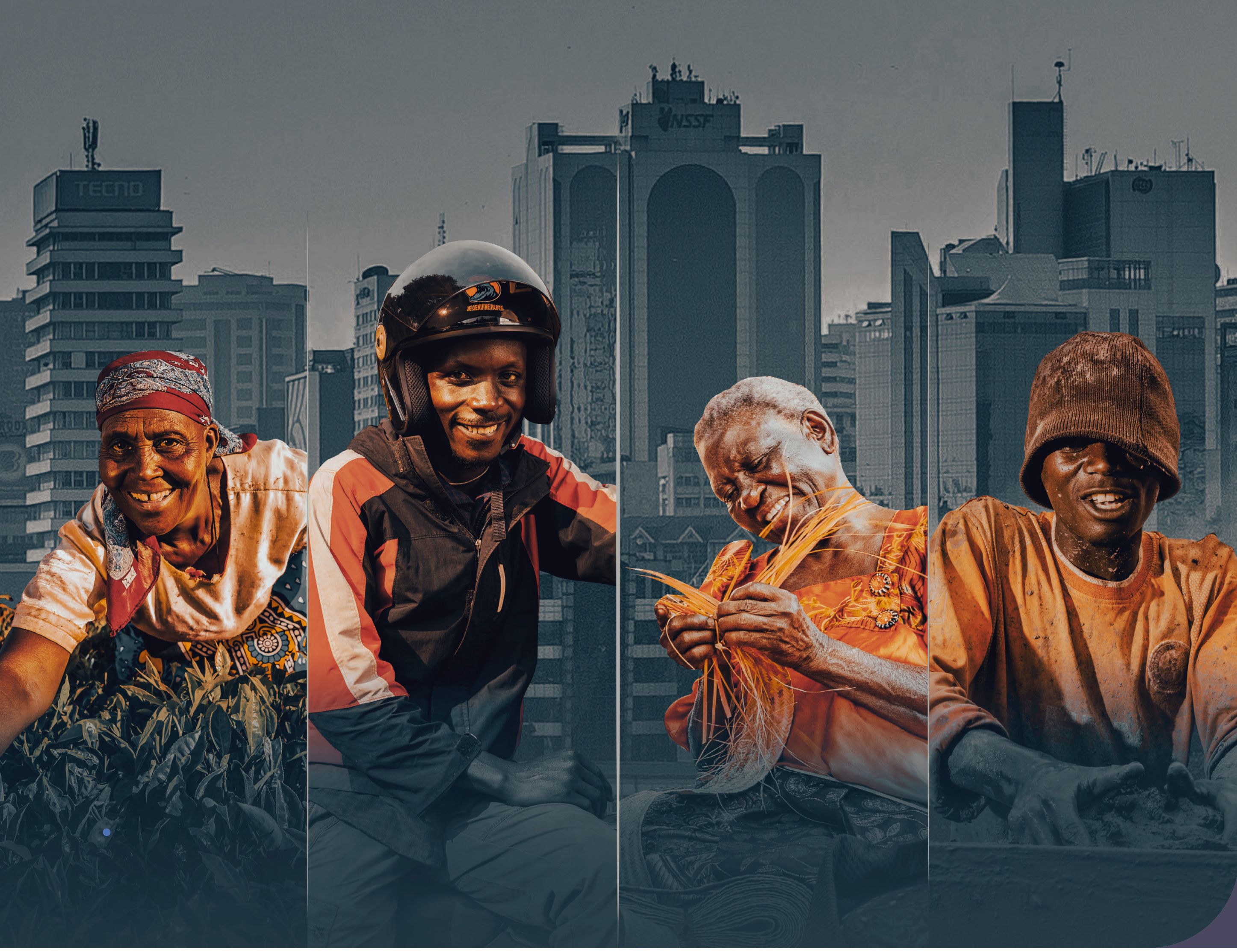
"Fostering resilience, empowering economic security and sustainable success through competitive returns and saving as a way of life."

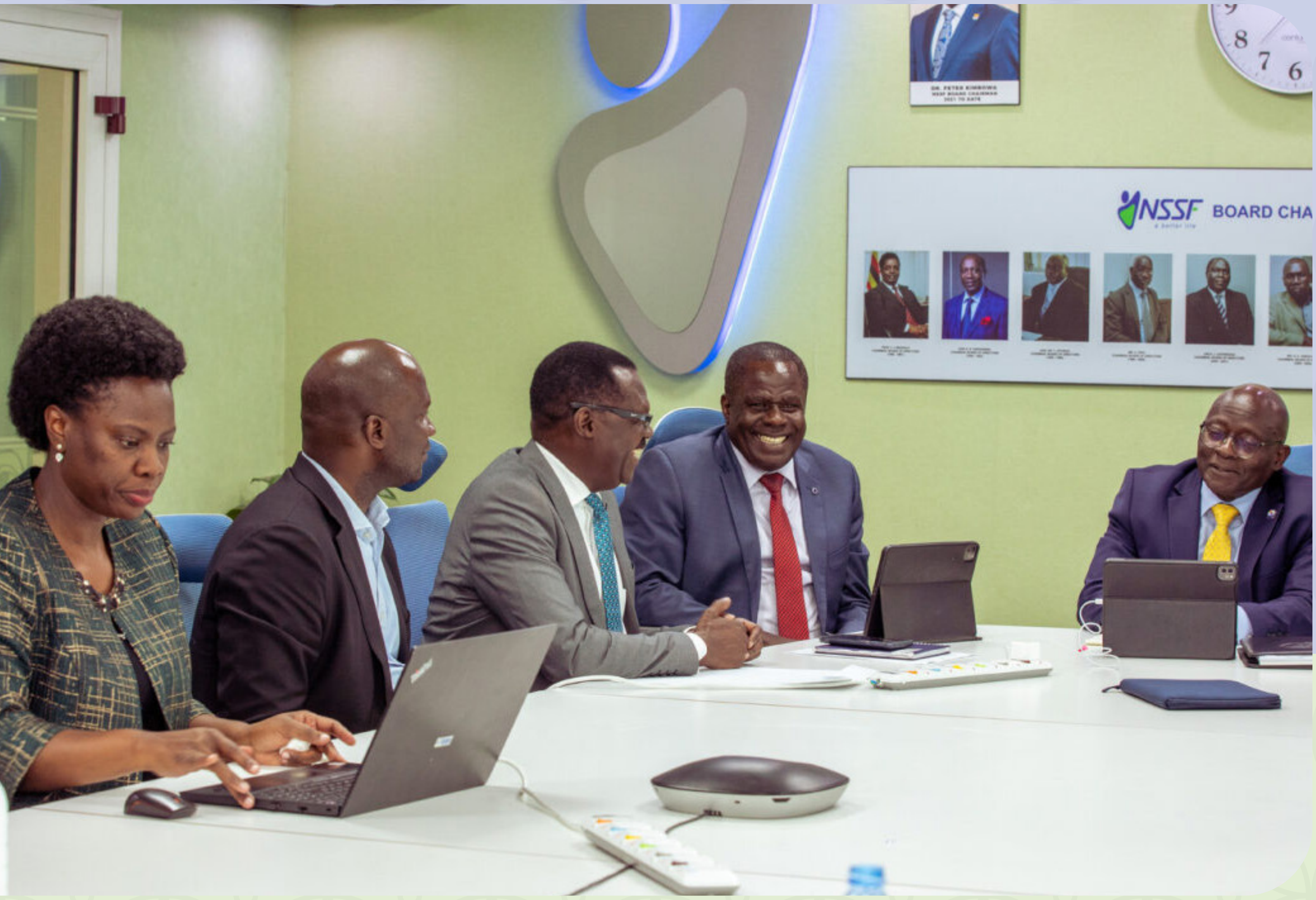


NATIONAL SOCIAL SECURITY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2023

NSSF
a better life



National Social Security Fund financial statements
for the year ending 30 June 2023

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FINANCIAL STATEMENTS

FUND INFORMATION

DIRECTORS

Dr.	Peter Kimbowa	Chairman
Mr.	Aggrey David Kibenge	Member
Mr.	Patrick Ocailap	Member
Ms.	Penninah Tukamwesiga	Member
Dr.	Sam Lyomoki	Member
Dr. Eng.	Silver Mugisha	Member
Mr.	Lwabayi Mudiba Hassan	Member
Ms.	Annet Birungi	Member
Ms.	Annet Mulindwa Nakawunde	Member
Mr.	Richard Byarugaba	Managing Director (Contract ended 30 November 2022)
Mr.	Patrick Ayota	Managing Director (Appointed 18 August 2023)

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

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

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

ADVOCATES

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

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

GP Advocates
Colline House, 3rd Floor
Plot 4, Pilkington Road
P. O. Box 6737
Kampala, Uganda

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

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

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

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

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

BANKERS

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

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

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

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

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

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

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

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

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

I&M Bank (Uganda) Limited
(formerly Orient Bank Uganda Limited)
P. O. Box 3072
Kampala, Uganda

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

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2023 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 (the 'NSSF (Amendment) Act 2022').

1. Incorporation
The Fund is a corporate body established in Uganda by an Act of Parliament and licensed as a Retirement Benefit Scheme under the Uganda Retirement Benefits Regulatory Act (2011) with dual supervision from the Ministry of Finance and Economic Development and the Ministry of Gender Labour and Social Development.

2. Principal activity
The Fund was established by an Act of Parliament which provides for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund that pays out contributions in lump sum. It is open to all employees in the private sector including Non-Governmental Organisations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which the employer is entitled to recover 5% from the employee.

3. Results from operations
The results of the Fund are set out on page 10.

4. Interest to members
Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The interest rate used to allocate interest for the year the year ended 30 June 2023 was 10% (2022: 9.65%).

5. Reserves and accumulated members' funds
The reserves of the Fund and the accumulated members' funds are set out on page 12.

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 (Amendment) Act 2022, the financial statements are required to be audited 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 2023, PricewaterhouseCoopers Certified Public Accountants was appointed to act on behalf of the Auditor General.

9. Approval of the financial statements
The financial statements were approved at the meeting of the Directors held on 19 September 2023.

By Order of the Board,

Ms Agnes Tibayeita Isharaza

Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act, as applicable, and National Social Security Fund (NSSF) Act 1985 (as amended 2022); and, for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors confirm that, during the year under review, in the execution of their duties they have complied with the requirements imposed by URBRA Act, as applicable, and the NSSF (Amendment) Act 2022. 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, as applicable, 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, as applicable.

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 (Amendment) Act 2022. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and its operating results.

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

These financial statements:

- were approved by the Board of Directors on 19 September 2023;
- 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 2023 as well as the results of its activities for the year then ended in accordance with IFRS.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. The Directors hereby report that nothing has come to their attention to indicate that the Fund will not remain a going concern for at least 12 months from the date of this statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The Directors confirm that for the year ended 30 June 2023, 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, as applicable.

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, as applicable, for the next 12 months from the date of this statement.

Dr. Peter Kimbowa	**Mr. Patrick Ayota**	**Dr. Eng. Silver Mugisha**
Chairman	Managing Director	Director

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2023

The Rt. Hon. Speaker of Parliament

Our opinion

I have audited the financial statements of National Social Security Fund (NSSF), which comprise the Statement of Net Assets Available for Benefits as at 30 June 2023 and the Statement of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 14 to 31.

In my opinion, the financial statements present a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Uganda Retirement Benefits Regulatory Authority Act, as applicable, and the NSSF Act.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, 2008, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matter

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

Emphasis of Matter

Accumulated deficit recognised within the member liabilities in the statement of net assets available for benefits.

We draw your attention to the composition of member liabilities in the statement of net assets available for benefits which shows an accumulated deficit of Shs 794 billion resulting from allocation of interest to members' accounts exceeding amounts available for the allocation of interest. As a result, accumulated members' funds exceed total fund assets by Shs 508 billion. As disclosed in Note 32(b), the Directors expect the deficit arising to be reversed within the next two to three years through net increases in the Fund beyond amounts to be allocated to members as interest over that period.

Key audit matter	How my audit addressed the key audit matter
Valuation of investment properties As disclosed in Note 25 of the financial statements, the Fund has estimated fair values of investment properties amounting to Shs 954,373 million at 30 June 2023 (2022: Shs 892,184 million). I considered this a key audit matter due to significant judgment exercised by the Directors of the Fund and the complexity involved in the determination of the fair value of investment properties. Specifically, significant judgement is exercised in: • determining the valuation techniques used by the external valuers, i.e., discounted cash flow, cost approach and sales comparison method taking into consideration the effects of the current macro-economic impact; and • evaluation of the assumptions applied in determination of unobservable inputs such as comparable market prices, based on location of the property, projected future cash flows, future rent escalations, exit values and the discount rates relevant in determination of the fair value of investment properties.	My audit procedures are summarised as follows: • I obtained an understanding of the Fund's approach to valuation of its investment properties including policies in use and selection of external valuers and the review and approval processes for results of valuations; • I evaluated the competence and objectivity of the external valuers selected by the Fund to carry out independent valuation of its investment properties, through amongst other things, confirming their registration and licensing by the relevant professional body; and, an evaluation of their objectivity as indicated by the approaches, methodologies and data inputs applied in their valuations; • I evaluated the appropriateness of the valuation methodologies applied by the Fund in the determination of fair value for consistency with IFRS requirements; • On a sample basis, I tested the mathematical accuracy of valuations arrived at by external valuers taking into account the specific estimates and assumptions made by the respective valuers; • I tested, through sampling, the accuracy of source data used by external valuers, including legal title to land, occupancy rates and current rent payable, and evaluated the reasonableness of key estimates into valuations by comparison to external data sources, where available, and to those applied in similar property valuations; and • I assessed the adequacy of the disclosures in the financial statements in accordance with IAS 40.
Potential impact of investigations on the financial statements • During the year ended 30 June 2023, there were allegations of misappropriation of assets in the organisation which led to investigations by the Parliament of Uganda and the Inspectorate of Government (IGG). Since the allegations impacted the financial statements as a whole, we focused on the findings that create a risk of material misstatement for a heighted audit response.	My audit procedures are summarised as follows: • Review findings of the Parliamentary report and identification of matters with a potential material impact on the financial statements considering factors such as: whether the finding indicated possible misstatement of the net financial position of NSSF; whether the finding was conclusive as to the alleged wrongdoing; the extent to which deemed or alleged losses were already reflected in the Fund's financial statements; etc. • Reviewing reports issued by the Inspectorate of Government (IGG), Public Procurement and Disposal of Public Assets Authority (PPDA) and interim findings from the Auditor General's forensic investigation which were conducted at the request of Parliament of Uganda for potential material impacts on the Fund's financial statements. • Followed up on findings with a potential material impact on the Fund's financial statements that we deemed conclusive in the reports to establish whether the underlying transactions were accounted for appropriately therein. • Testing specific instances of the Fund's operations for evidence related to findings with a potential material impact on the Fund's financial statements that were not conclusive in the reports to determine and follow up on resulting financial reporting impacts. This includes allegations in respect of dealings with fund managers and transactions on the member suspense account. • Extending the scope of our audit into areas raised in the Parliamentary report, including physical verification of titles to Fund properties; and review of specific contract management procedures including contract variation. • Reviewing any exceptions arising for their possible financial statement impact.

Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2023 CONTINUED

Auditor's responsibilities for the audit of the financial statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

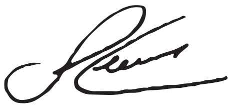
As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusion is based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



John F.S. Muwanga

Auditor General

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Note	2023 Ushs 000	2022 Ushs 000
CONTINUING OPERATIONS			
Dealings with members			
Contributions received during the year	32	**1,716,505,860**	1,486,439,181
Benefits paid	32	**(1,198,559,205)**	(1,189,454,740)
Net dealings with members		**517,946,655**	**296,984,441**
Revenue			
Interest income	5	**2,043,952,607**	1,800,043,561
Real estate income	6(b)	**11,946,504**	11,971,781
Dividend income	7	**145,124,765**	99,771,051
Total revenue		**2,201,023,876**	**1,911,786,393**
Other income/(losses)			
Fair value losses on investments	8(a)	**(4,044,644)**	(123,158,647)
Foreign exchange losses	8(b)	**(1,045,737,063)**	(13,404,163)
Other income	8(c)	**6,862,348**	1,019,144
Total other losses		**(1,042,919,359)**	**(135,543,666)**
Expenditure			
Administrative expenses	9	**(137,052,854)**	(156,608,194)
Impairment reversals/(losses) on financial assets	10	**1,551,945**	(9,357,696)
Other operating expenses	11	**(37,658,881)**	(25,351,229)
Amortisation of intangible assets	26	**(3,890,306)**	(2,706,455)
Depreciation on property and equipment and right-of-use assets	27,28	**(10,336,173)**	(8,095,613)
Total expenditure		**(187,386,269)**	**(202,119,187)**
Finance costs	12	**(3,114,139)**	(1,126,330)
Surplus before income tax	13	**1,485,550,764**	**1,869,981,651**
Income tax expense	14(a)	**(193,233,582)**	(180,411,829)
Net increase in the Fund for the year		**1,292,317,182**	**1,689,569,82**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Note	2023 Ushs 000	2022 Ushs 000
ASSETS			
Cash and bank balances	15	**190,670,354**	72,790,863
Deposits with commercial banks	16	**104,073,315**	225,803,016
Trade and other receivables	17	**202,789,665**	200,413,183
Equity securities externally managed	18	**76,274,119**	89,069,119
Debt instruments at amortised cost	19	**14,227,870,551**	12,826,279,795
Equity investments internally managed	20	**1,858,533,926**	2,094,024,863
Loans and advances	21	**7,640,094**	9,365,377
Investment in associates	22	**435,491,206**	424,392,946
Inventories	23	**344,417,254**	278,891,159
Capital work-in-progress	24	**4,318,883**	2,062,062
Investment properties	25	**954,372,855**	892,184,570
Intangible assets	26	**28,531,727**	27,940,077
Property and equipment	27	**52,870,470**	50,060,959
Right-of-use assets	28	**2,548,662**	2,714,466
Tax deposit receivable	14 (c)	**25,323,522**	25,323,522
Tax claimable	29	**44,130,983**	34,140,625
TOTAL ASSETS		**18,559,857,586**	**17,255,456,602**
LIABILITIES			
Other payables	30	**76,335,057**	92,558,405
Contract liabilities	31	**15,716,945**	9,411,806
TOTAL LIABILITIES		**92,052,002**	**101,970,211**
MEMBER LIABILITIES			
Accumulated member's funds	32	**19,067,610,941**	16,961,837,142
Member reserve accounts	33	**82,327,472**	74,843,156
Accumulated (deficit)/surplus	32(b)	**(794,068,813)**	15,372,770
TOTAL MEMBER LIABILITIES		**18,355,869,600**	**17,052,053,068**
NET ASSETS		**111,935,984**	**101,433,323**
Represented by:			
Fund reserves		**111,935,984**	**101,433,323**

These financial statements were approved for issue by the Board of Directors on 19 September 2023 and signed on its behalf by:

Dr. Peter Kimbowa
Chairman
Date: 25 September 2023

Mr. Patrick Ayota
Managing Director

Dr. Eng. Silver Mugisha
Director

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

	Fund Reserves* Ushs 000
Year ended 30 June 2022	
At start of the year	**91,986,829**
Special contributions received	9,446,495
At end of the year	**101,433,324**
Year ended 30 June 2023	
At start of the year	101,433,324
Special contributions received	10,502,660
At end of the year	**111,935,984**

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

Statement of changes in members' funds and reserves

STATEMENT OF CASH FLOWS

	Note	2023 Ushs 000	2022 Ushs 000
Net cash flows used in operating activities	34	**(108,910,071)**	**(142,339,457)**
Investing activities			
Purchase of software	26	**(4,481,956)**	(2,302,575)
Additions to property, plant and equipment	27	**(10,729,383)**	(6,584,840)
Additions to investment properties	25	**(18,730,698)**	(46,628,302)
Proceeds from disposal of investment property		**–**	921,046
Additions to capital work-in-progress	24	**(3,020,515)**	(13,266,855)
Purchase of equity investments internally managed	18	**(63,588,025)**	(428,071,760)
Purchase of equity investments externally managed	18	**(7,759,250)**	(14,434,718)
Proceeds from disposal of equity investments externally managed	18	**3,257,174**	11,653,111
Purchase of debt instruments at amortised cost	19	**(2,501,586,502)**	(2,153,419,694)
Maturities of debt instruments at amortised cost	19	**327,769,144**	898,435,339
Placement of deposits with commercial banks	16	**(151,389,000)**	(1,546,691,199)
Maturities of deposits with commercial banks	16	**278,559,762**	1,518,832,589
Maturities of loans and advances	21	**1,884,474**	2,254,874
Interest received from debt instruments at amortised cost	19	**1,793,255,389**	1,572,174,423
Interest received from loans and advances	21	**992,237**	1,260,019
Interest received from commercial bank deposits	16	**13,464,410**	27,453,813
Increase in investment in associate	22	**(1,279,564)**	(2,652,910)
Dividends received		**38,741,088**	11,184,922
Net cash flows used in investing activities		**(304,641,215)**	**(175,262,236)**
Financing activities			
Repayment of principal amount lease liabilities	30	**(1,085,272)**	(939,401)
Benefits paid out to members	32	**(1,198,559,205)**	(1,189,454,740)
Contributions received from members	32	**1,716,505,860**	1,486,439,181
Interest recovered on arrears	32	**4,066,734**	4,065,207
Special contributions received	33	**10,502,660**	9,446,495
Net cash flows generated from financing activities		**531,430,777**	**309,556,743**
Increase in cash and cash equivalents		**117,879,491**	(8,044,950)
Cash and cash equivalents at the start of year	14	**72,790,863**	80,835,813
Cash and cash equivalents at end of year	14	**190,670,354**	**72,790,863**

NOTES TO THE FINANCIAL STATEMENTS

1. FUND INFORMATION

National Social Security Fund ('the Fund') is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to pay benefits its members as stipulated under the National Social Security Fund Act (Cap 222), as amended. The address of the Fund's registered office is:

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

The Fund is a defined contribution scheme which is open to all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%).

During the year ended 30 June 2023, the Fund paid benefits to 48,115 beneficiaries (2022: 53,035 beneficiaries). According to the NSSF (Amendment) Act 2022, the benefits paid out of the Fund include:

- **Age benefits** – payable to a member who has reached the retirement age of 55 years;
- **Withdrawal benefits** – payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- **Invalidity benefits** – payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- **Survivors benefits** – payable to the dependant survivor(s) in the unfortunate event of member's death;
- **Emigration grants** – payable to a member (Ugandan or Expatriate) who is leaving the country for good.
- **Exempted employment benefits** – payable to a contributing member who joins employment categories that are exempted, i.e. have their social protection schemes that are recognised under the existing law and are exempted from contributing to NSSF, e.g. the army, police, prison, civil service and government teaching service employees or members of any scheme who have received exemption from the Minister responsible for Social Security in writing.
- **Mid-term benefits** – payable to a member who has attained the age of 45 years and has saved for a period of 10 years.

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

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

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis except as otherwise indicated below. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund's functional currency, and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented.

a) Investment in associates

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

c) Revenue recognition

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

Sale of properties
The Fund develops and sells residential properties. Revenue is recognised at a point in time when legal title has passed to the buyer.

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

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

Significant financing component
The Fund receives advance rent payment from its customers in the normal course of business. 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.

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

c) Revenue recognition *(continued)*

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

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

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

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

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

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

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

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

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

c) Revenue recognition *(continued)*

Financial instruments – Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

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

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

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

The Fund's financial assets comprise of the following:

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

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

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

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

c) Revenue recognition *(continued)*

(i) Financial assets *(continued)*

Derecognition *(continued)*

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

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

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

Impairment of financial assets

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

- Disclosures for significant assumptions (Note 38)
- Debt instruments at amortised cost (Note 19)
- Loans and advances (Note 21)
- Trade and other receivables (Note 17)
- Deposits with commercial banks (Note 16)

The Fund recognises an allowance for expected credit losses (ECLs) for all financial assets that are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 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 is computed as the ratio of outstanding invoice beyond the default period and invoices raised at the beginning of each period. Currently invoices raised majorly relate to rental space occupied by the tenants on the Fund's lettable properties.

In case of payments on the outstanding invoices, the recovery rate is computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment. The single loss rate estimates are applied to each category of gross receivables.

The Fund considers whether ECLs should be estimated individually for any period-end receivables, e.g. because specific information is available about those debtors.

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

c) Revenue recognition *(continued)*

(i) Financial assets *(continued)*

Impairment of financial assets *(continued)*
The Fund has applied the single loss rate approach to all other financial assets recognised as other receivables, e.g dividends receivable.

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

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

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

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

(ii) Financial liabilities

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

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

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

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

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

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

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

d) Fair value measurement

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

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

The principal or the most advantageous market is usually accessible by the Fund.

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

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

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

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

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

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

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

The Fund's management investment committee determines the policies and procedures for recurring fair value measurement of investment properties. The management investment committee delegates the role of selection/determination of involvement of the external valuers to a valuation committee which is comprised of the real estate manager, finance manager, procurement manager and legal officer.

External valuers are involved for valuation of significant assets, such as investment properties. Selection of external valuers is determined every two years by the valuation committee and after discussion with and approval by the contracts committee and the accounting officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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.

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

d) Fair value measurement *(continued)*

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

- Disclosures for valuation methods, significant estimates and assumptions – Note 4 and 38;
- Quantitative disclosures of fair value measurement hierarchy – Note 40;
- Financial instruments (including those carried at amortised cost) – Notes 15,16, 17, 18, 20 and 39;
- Investment property – Note 25; and
- Capital work in progress – Note 24.

e) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the reducing balance method over their estimated useful lives and is generally recognised in surplus or deficit.

The estimated annual depreciation rates for the current and comparative periods are as follows:

	Percentage
Machinery	20%
Motor vehicles	20%
Furniture and equipment	12.5%
Computer equipment and other electronic gadgets	25%–33%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

e) Property and equipment *(continued)*

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

f) 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.

g) Investment properties

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

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. All of the Fund's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise, including the corresponding tax effect.

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

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

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

h) Inventories

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

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

i) Impairment of non-financial assets

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

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

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

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

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

j) 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.

k) Provisions

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

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

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

l) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in surplus or deficit.

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

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

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

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

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

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

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

m) Cash and cash equivalents

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

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

n) Capital work-in-progress

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

o) Members' funds

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

(i) The Fund recognises a liability to pay benefits to members composed of contributions declared on the account of each member and interest accumulated on each account in accordance with the obligations laid out in the NSSF (Amendment) Act 2022.

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

(iii) Interest payments to members

Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the NSSF (Amendment) Act 2022 and is treated as an expense.

The recognition of the expense and respective interest provision is based on the requirement under the NSSF (Amendment) Act 2022 to recognise member balances as a debt obligation.

(iv) Benefit payments to members

Benefits payments to members are made upon meeting criteria for payment as set out in the NSSF (Amendment) Act 2022. Such payments recognised as a charge in the statement of changes in net assets available for benefits, and as a reduction from members' funds when paid.

(v) Contributions from members

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

p) Fund reserves

The account is credited with special contributions by non-eligible employees and amounts recovered in the form of fines and penalties from employers that fail to remit members' funds. 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 (Amendment) Act 2022.

q) Leases

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

The Fund as a lessee

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

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

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

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

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

q) Leases *(continued)*

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

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

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

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

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

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

r) Current/non-current distinction

The Fund presents assets and liabilities in decreasing order of liquidity which provides information that is reliable and more relevant than a current/non-current presentation because the Fund does not supply goods or services within a clearly identifiable operating cycle.

The operating cycle of the Fund is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the Fund's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.

Disclosures for the amounts expected to be recovered or settled in no more than 12 months after the reporting period and after more than 12 months for each asset and liability line item are in Note 39 (b).

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

r) Current /non-current distinction *(continued)*

The Fund classifies an asset as expected to be recovered in no more than 12 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 12 months after the reporting period;
- it expects to realise the asset within 12 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 12 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 12 months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

s) 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

t) Changes in accounting policies and disclosures

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

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

  The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

- **Reference to the Conceptual Framework – Amendments to IFRS 3 – Effective for annual periods beginning on or after 1 January 2022**

  Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These amendments had no impact on the financial statements of the Fund.

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

  The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. These amendments had no impact on the financial statements of the Fund.

- **Annual Improvements to IFRS Standards 2018–2020 – Effective for annual periods beginning on or after 1 January 2023**

  The following improvements were finalised in May 2020:

  - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

  IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

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

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

- **IFRS 17 Insurance Contracts – Effective for annual periods beginning on or after 1 January 2023**

  IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

  – discounted probability-weighted cash flows;
  – an explicit risk adjustment; and
  – a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

  The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

  An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.

  There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

  The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

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

- **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 – Effective for annual periods beginning on or after 1 January 2023**

  The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments had no impact on the financial statements of the Fund.

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

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

- **Definition of Accounting Estimates – Amendments to IAS 8 – Effective for annual periods beginning on or after 1 January 2023**

  The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. These amendments had no impact on the financial statements of the Fund.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – Effective for annual periods beginning on or after 1 January 2023**

  The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

  The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  – right-of-use assets and lease liabilities; and
  – decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. These amendments had no impact on the financial statements of the Fund.

- **New and revised International Financial Reporting Standards issued but not yet effective**

  The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance. The changes are not expected to have a significant impact on the Fund's financial statements. These standards will be applied where applicable on the effective dates.

