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Abbreviations /Acronyms

Abbreviations /Acronyms

ALSI	All Share Index
BoT	Board of Trustees
EMDEs	Emerging Markets and Developing Economies
IAS	International Accounting Standards
IPS	Investment Policy Statement
ITA	Income Tax Act
LSI	Local Share Index
PPA	Parliamentary Pensions Act
PPDA	Public Procurement and Disposal Act
PPS	Parliamentary Pension Scheme
RLS	Rwanda Local Share Index
TSI	Tanzania Local Share Index
URBRA	Uganda Retirement Benefits Regulatory Authority
USA	United States of America

SCHEME INFORMATION

Registered Office

Development House, Room G 10,
Parliamentary Avenue
P O Box 7178, KAMPALA, UGANDA.

Fund Managers

Gen Africa Asset Managers
ECO Bank Building
P.O.BOX 75200
Kampala, Uganda

Stanlib Asset Managers
Building No.9 Kintante Suite 6B
Yusuf Lule Road
P. O. Box 7131,
Kampala
Uganda

Custodian

Standard Chartered Bank Uganda Ltd.
Plot 5, Speke Road,
P O Box 7111, KAMPALA.
Kampala
Uganda

Auditor

Auditor General
P O Box 7083, KAMPALA.

Actuarial Services

ARGEN Actuarial Solutions Ltd,
39 President Street, Kroonstad,
SOUTH AFRICA.

Bankers

Centenary Bank,
Mapeera Branch,
P O Box 1892, KAMPALA.

Standard Chartered Bank,
Plot 5, Speke Road,
P O Box 7111, KAMPALA.

Orient Bank,
Orient Plaza
Kampala Road
P. O. Box 3072,
Kampala, Uganda

Legal Services

Department of Legal & Legislative
Services, Parliamentary Commission,
P O Box 7178, KAMPALA.

STRATEGIC PRINCIPLES OF THE SCHEME

Vision:

A Society of dignified retired members of the Scheme.

Mission:

Provision of quality retirement benefits services through efficient management and investment of Members' fund.

Values:

The Core values of Parliamentary Pension Scheme are:

- Trust
- Innovativeness
- Teamwork
- Integrity
- Diligence
- Accountability

Strategic Objectives:

- Improved efficiency and effectiveness in the delivery of the Scheme's business operations.
- Deliver retirement benefits to members that are responsive to the changing economic livehood.
- Optimize investment Fund Management to maintain the Scheme's long-term solvency and sustainability.
- Enhance Members' and Sponsor trust in the Scheme.
- Increase Institutional capacity in pension management.

OTHER SERVICES

Loans to Members

The Scheme provides loans to its members in active service as one of its investment vehicles. The maximum loan amount extended to a member may not exceed fifty percent of the member's Scheme credit. The loans are repaid through monthly deductions from the members' emoluments.

Medical Treatment

When a Member requires medical treatment and there are no other viable sources of funds to cover the medical expenses, the Board may approve a proportion of the Members credit to pay the medical bill in respect of a member or pensioner after a recommendation from Uganda Medical Board.

Mortgage

The Scheme may guarantee a loan to an active member for purposes of purchasing or construction of his/her residential house. The Scheme issues a guarantee for the down payment to the mortgage provider up to 20% of the mortgage. The exposure guaranteed for the loan is 50% of the members' Scheme credit.

Member Education

The Scheme organizes member sensitization seminars on retirement planning and financial literacy, tools and solutions to enable them make informed financial decisions in the short, medium and long term. Targeted members receive invitations for such trainings.

CHAIRPERSON'S STATEMENT

On behalf of the Board of Trustees and Staff of Parliamentary Pension Scheme, I welcome you all to the 8th Annual General meeting. It is my pleasure to present the Annual report and Financial Statements for Parliamentary Pension Scheme for the year ended 30th June 2019.

Review of the Business Environment

Operating Environment

During the Financial Year 2018/2019, the economy grew by 6.1% compared to 5.8% in 2017/2018. The improvement in economic growth was a result of increased private and public sector activity, improved weather conditions and a relatively stable global economy.

