefore been presented in the statement of net assets available for benefits within investment property.

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by four independent certified professional valuers including Stanfield Property Partners Ltd, Ridgeline Uganda Ltd, S-M Cathan Property Consult and Reitis Limited as at 30 June 2020.

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 (majorly bare land), the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment. The valuers also utilised the income capitalisation approach by reference to the net cashflows/annual incomes from commercial property (majorly buildings) where the buildings were set up primarily for rental purposes unless the approach did not reflect reasonable estimates based on current market conditions. In such cases, an alternative was selected.

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

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

The impact of revaluing investment properties on surplus for the year is Ushs 47 billion (2019: Ushs 38 billion) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

Significant unobservable input

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

24. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques for investment properties:

Land **Market Approach**

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

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

Income capitalisation approach

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

Cost approach

Some of the buildings, structures and services were valued at current replacement costs taking into account their depreciation. This was applied for property that was constructed in the form of residential property or single use property.

Market approach

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

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

Key underlying assumptions in valuation of investment properties included:

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

24. INVESTMENT PROPERTIES (CONTINUED)

- The outbreak of the Novel COVID-19 was declared a global pandemic by the World Health Organization in January 2020. Due to this, the real estate market has been affected and is changing each day because of the several restrictions and regulations implemented by almost all the governments in the world in efforts to curb the spread of this pandemic. As of the date of this valuation, it was considered that there is significant market uncertainty and there is projected further market distortion which the professional valuers could not tell what extent this distortion will go. Therefore, it was recommended that the Fund keeps the reviewing the property values more often than usual.

Refer to Note 44 for disclosures on judgements relating to the COVID-19 pandemic.

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

	2020 Ushs 000	2019 Ushs 000
Workers House	4,963,396	5,110,870
Social Security House	3,034,962	2,881,811
Service Charge	2,123,826	1,900,563
Others – Naguru, Mbarara & Jinja	1,003,478	827,212
	11,125,662	**10,720,456**

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

	2020			
	Workers House Ushs 000	**Social Security House Ushs 000**	**Others – Naguru, Mbarara & Jinja Ushs 000**	**Total Ushs 000**
Maintenance & repairs	1,671,183	463,266	136,105	2,270,554
Ground & property rent	58,059	24,453	236	82,748
Cleaning services	161,606	52,624	82,177	296,407
Security services	536,787	146,427	57,940	741,154
Electricity	635,148	267,133	19,658	921,939
Water	236,793	163,869	19,071	419,733
	3,299,576	**1,117,772**	**315,187**	**4,732,535**

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

24. INVESTMENT PROPERTIES (CONTINUED)

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

	2020				
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Land in Nsimbe Ushs 000	Land in Kisugu Ushs 000	Total Ushs 000
Security expenses	154,080	192,600	231,120	25,680	603,480
	154,080	**192,600**	**231,120**	**25,680**	**603,480**

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

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

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

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

	Up to 1 year Ushs'000	1 to 5 years Ushs'000	Over 5 years Ushs'000
2020			
Property rentals	10,160,159	20,320,318	-
2019			
Property rentals	8,368,024	16,736,048	-

25. INTANGIBLE ASSETS

	2020 Ushs 000	2019 Ushs 000
Cost		
At the beginning of the year	**27,387,695**	**25,049,742**
Transfer from capital work-in-progress	2,030,860	**-**
Additions	629,172	2,337,953
At 30 June	**30,047,727**	**27,387,695**
Amortisation		
At the beginning of the year	**19,511,513**	**18,420,998**
Charge for the year	1,397,334	1,090,515
At 30 June	**20,908,847**	**19,511,513**
Net carrying amount	**9,138,880**	**7,876,182**

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

26. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Machinery Ushs'000	Motor Vehicles Ushs'000	Furniture and Fittings Ushs'000	Computer Equipment & other electronic gadgets Ushs'000	Right of use assets Ushs'000	TOTAL Ushs'000
Cost						
At 1 July 2018	**3,961,240**	**7,495,248**	**7,706,532**	**15,638,984**	**-**	**34,802,004**
Additions	164,932	743,204	4,133,864	719,948	-	5,761,948
At 30 June 2019	**4,126,172**	**8,238,452**	**11,840,396**	**16,358,932**	**-**	**40,563,952**
Effect of adoption of IFRS 16 (note 3(u))	-	-	-	-	4,958,371	**4,958,371**
Transfer from CWIP	-	-	-	4,479,784	**-**	**4,479,784**
Additions	1,721,345	-	4,536,881	1,664,223	-	**7,922,449**
Disposals	(116,688)	-	(153,161)	(329,238)	-	**(599,087)**
Change in asset class	-	-	(893,272)	893,272	-	**-**
At 30 Jun 2020	**5,730,829**	**8,238,452**	**15,330,844**	**23,066,973**	**4,958,371**	**57,325,469**
Depreciation						
At 1 July 2018	**2,726,054**	**3,804,190**	**3,781,771**	**13,571,961**	**-**	**23,883,976**
Charge for the year	499,741	1,559,659	892,310	1,163,348	-	**4,115,058**
As at 30 June 2019	**3,225,795**	**5,363,849**	**4,674,081**	**14,735,309**	**-**	**27,999,034**
Charge for the year	578,206	1,417,598	1,563,692	1,851,478	955,447	**6,366,421**
Change in asset class	-	-	(137,762)	137,762	-	**-**
Disposals	(116,688)	-	(153,161)	(329,238)	-	**(599,087)**
At 30 June 2020	**3,687,313**	**6,781,447**	**5,946,850**	**16,395,311**	**955,447**	**33,766,368**
Net carrying amount						
At 30 June 2020	**2,043,516**	**1,457,005**	**9,383,994**	**6,671,662**	**4,002,924**	**23,559,101**
At 30 June 2019	**900,377**	**2,874,603**	**7,166,315**	**1,623,623**	**-**	**12,564,918**

(i) The Fund has not pledged any item of property, equipment and right of use assets as security as at 30 June 2020 (2019: Nil)

(ii) Right of use assets all relate to branch offices

27. TAX CLAIMABLE

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	21,185,091	16,929,197
Tax withheld at source during the year	3,835,115	4,255,894
At 30 June	**25,020,206**	**21,185,091**

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

28. FINANCE LEASES

	Valuation as At 30 June 2019 Ushs 000	Effect of adoption of IFRS 16 (note 3(u)) Ushs 000	Valuation as At 30 June 2020 Ushs 000
Plot 47 Masaka K'la rd	260,000	(260,000)	-
Plot 87 Churchill Gulu	220,000	(220,000)	-
Plot 8 Msk CL. Mbarara	250,000	(250,000)	-
	730,000	**(730,000)**	**-**

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

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

The properties have not been pledged as security for liabilities.