  These standards and interpretations are listed below:

  – Non-current liabilities with covenants – Amendments to IAS 1 – effective 1 January 2024
  – Lease liability in sale and leaseback – amendments to IFRS 16 – effective 1 January 2024
  – Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 – effective 1 January 2024

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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.

a) Investment properties

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

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

(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

	2023 Ushs 000	2022 Ushs 000
Interest income on short term deposits with banks	**19,390,025**	26,440,741
Interest income on government bonds	**2,021,100,856**	1,767,637,728
Interest income on corporate bonds	**2,401,336**	4,688,696
Interest income on loans and receivables	**1,060,390**	1,276,396
	2,043,952,607	**1,800,043,561**

6. REAL ESTATE INCOME

a) Rental income*		
Workers House	**5,349,102**	4,848,065
Social Security House	**2,911,849**	3,290,259
Service charge	**2,176,713**	2,250,453
Others – Naguru, Mbarara and Jinja	**929,289**	1,107,250
	11,366,953	**11,496,027**
b) House sales		
Net gains on sale of property	**579,551**	475,754
Net real estate income	**11,946,504**	**11,971,781**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. DIVIDEND INCOME

	2023 Ushs 000	2022 Ushs 000
Safaricom Limited	**16,166,418**	7,285,485
Stanbic Bank Uganda Limited	**7,592,684**	4,101,311
CRDB Tanzania Limited	**14,057,340**	10,827,184
Twiga Limited	**3,705,000**	5,671,985
National Microfinance Bank	**10,691,747**	7,348,761
Kenya Commercial Bank	**9,883,557**	14,803,016
MTN Uganda Limited	**31,482,000**	9,317,880
Equity Group Holdings Plc	**19,085,687**	14,103,050
Trade and Development Bank (TDB)	**4,836,723**	6,532,106
East African Breweries Limited	**9,199,744**	3,102,955
Bank of Kigali	**4,613,928**	4,249,365
Tanzania Breweries	**5,937,030**	4,934,946
Dividend income from other internally managed equities	**1,856,645**	2,925,727
Dividend income earned from Fund managers	**6,016,262**	4,567,280
	145,124,765	**99,771,051**

8. OTHER INCOME/(LOSSES)

	2023 Ushs 000	2022 Ushs 000
a) Fair value gains		
Fair value gains on investment properties	**55,438,516**	46,081,232
Fair value gains/(losses) on externally managed equity securities (Note 18)	**(17,748,501)**	(17,883,551)
Fair value (losses)/gains on internally managed equity securities (Note 20)	**(98,194,316)**	(230,422,263)
Gains on bond switches	**7,996,499**	–
Fair value gains on investments in associates (Note 22)	**48,463,158**	79,065,935
	(4,044,644)	**(123,158,647)**
b) Foreign exchange losses		
Foreign exchange losses on debt instruments at amortised costs (Note 22)	**(831,661,941)**	**(18,991,200)**
Foreign exchange losses on externally managed equity securities (Note 18)	**(8,838,287)**	**(1,175,989)**
Foreign exchange losses on internally managed equity securities (Note 20)	**(200,884,646)**	**(3,575,015)**
Foreign exchange losses on dividends receivable	**(4,326,107)**	**(3,211,327)**
Other foreign exchange (losses)/gains	**(26,082)**	**13,549,368**
	(1,045,737,063)	**(13,404,163)**

Foreign exchange losses arose from depreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities. The key driver was the depreciation of the Kenya Shilling to the Uganda Shilling as disclosed under Note 38(a) currency risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. OTHER INCOME/(LOSSES) *(continued)*

c) Other income		
Loss on disposal of property, plant and equipment	**(17,704)**	453,046
IFRS modifications	**183**	68,988
Notional income on staff loans	**289,067**	28,432
Miscellaneous income	**6,590,802**	468,678
	6,862,348	**1,019,144**

9. ADMINISTRATIVE EXPENSES

	2023 Ushs 000	2022 Ushs 000
Employee benefits expenses – (Note 9 (a))	**89,372,556**	119,670,208
General staff and training expenses	**8,907,971**	7,736,151
Motor vehicle fuel costs, maintenance and repairs	**2,544,693**	2,310,343
Staff medical insurance	**2,353,240**	1,978,320
Directors' allowances	**1,895,881**	2,141,486
Board expenses	**1,294,930**	2,016,946
Auditors' remuneration	**321,911**	280,635
Legal fees	**1,160,817**	366,053
Other administrative expenses	**29,200,855**	20,108,052
	137,052,854	**156,608,194**
a) Employee benefits expenses		
Salaries and wages	**83,774,343**	77,170,057
Restructuring costs*	**(13,688,499)**	24,368,713
Social security contributions	**8,432,216**	7,976,335
Contributions to the staff provident fund	**6,233,693**	5,263,939
Gratuity	**777,929**	1,196,455
Leave pay	**1,383,026**	1,290,429
Mortgage benefit	**2,213,944**	2,144,878
Overtime expenses	**245,904**	259,402
	89,372,556	**119,670,208**

b) Restructuring costs*

The Fund successfully implemented the new organisational structure. With the introduction of the NSSF Amendment Act 2022, it became imperative to revamp our internal framework to respond to the changing demands of our stakeholders effectively.

The restructuring initiative created approximately 30 new positions, and more than 120 staff members transitioned to new roles within the organisation. A provision was made in the prior year amounting to UGX 24 billion and actual payments of Ushs 10.7 billion were incurred. A reversal of the excess worth Ushs 13.7 billion was recognised.

The average number of employees were: 603 (2022: 565)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. IMPAIRMENT OF FINANCIAL ASSETS

	Note	2023 Ushs 000	2022 Ushs 000
Deposits due from banks	16	**(1,577,520)**	2,190,961
Trade and other receivables	17	**55,973**	5,970,349
Debt instruments at amortised cost	19	**(29,381)**	1,074,455
Loans and advances	21	**(1,017)**	121,931
		(1,551,945)	**9,357,696**

11. OTHER OPERATING EXPENSES

	2023 Ushs 000	2022 Ushs 000
Rent and rates	**698,685**	579,312
Electricity and water	**1,516,511**	1,968,997
Repairs and maintenance	**12,586,395**	11,093,062
Insurance	**3,106,815**	2,563,282
Security expenses	**2,817,138**	2,747,110
Research and library expenses	**16,104,199**	6,169,051
Fund manager expenses	**550,816**	230,415
Innovation and advisory	**264,186**	–
Transaction charges	**14,136**	–
	37,658,881	**25,351,229**

12. FINANCE COSTS

	2023 Ushs 000	2022 Ushs 000
Interest expense on lease liabilities	**337,093**	406,641
Interest expense on bank overdraft	**2,777,046**	719,689
	3,114,139	**1,126,330**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. EXPENSES BY NATURE

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

	2023 Ushs 000	2022 Ushs 000
Amortisation of intangible assets (Note 26)	**3,890,306**	2,706,455
Depreciation on property and equipment and right of use assets (Note 27 and 28)	**10,336,173**	8,095,613
Auditors' remuneration	**321,911**	280,635
Directors' emoluments (Note 9)	**1,895,881**	2,141,486
Foreign exchange losses (Note 8(b))	**(1,045,737,063)**	(13,404,163)
Fair value losses on internally managed equity securities (Note 20)	**(98,194,316)**	(230,422,263)
Fair value losses on externally managed equity securities (Note 18)	**(17,748,501)**	(17,883,551)
Fair value gains on investment property (Note 25)	**55,438,516**	46,081,232

14. TAX

a) Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,384 billion as at 30 June 2023 (2022: Ushs 1,379 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:

	2023 Ushs 000	2022 Ushs 000
Surplus before tax net of dealings with members	**967,604,109**	**1,572,997,210**
Tax calculated at 30%	**290,281,233**	471,899,163
Tax effect of:		
Expenses relating to income taxed at source	**23,188,095**	23,326,068
Non-taxable income	**–**	–
Other non-deductible expenses	**(237,995,475)**	(134,067,941)
Effect of differential between the income tax statutory rate and the WHT rate on government securities	**(203,534,476)**	(162,578,252)
Effect of rental income taxed	**1,694,336**	–
Prior year deferred tax under/(over) provision	**5,880,027**	111,602,043
Unrecognised deferred tax credit (Note 13(b))	**313,719,843**	(129,769,252)
Tax charge	**193,233,582**	**180,411,829**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. TAX *(continued)*

b) Deferred income tax asset

Deferred income tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2022: 30%).

Year ended 30 June 2023	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax assets			
Unrealised foreign exchange losses	**(308,043,184)**	**(171,013,010)**	**(479,056,194)**
Impairment allowance on financial assets	**(15,423,138)**	**726,161**	**(14,696,977)**
Provision for litigation	**244,357**	**–**	**244,357**
Lease liability under IFRS 16	**(746,214)**	**397,690**	**(348,524)**
Impairment of associate	**22,235,768**	**14,538,947**	**36,774,715**
Bonus provision	**(5,061,150)**	**(305,955)**	**(5,367,105)**
Tax losses carried forward	**(413,700,289)**	**(1,327,297)**	**(415,027,586)**
	(720,493,850)	**(156,983,464)**	**(877,477,314)**
Deferred income tax liabilities			
Unrealised foreign exchange gains	**304,030,589**	**(138,991,780)**	**165,038,809**
Fair value gains on investment properties	**149,573,747**	**16,631,555**	**166,205,302**
Fair value changes on equity instruments	**57,826,119**	**(29,458,295)**	**28,367,824**
Right-of-use asset	**482,599**	**(223,877)**	**258,722**
Unrealised gains in investments with fund managers	**(629,721)**	**(5,324,550)**	**(5,954,271)**
Accelerated depreciation	**4,180,778**	**630,569**	**4,811,348**
	515,464,111	**(156,736,378)**	**358,727,733**
Net income deferred tax asset	**(205,029,739)**	**(313,719,842)**	**(518,749,581)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. TAX *(continued)*

b) Deferred income tax asset *(continued)*

Year ended 30 June 2022	Start of year Ushs 000	Charge/(Credit) to changes in net assets available for benefits Ushs 000	End of year Ushs 000
Deferred tax assets			
Unrealised foreign exchange losses	(99,706,026)	(208,337,158)	(308,043,184)
Impairment allowance on financial assets	(12,615,829)	(2,807,309)	(15,423,138)
Provision for litigation	244,357	–	244,357
Lease liability under IFRS 16	(1,085,509)	339,295	(746,214)
Impairment of associate	(1,484,013)	23,719,781	22,235,768
Bonus provision	(4,728,393)	(332,757)	(5,061,150)
Tax losses carried forward	(496,727,372)	83,027,083	(413,700,289)
	(616,102,78)	**(104,391,065)**	**(720,493,850)**
Deferred income tax liabilities			
Unrealised foreign exchange gains	9,137,921	294,892,668	304,030,589
Fair value gains on investment properties	135,749,377	13,824,370	149,573,747
Fair value changes on equity instruments	126,952,798	(69,126,679)	57,826,119
Right-of-use asset	771,299	(288,700)	482,599
Unrealised gains in investments with fund managers	4,735,344	(5,365,065)	(629,721)
Accelerated depreciation	3,957,053	223,725	4,180,778
	281,303,792	**234,160,319**	**515,464,111**
Net income deferred tax asset	**(334,798,993)**	**129,769,254**	**(205,029,739)**

The net deferred income tax asset of Ushs 519 billion (2022: Ushs 205 billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilise the benefits therefrom.
At 30 June 2023, tax losses carried forward amounted to Ushs 1,384 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. Details of this and the current status of the open tax matter are disclosed in Note 37(a). 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.

c) Tax deposit receivable

	2023 Ushs 000	2022 Ushs 000
Tax deposit receivable	**25,323,522**	25,323,522

As disclosed in Note 78(a), the Fund received an assessment for tax from URA which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The amount is deemed recoverable in view of rulings by the High Court of Uganda referred to in Note 38(a).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. CASH AND BANK BALANCES

	2023 Ushs 000	2022 Ushs 000
Cash at bank	**189,885,423**	72,079,858
Cash at hand	**134,519**	237,159
Mobile money float	**650,412**	473,846
	190,670,354	**72,790,863**

The Fund utilises the services of several commercial banks to collect contributions from employers each month. Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Stanbic Bank and Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% (2022: 7%, 5% and 1%) respectively.

The fair value of the cash and bank balances is equal to their carrying amount. For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and bank balances above. The Fund's cash and bank balances are not restricted for use.

16. DEPOSITS WITH COMMERCIAL BANKS

	2023 % in class	2022 % in class	2023 Ushs 000	2022 Ushs 000
Housing Finance Bank Uganda Limited	**20.6**	26.9	**21,691,144**	61,411,985
Stanbic Bank Uganda Limited	**–**	1.8	**–**	4,133,417
Diamond Trust Bank	**30.7**	–	**32,282,425**	–
United Bank of Africa	**–**	17.8	**–**	40,677,881
KCB Bank Uganda Limited	**0.6**	0.1	**600,161**	270,053
Absa Bank Uganda Ltd	**0.2**	0.3	**200,054**	570,112
I&M Bank Uganda Limited	**–**	17.7	**–**	40,479,260
Post Bank Uganda Ltd	**–**	15.5	**–**	35,518,384
Finance Trust Bank	**25.5**	13.3	**26,890,377**	30,314,384
Opportunity Bank	**–**	2.2	**–**	5,092,796
Pride Micro Finance Bank	**22.4**	4.4	**23,616,705**	10,119,815
Gross deposits	**100**	**100**	**105,280,866**	**228,588,087**
Expected credit loss			**(1,207,551)**	(2,785,071)
Net carrying amount			**104,073,315**	**225,803,016**

The gross deposits with commercial banks are analysed as follows:

	2023 Ushs 000	2022 Ushs 000
Amounts due within three (3) months	**800,216**	4,973,583
Amounts due after three (3) months but less than 1 year	**104,480,650**	223,614,504
Amounts due after 1 year	**–**	–
Gross deposits	**105,280,866**	**228,588,087**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. DEPOSITS WITH COMMERCIAL BANKS *(continued)*

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

	2023 Ushs 000	2022 Ushs 000
At the beginning of the year	**225,803,016**	**204,709,471**
New placements/deposits	**151,389,000**	1,546,691,199
Maturities	**(278,559,762)**	(1,518,832,589)
Interest accrued	**18,268,159**	24,967,999
Interest received	**(13,464,410)**	(27,453,813)
Foreign exchange losses	**14,645**	211,566
Allowance for credit losses	**1,577,519**	(1,057,458)
WHT deducted at source	**(954,852)**	(3,433,359)
At 30 June	**104,073,315**	**225,803,016**

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 2023 was 16.41% (2022: 12.35%).