The Agricultural Sector maintained its recovery sustaining a 3.8% growth rate in the financial year 2018/2019 from 3.2% in 2017/2018. The growth in the Agricultural Sector was due to the strengthened enforcement against illegal fishing activities, provision of extension services, control of pests and diseases leading to a bumper harvest.

The Service Sector grew at 7.2%, the highest in all sectors. This performance was largely driven by tourism and hospitality services. The industry sector grew at 5.8%. The Manufacturing Sector grew at 2.8% in 2018/2019 compared to 1.7% in the previous year, partly attributed to the newly commissioned factories¹.

The Annual Headline Inflation increased from 2.1% to 3.4% in June 2018/2019 while Core Inflation increased from 0.8% in June 2018 to 4.7% in June 2019. The Headline inflation remained fairly stable amongst the East African partner states.

In Kenya, the Nairobi All Share Index (NASI) declined from 14.06% by June 2018 to negative 14.21% in June 2019. The local Share Index (NSE 20) further declined to – 19.86 % from – 8.9% in June 2018. The 91-day Treasury bills posted an average yield of 6.8%. The average inflation was 5.16 by June 2019. The Kenyan shilling appreciated by 0.5 % against the US dollar.

There was poor performance of stocks at the Uganda Securities Exchange. The All Share Index (ALSI) declined to -22.71% in June 2019 from 24.52% in 2018. The Local Share Index [LSI] also reduced to –9.46% from 12.06% in 2018. The 91-day Treasury bills registered an average interest rate of 9.5% during the year. On average, the inflation was 3.14%. During the

Financial year 2018/2019, the shilling remained largely stable appreciation by 2.8% to the US dollar.

In Tanzania, the All Share Index [ASLI] dropped from 12.89% in June 2018 to negative 21.10% in 2019, while the local share Index [TSI] further dropped to -17.05% in 2019 from – 8.09% in 2018². The 91-day Treasury bills registered an average interest rate of 2.7% during the year. The average inflation was 3.25%. During the Financial year 2018/2019, the Tanzanian shilling remained largely stable but depreciated 0.3% to the US dollar³.

In Rwanda, the ALSI slightly declined to 3.51% in June 2019 from 5.4% in June 2018 while the local share Index [RLS] declined significantly from 9.8% in June 2018 to - 3.15% in 2019. The 91-day Treasury bills registered an average interest rate of 5.25% during the year. The average inflation was 1.45%. Generally during the financial year ended June 2019, the Rwandan Francs slightly depreciated by 1.1% to the US dollar⁴.

On the Global scene, growth continued to be weak and momentum remained fragile. The global world economic growth projected at 3.5% in 2019 was downgraded to 2.6%⁵. This was due to the weak industrial activity, international trade remaining weak, increased uncertainty especially around Brexit affecting investments, trade war and disputes between China and USA.⁶

Outlook

During the Financial year 2018/2019, the East African economies grew by 6.3%, 8.6% and 7.0% for Kenya, Rwanda and Tanzania respectively. The growth for 2020 is projected at 6.5%, 5.9%, 8.0%, and 5.7% for Uganda, Kenya, Rwanda and Tanzania respectively. This macro indicator shows that there will be improvement in regional economic growth.

Global growth is estimated to grow up to 2.7% in 2020 and 2.8 % in 2021 supported by the modest recovery in emerging markets and developing economies and improving global financing conditions. In the Emerging Market Economies especially in Turkey and Argentina, their economies declined into recession. In china and India, growth was moderate due to increased trade tensions and worsening market sentiments. In 2019, the growth was moderate but expected to pick up in 2020 supported by impact of Policy stimulus in China and anticipated stabilization in distressed economies mainly Turkey and Argentina.

In Emerging Markets and Developing Economies (EMDEs), their economies are estimated to have grown to 4.0 % in 2019. The projected growth is 4.6% in 2020 and 2021.

In the Euro Area, the economic conditions deteriorated rapidly, particularly in manufacturing and industrial activity in Germany. In France, disruptions due to the persistent street protests and softening investments in Italy affected their economies which lead to a sharp fall in ex-

ports. Domestic demand also slowed down. In order to boost the economies, the European Central Bank announced that it will provide banks with additional low-cost credit. Core inflation remained around 1%. In the Euro zone, economies are estimated to have grown to 1.2% in 2019 and expected to increase to 1.4% in 2020-21.