The impact of revaluing finance leases on surplus for the year offended 30 June 2019 was a gain of Ushs 100 million as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the finance leases between the opening and closing dates.

As a result of adoption of IFRS 16 the finance leases were assessed to be right of use assets that meet the definition of investment property and were therefore reclassified to investment properties. The valuation techniques as disclosed in this note are applicable for the years ended 30 June 2020 and 30 June 2019.

28. FINANCE LEASES (CONTINUED)

Valuation techniques for finance leases:

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

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

Key underlying assumptions in valuation of finance leases included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs
- 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 Organization in January 2020. Due to this, the real estate market has been much affected and is changing each day because of the several restriction and regulations implemented by almost all the governments in the world in efforts to curb the spread of this pandemic. As of the date of this valuation, it was considered that there is a significant market uncertainty and there is projected further market distortion which the professional valuers can't tell what extent this distortion will go because it is beyond their control. Therefore, it was recommended that the Fund keeps the reviewing the properties' values more often than usual.

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

29. DISCONTINUED OPERATIONS

In a Memorandum of Understanding that was signed by the Minister of Finance on 20th September 2019, Government of Uganda committed to avail the African Export-Import (Afreximbank) with land to host the headquarters for the East African Region.

The Government identified the Fund's land situated on Yusuf Lule Road as suitable for the project and therefore, intended to compensate the Fund in the Financial Year 2020/21 for its value so that the same can be availed to Afreximbank for the purpose.

On 4th March 2020, the Fund received a letter from the Minister requesting the Fund to dispose the said land to the Government /Afreximbank and rescinding his earlier approval of the development of the Yusuf Lule land.

29. DISCONTINUED OPERATIONS (CONTINUED)

The matter was presented to the Fund's Board of Directors on 12th March 2020 and among the resolutions included immediate disposal to the Government of Uganda 2.3 acres of the Yusuf Lule land. The Chairman subsequently wrote to the Minister of Finance, Planning and Economic Development to communicate the Board's resolution on the matter.

The performance realised from the land to be disposed of for the year ended is presented below:

	2020 Ushs 000	2019 Ushs 000
Rental income	605,009	558,373
Expenses	(16,446)	(14,514)
Operating income	**588,563**	**543,859**
Profit before tax from a discontinued operation	588,563	543,859
Tax expense*	-	-
Profit for the year from discontinued operation	**588,563**	**543,859**

*As disclosed in note 13(a) no tax expense has been recognised on the discontinued operations due to the accumulated tax losses.

The 2019 numbers disclosed are for comparative purposes. There were no discontinued operations as at 30 June 2019.

The major classes of assets and liabilities of the operation classified as held for sale as at 30 June 2020 are, as follows:

	2020 Ushs 000
Assets	
Yusuf Lule land	**16,631,516**

30. OTHER PAYABLES

	2020 Ushs 000	2019 Ushs 000
Accounts payable	44,633,171	54,801,328
Accrual for legal costs	6,156,864	5,137,384
Lease liabilities	3,938,988	-
WHT payable	165,078	596,842
	54,894,101	**60,535,554**

The accounts payable are interest free and not overdue.

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

	2020 Ushs '000
At 1 July – Effect of adoption of IFRS 16(note 3(u))	4,681,939
Accretion of interest	519,721
Repayment of interest portion of lease liabilities	(204,298)
Repayment of principal portion of lease liabilities	(1,058,374)
At 30 June 2020	**3,938,988**

30. OTHER PAYABLES (CONTINUED)

The Fund had total cash outflows for leases of Ushs 1.26 billion in 2020. The Fund had no non-cash additions to right-of-use assets and lease liabilities in 2020.

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

As at reporting date the Fund had no leases lease terms of 12 months or less and leases with low value.

The maturity analysis of lease liabilities is disclosed below:

	2020
Maturity period	**Ushs '000**
Due within 1 year	591,640
Due with 1 to 5 years	3,347,348
Due over 5 years	-
Total liability	**3,938,988**

The maturity analysis of the lease liabilities for purposes of IFRS 7 is disclosed in note 39(b) as part of other payables.

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

	Ushs '000
Interest expense on lease liabilities	519,721
Depreciation expense of right-of-use assets	955,447
	1,475,168

31. CONTRACT LIABILITIES

		2020 Ushs 000	2019 Ushs 000
Advance payments for housing	(a)	8,786,702	2,316,100
Advance payments for activities	(b)	588,421	380,010
Deferred rental income	(c)	536,298	1,159,951
		9,911,421	**3,856,061**

a) Advance payments for housing

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

The housing project was completed and commissioned in December 2019. Currently, bookings are being made by prospective owners and this balance relates to the amounts received as booking fees for these apartments. The deposits are 10% of the value with each unit being sold for Ushs 650 million.

31. CONTRACT LIABILITIES (CONTINUED)

b) Advance payments for activities

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

(c) Deferred rental income

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

32. PROVISION FOR LITIGATION

	2020 Ushs 000	2019 Ushs 000
Alcon International Limited		
At the beginning of the year	807,041	13,796,545
Write back during the year	-	(12,989,504)
Foreign exchange losses	7,481	-
At 30 June	**814,522**	**807,041**

This suit arose from the termination of the contract for construction of Workers House executed by the Fund and Alcon International Limited, a company registered in the Republic of Kenya. The suit was registered in 1998 under High Court Civil Suit No. 1255/1998 - ***Alcon International Limited (registered in Uganda) -vs-National Social Security Fund & Anor.*****32.)**

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

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

32. PROVISION FOR LITIGATION (CONTINUED)

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

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

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

The provision of USD 218,429 translating to Ushs 815 million is the present value of the equipment left at the site at the time of contract termination. Management has provided for this figure to cater for the costs, if any, that may be incurred if investigations culminate into a case filed against the Fund. Consequently, management wrote back the value of the claim that doesn't relate to the equipment in the year ended 30 June 2019

33. ACCUMULATED MEMBERS' FUNDS

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	11,138,207,557	9,407,593,129
Contributions received during the year	1,271,505,205	1,208,290,143
Interest on arrears	4,943,492	4,355,440
Interest allocation for the year	1,143,993,088	967,934,058
Members' fund liability before benefit payments	**13,558,649,342**	**11,588,172,770**
Benefits paid during the year		
Age benefits	(205,162,623)	(135,802,293)
Withdrawal benefits	(156,323,670)	(123,752,742)
Exempted employee benefits	(45,227,286)	(79,612,342)
Invalidity benefits	(33,742,996)	(33,655,756)
Survivors benefits	(8,012,301)	(11,265,618)
Emigration grant benefits	(47,942,520)	(65,876,462)
Total benefits payments	**(496,411,396)**	**(449,965,213)**
At 30 June	**13,062,237,946**	**11,138,207,557**