The allowance for expected credit losses is analysed as follows:

	2023 Ushs 000	2022 Ushs 000
At the start of year	**2,785,071**	**1,727,613**
Increase during the year	**–**	2,190,961
Reversal of impairment	**(1,577,520)**	(1,133,503)
At end of year	**1,207,551**	**2,785,071**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. TRADE AND OTHER RECEIVABLES

	2023 Ushs 000	2022 Ushs 000
Trade receivables	**7,495,113**	8,077,072
Dividends receivable	**76,213,269**	77,840,545
Other receivables	**3,859,373**	2,562,492
Provision for expected credit loss	**(9,400,327)**	(9,384,500)
Net receivable	**78,167,428**	**79,095,609**
Prepayments	**7,783,706**	6,934,060
Temangalo advance payment*	**14,090,104**	18,140,450
Bwebajja – Government Office Campus**	**98,840,713**	91,272,667
VAT recoverable	**3,671,581**	4,628,135
Deferred staff expense	**236,133**	342,262
	202,789,665	**200,413,183**

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

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

The provision for impairment loss is analysed as follows:

	2023 Ushs 000	2022 Ushs 000
At start of year	**9,384,500**	**15,152,009**
Utilisation	**(40,146)**	(11,737,858)
Increase in expected credit loss	**55,973**	5,970,349
At end of year	**9,400,327**	**9,384,500**

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.

18. EQUITY SECURITIES EXTERNALLY MANAGED

	2023 Ushs 000	2022 Ushs 000
GenAfrica Asset Managers Uganda Limited	**4,931,672**	5,991,136
Sanlam Investments East Africa	**71,342,447**	83,077,983
	76,274,119	**89,069,119**

GenAfrica Asset Managers Uganda Limited and Sanlam Investments East Africa manage portfolios of equity securities on behalf of the Fund. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

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

	2023 Ushs 000	2022 Ushs 000
At start of year	**89,069,118**	**104,109,596**
Purchases	**7,759,250**	14,434,718
Disposals	**(3,257,174)**	(11,653,110)
Fair value losses	**(8,458,789)**	(16,646,096)
Foreign exchange losses	**(8,838,286)**	(1,175,989)
At end of year	**76,274,119**	**89,069,119**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. EQUITY SECURITIES EXTERNALLY MANAGED *(continued)*

	% in class		Number of shares held		Market value	
	2023	2022	2023	2022	2023 Ushs 000	2022 Ushs 000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	**18.81**	17.84	**193,169,286**	193,169,286	**5,022,401**	4,249,725
DFCU Limited	**10.32**	24.10	**10,440,437**	10,440,437	**2,756,275**	5,742,240
New Vision Printing and Publishing Company Limited	**1.27**	1.47	**2,185,857**	2,185,857	**338,808**	349,737
Umeme Limited	**7.64**	3.67	**4,633,088**	3,654,088	**2,038,559**	873,364
Bank of Baroda	**2.33**	2.18	**39,150,000**	6,525,000	**622,094**	522,000
MTN Uganda	**59.63**	50.74	**93,647,077**	67,881,763	**15,920,003**	12,089,063
	100	**100**			**26,698,140**	**23,826,129**
Nairobi Securities Exchange						
Absa Bank Kenya Limited	**12.05**	8.88	**13,013,400**	13,013,400	**4,004,965**	4,339,415
Co-operative Bank of Kenya	**0.47**	0.35	**487,100**	487,100	**154,990**	169,422
Diamond Trust Bank Kenya	**4.08**	3.73	**1,043,922**	1,142,922	**1,357,248**	1,823,291
East African Breweries Limited	**10.44**	12.58	**858,856**	1,404,616	**3,471,986**	6,151,684
Equity Group Holdings Limited	**16.02**	14.86	**5,338,542**	5,293,542	**5,325,741**	7,263,382
Kenya Commercial Bank	**18.05**	19.82	**7,854,174**	7,854,174	**6,001,973**	9,686,661
NCBA Bank	**0.13**	0.07	**44,286**	44,286	**44,873**	33,351
Safaricom Limited	**38.74**	39.71	**28,219,800**	24,381,400	**12,880,060**	19,411,240
Standard Chartered Bank Kenya Limited	**0.02**	0.01	**1,222**	1,222	**5,115**	4,864
	100	**100**			**33,246,951**	**48,883,310**
Dar es Salaam Stock Exchange						
Tanzania Breweries Limited	**57.24**	60.70	**565,000**	565,000	**9,346,114**	9,929,640
CRDB Bank Plc	**42.76**	39.30	**9,970,000**	9,970,000	**6,982,914**	6,430,040
	100	**100**			**16,329,028**	**16,359,680**

18. EQUITY SECURITIES EXTERNALLY MANAGED *(continued)*

The trading prices at the last date of trading for the years ended 30 June 2023 and 2021 were as follows:

	2023			2022		
	Ushs	**Kshs**	**Tshs**	**Ushs**	**Kshs**	**Tshs**
Stanbic Bank (U) Limited	**26.00**	**–**	**–**	22.00	–	–
DFCU Limited	**264.00**	**–**	**–**	550.00	–	–
New Vision Printing and Publishing Company Limited	**155.00**	**–**	**–**	160.00	–	–
Umeme Limited	**440.00**	**–**	**–**	239.01	–	–
Bank of Baroda (Uganda)	**15.89**	**–**	**–**	80.00	–	–
MTN Uganda	**170.00**	**–**	**–**	80.00	–	–
Safaricom Limited	**–**	**17.50**	**–**	–	24.95	–
Kenya Commercial Bank	**–**	**29.30**	**–**	–	38.65	–
East African Breweries Limited	**–**	**155.00**	**–**	–	137.25	–
Equity Group Holdings Limited	**–**	**38.25**	**–**	–	43.00	–
NCBA Bank Limited	**–**	**38.85**	**–**	–	23.60	–
Absa Bank Kenya Limited	**–**	**11.80**	**–**	–	10.45	–
Diamond Trust Bank Kenya Limited	**–**	**49.85**	**–**	–	49.95	–
Standard Chartered Bank Kenya Limited	**–**	**160.50**	**–**	–	124.75	–
Co-operative Bank Kenya Limited	**–**	**12.20**	**–**	–	10.90	–
I & M Holdings Limited		**–**	**–**	–	41.45	
Tanzania Breweries Limited	**–**	**–**	**10,900.00**	–		10,900.00
CRDB Bank Plc	**–**	**–**	**470.00**	–		400.00

19. DEBT INSTRUMENTS AT AMORTISED COST

	2023 % in class	2022 % in class	2023 Ushs 000	2022 Ushs 000
Treasury bonds	**99.95**	99.82	**14,225,866,069**	12,809,049,069
Corporate bonds	**0.05**	0.18	**7,455,655**	22,711,280
Gross investments	**100**	**100**	**14,233,321,724**	**12,831,760,349**
Impairment provision			**(5,451,173)**	(5,480,554)
Net investments			**14,227,870,551**	**12,826,279,795**

Treasury bonds are issued by Governments of Uganda, Kenya, Tanzania and Rwanda.

Corporate bonds are issued by Kakira Sugar Works.

The allowance for expected credit losses is analysed as follows:

	2023 Ushs 000	2022 Ushs 000
At start of year	**5,480,554**	**4,406,099**
Increase during the year	**(29,381)**	1,074,455
At end of year	**5,451,173**	**5,480,554**

Further information about allowances for expected credit losses (ECL), is presented in Note 39(c). The change in debt instruments at amortised cost investments during the year were as follows:

	2023 Ushs 000	2022 Ushs 000
At start of year	**12,826,279,795**	**11,556,221,300**
Purchases	**2,501,586,502**	2,153,419,694
Maturities	**(327,769,144)**	(898,435,339)
Interest accrued	**2,023,502,192**	1,772,326,424
Interest received	**(1,793,255,389)**	(1,572,174,423)
Foreign exchange losses	**(831,661,941)**	(18,991,199)
Allowance for credit losses	**29,381**	(1,074,455)
Withholding tax deducted at source as a final tax	**(170,840,845)**	(165,012,207)
At end of year	**14,227,870,551**	**12,826,279,795**

The yield rates on the treasury bonds as at 30 June 2023 ranged between 10.92% and 20.51% (2022: 10.91% and 20.50%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged between 11.5% and 14.7% (2022: 11.5% and 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

Pledged assets: The Fund has four liens issued on treasury bonds with a carrying amount at year end of 231 billion (2022: Ushs 64.5 billion) as security in relation to the ongoing construction works at Pension Towers, Lumumba Avenue, Kampala.

20. EQUITY INVESTMENTS INTERNALLY MANAGED

	2023 % in class	2022 % in class	2023 % held	2022 % held	2023 Ushs 000	2022 Ushs 000
Bank of Baroda (Uganda) Limited	**0.3**	0.2	**2.10**	2.00	**5,001,165**	4,196,488
DFCU Limited	**0.8**	1.5	**7.56**	7.34	**14,927,406**	31,098,762
Safaricom Limited	**10.0**	14.3	**1.01**	0.83	**184,250,266**	299,227,957
Centum Investments Limited	**0.1**	0.1	**0.73**	0.73	**1,026,256**	1,398,408
Stanbic Bank Uganda Limited	**3.0**	2.2	**4.11**	4.11	**54,684,148**	46,271,202
Cooperative Rural Development Bank	**7.7**	6.1	**0.01**	7.52	**141,733,471**	126,902,977
Vodacom TZ shares	**1.8**	1.7	**0.24**	0.24	**32,878,149**	34,589,527
New Vision Printing and Publishing Company Limited	**0.1**	0.1	**19.61**	19.61	**2,325,000**	2,400,000
Bank of Kigali	**2.1**	2.0	**6.36**	6.36	**38,409,800**	41,411,086
Tanzania Breweries Limited	**11.5**	10.8	**4.32**	4.19	**213,391,443**	224,498,919
Equity Bank Holdings Plc	**9.4**	10.1	**4.69**	3.25	**173,374,834**	210,300,746
Jubilee Insurance Limited	**0.7**	1.1	**3.80**	2.6	**12,933,907**	22,211,560
East African Breweries Limited	**5.9**	5.6	**3.43**	2.29	**109,633,677**	117,379,208
Trade and Development Bank	**10.2**	8.1	**2.79**	3.03	**196,703,933**	174,977,410
Tanzania Portland Cement	**3.2**	2.7	**5.28**	5.28	**58,330,000**	57,070,566
British-American Invest (Britam)	**0.3**	0.3	**1.56**	2.03	**5,157,013**	7,032,666
CIPLA QC	**1.0**	0.9	**7.38**	7.38	**18,855,297**	18,585,936
Kenya Re-Insurance	**0.1**	0.1	**0.86**	3.43	**1,127,809**	1,524,241
Kenya Commercial Bank	**7.1**	9.7	**5.80**	3.20	**131,674,397**	201,854,605
National Microfinance Bank (NMB)	**6.8**	5.6	**4.68**	4.68	**124,998,120**	117,900,619
Absa Bank Kenya Plc	**0.0**	0.0	**0.00**	0.00	**80,496**	87,146
Diamond Trust Bank Limited	**0.0**	0.0	**0.01**	0.00	**49,636**	60,800
I & M Holdings Limited	**0.0**	0.0	**0.03**	0.00	**126,427**	153,650
CFC Stanbic Holdings	**0.0**	0.0	**0.01**	0.00	**86,260**	93,602
Co-operative Bank of Kenya Limited	**0.0**	0.0	**0.01**	0.00	**163,506**	178,582
MTN Uganda Limited	**18.2**	16.9	**8.84**	0.00	**336,600,000**	352,618,200
Standard Chartered Bank Kenya	**0.0**	–	**0.00**	–	**11,510**	–
	100	**100**	**–**	**–**	**1,858,533,926**	**2,094,024,863**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20. EQUITY INVESTMENTS INTERNALLY MANAGED *(continued)*

The trading prices at the last date of trading for the years ended 30 June 2023 and 2022 were as follows:

	2023					2022				
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf	USD
Bank of Baroda (Uganda) Limited	**15.89**	**–**	**–**	**–**	**–**	80.00	–	–	–	–
DFCU Limited	**264.00**	**–**	**–**	**–**	**–**	550.00	–	–	–	–
CiplaQC	**70.00**	**–**	**–**	**–**	**–**	69.00	–	–	–	–
Centum Investments Limited	**233.24**	**–**	**–**	**–**	**–**	317.82	–	–	–	–
Stanbic Bank Uganda Limited	**26.00**	**–**	**–**	**–**	**–**	22.00	–	–	–	–
New Vision Printing and Publishing Company Limited	**155.00**	**–**	**–**	**–**	**–**	160.00	–	–	–	–
MTN Uganda Limited	**170.00**	**–**	**–**	**–**	**–**	178.09	–	–	–	–
Safaricom Limited	**–**	**17.50**	**–**	**–**	**–**	–	24.95	–	–	–
Kenya Re-Insurance	**–**	**1.80**	**–**	**–**	**–**	–	1.99	–	–	–
British-American Invest (Britam)	**–**	**5.02**	**–**	**–**	**–**	–	5.60	–	–	–
Absa Bank Kenya Plc	**–**	**11.80**	**–**	**–**	**–**	–	10.45	–	–	–
Diamond Trust Bank (Kenya) Limited	**–**	**49.85**	**–**	**–**	**–**	–	49.95	–	–	–
I & M Holdings Limited	**–**	**17.10**	**–**	**–**	**–**	–	17.00	–	–	–
CFC Stanbic (Kenya) Holdings	**–**	**111.25**	**–**	**–**	**–**	–	98.75	–	–	–
Co-operative Bank of Kenya Limited	**–**	**12.20**	**–**	**–**	**–**	–	10.90	–	–	–
Equity Bank Holdings Plc	**–**	**38.25**	**–**	**–**	**–**	–	43.00	–	–	–
Jubilee Insurance Limited	**–**	**180.00**	**–**	**–**	**–**	–	259.50	–	–	–

20. EQUITY INVESTMENTS INTERNALLY MANAGED *(continued)*

	2023					2022				
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf	USD
East African Breweries Limited	–	155.00	–	–	–	–	137.25	–	–	–
Kenya Commercial Bank	–	29.30	–	–	–	–	38.65	–	–	–
Vodacom	–	–	770.00	–	–	–	–	770.00	–	–
Cooperative Development Bank	–	–	470.00	–	–	–	–	400.00	–	–
Tanzania Breweries Limited	–	–	10,900.00	–	–	–	–	10,900.00	–	–
Tanzania Portland Cement Limited	–	–	4,000.00	–	–	–	–	3,720.00	–	–
National Microfinance Bank (NMB)	–	–	3,480.00	–	–	–	–	3,120.00	–	–
Bank of Kigali	–	–	–	286.00	–	–	–	–	265.00	–
Trade Development Bank (PTA)*	–	–	–	–	15,963.00	–	–	–	–	13,538.00

* *The shares are not quoted in an active market and the price used to determine the carrying amount has been determined through techniques as described in Note 38.*

During the year, the Fund purchased the following shares:

Year ended 30 June 2023	Currency	Shares	Share price	Exchange rate	Cost Ushs 000
East African Breweries Limited	**Kes**	**296,000**	**165.50**	**30.58**	**1,498,092**
Equity Bank Kenya	**Kes**	**20,377,200**	**45.75**	**30.64**	**28,563,641**
Jubilee Insurance Limited	**Kes**	**70,400**	**189.49**	**30.58**	**407,948**
Kenya Commercial Bank	**Kes**	**8,496,100**	**38.09**	**30.26**	**9,794,468**
Safaricom Limited	**Kes**	**27,503,200**	**26.87**	**31.57**	**23,323,876**
					63,588,025

20. EQUITY INVESTMENTS INTERNALLY MANAGED *(continued)*

Year ended 30 June 2022	Currency	Shares	Share price	Exchange rate	Cost Ushs 000
Equity Bank (Kenya)	Kes	3,392,800	48.36	31.52	5,170,947
Jubilee Insurance Limited	Kes	363,737	355.00	31.91	4,120,698
KCB Kenya	Kes	18,948,500	45.74	31.36	27,176,125
Safaricom (K) Ltd	Kes	22,184,100	34.92	31.21	24,182,074
MTN IPO	Ugx	1,980,000,000	181.82	1.0	360,000,000
Stanbic Bank Ltd	Ugx	46,794,900	26.50	1.0	1,240,065
TDB	USD	81	12,938.00	3,548.58	3,942,755
TDB	USD	46	12,938.00	3,762.25	2,239,096
					428,071,760

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

	2023 Ushs 000	2022 Ushs 000
At start of year	**2,094,024,863**	**1,899,950,381**
Acquisition of new shares	**63,588,025**	428,071,760
Fair value gains	**(98,194,316)**	(230,422,263)
Foreign exchange losses	**(200,884,646)**	(3,575,015)
At end of year	**1,858,533,926**	**2,094,024,863**

21. LOANS AND ADVANCES

	2023 Ushs 000	2022 Ushs 000
Uganda Clays Limited (Note 36)	**20,600,381**	20,592,838
Housing Finance Bank (Note 36)	**7,500,000**	9,172,215
Staff loans	**639,865**	807,622
	28,740,246	**30,572,675**
Fair value of discount on staff loans	**(236,133)**	(342,262)
	28,504,113	**30,230,413**
Allowance for credit losses	**(20,864,019)**	(20,865,036)
	7,640,094	**9,365,377**

The allowance for credit losses is analysed as follows:

At start of year	**20,865,036**	20,743,105
Decrease in impairment allowance during the year	**(1,017)**	121,931
At end of year	**20,864,019**	**20,865,036**

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

At start of year	**9,365,376**	**11,704,035**
Principle repayments	**(1,884,474)**	(2,254,874)
Interest accrued	**1,046,317**	1,256,081
Interest received	**(992,237)**	(1,260,019)
Fair value adjustment	**106,129**	42,085
Allowance for credit losses	**(1,017)**	(121,931)
At end of year	**7,640,094**	**9,365,377**

The loan to Uganda Clays Limited (UCL) which was granted on 29 December 2010 was 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 had a fixed interest rate of 15%.

During the financial year ended June 2023, the Fund signed a restructuring agreement with Uganda Clays Limited commencing 2 January 2025 at a rate of 14% per annum. The restructuring agreement includes a legal mortgage over Plots 491 and 1550 Budaka District, Plot 395 Pallisa District and Plots 388 Bulambuli District.

Housing Finance Bank (the Bank) has two loan facilities with the Fund of Ushs 25 billion at a rate of 11.5% (2022: 11.5%) and Ushs 20 billion at a rate of 13.5% (2022: 13.5%), respectively. These rates are fixed. The loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 25 billion is repayable over a period of 15 years while that of Ushs 20 billion is repayable over 10 years. Instalments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the Bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

Staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2022: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the related property and are repayable over periods of between 15 to 20 years.

22. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Limited Ushs 000	Yield Fund Ushs 000	Total Ushs 000
Year ended 30 June 2022						
At start of year	**129,764,315**	**9,275,597**	**7,134,287**	**225,754,896**	**2,144,538**	**374,073,633**
Share of results of associates	24,526,749	1,442,413	408,064	52,293,539	395,170	79,065,935
Additions	–	–	–	–	2,652,910	2,652,910
Less: dividends	(10,243,722)	(438,960)	–	(20,302,603)	(414,247)	(31,399,532)
At end of year	**144,047,342**	**10,279,050**	**7,542,351**	**257,745,832**	**4,778,371**	**424,392,946**
Year ended 30 June 2023						
At start of year	**144,047,342**	**10,279,050**	**7,542,351**	**257,745,832**	**4,778,371**	**424,392,946**
Share of results of associates	**32,522,865**	**159,592**	**451,000**	**14,572,935**	**853,917**	**48,560,309**
Additions	**–**	**–**	**–**	**–**	**1,279,564**	**1,279,564**
Less: dividends	**(14,614,952)**	**(146,320)**	**–**	**(23,980,341)**	**–**	**(38,741,613)**
At end of year	**161,955,255**	**10,292,322**	**7,993,351**	**248,338,426**	**6,911,852**	**435,491,206**

As at 30 June 2023, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.11% and 9.8% (2022: 50%, 32.52%, 13.99%, 23.11% and 9.8%) in the issued share capital of Housing Finance Bank, Uganda Clays Limited, TPS Uganda Limited, Umeme Limited and Yield Fund respectively.

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

The Fund increased its involvement in the activities of Yield Fund in 2018 getting representation on the Board. Investment decisions and key decisions at Yield Fund have to be done in consultation with NSSF hence being recognised as an associate even though the percentage holding is less than the presumptive 20%.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. INVESTMENTS IN ASSOCIATES *(continued)*

Nature of activities of associates

Company	Nature of activities
Housing Finance Bank	Commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	Production and sale of a wide range of clay building products.
TPS (Uganda) Limited	Operating and running hotel facilities in Uganda.
Umeme Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.
Yield Fund	Yield Uganda Investment Fund specialises in investments in small and medium agri-businesses in the form of equity and debt. The Fund targets agriculture-related businesses across all value chains, with clear competitive advantage and ambitious local management.

The fair values for unquoted investment in associates has been estimated based on the Fund's shares of the net assets. Where the reporting periods differ by over three months, the Fund used the half-year unaudited financial statements for the differential period, with adjustments for over/under sharing of results upon receipt of the audited financial statements being made in the subsequent period.

The Fund has performed a review of trading activities in the shares of Umeme Limited and Uganda Clays Limited and concluded that the patterns do not fulfil the characteristics of an active market, and as a result, the quoted prices for these shares do not reflect previously available information that market participants consider in making decisions about the value of these companies. Accordingly, the Fund has applied a valuation approach that is based on the recoverable amount of the holding in Umeme Limited and applied its share of net assets in Uganda Clays Limited.

	Housing Finance Bank	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue P. O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo, Kampala
Market price	Not Listed	Ushs 19 per share	Not Listed	Ushs 239.01 per share	Not Listed

		Number of Shares Held		Price per Share		Market Value	
Security	**Listed/ unlisted**	**2023**	**2022**	**2023 Ushs**	**2022 Ushs**	**2023 Ushs 000**	**2022 Ushs 000**
Umeme Limited	Listed	**375,279,200**	375,279,200	**440**	239.01	**165,122,848**	89,695,482
Uganda Clays Limited	Listed	**292,640,000**	292,640,000	**15**	19	**4,389,600**	5,560,160
Housing Finance Bank	Unlisted	**6,100,000**	6,100,000	**–**	–	**–**	–
TPS (Uganda) Limited	Unlisted	**19,500**	19,500	**–**	–	**–**	–
Yield Fund	Unlisted	**1,726,399**	1,499,364	**–**	–	**–**	–
						169,512,448	**95,255,642**

In applying the methodology for all associates except Yield Fund, the Fund has used the audited financial statements for the year ended 31 December 2022 in deriving the share of results for the six months to 31 December 2022. The Fund has used unaudited results for the six months to 30 June 2023 in deriving the share of results for the six months differential period between the associates' reporting date and the fund's reporting date.

In respect of the Yield Fund the share of net assets was based on the unaudited financial information as at 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23. INVENTORIES

	2023 Ushs 000	2022 Ushs 000
Completed housing units for sale [Note 23(a)]	**242,804,459**	8,586,909
Housing units under development [Note 23(b)]	**101,612,795**	270,304,250
	344,417,254	**278,891,159**

a) Completed housing units relate to the Mbuya housing project and Solana Lifestyle and Apartments (Lubowa housing project). Construction was completed in 2019 and 2023 respectively, the sales process is underway. The Fund is confident in the quality of the Solana Lifestyle Apartments product and has deployed an extensive marketing strategy which has garnered positive feedback from several interested buyers across the globe. The Fund advertises on several media outlets including prime television channels, social digital channels and radio outlets. These avenues will continue being used throughout the selling phase of the project. During the year, three housing units were fully sold resulting in the following movement:

	2023 Ushs 000	2022 Ushs 000
At start of year	**8,586,909**	8,116,168
Additions	**–**	1,817,355
Transfers from Capital Work in Progress (Note 23(b))	**225,210,374**	168,722
Fair value gains	**11,027,626**	–
Sales	**(2,020,450)**	(1,515,337)
At end of year	**242,804,459**	**8,586,908**

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

	Lubowa Ushs 000	Temangalo Ushs 000	Kyanja Ushs 000	Total Ushs 000
Year ended 30 June 2022				
At start of year	**207,648,524**	**59,710,181**	**–**	**267,358,705**
Additions	48,040,039	9,180,673	5,175,907	62,396,619
Transfers from Capital Work in Progress	–	–	145,568	145,568
Transfer to advance payment – Receivables	–	(20,596,642)	–	(20,596,642)
Transfer undeveloped portion of land to Investment properties	–	(39,000,000)	–	(39,000,000)
At end of year	**255,688,563**	**9,294,212**	**5,321,475**	**270,304,250**
Year ended 30 June 2023				
At start of year	**255,688,563**	**9,294,212**	**5,321,475**	**270,304,250**
Additions	**35,030,940**	**16,825,890**	**4,691,819**	**56,548,649**
Transfer to Investment Property	**(29,730)**	**–**	**–**	**(29,730)**
Transfer undeveloped portion of land to completed	**(225,210,374)**	**–**	**–**	**(225,210,374)**
At end of year	**65,479,399**	**26,120,102**	**10,013,294**	**101,612,795**

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

24. CAPITAL WORK-IN-PROGRESS (CWIP)

	Total Ushs 000
Year ended 30 June 2022	
At start of year	**13,610,044**
Additions	13,266,855
Transfer to property, plant and equipment	(3,376,064)
Transfer to intangibles	(17,338,450)
Transfer to Workers House	(1,616,773)
Transfer to WIP Kyanja	(145,568)
Transfer to WIP Mbuya	(168,722)
Write-offs	(2,169,260)
At end of year	**2,062,062**
Year ended 30 June 2023	
At start of year	**2,062,062**
Additions	**3,020,515**
Transfer to property, plant and equipment	**(763,694)**
At end of year	**4,318,883**

Capital Work-In-Progress relates to the various capital expenditure developments with the significant renovations being the learning centre development.

25. INVESTMENT PROPERTIES

Cost	Valuation at start of year Ushs 000	Reclass between categories	Additions Ushs 000	Disposal Ushs 000	Fair value gains Ushs 000	Transfers Ushs 000	Valuation at end of year Ushs 000
Year ended 30 June 2023							
Commercial properties	**114,104,185**	**(18,312,062)**	**287,410**	**–**	**2,141,378**	**–**	**98,220,911**
Undeveloped land*	**548,365,282**	**(29,518,870)**	**–**	**–**	**41,086,479**	**–**	**559,932,891**
Others**	**229,715,103**	**47,830,932**	**18,443,288**	**–**	**200,000**	**29,730**	**296,219,053**
Total	**892,184,570**	**–**	**18,730,698**	**–**	**43,427,857**	**29,730**	**954,372,855**
Year ended 30 June 2022							
Commercial properties	55,042,015	–	46,628,302	–	12,433,868	–	**114,104,185**
Undeveloped land*	567,749,136	–	–	–	31,012,040	(50,395,894)	**548,365,282**
Others	229,715,103	–	–	–	–	–	**229,715,103**
Total	**852,506,254**	**–**	**46,628,302**	**–**	**43,445,908**	**(50,395,894)**	**892,184,570**

* *Undeveloped land includes the entire Nsimbe estate and the parts of Temangalo and Lubowa.yet to be developed.*

** *Others includes on going projects on Yusuf Lule and Lumumba Avenue.*

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of each investment properties were assessed by at least one of the independent certified professional valuers including Stanfield Property Partners Limited, Ridgeline Uganda Limited, S-M Cathan Property Consult and Reitis Limited as at 30 June 2023.

25. INVESTMENT PROPERTIES *(continued)*

The valuations were carried out in accordance with the International Valuation Standards, with regard to relevant local statutes, customs and market practice. In determining the fair values of investment properties especially in the case of undeveloped land, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment. The valuers also utilised the income capitalisation approach by reference to the net cashflows/annual incomes from commercial property (majorly buildings) where the buildings were set up primarily for rental purposes unless the approach did not reflect reasonable estimates based on current market conditions.

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

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

The impact of revaluing investment properties on surplus for the year is Ushs 43 billion (2022: Ushs 43 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.

Valuation techniques for investment properties:

Land	**Market approach** Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of ‘Highest and Best use’ of property.
Buildings	A combination of approaches was adopted to obtain reasonable estimations of the market values of buildings. **Income capitalisation approach** The valuers used this approach to estimate the value of income-producing buildings. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value. **Cost approach** Some of the buildings, structures and services were valued at current replacement costs taking into account their depreciation. This was applied for property that was constructed in the form of residential property or single use property. **Market approach** Some buildings were valued by the sales comparison method given that they were vacant at year end or by the nature of the buildings not necessarily being high rental value earners but are located in prime locations. Other factors such as location, services, accessibility, and proximity to prime locations were taken into account. Attention was paid to the concept of ‘Highest and Best use’ of property.

25. INVESTMENT PROPERTIES *(continued)*

Valuation techniques for investment properties: *(continued)*
The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Key underlying assumptions in valuation of investment properties included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs.
- Property is unaffected by environmental issues.
- Property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.