In Sub-Saharan Africa (SSA), the economies grew by 2.9% in 2019. In Angola, Nigeria, and South Africa, the three largest economies in the SSA region, growth remained subdued. In Nigeria, the anticipated recovery in the oil sector, the main source of government revenue remained weak than expected due to the policy uncertainty coupled with the weak domestic demand due to high unemployment and a challenging business environment in the non-oil sector. In South Africa, continued policy uncertainty and rolling power blackouts slowed economic activity in the first half of 2019.

In the Sub-Saharan Africa (SSA), the economies are expected to increase to 3.3% and 3.5% in 2020 and 2021 respectively. The projected growth will be supported by strengthened external financing conditions, gradual improvement in the business environment and the recent growth momentum in the non-oil sector partly reflecting reforms to bolster the business environment⁶.

In the East Africa region, Kenya has projected growth at 6.0%, Tanzania at 6.1% and Rwanda at 7.5% in 2021. The growth will be supported by sustained public investment.

The Ugandan economy is expected to improve to 6.5% in 2020 from 6.1% in 2019. The enablers to the growth include the expansionary fiscal policy, increased government investment and spending in public infrastructure investments including the national airline and power transmission lines, attractive business environment, support investment in human resources, strong private sector activity, foreign direct investment [FDI] and favorable weather conditions. All these developments, together with the continued improvements in the global economic outlook will improve performance of the Ugandan economy.

Performance review

In the year ended June 2019, the Scheme developed and implemented the annual operational plan as per the Strategic Plan 2018-2023. The Board also invested members' funds in the most prudent way.

The Board has continually provided guidance to Management through approval of new policies and the Parliamentary Commission offered support to the Scheme through subvention grants, logistical and technical support.

The Fund registered positive performance in the financial year, although the investment income before tax reduced from UgX. 23.06 billion to UgX. 19.97 billion, representing 13.40% decline from 16.20% in 2018. The decline was due to the poor performance at the equities market. The assets under management grew from UgX. 204.55 billion to UgX. 257.211 billion. The Fund posted a return on average investable fund of 8.77% before tax and 7.69% after tax.

The benefits paid out amounted to UgX. 2.79 billion compared to UgX. 3.75 billion paid out last year.

With all policies reviewed and approved, the Board shall continue to ensure superior service delivery to the Members, prudent investment of Scheme funds and prompt payment of members' benefits.

¹Budget Speech FY 2019/2020

²Stock Market Reports June, 2019

³Performance of the Economy Report June 2019

⁴Monetary Policy Report June 2019

⁵ State of the Economy June, 2019

⁶World Bank Report June 2019

Achievements

During the year, the Scheme registered the following achievements:

1. Disbursed Loans totaling to UgX. 12.63 billion to 150 members.
2. Conducted two Member Trainings.
3. The Fund registered a positive growth of 25.74%.
4. Promptly paid out Pension benefits of UgX. 1.83 billion.
5. Paid out overdue Death benefits amounting to UgX. 420 million.
6. Developed the Risk Management Policy and Framework.
7. Acquired document storage space at the Parliamentary Building.
8. Enhanced capacity of the Board of Trustees and staff through training. The Board and staff had 2 trainings each.
9. Operationalized the Strategic Plan 2018-2023 for year 1.
10. Recognition of the Scheme by Uganda Revenue Authority as one of the Institutions that contributed towards the Country's revenue generation in the financial year 2018/2019.

Challenges

The Scheme also experienced challenges during the year:

1. Members' slow response and failure to update their files.
2. Inadequate office space.
3. Poor attendance during Annual General Meeting and Member Training sessions.
4. Unclaimed Death benefits.

Appreciation

We express our sincere thanks to our Members for their continued efforts and support to the Scheme.

The Board recognizes and appreciates the Parliamentary Commission for the timely remittance of Members' contributions, subvention, allocation of office space for the Secretariat, provision of Human Resource, Legal and Procurement advisory services which would otherwise have been a heavy cost to the Scheme. In a special way, I further extend my appreciation for the support of the Commission in the Management of the Loan Scheme.

I would like to commend the Board of Trustees for their tireless commitment and oversight role that ensured smooth business operations.