33. ACCUMULATED MEMBERS' FUNDS (CONTINUED)

Interest to members:

	2020 Ushs 000	2019 Ushs 000
Prior year over provision of interest to members	(4,368,530)	(4,620,742)
Charge to surplus or deficit	1,154,269,188	978,000,706
Total interest available to members	**1,149,900,658**	**973,379,964**
Allocated as follows:		
To members funds		
Opening provision balance	(4,368,530)	(4,620,742)
Charge to surplus or deficit	1,148,361,618	972,554,800
	1,143,993,088	**967,934,058**
To reserves		
Charge to surplus or deficit	5,907,570	5,445,906
	5,907,570	**5,445,906**
Total provision	**1,149,900,658**	**973,379,964**
Total charge to surplus or deficit		
Allocated to Members fund	1,148,361,618	972,554,800
Allocated to reserves	5,907,570	5,445,906
	1,154,269,188	**978,000,706**

The accumulated members' funds are made up of members' accounts which comprise all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).

Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2020, the Minister for Finance, Planning & Economic Development approved an interest rate of 10.75% (2019: 11%) to be calculated and added to the members' funds.

Included in the accumulated members' fund balance is Ushs 42.3 billion (2019: Ushs 38.21 billion), which relate to collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual member accounts.

34. RESERVES

	Note	2020 Ushs 000	2019 Ushs 000
Special contributions	(a)	81,194,465	70,258,323
Unallocated members' contributions	(b)	60,861,713	54,954,143
		142,056,178	**125,212,466**

34. RESERVES (CONTINUED)

a) Special contributions

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	**70,258,323**	**55,804,847**
Special contributions received	10,936,142	14,453,476
At 30 June	**81,194,465**	**70,258,323**

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

b) Unallocated members' contributions

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	54,954,143	49,508,237
Provision for interest on unallocated members' contributions	5,907,570	5,445,906
	60,861,713	**54,954,143**

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

	2020 Ushs 000	2019 Ushs 000
At the beginning of the year	30,361,642	**24,915,736**
Charged to surplus or deficit	5,907,570	5,445,906
At 30 June	**36,269,212**	**30,361,642**

As at 30 June 2020, the Reserve account included unallocated members' contributions and interest thereon amounting to Ushs 61 billion (2019: Ushs 54.9 billion), comprising contributions amounting to Ushs 24.6 billion (2019 Ushs 24.6 billion) and interest thereon amounting to Ushs 36.1 billion (2019: Ushs 30.3 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.

35. NET CASH USED IN OPERATING ACTIVITIES

	Note	2020 Ushs'000	2019 Ushs'000
Surplus before tax from continuing operations		**1,312,208,566**	**745,969,339**
Surplus before tax from discontinued operations	**29**	**588,563**	**-**
Surplus before tax		**1,312,797,129**	**745,969,339**
Depreciation on property and equipment and right of use assets	26	6,366,421	4,115,058
Increase in allowance for expected credit losses	10	3,392,944	5,031,109
Amortisation of intangible assets	25	1,397,334	1,090,515
Share of results of associates	21	(30,497,502)	(39,011,232)
Staff loans fair value adjustment	20	(73,070)	(106,769)
Unrealised foreign exchange losses on equity investments at fair value through profit or loss	19	18,877,869	70,417,405
Unrealised foreign exchange losses on debt instruments at amortised cost	18	150,962,821	302,936,620
Unrealised foreign exchange losses on held for trading investments	17	1,944,178	6,315,309
Unrealised foreign exchange losses on deposits with commercial banks	15	2,093,067	2,784,792
Fair value gains on investment properties	24	(46,929,148)	(37,980,363)
Fair value losses on equity investments held for trading	17	7,581,995	17,375,852
Fair value (gains)/losses on equity investments at fair value through profit or loss	19	(22,844,349)	189,561,745
Fair value gain on finance leases	28	-	(100,000)
Finance costs charged to lease Liabilities	30	519,721	-
Interest income on loans & advances	20	(2,188,691)	(2,638,115)
Interest income on debt instruments at amortised cost	18	(1,375,196,943)	(1,148,162,306)
Interest income on commercial bank deposits	15	(21,382,495)	(16,403,361)
Increase /(decrease) in provision for litigation	32	7,481	(12,989,504)
Changes in working capital			
Increase in inventories		-	(3,617,421)
Decrease/(increase) in trade and other receivables		16,327,257	(25,560,635)
Increase in Withholding tax claimable		(3,835,115)	(4,255,894)
(Decrease)/increase in other payables		(4,378,781)	27,578,623
Increase in contract liabilities		6,055,360	3,856,061
		20,997,483	**86,206,828**
Repayment of interest portion of lease liabilities	30	(204,298)	-
Net cash used in operating activities		**20,793,185**	**86,206,828**

36. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2020 and 2019, refer to Notes 14, 15, 18, 19, 20 and 21:

	2020 Ushs'000	2019 Ushs'000
Bank balances		
Housing Finance Bank Limited	115,129	9,729
Loans and Advances		
Housing Finance Bank Limited	15,009,486	18,666,667
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	385,909	410,494
	35,988,233	**39,669,999**
Fixed deposits		
Housing Finance Bank Limited	80,456,041	80,422,723
Treasury Bonds		
Government of Uganda	6,047,383,422	5,312,122,996
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	-	2,990,419
Uganda Clays Limited	-	541,385
Umeme Ltd	13,121,263	8,959,313
As at 30 June	**13,121,263**	**12,491,117**
Other related party transactions during the year:		
Housing Finance Bank Limited		
Interest income on loans and advances	2,188,692	2,638,115
Interest income on corporate bonds	-	6,121
Interest income on term deposits	11,168,014	8,168,335
	13,356,706	**10,812,571**
Dividend Income		
TPS (U) Limited	419,776	419,776
Umeme Limited	15,436,780	15,287,272
Uganda Clays	-	292,639
Yield Fund	372,312	-
	16,228,868	**15,999,687**
Government of Uganda		
Withholding tax expense for the year	153,049,039	172,861,268
Interest income on treasury bonds	867,383,375	764,784,508

36. RELATED PARTY DISCLOSURES (CONTINUED)

a) Housing Finance Bank Limited

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

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

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

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

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

b) Uganda Clays Limited

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 20 for the terms and conditions of the loan facility. The outstanding amount on the loan facility as at 30 June 2020 amounted to Ushs 20.6billion (2019: Ushs 20.6billion)