Valuation inputs and relationships to fair value

Significant unobservable input		**Range (weighted average)**
Office properties	Estimated rental value	Ushs 3,882 million – Ushs 13,043 million (Ushs 8,463 million)
	Estimated rental expenditure	Ushs 1,273 million – Ushs 3,983 million (Ushs 2,628 million)
	Vacancy factor	4.35%–4.49% (4.42%)
	Discount rate	7%–9% (8%)
Land	Price per acre	Ushs 57 million – Ushs 5,618 million

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

	2023 **Ushs 000**	**2022** **Ushs 000**
Workers House	**5,349,102**	4,848,065
Social Security House	**2,911,849**	3,290,259
Service Charge	**2,176,713**	2,250,453
Others – Naguru, Mbarara and Jinja	**929,289**	1,107,250
	11,366,953	**11,496,027**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. INVESTMENT PROPERTIES *(continued)*

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

	Workers House Ushs 000	Social Security House Ushs 000	Others – Naguru, Mbarara and Jinja Ushs 000	Total Ushs 000
Year ended 30 June 2023				
Maintenance and repairs	**980,250**	**325,013**	**161,863**	**1,467,126**
Ground and property rent	**223,356**	**71,118**	**–**	**294,474**
Cleaning services	**188,057**	**75,547**	**119,861**	**383,465**
Security services	**632,942**	**306,884**	**160,717**	**1,100,543**
Electricity	**680,800**	**95,819**	**120,327**	**896,946**
Water	**258,837**	**72,385**	**80,150**	**411,372**
	2,964,241	**946,766**	**642,918**	**4,553,926**
Year ended 30 June 2022				
Maintenance and repairs	1,312,186	295,273	128,732	1,736,191
Ground and property rent	223,218	77,045	4,942	305,205
Cleaning services	215,802	56,799	83,777	356,378
Security services	555,389	201,630	166,362	923,381
Electricity	1,097,226	211,630	121,135	1,429,991
Water	235,253	98,979	58,224	392,456
	3,639,074	**941,356**	**563,172**	**5,143,602**

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

	Land in Lubowa Ushs 000	Land in Temangalo Ushs 000	Land in Nsimbe Ushs 000	Land in Kisugu Ushs 000	Total Ushs 000
Year ended 30 June 2023					
Security expenses	**376,800**	**154,080**	**265,920**	**1,712**	**798,512**
Year ended 30 June 2022					
Security expenses	161,038	201,297	241,556	26,840	**630,731**

As at 30 June 2023, there was no restrictions 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. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. INVESTMENT PROPERTIES *(continued)*

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

	Up to 1 year Ushs 000	1 to 5 years Ushs 000	Over 5 years Ushs 000
As at 30 June 2023	**Ushs 000**	**Ushs 000**	**Ushs 000**
Property rentals	**8,260,951**	**41,304,755**	**–**
As at 30 June 2022			
Property rentals	8,138,324	40,691,620	–

26. INTANGIBLE ASSETS

	2023 Ushs 000	2022 Ushs 000
Cost		
At start of year	**36,703,008**	**34,090,151**
Transfer from capital work-in-progress	**–**	17,338,450
Additions	**4,481,956**	2,302,575
Write offs	**–**	(17,028,168)
At end of year	**41,184,964**	**36,703,008**
Amortisation		
At start of year	**(8,762,931)**	**(22,576,308)**
Charge for the year	**(3,890,306)**	(2,706,455)
Write-offs	**–**	16,519,832
At end of year	**(12,653,237)**	**(8,762,931)**
Net carrying amount	**28,531,727**	**27,940,077**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27. PROPERTY AND EQUIPMENT

	Land and buildings Ushs 000	Office equipment Ushs 000	Motor vehicles Ushs 000	Furniture and fittings Ushs 000	Computers equipment Ushs 000	Total Ushs 000
Cost						
At 1 July 2021	**22,631,051**	**7,167,168**	**10,203,368**	**16,183,383**	**25,571,839**	**81,756,809**
Additions	–	355,293	3,180,048	616,488	2,433,013	6,584,842
Transfers from WIP	–	–		1,000,087	2,375,977	3,376,064
Disposals	–	–	(1,916,207)	–	(20,630)	(1,936,837)
Revaluation gains	2,635,324	–	–	–	–	2,635,324
Write offs	–	(600,488)	–	(846,982)	(7,139,311)	(8,586,781)
Reclassification	–	892,809	(28)	(893,563)	782	–
At 30 June 2022	**25,266,375**	**7,814,782**	**11,467,181**	**16,059,413**	**23,221,670**	**83,829,421**
Additions	132,149	84,052	2,253,160	586,394	7,673,628	10,729,383
Transfers from WIP	–	–	–	–	763,694	763,694
Disposals	–	(16,770)	(147,057)	(875,633)	(905,340)	(1,944,800)
Revaluation gains	983,033	–	–	–	–	983,033
Reclassification	–	281	–	–	–	281
At 30 June 2023	**26,381,557**	**7,882,345**	**13,573,284**	**15,770,174**	**30,753,652**	**94,361,012**
Depreciation						
As at 30 June 2021	**–**	**4,420,186**	**6,997,655**	**7,298,819**	**18,412,109**	**37,128,769**
Charge for the year	**–**	**761,092**	**1,358,537**	**1,867,681**	**3,170,905**	**7,158,215**
Reclassification	**–**	**(290,828)**	**(27)**	**(4,511,292)**	**4,802,147**	**–**
Disposals	**–**	**–**	**(1,916,207)**	**–**	**(15,534)**	**(1,931,741)**
Write offs	**–**	**(600,488)**	**–**	**(846,982)**	**(7,139,311)**	**(8,586,781)**
At 30 June 2022	**–**	**4,289,962**	**6,439,958**	**3,808,226**	**19,230,316**	**33,768,462**
Charge for the year	640,340	731,878	1,566,806	1,900,628	4,688,194	9,527,846
Reclassification	–	281		4,844,459	(4,844,459)	281
Disposals		(16,720)	(147,057)	(810,197)	(832,073)	(1,806,047)
At 30 June 2023	**640,340**	**5,005,401**	**7,859,707**	**9,743,116**	**18,241,978**	**41,490,542**
Net carrying amount						
At 30 June 2023	**25,741,217**	**2,876,944**	**5,713,577**	**6,027,058**	**12,511,674**	**52,870,470**
At 30 June 2022	**25,266,375**	**3,524,820**	**5,027,223**	**12,251,187**	**3,991,354**	**50,060,959**

28. RIGHT-OF-USE ASSETS

	2023 Ushs 000	2022 Ushs 000
Cost		
At start of year	**5,003,902**	**5,045,868**
Modifications	**243,361**	(41,966)
Disposals	**–**	–
At end of year	**5,247,263**	**5,003,902**
Depreciation		
At start of year	**2,289,436**	**1,715,641**
Modifications	**(399,162)**	(363,603)
Charge for the year	**808,327**	937,398
Disposal	**–**	–
At end of year	**2,698,601**	**2,289,436**
Net carrying amount	**2,548,662**	**2,714,466**

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

29. TAX CLAIMABLE

	2023 Ushs 000	2022 Ushs 000
At start of year	**34,140,625**	29,264,762
Tax withheld at source during the year	**9,990,358**	4,875,863
At end of year	**44,130,983**	**34,140,625**

This relates to WHT tax withheld on divided incomes earned in Uganda. This is deductible against the income tax payable to Uganda Revenue Authority.

30. OTHER PAYABLES

	2023 Ushs 000	2022 Ushs 000
Accounts payable	**69,396,801**	83,936,890
Accrual for legal costs	**2,712,355**	4,008,742
Lease liabilities	**2,906,654**	3,195,430
WHT payable	**504,725**	602,821
Alcon provision	**814,522**	814,522
	76,335,057	**92,558,405**

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

	2023 Ushs 000	2022 Ushs 000
At 1 July	**3,195,430**	3,461,889
Modifications	**459,403**	266,301
Accretion of interest	**337,093**	406,641
Repayments	**(1,085,272)**	(939,401)
At 30 June	**2,906,654**	3,195,430

Leases

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

The maturity analysis of lease liabilities is disclosed below:

	2023 Ushs 000	2022 Ushs 000
Maturity period		
Due within 1 year	**1,127,145**	1,127,145
Due with 1 to 5 years	**2,039,061**	2,039,061
Due over 5 years	**29,224**	29,224
Total liability	**3,195,430**	**3,195,430**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30. OTHER PAYABLES *(continued)*

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

	2023 Ushs 000	2022 Ushs 000
Interest expense on lease liabilities	**337,093**	406,641
Depreciation expense of right-of-use assets	**808,327**	937,398
	1,145,420	**1,344,039**

31. CONTRACT LIABILITIES

		2023 Ushs 000	2022 Ushs 000
Advance payments for housing	(a)	**8,683,726**	4,618,130
Advance payments for activities	(b)	**6,465,730**	4,640,161
Deferred rental income and security deposits	(c)	**567,489**	153,515
		15,716,945	**9,411,806**

a) Advance payments for housing

These relate to advance payments on the Lubowa and Mbuya housing projects.

b) Advance payments for activities

The Fund has over the past years engaged in a number of corporate social responsibility initiatives, such as 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 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 and security deposits

The Fund bills and receives rental payments from some of its tenants in advance. These amounts are not recognised as revenue during the financial year in which they are billed/received since they relate to the subsequent period.

The Fund collects an equivalent of one month's rent from its tenants which acts as a security deposit against possible damages to the rented property. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

32. MEMBER LIABILITIES

a) Accumulated member fund

	2023 Ushs 000	2022 Ushs 000
At start of year	**16,961,837,142**	**15,299,197,333**
Contributions received during the year	**1,716,505,860**	1,486,439,181
Interest on arrears	**4,066,734**	4,065,207
Interest allocation for the year	**1,583,760,410**	1,361,590,161
Members' Fund liability before benefit payments	**20,266,170,146**	**18,151,291,882**
Benefits paid during the year		
Age benefits	**(381,409,881)**	(286,949,553)
Withdrawal benefits	**(240,354,333)**	(214,405,680)
Exempted employee benefits	**(115,262,906)**	(107,298,647)
Invalidity benefits	**(43,058,874)**	(43,660,994)
Survivors' benefits	**(37,302,695)**	(21,178,715)
Emigration grant benefits	**(108,998,682)**	(75,352,282)
Mid-term age benefits	**(266,738,222)**	(436,135,500)
Mid-term disability benefit	**(5,433,612)**	(4,473,369)
Total benefits payments	**(1,198,559,205)**	**(1,189,454,740)**
At end of year	**19,067,610,941**	**16,961,837,142**

b) Accumulated surplus

Opening accumulated surplus	**15,372,770**	2,529,619
Net increase in the Fund for the year transferred to accumulated surplus account	**1,292,317,182**	1,689,569,822
Net dealings with members	**(517,946,655)**	(296,984,441)
Interest for the year payable to members	**(1,583,812,110)**	(1,379,742,230)
Closing accumulated surplus	**(794,068,813)**	**15,372,770**

c) Interest allocated to members

Prior year over provision of interest to members	**7,432,616**	(11,565,325)
Interest for the year payable to members	**1,583,812,110**	1,379,742,230
Total interest available to members	**1,591,244,726**	**1,368,176,904**
Allocated as follows:		
To members funds		
Opening provision balance	**7,432,616**	(11,565,325)
Interest for the year payable to members	**1,576,327,794**	1,373,155,486
	1,591,244,726	**1,361,590,161**
To reserves		
Interest for the year payable to members	**7,484,316**	6,586,744
Total provision	**1,591,244,726**	**1,368,176,904**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

32. MEMBER LIABILITIES *(continued)*

c) Interest allocated to members *(continued)*

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

Interest payable to members is declared by the Minister for Finance in accordance with Section 35(2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2023, the Minister for Finance, Planning & Economic Development approved an interest rate of 10% (2022: 9.65%) to be calculated and added to the members' funds.

The driver for the accumulated deficit position is the unrealised foreign exchange loss disclosed under Note 8(b). The Fund is confident that the revaluation of it's assets will recover in the subsequent financial years. The deficit will be continuously offset to recover the position to a surplus position.

Included in the accumulated members' fund balance is Ushs 58 billion (2022: Ushs 57 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.

33. MEMBERS' RESERVE ACCOUNTS

Unallocated members' contributions

	2023 Ushs 000	2022 Ushs 000
At start of year	**74,843,156**	68,256,412
Provision for interest on unallocated members' contributions	**7,484,316**	6,586,744
At end of year	**82,327,472**	**74,843,156**

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

	2023 Ushs 000	2022 Ushs 000
At start of year	**50,250,655**	43,663,911
Charged to surplus or deficit	**7,484,316**	6,586,744
At 30 June	**57,734,971**	**50,250,655**

As at 30 June 2023, the Reserve account included unallocated members' contributions and interest thereon amounting to Ushs 82 billion (2022: Ushs 74 billion), comprising contributions amounting to Ushs 24.4 billion (2022: Ushs 24.4 billion) and interest thereon amounting to Ushs 57.6 billion (2022: Ushs 50.3 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 to whom the amounts belonged and as a result, the unallocated amounts gradually reduced over the years to Ushs 24.4 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 24.4 billion from the accumulated members' funds to the reserve account in accordance with Section 36(1)(b) of the NSSF (Amendment) Act 2022.

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 (Amendment) Act 2022. During the year, there was no transfer of funds from the accumulated members' funds to the reserve account and vice versa (2022: Nil). However, as stated in note 32 above, interest was accrued on these balances and credited in the reserve account accordingly.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

	Note	2023 Ushs 000	2022 Ushs 000
Surplus before income tax from net of dealings with members		**967,604,109**	**1,572,997,210**
Tax on fixed income investments	19,16	**171,795,697**	168,445,565
Depreciation on property and equipment and right of use assets	27, 28	**10,336,173**	8,095,613
Gain on disposal of investment property	8	**17,704**	(453,046)
Increase in allowance for expected credit losses	10	**(1,549,911)**	9,357,696
Amortisation of intangible assets	26	**3,890,306**	2,706,455
Fair value gain on associates	22	**(48,560,308)**	(79,065,935)
Staff loans fair value adjustment	21	**(106,129)**	(42,085)
Unrealised foreign exchange losses on equity investments internally managed	20	**200,884,646**	3,575,015
Unrealised foreign exchange losses on debt instruments at amortised cost	19	**831,661,941**	18,991,200
Unrealised foreign exchange (gains)/losses on externally managed investments	18	**8,838,287**	1,175,989
Unrealised foreign exchange losses on deposits with commercial banks	16	**(14,644)**	(211,566)
Fair value gains on inventory and owner occupied	27	**(12,010,659)**	–
Fair value gains on investment properties	25	**(43,427,857)**	(43,445,908)
Fair value (gains)/losses on equity investments externally managed	18	**8,458,789**	16,646,096
Fair value gains on equity investments internally managed	20	**98,194,316**	230,422,263
Finance costs charged to lease liabilities	31	**337,093**	406,641
Interest income on loans and advances	21	**(1,046,317)**	(1,256,081)
Interest income on debt instruments at amortised cost	19	**(2,023,502,192)**	(1,772,326,424)
Interest income on commercial bank deposits	16	**(18,268,159)**	(24,967,999)
IFRS 16 modifications		**(183,121)**	68,988
Interest on unallocated contributions	33	**7,484,316**	6,586,744
Changes in working capital			
Inventories		**(54,498,469)**	(62,698,638)
Trade and other receivables	17	**(2,392,309)**	(22,122,587)
Withholding tax claimable	29	**(9,990,358)**	(4,875,863)
Other payables	31	**(9,629,433)**	4,683,509
Taxes incurred		**(193,233,582)**	(180,411,829)
Net cash (used in)/generated from operating activities		**(108,910,071)**	**(147,718,977)**

35. RELATED PARTY DISCLOSURES

The Fund is controlled by Government of Uganda pursuant to powers conferred upon it in the NSSF (Amendment) Act 2022, including the power to appoint members of the Board of Directors, to approve investments of the Fund and to approve its annual budget. There are other companies that are related to the Fund through common shareholdings and/or Directorships.