On behalf of the Board, I would like to thank the service providers, Uganda Retirement Regulatory Authority and business partners for their contribution to the success and growth of the Fund and the industry at large.

I take this opportunity to thank Management and Staff of the Parliamentary Pension Scheme for their commitment and services offered to the Scheme and Members.



.....
ACHIA REMIGIO (MP)
CHAIRPERSON, BOARD OF TRUSTEES

CHIEF OPERATIONS MANAGER'S STATEMENT

The Scheme was well facilitated and guided by the Board, received all Members' contributions for the year from Parliamentary Commission which enabled the Scheme to run smoothly. The staff capacity was enhanced through training and skill acquisition, enabling the staff to handle Scheme business efficiently.

The investment environment was moderate but experienced a downward trend in the equity market due to the changes in the stock prices resulting into a reduction in the investment Income. The Scheme is solid and a going concern.

Financial highlights and review

The Scheme assets grew from UgX. 204.55 billion to UgX. 257.21 billion which is 25.74% growth compared to 33.85% in 2018. The slight decline in growth was attributed to the poor performance on the equity market.

The growth in Members' contributions was 3.86% compared to 2.90% the previous year. The increase was attributed to more members joining the Scheme and conversion of pensions into lump sums for retired members who were re-elected.

The audited Financial Statements for the year ended 30th June 2019, are herewith presented to Members on Pages 34 to 71.