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

d) Government of Uganda

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions disclosed in Note 18. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay As-You-Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties. Rental income for the year amounted to Ushs 5 billion (2019: Ushs 5 billion)

e) Terms and conditions

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

f) Compensation for key management personnel and directors' emoluments

	2020 Ushs'000	2019 Ushs'000
Non-executive directors' emoluments:		
Directors' allowances	954,801	959,103
Key management remuneration:		
Salaries and allowances	6,078,761	5,440,178
Gratuity	1,147,628	1,081,451
	7,226,389	**6,521,629**
Total compensation for key management personnel	**8,181,190**	**7,480,732**

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

37. CONTINGENT LIABILITIES

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

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

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process, both parties agreed to reduce the taxes in dispute from Ushs.84.4 billion to Ushs.42.2 billion. On the 27th March 2020, the Tax Appeals Tribunal delivered its ruling in favour of the URA. The Fund through its lawyers has appealed against the Ruling of the Tribunal and the appeal is yet to be fixed for hearing as of the date of approval of these financial statements. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognised any provision for liability to the URA.

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

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

c) The Fund is also a defendant on various legal actions arising from its investment property, mainly land.
The Directors have considered the 2 cases below to be of significance hence disclosure;
HCCS NO.414 OF 2016, TEMANGALO TEA ESTATES LIMITED V AMOS NZEYI, DANIEL MUGWANYA & NSSF
The suit was filed by the Plaintiffs against the defendants seeking for orders for recovery of land known as Temangalo Estate formerly comprised in LRV 6 Folio 7 (measuring 366.2 acres and reported under investment property note 24 as Land in Busiro Temangalo) , an order of eviction, mesne profits, general and punitive damages, a permanent injunction, a declaration that all transactions on the suit property are subject to the Plaintiff's interests by virtue of the Expropriated Properties Act and costs.

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

37. CONTINGENT LIABILITIES (CONTINUED)

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

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

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

The matter came up for mention before the court on 25th September 2019. The court reserved its ruling in the matter for delivery and on 28th November 2019 the matter was called for ruling.

The court agreed with the Fund's submissions and ordered that Civil Suit No.414 of 2016 and the applications arising thereunder are struck out with costs to the Defendants for being barred by limitation.

COURT OF APPEAL CIVIL APPEAL NO 26 OF 2020: TEMANGALO TEA ESTATES VS NATIONAL SOCIAL SECURITY FUND

On 12th December 2019 the Fund was served a Notice of Appeal filed by the Respondent and a letter requesting for a record of proceedings.

On 4th March, 2020, the Fund was served with a record of appeal(2 volumes) in the matter. The appeal arises from the High Court's ruling in the HCCS No 414 of 2020 which was dismissed for being barred by limitation. The matter is yet to be fixed for hearing in the Court of Appeal.

The Fund's lawyers believe the Fund has a high likelihood of success. Accordingly, no provision for these liabilities have been made in these financial statements.

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

K&K Advocates received Instructions to defend NSSF in a litigation commenced by Leo Lule Kimalempaka (Administrator of the Estate of the Late Leo Lule Kimalempaka) in the High Court at Mpigi against the Attorney General, The Commissioner Land Registration, NSSF, Mugoya Estates Limited and James Abiam Mugoya Isabirye, seeking for cancellation of NSSF's certificates of title for land comprised in LRV 14 Folio 7 (app. 452.76 acres) and LRV 14 Folio 8 (app. 390.36 acres), and commonly known as Nsimbe Estate (reported under investment property note 24 as Nsimbe).

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

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

An application for leave to use a Third Party notice and an affidavit in support of the application were also filed on 5th July 2017 seeking for leave to issue a Third Party notice against Mugoya Estates Limited and James Abiam Isabirye to indemnify the Fund.
The suit was fixed for mediation and after several appearances, mediation was closed and the matter was referred to the trial judge for hearing.

37. CONTINGENT LIABILITIES (CONTINUED)

After several adjournments, the matter was fixed for mention on 14th June 2019 and subsequently on 12th July 2019. When the matter came up for mention the Court directed the parties to file a joint scheduling memorandum, witness statements and trial bundles by 2nd August.
The matter was to come up for hearing of the Plaintiff's case on 12th and 13th September 2019.To date the matter has not been re fixed for hearing

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

38. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

Provision for expected credit losses of financial assets - The Fund is applies a single loss-rate approach to receivables or groups of receivables as might be appropriate based on its average historical loss rate. Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period. In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – Recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.
The Fund considers whether ECLs should be estimated individually for any period-end receivables, e.g because specific information is available about those debtors.
The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se. The information about the ECLs on the Fund's trade and other receivables is disclosed in note 16. Further information on impairment is disclosed in Notes 39(c).

Estimation of expected credit loss on government treasury bills and bonds, corporate bonds, deposits with commercial banks and cash and bank balances is determined by getting a predefined default rate relating to the issuer of the bills and bonds and the bank where the cash is held, respectively, as established by one of the top credit rating agents namely Standards and poor's, Fitch and Moody's. These default rates are then used to estimate the expected credit losses on the outstanding amounts of the above respective financial assets.

38. 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 15,18 and 20, respectively.

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

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The Fund also assessed impairment for the assets and no additional impairments were required. The Fund's non-financial assets include inventories, capital work in progress, investment properties, intangible assets, property and equipment and right of use assets and finance leases with carrying amounts as disclosed in notes 22,23,24,25,26 & 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 13.

(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 26.

(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 24, 28 and 40.

(v) *Assets held for sale*- In a Memorandum of Understanding that was signed by the Minister of Finance on 20th September 2019, Government of Uganda committed to avail the African Export-Import (Afreximbank) with land to host the headquarters for the East African Region. The Government identified the Fund's land situated on Yusuf Lule Road as

38. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

suitable for the project and therefore, intended to compensate the Fund in the Financial Year 2020/21 for its value so that the same can be availed to the bank. On 4th March 2020, the Fund received a letter from the Minister requesting the Fund to dispose the said land to the Government /Afreximbank and rescinding his earlier approval of the development of the Yusuf Lule land.

- *The matter was presented to the Fund's Board of Directors on 12th March 2020 and among the resolutions included immediate disposal to the Government of Uganda 2.3 acres of the Yusuf Lule land. The Chairman subsequently wrote to the Minister of Finance, Planning and Economic Development to communicate the Board's resolution on the matter.*
- *The land is available for immediate sale and can be sold to the buyer in its current condition*
- *The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification*
- *A potential buyer has been identified and negotiations as at the reporting date are at an advance stage*

For more details on the discontinued operation, refer to Note 29.