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

a) Interest income

	2023 Ushs 000	2022 Ushs 000
(i) Housing Finance Bank Uganda Limited		
Interest income on loans and advances	**1,012,517**	1,187,362
Interest income on term deposits	**6,105,793**	9,737,682
	7,118,310	**10,925,044**
(ii) Government of Uganda		
Interest income on treasury bonds	**2,021,100,856**	1,767,637,728
	2,028,219,166	**1,778,562,772**

b) Income tax expense

Government of Uganda		
Income tax expense for the year	**193,233,582**	**180,411,829**

c) Key management compensation

Salaries and short-term benefits	**6,820,098**	6,762,975
Directors' renumeration (Note 36 (d))	**1,895,881**	2,141,486
Post-employment benefits	**777,929**	1,196,455
	9,493,908	**10,100,916**

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

d) Directors' renumeration and board expenses

Directors' renumeration (included in key management compensation above)	**1,895,881**	**2,141,486**
Board expenses	**1,294,930**	**2,016,946**
	3,190,811	**4,158,432**

Board expenses include costs for board meetings, consultancies, travel costs and trainings. The Board ascertains to continuously avail value to the Fund through offering strategic direction. The costs disclosed above provide the input required to ensure the Board meets its mandate within the approved budget thresholds and legal frameworks.

35. RELATED PARTY DISCLOSURES *(continued)*

e) Bank balances with related parties

Housing Finance Bank Uganda Limited	**1,139,406**	**3,584,401**

f) Loans and advances due from related parties

Housing Finance Bank Uganda Limited	**7,500,000**	9,172,215
Uganda Clays Limited	**20,600,381**	20,592,838
Staff loans to key management staff	**300,658**	330,806
Allowance for credit losses	**(20,864,019)**	(20,865,036)
	7,537,020	**9,230,823**

g) Fixed deposits with related party

	2023 Ushs 000	2022 Ushs 000
Housing Finance Bank Uganda Limited	**21,691,144**	**61,432,083**

h) Dividends due from related parties

Housing Finance Bank Uganda Limited	**14,614,952**	10,243,722
Uganda Clays Limited	**145,187**	438,960
Umeme Limited	**20,383,290**	20,302,605
	35,143,429	**30,985,287**

i) Debt instruments with related parties

Government of Uganda	**9,034,716,676**	**7,180,276,153**

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions disclosed in Note 19. Other significant related party transactions with the Government of Uganda include utility costs and rental income earned from government ministries that occupy the Fund’s properties. Rental income for the year amounted to Ushs 7.8 billion (2022: Ushs 7 billion).

36. CONTINGENT LIABILITIES

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

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

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

The Fund filed a suit with the High Court (Commercial Division) to challenge the assessment. During the mediation process, a consent was reached on some items and the taxes in dispute reduced from Ushs 84.4 billion to Ushs 42.2 billion. In March 2020, the Tax Appeals Tribunal delivered its ruling in favour of the URA. The Fund appealed against the Ruling of the Tribunal and on 2 November 2020, the High Court delivered judgment in favour of the Fund. Court ruled that the interest paid by the Fund to its members is a deductible expense for income tax purposes and that the Fund was not liable to pay the tax assessed.

URA was dissatisfied with the decision of the High Court decision and subsequently filed an application for leave to appeal vide HCMA No. 11 of 2021 and an application for stay of execution vide HCMA No. 509 of 2021 which were both dismissed.

URA has since filed an application in the Court of Appeal for leave to appeal which is pending hearing.

On 16 August 2022, Court dismissed the application for leave to appeal with costs citing that it was filed outside the statutory period envisioned under Rule 40(1) of the Judicature Court of Appeal Rules. The Court further ruled that a delay of 92 days was unreasonable and there was no proper reason for the delay. URA has since filed an application in the Court of Appeal for leave to appeal which is pending hearing.

Therefore, the Directors have not recognised any provisions in respect to this matter.

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

Land Disputes

The Fund is also a defendant on various legal actions arising from its investment property.

The Fund recognises encroachments as an inherent risk for investing in real estate. The Fund has deployed security personnel to all its properties in an effort to avert encroachment.

We have also instituted legal action against all parties who have encroached or issued encumbrances on Fund properties. We are confident that the Fund will be successful in all land related legal suits. The Directors have considered the cases below to be of significance hence the relevant disclosures.

Temangalo Tea Estates Limited

The Fund was jointly sued alongside other parties by Temangalo Tea Estates Limited in respect to approximately 363 acres of land owned by the Fund at Temangalo. The High Court dismissed the suit. Temangalo Tea Estates Limited has since lodged an appeal with the Court of Appeal.

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

36. CONTINGENT LIABILITIES *(continued)*

Leo Kimalempaka Vs NSSF & Others

On 8 June 2017, Leo Lule Kimalempaka filed Civil Suit No. 93 of 2017 in the High Court of Mpigi against the Attorney General, The Commissioner Land Registration, NSSF, Mugoya Estates Limited and James Abiam Mugoya Isabirye seeking to have NSSF's certificates of title cancelled. He also filed Miscellaneous Application No. 129 of 2017 seeking an injunction to stop NSSF from utilising and developing the said land. The Court heard the application for the injunction and held that NSSF was the registered proprietor and was in physical possession in advanced stages of developing the land into a housing estate and an injunction could not issue.

The Directors are of the opinion based on professional legal advice that the outcome of these cases will not give rise to any significant loss beyond the amounts provided.

37. USE OF ESTIMATES AND JUDGEMENTS

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

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

The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates. The accounting policies that involve high judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

Provision for expected credit losses of financial assets *– The Fund annually assess all financial assets for impairment, i.e Cash and cash equivalents, debt instruments and receivables*. The Fund uses the simplified approach to impair receivables or groups of receivables as might be appropriate based on its average historical loss rate. Depending on the data, the Fund applies either of two ways of computing the loss rate per period. A loss rate may be computed as the ratio of outstanding invoice amounts beyond the default period and raised invoices at the beginning of each period. In the case where payments are available, the recovery rate may be computed as a ratio of payments made on bills raised per time period before the default date. The loss rate is then obtained as 1 – recovery rate. A common approximation is to cap recovery rates at 100% where payments exceed invoice amounts. The single loss rate is adjusted for forward-looking factors specific to the debtors and the economic environment using movements and forecasts for inflation rates, GDP and foreign exchange.

The single loss rate estimates are applied to each category of gross receivables. The Fund considers whether ECLs should be estimated individually for any period-end receivables, e.g because specific information is available about those debtors.

The Fund has applied the simplified approach to all other financial assets recognised as other receivables, e.g dividends receivable, an approach that does not include an explicit probability of default as an input per se. The information about the ECLs on the Fund's trade and other receivables is disclosed in Note 17. Further information on impairment is disclosed in Notes 40(c).

Estimation of expected credit loss on government treasury bills and bonds, corporate bonds, deposits with commercial banks is determined by getting a predefined default rate relating to the issuer of the bills and bonds and the bank where the cash is held, respectively. These default rates are then used to estimate the expected credit losses on the outstanding amounts of the above respective financial assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

The loans and advances held by the Fund are mainly with corporate entities and has, therefore, used credit rating agency information rather than internal risk weighting methods. The information about the ECLs on the Fund's deposits with commercial banks, government treasury bills and bonds and corporate bonds and loans and advances is disclosed in Notes 16,19 and 21, respectively.

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

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The Fund also assessed impairment for the assets and no additional impairments were required. The Fund's non-financial assets include inventories, capital work in progress, investment properties, intangible assets, property and equipment and right-of-use assets with carrying amounts as disclosed in notes 23, 24, 25, 26, 27 and 28 respectively.

(ii) *Current income taxes* – uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Fund and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing. Details on the current income tax amounts recognised in the financial statements are disclosed in Note 14.

(iii) *Property and equipment and right-of-use assets* – Critical estimates are made by the management in determining the useful lives and residual values to property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Details of the Fund's property and equipment and right-of-use assets are disclosed in Note 27.

(iv) *Determining fair values* – The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Further information on determination of fair value is disclosed in Notes 25, and 40.

(v) *Provisions and contingencies* – A provision is recognised if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgements in determining the provisions presented in Note 30 and contingencies disclosed in Note 37.

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

38. FINANCIAL RISK MANAGEMENT

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

- Market risk
- Liquidity risk
- Credit risk
- Capital management risk

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

Risk management framework

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Fund's Audit and Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

a) Market risk

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

Management of market risks

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

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

Equity price risk

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy. Except for shares held in Eastern and Southern African Trade and Development Bank (TDB Bank), Housing Finance Bank, Yield Fund and TPS Uganda Limited all shares held by the Fund are valued based on market prices.

38. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

Equity price risk *(continued)*

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

Type of Investment	Change in share price %	Effect on surplus before tax and reserves Ushs 000
2023		
Equity securities externally managed	**±5%**	**±3,813,706**
Equity investments internally managed	**±5%**	**±92,926,696**
2022		
Equity securities externally managed	±5%	±4,453,456
Equity investments internally managed	±5%	±104,701,243

Currency risk

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

The Fund had the following foreign currency positions as at 30 June 2023. All balances are in Ushs 000.

	USD	Kshs	Tshs	Rwf	Total
Cash and bank balances	33,326,902	31,269,844	80,292,301	–	144,889,047
Deposits due from commercial banks	–	–	–	–	–
Equity securities externally managed	–	33,246,950	16,329,029	–	49,575,979
Trade and other receivables	4,749,382	17,978,705	–	4,148,445	26,876,532
Debt instruments at amortised cost	117,589,717	3,307,378,168	1,717,317,476	34,233,584	5,176,518,945
Equity investments internally managed	196,703,933	618,669,738	571,331,184	38,409,800	1,425,114,655
Total assets	**352,369,934**	**4,008,543,405**	**2,385,269,990**	**76,791,829**	**6,822,975,158**
Financial liabilities					
Other payables	–	–	–	–	–
Currency gap	**228,966,275**	**4,902,081,603**	**2,217,439,764**	**79,973,529**	**7,428,833,482**
At 30 June 2023	**352,369,934**	**4,008,543,405**	**2,385,269,990**	**76,791,829**	**6,822,975,158**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

38. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

Currency risk *(continued)*

The Fund had the following foreign currency positions as at 30 June 2022. All balances are in Ushs 000.

	USD	Kshs	Tshs	Rwf	EUR	Total
Cash and bank balances	**14,345,059**	**270,807**	**45,204,344**	**66,617**		**59,886,827**
Deposits due from commercial banks	4,084,094	–	–	–	–	**4,084,094**
Equity securities externally managed	–	48,883,310	16,359,680	**–**	**–**	**65,242,990**
Trade and other receivables	961,338	25,821,253	5,995,081	4,390,754	372,312	**37,540,738**
Debt instruments at amortised cost	34,598,374	3,967,001,471	1,588,918,050	34,105,072	–	**5,624,622,967**
Equity investments internally managed	174,977,410	860,104,762	560,962,609	41,411,086	–	**1,637,455,867**
Total assets	**228,966,275**	**4,902,081,603**	**2,217,439,764**	**79,973,529**	**372,312**	**7,428,833,483**
Financial liabilities						
Other payables	–	–	–	–	–	–
Currency gap at 30 June 2022	**228,966,275**	**4,902,081,603**	**2,217,439,764**	**79,973,529**	**372,312**	**7,428,833,483**

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.

	2023		2022	
Currency	**Change in currency rate %**	**Effect on surplus s Ushs 000**	**Change in currency rate %**	**Effect on surplus Ushs 000**
USD	**±5%**	**±17,618,497**	±5%	± 11,448,314
KES	**±5%**	**±200,427,170**	±5%	±245,104,080
TZS	**±5%**	**±119,263,499**	±5%	±110,871,988
RWF	**±5%**	**±3,839,591**	±5%	±3,998,676

The following exchange rates applied during the year:

	Average rate		Rate at year end	
Currency	**2023 Ushs**	**2022 Ushs**	**2023 Ushs**	**2022 Ushs**
KES	**29.69**	31.66	**26.11**	31.91
USD	**3,761.05**	3,586.89	**3668.5**	3,762.25
TZS	**1.61**	1.55	**1.535**	1.61
RWF	**3.48**	3.53	**3.16**	3.68

38. FINANCIAL RISK MANAGEMENT *(continued)*

a) Market risk *(continued)*

Interest rate risk

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

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

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

	< 3 months Ushs 000	3–12 months Ushs 000	> 1 year Ushs 000	Non-interest-bearing Ushs 000	Total Ushs 000
2023					
Assets					
Cash and bank balances	**142,015,268**	**–**	**–**	**48,655,086**	**190,670,354**
Deposits with commercial banks	**800,215**	**104,480,650**	**–**	**–**	**105,280,865**
Trade and receivables	**–**	**–**	**–**	**202,789,665**	**202,789,665**
Debt instruments at amortised cost	**30,005,694**	**254,374,666**	**13,943,490,191**	**–**	**14,227,870,551**
Loans and advances	**–**	**–**	**28,504,113**	**–**	**28,504,113**
Total assets	**172,821,177**	**358,855,316**	**13,971,994,304**	**251,444,751**	**14,755,115,548**
Liabilities					
Other payables	**–**	**–**	**–**	**76,335,057**	**76,335,057**
Total liabilities	**–**	**–**	**–**	**76,335,057**	**76,335,057**
Gap as at 30 June 2023	**172,821,177**	**358,855,316**	**13,971,994,304**	**175,109,694**	**14,678,780,491**
2022					
Assets					
Cash and bank balances	15,164,700	–	–	57,626,163	72,790,863
Deposits with commercial banks	4,973,583	223,614,504	–	–	228,588,087
Trade and receivables	–	–	–	200,413,183	200,413,183
Debt instruments at amortised cost	27,049,826	229,316,160	12,569,913,809	–	12,826,279,795
Loans and advances	–	–	30,230,412	–	30,230,412
Total assets	**47,188,109**	**452,930,664**	**12,600,144,221**	**258,039,346**	**13,358,302,340**
Liabilities					
Other payables	–	–	–	92,558,405	92,558,405
Total liabilities	**–**	**–**	**–**	**92,558,405**	**92,558,405**
Gap as at 30 June 2022	**47,188,109**	**452,930,664**	**12,600,144,221**	**165,480,941**	**13,265,743,935**

38. FINANCIAL RISK MANAGEMENT *(continued)*

b) Liquidity risk

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

Management of liquidity risk

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

Exposure to liquidity risk

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2023 to the contractual maturity date. All balances are in Ushs 000.