The statistics below show the 5-year performance trend of the Scheme

Scheme Assets



Figure 1: 5- Year trend for the Scheme Assets

Investment Income

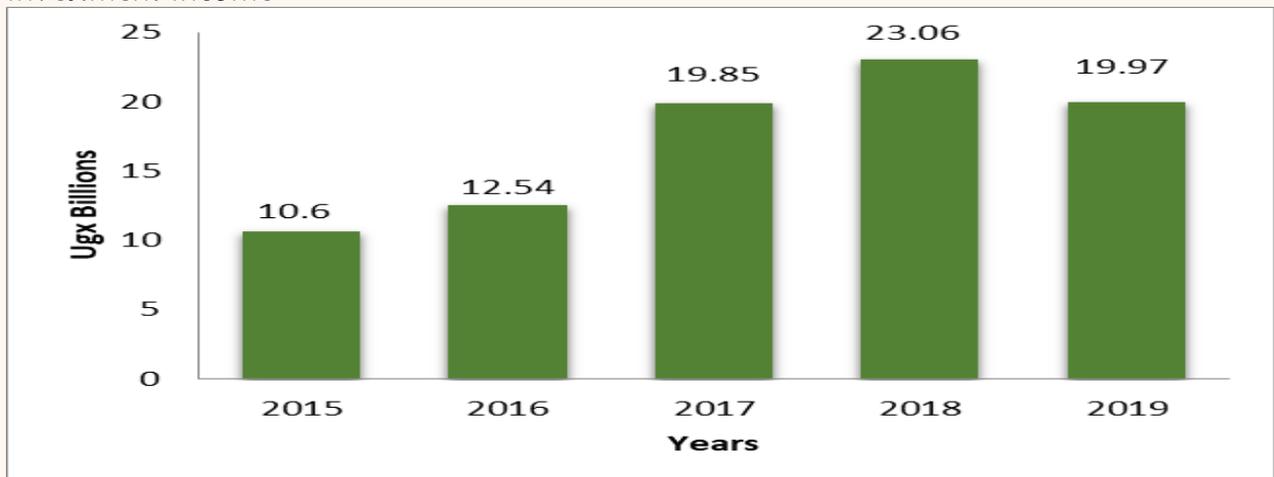


Figure 2: 5- Year trend for Investment Income

Funding Level

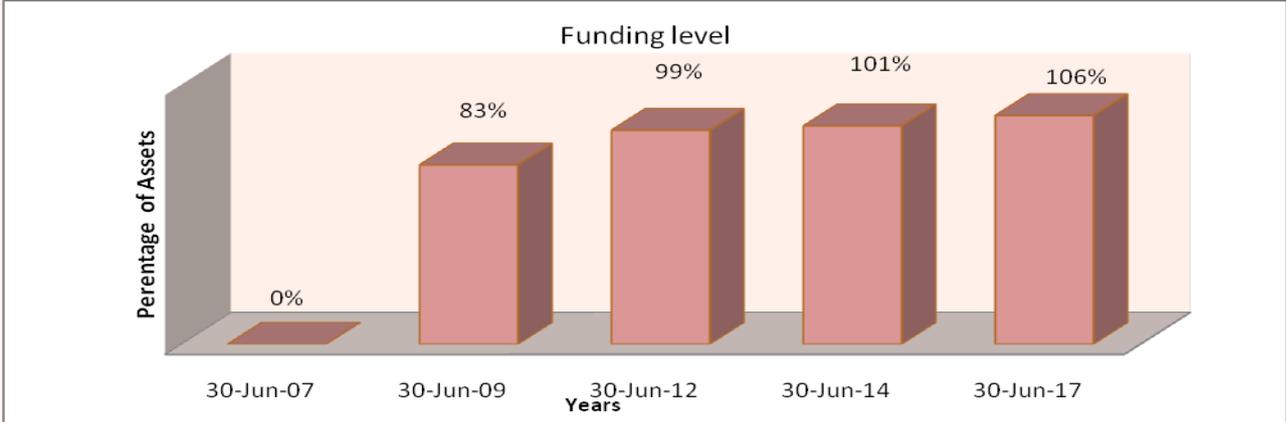


Figure 3: Funding Level since 2007

SUSTAINABILITY REPORT

The Scheme’s sustainability and business success is linked to the Investment Policy Statement developed with a goal to create shared prosperity and promote the wellbeing of the societies in which we operate. The Board has invested in assets that seek to promote Social, Economic and Environmentally [SEE] friendly activities while avoiding high risk investments.

RISK MANAGEMENT AND CONTROL

The Board of Trustees is ultimately responsible for the overall management of the Scheme to deliver superior benefits to members without exposing it to undue risks. The Scheme’s activities expose it to a variety of risks such as credit risk, market risk, interest rate risk, currency risk, non-financial risk, business risk and exchange rate risk. The overall risk management programme focuses on the identification and management of these risks in order to minimise adverse effects.

The Board has accordingly set up appropriate governance structures, policies, functions and systems to ensure effective management of the Scheme Funds.

The Internal Audit function through the Committee of Audit and Risk provides assurance on the operations, systems, investment decisions and internal controls put in place to ensure their effectiveness in risk mitigation.

In addition to the Internal Audit function, other risk management measures include creation of the Loan protection fund, insurance of loans and enforcement of credit limits. The Investment Policy Statement provides the asset strategic and tactical ranges in which investments should be done.

ACKNOWLEDGMENT

I take this opportunity to thank the Board of Trustees for the leadership and guidance to Management and support to staff. I thank our dear Members for the excellent cordial relationship you have accorded us through the year and fellow staff for their dedicated services to Scheme. I further thank the Regulator for the support and guidance given to the Scheme to ensure compliance and safe guard of the Members’ fund. I recognise the contribution of our service providers, the Fund Managers, Custodian and Auditors through their invaluable services to the Scheme.



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NIGHTINGALE MIREMBE SSENOGA
CHIEF OPERATIONS MANAGER

BOARD OF TRUSTEES' STATEMENT

CORPORATE GOVERNANCE

BOARD OF TRUSTEES



Hon. Achia Remigio
CHAIRPERSON



Hon. Haruna Kyeyune



Hon. Atim Ogwal Cecilia



Hon. Roland Mugume



Hon. Dr. Francis Epetait



Mr. Aloysius Makata



Mr. Solomon Kirunda



Jane L. Kibirige (Mrs.)
SECRETARY

Board Size, Composition and Appointment

The Scheme is governed on behalf and in the interest of Members by Eight [8] Trustees appointed in accordance with Section 18 of the Parliamentary Pensions Act. The Board of Trustees and their respective constituencies are listed in Table 1 below:

Table 1: Board of Trustees

Name	Position	Representing
Hon. Achia Remigio	Chairperson	Backbench Members
Hon. Cecilia Ogwal	Member	Parliamentary Commission
Hon. Kyeyune Kasolo	Member	Minister of Finance, Planning and Economic Development
Hon. Roland Mugume	Member	Backbench Members
Hon. Francis Epetai	Member	Retired Members of Parliament.
Mr. Makata Aloysius	Member	Retired Staff of Parliamentary Commission
Mr. Kirunda Solomon	Member	Staff of Parliamentary Commission
Jane Lubowa Kibirige (Mrs.)	Member/Secretary	Office of the Clerk to Parliament