(vi) *Provisions and contingencies* - A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be
required to settle the obligation. Management has made judgements in determining the provisions presented in Note 32 and contingencies disclosed in note 37.

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

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

(ix) *Determination of the lease term for lease contracts with renewal and termination options (Fund as a lessee) -The Fund determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Fund currently has no lease contracts that include extension and termination options.*

The carrying amounts of the Fund's lease related balances are disclosed in note 30

(x) *Estimating the incremental borrowing rate* -The Fund cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

38. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

The carrying amounts of the Fund's lease related balances are disclosed in notes 24,26, 28 and 30.

(xi) *Effective Interest Rate (EIR) method* - The Fund's EIR method, as explained in Note 3(c), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments.

The amounts determined using the EIR method are disclosed in notes 5,15,18,20.

Refer to Note 44 for disclosures on judgements relating to the COVID-19 pandemic.

39. 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 adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(a) Market risk

Market risk is the risk that changes in market prices, such as 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

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 shared held in Eastern and Southern African Trade and Development Bank (TDB Bank), Housing Finance Bank Limited, Yield Fund and TPS Uganda Limited all shares held by the Fund are either quoted or traded on the Uganda, Dar es salaam, Rwanda and Nairobi Securities Exchanges.

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

2020

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax and reserves Ushs 000
Equity securities held-for-trading	+/-5%	+/-4,383,124
Equity investments at fair value through profit or loss	+/-5%	+/-73,158,835

2019

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax and reserves Ushs 000
Equity securities held-for-trading	+/-5%	+/- 4,383,124
Equity investments at fair value through profit or loss	+/-5%	+/-63,273,513

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

Currency risk

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

The Fund had the following currency positions as at 30 June 2020. All balances are in Ushs ‘000’s.

Financial assets	**USD**	**Kshs**	**Tshs**	**Rwf**	**Total**
Cash and bank balances	1,757,553	1,147,456	9,440,446	1,371	12,346,826
Deposits due from commercial banks	-	-	-	1,072,348	1,072,348
Equity securities held-for-trading	-	61,660,083	12,246,732	-	73,906,815
Trade and other receivables	3,815,238	17,017,125	86,356	2,360,943	23,279,662
Debt instruments at amortised cost	-	2,564,586,306	1,322,948,785	28,107,262	3,915,642,353
Equity investments at fair value through profit or loss	139,131,656	731,619,676	422,799,269	43,354,675	1,336,905,276
Total assets	**144,704,447**	**3,376,030,646**	**1,767,521,588**	**74,896,599**	**5,363,153,280**
Financial liabilities					
Other payables	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Currency gap					
At 30 June 2020	**144,704,447**	**3,376,030,646**	**1,767,521,588**	**74,896,599**	**5,363,153,280**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

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

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

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

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

Currency	Change in currency rate in %	Effect on surplus before tax and reserves	Change in currency rate in %	Effect on surplus before tax and reserves
	2020	2020 Ushs '000	2019	2019 Ushs '000
USD	+/-5%	+/- 7,235,222	+/-5%	+/- 6,287,135
KES	+/-5%	+/-168,801,532	+/-5%	+/- 160,222,292
TZS	+/-5%	+/-88,376,079	+/-5%	+/- 48,963,404
RWF	+/-5%	+/- 3,744,830	+/-5%	+/- 3,530,962

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020 Ushs	2019 Ushs	2020 Ushs	2019 Ushs
KES	35.87	36.98	35.02	36.10
USD	3720.82	3,744.78	3729.00	3,694.74
TZS	1.62	1.63	1.61	1.61
RWF	3.99	4.20	3.92	4.06

Interest rate risk

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

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

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

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

2020 Assets	<3 months Ushs'000	3-12 months Ushs'000	> 1 year Ushs'000	Non-Interest bearing Ushs'000	Total Ushs'000
Cash and bank balances	14,394,296	-	-	11,627,799	**26,022,095**
Deposits with commercial banks	55,728,952	57,059,180	90,369,141	-	**203,157,273**
Trade and receivables	-	-	-	37,072,771	**37,072,771**
Debt instruments at amortised cost	759,449,366	1,645,089,838	7,612,298,457	-	**10,016,837,661**
Loans and advances	-	15,382,874	-	-	**15,382,874**
Total assets	**829,572,614**	**1,717,531,892**	**7,702,667,598**	**48,700,570**	**10,298,472,674**
Liabilities					
Other payables	-	-	-	(54,729,023)	(54,729,023)
Total liabilities	**-**	**-**	**-**	**(54,729,023)**	**(54,729,023)**
Gap as at 30 June 2020	**829,572,614**	**1,717,531,892**	**7,702,667,598**	**(6,028,453)**	**10,243,743,651**

2019 Assets	<3 months Ushs'000	3-12 months Ushs'000	> 1 year Ushs'000	Non-Interest bearing Ushs'000	Total Ushs'000
Cash and bank balances	12,585,332	-	-	5,054,829	17,640,161
Deposits with commercial banks	14,409,150	40,062,961	91,264,338	-	145,736,449
Trade and receivables	-	-	-	62,070,886	62,070,886
Debt instruments at amortised cost	422,913,464	894,353,521	7,211,352,815	-	8,528,619,800
Loans and advances	-	3,666,667	15,358,118	-	19,024,785
Total assets	**449,907,946**	**938,083,149**	**7,317,975,271**	**67,125,715**	**8,773,092,081**
Liabilities					
Other payables	-	-	-	(59,938,712)	(59,938,712)
Total liabilities	**-**	**-**	**-**	**(59,938,712)**	**(59,938,712)**
Gap as at 30 June 2019	**449,907,946**	**938,083,149**	**7,317,975,271**	**7,187,003**	**8,713,153,369**

39. 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 2020 to the contractual maturity date. All balances are in Ushs 000.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

At 30 June 2020	Matured Ushs'000	<3 months Ushs'000	3-12 months Ushs'000	1-5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000
Financial assets						
Cash and bank balances	26,022,095	-	-	-	-	26,022,095
Deposits with commercial banks	-	55,734,513	57,603,616	103,452,378	-	216,790,507
Trade and other receivables		-	37,072,771	-	-	37,072,771
Debt instruments at amortised cost	-	759,449,366	1,645,089,838	6,779,105,301	14,224,957,177	23,408,601,682
Loans and advances	-	-	16,486,562	859,444	130,275	17,476,281
Total financial assets	**26,022,095**	**815,183,879**	**1,756,252,787**	**6,883,417,123**	**14,225,087,452**	**23,705,963,336**
Financial liabilities						
Other payables	-	(27,934,519)	(23,508,994)	(4,381,094)	-	(55,824,607)
Financial liabilities	**-**	**(27,934,519)**	**(23,508,994)**	**(4,381,094)**	**-**	**(55,824,607)**
Liquidity gap	**26,022,095**	**787,249,360**	**1,732,743,793**	**6,879,036,029**	**14,225,087,452**	**23,650,138,729**