	Matured Ushs 000	< 3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
At 30 June 2023						
Financial assets						
Cash and bank balances	190,670,354	–	–	–	–	190,670,354
Deposits with commercial banks	–	800,215	104,480,650	–	–	105,280,865
Trade and other receivables	–	78,167,428	7,783,706	3,907,714	112,930,817	202,789,665
Debt instruments at amortised cost	–	30,005,694	254,374,666	13,943,490,191	–	14,227,870,551
Loans and advances	–	–	–	7,903,731	20,600,381	28,504,112
Total financial assets	**190,670,354**	**108,973,337**	**366,639,022**	**13,955,301,636**	**133,531,198**	**14,755,115,547**
Financial liabilities						
Other payables	–	504,725	73,134,439	2,669,310	26,583	76,335,057
Financial liabilities	**–**	**504,725**	**73,134,439**	**2,669,310**	**26,583**	**76,335,057**
Liquidity gap	**190,670,354**	**108,468,612**	**293,504,584**	**13,952,632,326**	**133,504,615**	**14,678,780,490**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

38. FINANCIAL RISK MANAGEMENT *(continued)*

b) Liquidity risk *(continued)*

	Matured Ushs 000	< 3 months Ushs 000	3–12 months Ushs 000	1–5 years Ushs 000	> 5 years Ushs 000	Total Ushs 000
At 30 June 2022						
Financial assets						
Cash and bank balances	72,790,863	–	–	–	–	72,790,863
Deposits with commercial banks	–	4,973,583	223,614,504	–	–	228,588,087
Trade and other receivables	–	68,775,865	6,368,996	33,995,655	91,272,667	200,413,183
Debt instruments at amortised cost	–	27,049,826	229,316,160	12,569,913,808	–	12,826,279,794
Loans and advances	–	13,052	452,308	29,765,053	–	30,230,413
Total financial assets	**72,790,863**	**100,812,326**	**459,751,968**	**12,633,674,516**	**91,272,667**	**13,358,302,340**
Financial liabilities						
Other payables	–	602,821	89,072,777	2,853,583	29,224	92,558,405
Financial liabilities	**–**	**602,821**	**89,072,777**	**2,853,583**	**29,224**	**92,558,405**
Liquidity gap	**72,790,863**	**100,209,505**	**370,679,191**	**12,630,820,933**	**91,243,443**	**13,265,743,935**

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.

38. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

Management of credit risk

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

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

The Finance 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 2023 and 30 June 2022 is the carrying amounts or the principal deposits plus accrued interest.

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

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

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

The Fund measures ECL on these instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance is based on the lifetime ECL.

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

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

38. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

Exposure to credit risk *(continued)*
Debt instruments at amortised cost and cash deposits *(continued)*

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

	2023 Ushs 000	2022 Ushs 000
Cash and bank balances	**190,670,354**	72,790,863
Deposits with commercial banks	**104,073,315**	225,803,016
Trade and other receivables	**78,167,428**	79,095,609
Debt instruments at amortised cost	**14,227,870,551**	12,826,279,795
Loans and advances	**7,640,094**	9,365,377
	14,608,421,742	**13,213,334,660**

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

	Note	Gross amount Ushs 000	ECL Ushs 000	Carrying amount Ushs 000
At 30 June 2023				
Cash and bank balances	**15**	**190,670,354**	**–**	**190,670,354**
Deposits with commercial banks	**16**	**105,280,866**	**(1,207,551)**	**104,073,315**
Debt instruments at amortised cost	**19**	**14,233,321,724**	**(5,451,173)**	**14,227,870,551**
Loans and advances	**21**	**28,504,113**	**(20,864,019)**	**7,640,094**
		14,557,777,057	**(27,522,743)**	**14,530,254,314**
At 30 June 2022				
Cash and bank balances	15	72,790,863	–	72,790,863
Deposits with commercial banks	16	228,588,087	(2,785,071)	225,803,016
Debt instruments at amortised cost	19	12,831,760,348	(5,480,554)	12,826,279,794
Loans and advances	21	30,230,412	(20,865,036)	9,365,376
		13,163,369,710	**(29,130,661)**	**13,134,239,049**

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

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

38. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

	2023 Ushs 000	2022 Ushs 000
Trade receivables	**7,495,113**	8,077,072
Dividends receivable	**76,213,269**	77,840,545
Other receivables	**3,859,373**	2,562,492
	87,567,755	**88,480,109**

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

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
2023				
Trade receivables*	**7,495,113**	**48**	**(3,606,485)**	**3,888,628**
Dividends receivable	**76,213,269**	**5**	**(4,184,363)**	**72,028,906**
Other receivables	**3,859,373**	**42**	**(1,609,479)**	**2,249,894**
	87,567,755		**(9,400,327)**	**78,167,428**
2022				
Trade receivables*	8,788,036	48	(4,244,043)	4,543,993
Contributions receivable	1,879,494	100	(1,879,494)	–
Dividends receivable	37,004,566	2	(893,040)	36,111,526
Other receivables	30,221,289	27	(8,135,432)	22,085,857
	77,893,385		**(15,152,009)**	**62,741,376**

Movements in the allowance have been disclosed in Note 17.

* *Set out below is the information about the credit risk exposure on the Fund's trade receivables based on the customer segment, i.e. building location using a single loss rate approach as at 30 June 2023 and 2022:*

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
30 June 2023				
Workers House	**738,313**	**23%**	**(168,265)**	**570,048**
Social Security House	**5,419,387**	**42%**	**(2,284,798)**	**3,134,589**
Yusuf Lule parking	**562,977**	**100%**	**(562,977)**	**–**
Bwebajja	**675,470**	**87%**	**(586,977)**	**88,493**
Other properties	**98,966**	**4%**	**(3,467)**	**95,499**
	7,495,113		**(3,606,484)**	**3,888,629**

38. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

	Gross receivable Ushs 000	Loss rates %	ECL Ushs 000	Carrying amount Ushs 000
30 June 2022				
Workers House	1,530,474	50	(771,145)	759,329
Social Security House	6,057,897	50	(3,011,927)	3,045,970
Yusuf Lule parking	592,890	72	(429,335)	163,555
Bwebajja	435,000	3	(11,969)	423,031
Other properties	171,775	11	(19,667)	152,108
	8,788,036		**(4,244,043)**	**4,543,993**

Movements in the allowance have been disclosed in Note 17.

d) Categories of financial assets and financial liabilities

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

	2023 Ushs 000	2022 Ushs 000
FINANCIAL ASSETS		
Financial assets at fair value		
Equity securities externally managed	**76,274,119**	89,069,119
Equity investments internally managed	**1,858,533,926**	2,094,024,863
Total financial assets at fair value	**1,934,808,045**	**2,183,093,982**
Financial instruments at amortised cost		
Cash and bank balances	**190,670,354**	72,790,863
Deposits with commercial banks	**104,073,315**	225,803,016
Trade and other receivables	**78,167,428**	79,095,609
Debt instruments at amortised cost	**14,227,870,551**	12,826,279,795
Loans and advances	**7,640,094**	9,365,377
Total financial assets at amortised cost	**14,608,421,742**	**13,213,334,660**
Total financial assets	**16,543,229,787**	**15,396,428,642**
Total current	**2,307,719,142**	**2,560,783,470**
Total non-current	**14,235,510,645**	**12,835,645,172**
	16,543,229,787	**15,396,428,642**

38. FINANCIAL RISK MANAGEMENT *(continued)*

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

	2023 Ushs 000	2022 Ushs 000
Financial liabilities		
Financial liabilities at amortised cost		
Other payables	**75,830,332**	91,955,584
Total financial liabilities	**75,830,332**	**91,955,584**
Total current	**72,923,678**	**88,760,154**
Total non-current	**2,906,654**	**3,195,430**
	75,830,332	**91,955,584**

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

e) Capital management

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

The Fund seeks to optimise the structure and investment of capital to ensure that it consistently maximises returns to its members within an acceptable risk appetite. The NSSF (Amendment) Act 2022 provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 10% was declared for the year 2023 (2022: 9.65%).

39. FAIR VALUE MEASUREMENT

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

The carrying amounts of equity securities 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 2023		30 June 2022	
	Carrying amount Ushs 000	Fair value Ushs 000	Carrying amount Ushs 000	Fair value Ushs 000
Debt instruments at amortised cost	**14,227,870,551**	**14,752,504,091**	12,826,279,795	13,181,530,999

39. FAIR VALUE MEASUREMENT *(continued)*

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

Government debt securities
Government debt securities are bonds issued by sovereign governments, i.e Uganda, Kenya, Tanzania, Rwanda. Valuation techniques based on observable inputs resulting in a Level 2 classification.

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

Equity instruments
The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Equity instruments in non-listed entities including investment in private equity funds are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as Level 3. The Fund's holdings in Housing Finance bank Uganda Limited, Umeme Limited, TPS Uganda Limited and Yield Fund are all fair valued using level 3 inputs.

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

		Fair value measurement using		
	Total Ushs 000	Quoted price in active market (Level 1) Ushs 000	Significant observable inputs (Level 2) Ushs 000	Significant unobservable inputs (Level 2) Ushs 000
As at 30 June 2023				
Asset type				
Equity investments internally managed (Note 20)	**1,858,533,926**	**1,661,829,993**	**–**	**196,703,933**
Equity securities externally managed (Note 18)	**76,274,119**	**76,274,119**	**–**	**–**
Investment Properties (Note 25)	**954,372,855**	**–**	**–**	**954,372,855**
Investment in associates (Note 22)	**387,028,048**	**–**	**243,898,221**	**143,129,827**
Debt instruments at amortised cost	**14,752,504,091**	**–**	**14,752,504,091**	**–**
Inventories (Note 23)	**344,417,254**	**–**	**–**	**344,417,254**

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

39. FAIR VALUE MEASUREMENT *(continued)*

	Total Ushs 000	Fair value measurement using: Quoted price in active market (Level 1) Ushs 000	Significant observable inputs (Level 2) Ushs 000	Significant unobservable inputs (Level 2) Ushs 000
As at 30 June 2022				
Asset type				
Equity investments internally managed (Note 20)	**2,094,024,863**	1,919,047,453	–	174,977,410
Equity securities externally managed (Note 18)	**89,069,119**	89,069,119	–	–
Investment Properties (Note 25)	**892,184,570**	–	–	892,184,570
Investment in associates (Note 22)	**424,392,946**	–	268,024,882	156,368,064
Debt instruments at amortised cost	**13,181,530,099**	–	13,181,530,099	–
Inventories (Note 23)	**278,891,159**	–	–	278,892,159

Description	Input		Sensitivity used* %	Effect on the Fair value Ushs 000
Workers house and social security house	Estimated rental value	2023:	10	22,476,822
		2022:	10	22,476,822
	Estimated rental expenditure	2023:	10	8,223,791
		2022:	10	8,223,791
	Vacancy factor	2023:	1	2,243,989
		2022:	1	2,243,989
	Discount factor	2023:	1	15,238,320
		2022:	1	15,238,320

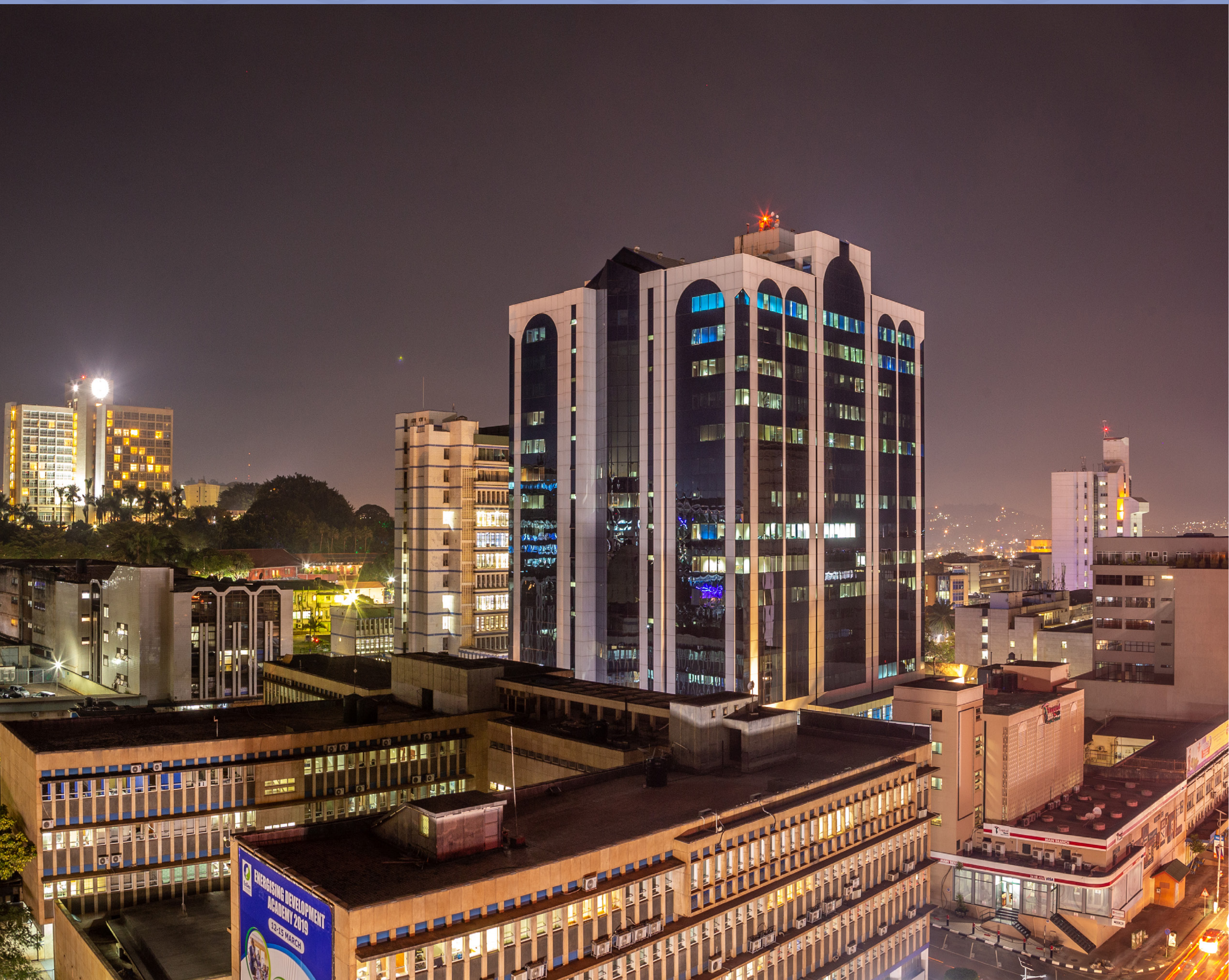
Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensi-tivity analysis as at 30 June 2023 and 30 June 2022 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.

40. SUBSEQUENT EVENTS

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



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