At 30 June 2019	Matured Ushs'000	<3 months Ushs'000	3-12 months Ushs'000	1-5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000
Financial assets						
Cash and bank balances	17,640,161	-	-	-	-	17,640,161
Deposits with commercial banks	-	15,012,197	46,219,821	128,095,344	-	189,327,362
Trade and other receivables		-	62,070,886	-	-	62,070,886
Debt instruments at amortised cost	-	427,913,464	1,093,531,230	5,529,243,549	9,948,105,560	16,998,793,803
Loans and advances	-	-	4,729,685	17,467,694	-	22,197,379
Total financial assets	**17,640,161**	**442,925,661**	**1,206,551,622**	**5,674,806,587**	**9,948,105,560**	**17,290,029,591**
Financial liabilities						
Other payables	-	(33,150,300)	(26,788,412)	-	-	(59,938,712)
Financial liabilities	**-**	**(33,150,300)**	**(26,788,412)**	**-**	**-**	**(59,938,712)**
Liquidity gap	**17,640,161**	**409,775,361**	**1,179,763,210**	**5,674,806,587**	**9,948,105,560**	**17,230,090,879**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

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

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

Management of credit risk

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

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

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

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

Exposure to credit risk

Debt instruments at amortised cost and cash deposits
The Fund’s maximum exposure to credit risk for the components of the statement of net assets available for benefits at 30 June 2020 and 30 June 2019 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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

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

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

Except for financial instruments for which the simplified approach has been used, 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 equal to 12-month expected credit losses (12mECL).

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

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

Refer to Note 44 for disclosures on judgements relating to the Covid-19 pandemic.

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

	2020 Ushs 000	2019 Ushs 000
Cash and bank balances	25,981,725	17,591,207
Deposits with commercial banks	203,157,273	145,736,449
Trade and other receivables	37,072,771	62,070,886
Debt instruments at amortised cost	10,016,837,661	8,528,619,800
Loans and advances	15,382,874	19,024,785
	10,298,432,304	**8,773,043,127**

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:

2020	Note	Gross amount Ushs 000	ECL Ushs 000	Carrying amount Ushs 000
Cash and bank balances		25,981,725	-	25,981,725
Deposits with commercial banks	15	204,671,968	(1,514,695)	203,157,273
Debt instruments at amortised cost	18	10,020,930,565	(4,092,904)	10,016,837,661
Loans and advances	20	36,175,832	(20,792,958)	15,382,874
		10,287,760,090	**(26,400,557)**	**10,261,359,533**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

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

Movements in the allowance have been disclosed in Notes 15,18,20.

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

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

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

	2020 Ushs 000	2019 Ushs 000
Trade receivables	4,378,422	5,987,515
Dividends receivable	31,377,835	53,406,919
Other receivables	1,316,514	2,676,453
	37,072,771	**62,070,887**

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:

2020	Gross receivable Ushs' 000	loss rates	ECL Ushs' 000	Carrying amount
Trade receivables*	8,015,701		(3,637,279)	4,378,422
Contributions receivable	1,879,493	100%	(1,879,493)	-
Dividends receivable	36,464,911	14%	(5,087,076)	31,377,835
Other receivables	4,091,599	68%	(2,775,085)	1,316,514
	50,451,704		**(13,378,933)**	**37,072,771**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

2019

	Gross receivable Ushs' 000	Loss rates	ECL Ushs' 000	Carrying amount
Trade receivables*	6,911,655		(924,140)	5,987,515
Contributions receivable	1,879,493	100%	(1,879,493)	-
Dividends receivable	58,150,226	8%	(4,743,307)	53,406,919
Other receivables	5,504,498	51%	(2,828,046)	2,676,452
	72,445,872		**(10,374,986)**	**62,070,886**

Movements in the allowance have been disclosed in note 16.

*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:

2020	Gross receivable Ushs' 000	Loss rates	ECL Ushs' 000	Carrying amount Ushs' 000
Workers House	2,217,836	35%	(772,013)	1,445,823
Social Security House	4,711,338	51%	(2,410,962)	2,300,376
Yusuf Lule parking	600,633	63%	(376,170)	224,463
Naguru-Muvule	208,134	35%	(72,687)	135,447
Jinja City House	43,180	2%	(756)	42,424
Bwebajja	234,580	2%	(4,691)	229,889
	8,015,701		**(3,637,279)**	**4,378,422**

2019	Gross receivable Ushs' 000	Loss rates	ECL Ushs' 000	Carrying amount Ushs' 000
Workers House	1,930,947	9%	(166,146)	1,764,801
Social Security House	4,396,814	14%	(605,366)	3,791,448
Yusuf Lule parking	440,846	26%	(113,417)	327,429
Naguru-Muvule	143,048	27%	(39,211)	103,837
	6,911,655		**(924,140)**	**5,987,515**

Movements in the allowance in 2020 have been disclosed in note 16.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2020 Ushs 000	2019 Ushs 000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Equity securities held-for-trading	87,662,482	91,432,601
Equity investments at fair value through profit or loss	1,463,176,697	1,265,470,262
Total financial assets at fair value	**1,550,839,179**	**1,356,902,863**
Debt instruments at amortised cost		
Cash and bank balances	26,022,095	17,640,161
Deposits with commercial banks	203,157,273	145,736,449
Trade and other receivables	37,072,771	62,070,886
Debt instruments at amortised cost	10,016,837,661	8,528,619,800
Loans and advances	15,382,874	19,024,785
Total financial assets at amortised cost	**10,298,472,674**	**8,773,092,081**
Total financial assets	**11,849,311,853**	**10,129,994,944**
Total current	**2,591,500,671**	**1,455,116,810**
Total non-current	**9,257,811,182**	**8,674,878,134**
	11,849,311,853	**10,129,994,944**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Other payables	54,729,023	59,938,712
Total financial liabilities	**54,729,023**	**59,938,712**
Total current	**51,381,675**	**59,938,712**
Total non-current	**3,347,348**	**-**
	54,729,023	**59,938,712**

Fair values

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

	Carrying Amount		Fair value	
	2020 Ushs 000	2019 Ushs 000	2020 Ushs 000	2019 Ushs 000
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Equity securities held-for-trading	87,662,482	91,432,601	87,662,482	91,432,601
Equity investments at fair value through profit or loss	1,463,176,697	1,265,470,262	1,463,176,697	1,265,470,262
Debt instruments at amortised cost				
Debt instruments at amortised cost	10,016,837,661	8,528,619,800	10,554,195,495	9,397,886,707
Total financial assets	**11,567,676,840**	**9,885,522,663**	**12,105,034,674**	**10,754,789,570**

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

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital management

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

The Fund seeks to optimise the structure and investment of capital to ensure that it consistently maximises returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 10.75% was declared for the year 2020 (2019: 11%).

40. FAIR VALUE MEASUREMENT

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

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

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

	30 June 2020		30 June 2019	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Debt instruments at amortised cost	10,016,837,661	10,610,820,495	8,528,619,800	9,397,886,707

Valuation techniques

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

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

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

40. FAIR VALUE MEASUREMENT (CONTINUED)

Equity instruments: -The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published adjusted net asset value, taking into account redemption and/or other restrictions. Such instruments are generally Level 2. Equity instruments in non-listed entities including investment in private equity funds are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as Level 3. The Fund has no equities classified as level 3 as at reporting date.

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

As at 30 June 2020

			Fair value measurement using		
	Date of valuation	**Total Ushs '000**	**Quoted price in active market (Level 1) Ushs '000**	**Significant observable inputs (Level 2) Ushs '000**	**Significant unobservable inputs (Level 3) Ushs '000**
Assets measured at fair value					
Equity investments at fair value through profit or loss (Note 19)	30-Jun-20	1,463,176,697	1,324,045,041	139,131,656	-
Equity securities held-for-trading (Note 17)	30-Jun-20	87,662,482	87,662,482	-	-
Investment Properties (Note 24)	30-Jun-20	523,638,485	-	-	523,638,485
Assets for which fair values are disclosed					
Debt instruments at amortised cost	30-Jun-20	10,610,820,495	10,610,820,495	-	-

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

40. FAIR VALUE MEASUREMENT (CONTINUED)

As at 30 June 2019			Fair value measurement using		
	Date of valuation	Total Ushs '000	Quoted price in active market (Level 1) Ushs '000	Significant observable input (Level 2) Ushs '000	Significant unobservable input (Level 3) Ushs '000
Assets measured at fair value					
Equity investments at fair value through profit or loss (Note 19)	30-Jun-19	1,265,470,262	1,139,851,504	125,618,758	-
Equity securities held-for-trading (Note 17)	30-Jun-19	91,432,601	91,432,601	-	-
Investment Properties (Note 24)	30-Jun-19	491,746,647	-	-	491,746,647
Finance leases (Note 28)	30-Jun-19	730,000	-	-	730,000
Assets for which fair values are disclosed					
Debt instruments at amortised cost	30-Jun-19	9,397,886,707	9,397,886,707	-	-

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 Shs'000	Finance Leases Shs'000	Total Shs'000
2020			
At 1 July 2019	491,746,647	730,000	492,476,647
Effects of adoption of IFRS 16 (note 3(u))	730,000	(730,000)	-
Total gains in surplus or deficit	46,929,148	-	46,929,148
Additions	486,240	-	486,240
Reclassifications	(16,253,550)	-	(16,253,550)
At 30 June 2020	**523,638,485**	**-**	**523,638,485**
Total gains for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**46,929,148**		**46,929,148**
2019			
At 1 July 2018	**465,027,140**	**630,000**	**465,657,140**
Total gains/(loss) in surplus or deficit	37,980,363	100,000	38,080,363
Reclassifications	(11,260,856)	-	(11,260,856)
At 30 June 2019	**491,746,647**	**730,000**	**492,476,647**
Total gains/(loss) for the period included in surplus or deficit for assets at the end of the reporting period (Note 8a)	**37,980,363**	**100,000**	**38,080,363**

40. FAIR VALUE MEASUREMENT (CONTINUED)

Description	Input	Sensitivity used*	Effect on the Fair value Ushs,000
Workers house	Estimated rental value	2020: 10%	12,366,000
		2019: 10%	7,446,000
	Estimated rental expenditure	2020:10%	4,768,000
		2019:10%	10,548,500
	Vacancy factor	2020:1%	1,234,000
		2019:1%	6,132,000
	Discount factor	2020:1%	8,298,000
		2019:1%	11,899,000
Social Security house	Estimated rental value	2020: 10%	5,261,000
		2019: 10%	3,139,000
	Estimated rental expenditure	2020:10%	1,597,000
		2019:10%	7,099,250
	Vacancy factor	2020:1%	526,000
		2019:1%	6,898,500
	Discount factor	2020:1%	3,682,000
		2019:1%	9,490,000

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 2020 and 30 June 2019 are, as shown below:

* 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.

Refer to Note 44 for disclosures on judgements relating to the COVID-19 pandemic.

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 30 June 2020

	Within 12 months Ushs '000	After 12 months Ushs '000	Total Ushs'000
ASSETS			
Cash and bank balances	26,022,095	-	26,022,095
Deposits with commercial banks	111,823,434	91,333,839	203,157,273
Trade and other receivables	52,961,898	-	52,961,898
Equity securities held-for-trading	-	87,662,482	87,662,482
Tax deposit receivable	-	25,323,522	25,323,522
Debt instruments at amortised cost	2,401,428,801	7,615,408,860	10,016,837,661
Equity investments at fair value through profit or loss	-	1,463,176,697	1,463,176,697
Loans and advances	15,153,572	229,302	15,382,874
Investments in associates	-	361,245,165	361,245,165
Inventories	14,447,603	-	14,447,603
Capital work-in-progress	-	419,354,937	419,354,937
Investment properties	-	523,638,485	523,638,485
Intangible assets	-	9,138,880	9,138,880
Property and equipment and right of use assets	-	23,559,101	23,559,101
Asset held for sale	16,631,516	-	16,631,516
Tax claimable	-	25,020,206	25,020,206
Total assets	**2,638,468,919**	**10,645,091,476**	**13,283,560,395**
LIABILITIES			
Other payables	51,546,753	3,347,348	54,894,101
Contract liabilities	9,911,421	-	9,911,421
Provisions for litigation	814,522	-	814,522
Total liabilities	**62,272,696**	**3,347,348**	**65,620,044**

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 30 June 2019

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

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 World Health Organisation declared COVID-19 a global health emergency on 30 January 2020. On 18 March 2020, the Government of Uganda announced lockdown and restrictions as a counter-measure against the spreading of COVID-19. By the year-end, some of the lock down and restrictions had been eased. As the Fund is an essential service provider, operations continued during the lock down period but with some general restrictions arising from the local and global disruptions caused by the pandemic.

Consequently, the Fund's financial performance was impacted as follows:

44. COVID-19 PANDEMIC (CONTINUED)

- **Effect on contributions received**
  The lockdown restrictions left businesses with cash flow challenges and as such some were unable to maintain payroll costs. To manage this, some businesses opted to lay off staff, send staff on unpaid leave or reduce staff salaries. All these measures resulted in a decrease in contributions. In response, NSSF extended some relief to the businesses through allowing them to defer NSSF contribution payments for up to 12 months on a case-by-case basis.

  As at 30 June 2020, a total of 1,759 employers had requested for contributions deferral amnesty amounting to Ushs 23.4billion in monthly contributions. However, only 1,730 were granted with an equivalent of Ushs 22.4billion. The total contributions received during the year are disclosed in note 33.

- **Effect on fixed income and equities investment portfolios**
  The fixed income portfolio accounts for almost 80% of the Funds' assets as at 30 June 2020. This portfolio mainly includes Government Bonds in East Africa (i.e. Uganda, Kenya, Tanzania and Rwanda), Fixed Deposits with commercial banks and Corporate Bonds & Loans. There was no effect on this portfolio since the return on investment is fixed at commencement of the contract.

  There were major effects realised within the equities portfolio as at 30 June 2020 on the cash flow returns in the dividends. The impact of reduced liquidity on the markets led to investee companies either being required or electing not to pay dividends hence affecting the returns. In Uganda, Bank of Uganda issued a directive to financial institutions to defer any dividends. As a result, the Fund earned no dividends from the financial institutions in which it holds shares i.e. Stanbic Bank Uganda Limited, Bank of Baroda and dfcu Limited. In Kenya, Equity Group and Absa Bank Kenya Limited that had previously proposed dividends when they released their annual results in March 2020, rescinded their decisions. Refer to note 7 for movements in the dividend income.

  For the equities portfolio, there was an impact mainly on the Nairobi Stock Exchange(NSE) due to the market activity by investors who seemed wary of the long term economic impact of COVID-19 on the investee companies hence the market started pricing in such fears pushing share prices down as investors disposed of stocks. The all share price index dropped from KES 167.37 to KES 133.25 in March 2020.

  In Uganda, Tanzania and Rwanda stock prices either dropped or remained unchanged except for a few companies that had marginal growth in prices. As the Fund's major exposure in the equities portfolio is on the NSE, the movements in the NSE significantly influenced the performance of the Fund's equities portfolio.

  Refer to notes 8(a), 17 and 19 for movements in the equities values.

- **Effect on Expected Credit Losses (ECLs)**
  Decrease in cash collections by tenants due to limitations in implementing cash collection strategies. This increased the 'probability of default' input to the ECL model, that is determined dependent on the collection patterns from past data.

44. COVID-19 PANDEMIC (CONTINUED)

The slowdown in the economy led to drops in the projected key macro-economic factors including inflation, Gross Domestic Product, interest rates etc. The effects of these have been considered as part of the overlays in the ECL model to incorporate the pandemic effects on the credit risk profile of the debtors.
Refer to note 39(c) for movements in the expected credit losses.

- **Effect on real estate (Investment properties)**
  The COVID-19 containment measures enacted globally around March 2020 brought a disruption in the real estate sector in Uganda, with lockdowns and travel restrictions resulting in near collapse of some sub-sectors. There has been gradual lifting of the lockdown since June 2020 which has resulted in varied response from the different market segments depending on category, location, price bracket and availability of extra services. The Fund's investments in real estate are majorly in the residential and commercial property categories. Below is summary of effects that have also been considered in reassessment of the assumptions and judgments utilised in valuation of the properties as disclosed in note 24:

  Residential
  The residential real estate sector is comprised of single-family homes, apartments, condominiums, planned unit developments, and more. For the past few years, this segment of the real estate industry has been steadily increasing in value. While there was a lull in demand for new lettings and purchases during COVID-19 lockdown, the market showed signs of picking up with easing of the lockdown. Indications from real estate brokers and stamp duty returns at Ministry of Lands reveal that sales/purchases of standalone residential homes have been bullish.

  Commercial (Office space)
  The COVID-19 pandemic has left investors and tenants undecided on the ethical and prudent course of action regarding the nearly 3 months lockdown rent. While some landlords have waived at least one month's rent, majority of landlords have simply deferred payment of rent arrears incurred during the lockdown period. While the expected massive human resource layoffs have generally not materialized, it is likely that organisations will continue to encourage working from home therefore seeking to downsize on occupied space within commercial buildings. If this trend were to continue in the medium to long-term, there would be downward pressure on rental collections as landlords would have to offer incentives like rent free periods and rental discounts to keep or attract new tenants.

  The Fund's commercial properties as disclosed in the investment property note 24 are almost 80% occupied by government institutions which didn't vacate the premises and therefore the Fund did not experience a reduction in occupancy rates.

Use of estimates and judgements
There have been no material revisions to the nature and estimates of amounts reported in prior periods. However, the effects of COVID-19 have required significant judgments and estimates to be made, including:

- Re-assessment of the assumptions used to measure the fair value of the investment properties, on account of changes in the market conditions and related observable inputs. Consideration of the extent to which the pandemic has affected property transactions and impacts to valuation models.

44. COVID-19 PANDEMIC (CONTINUED)

- Estimates of expected credit losses attributable to accounts receivable arising from credit customers, including the incorporation of forward-looking information to supplement historical credit loss rates.

- Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period (‘adjusting events after the reporting period’) and which do not (‘non-adjusting events after the reporting period’).

Use of assumptions

The COVID-19 pandemic continued to affect the Fund, countries and businesses at the time of preparation of these financial statements. The directors expect that considering that the Fund is an essential service provider, the Fund’s operations will continue despite the disruption caused by the pandemic. The directors have also assessed that:

- No adjusting events or conditions existed at the reporting date affecting the financial statements.

- The going concern status of the Fund will not be affected by this event and the Fund will continue to operate as a going concern. The Fund’s management and directors are closely monitoring the economic developments in the key markets and sectors including undertaking scenario analysis. This enables the Fund’s management and directors to take appropriate actions where necessary, including enhanced monitoring, amending strategically investing all contributions received.

- Customer credit risk is not expected to increase further. Management will continue to closely monitor customer segments to ensure that exposures are mitigated.

- There are no conditions that would warrant impairment of non-financial assets.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from the judgements and assumptions used, could require a material adjustment to the carrying amounts of the assets or liabilities reported in these financial statements. The directors and management will continue to monitor the measures taken by the Government of Uganda and adjust the Fund’s business strategies and plans accordingly.