Statement of Corporate Governance

Parliamentary Pensions Scheme was established by the Parliamentary Pensions Act, 2007 as a Contributory Hybrid Cash Balance retirement benefit plan for Members of Parliament and Staff of Parliamentary Commission. The Act came into force on the 1st July 2001. Since 2007 a number of amendments have been done and incorporated in the Act.

The main purpose of the Scheme is to provide pensions and other retirement benefits to Members of Parliament and Staff of Parliamentary Commission, and relief to the dependants of deceased participants.

Role of the Board

The Board offers strategic guidance, leadership, manages and oversees the operations of the Scheme in accordance with Parliamentary Pensions Act, Uganda Retirement Benefits Regulatory Authority Act and accompanying regulations.

It is responsible for prompt collection of members' contributions, sound investment of members Fund, and overall management of the Scheme in accordance with statutory provisions.

Skills, Training and Experience

The Board recognizes that knowledge of the core business and sufficient expertise is required to provide strategic direction and oversight. The Board of Trustees has a wide range of skills and knowledge in Mathematics, Management, Information Technology, Public Administration, Finance, Corporate Governance, Accounting, as well as legal expertise. The Board has also undergone a number of trainings to enhance knowledge and skills in Pension Management.

Board Meetings

The Board meets on a quarterly basis as scheduled in the Annual Board Calendar. The meetings have an agenda informed by priority decisions and discussions necessary to drive the Scheme forward. Board business is based on areas of operations of the Scheme namely Benefits, Administration, Investments and Financial Performance, Human Resource and Assurance on internal controls. During the year the Board held 8 meetings to review Manuals, monitor investments performance, develop Strategic documents for effective management of the Scheme and Member benefits among others.

Board Evaluation

The Board has developed a Performance Assessment Tool to assess its performance and nurture continuous improvement. The evaluation criteria is linked to the mandate of the Board and goals of the Scheme.

Conflict of Interest

The Board of Trustees are under a fiduciary duty to act in honesty and in the best interest of the Scheme. Any business transacted with the Scheme must be at arm's length and fully disclosed to the Board. During the year, there were no conflicts of Interest recorded.

Board Committees

The Board constituted four Committees to assist in the effective governance and oversight role of the Scheme. The Committees have specific mandates that are documented in their respective Terms of Reference to ensure accountability. The Board co-opted independent professionals on the Committees to provide technical expertise and guidance to the Trustees. The Committees, their membership and a summary of their mandates are detailed hereunder: -

- **Finance and Administration Committee (FAC)**

Hon. Dr. Francis Epetait	-	Chairperson
Mr. Aloysius Makata	-	Member
Mr. Okello .G. Obabaru	-	Co-opted Member

The Finance and Administration Committee assists the Board in ensuring best practice in governance and administration of Scheme operations.

- **Investment and Custody Committee (ICC)**

Hon. Mugume Roland	-	Chairperson
Hon. Kyeyune Kasolo	-	Member
Mr. Kirunda Solomon	-	Member
Prof. Ocaya Bruno	-	Co-opted Member

The Investment and Custody Committee assists the Board in ensuring prudent investment of Members' fund so as to realize competitive rates of return without exposing the Fund to undue risk.

- **Audit and Risk Committee (A&RC)**

Hon. Cecilia Ogwal	-	Chairperson
Hon. Oduman A. C Okello	-	Co-opted Member
Mr. Mugisha Stephen	-	Co-opted Member

The Audit and Risk Committee assists the Board of Trustees in overseeing the integrity and quality of financial statements, effectiveness of internal controls and compliance with statutory requirements.

- **Benefits Administration Committee (BAC)**

Mr. Makata Aloysius	-	Chairperson
Mr. Solomon Kirunda	-	Member
Hon. Alice Alaso Asianut	-	Co-opted Member
Mr. Charles Olichó	-	Co-opted Member

The Benefits Administration Committee assists the Board of Trustees in ensuring that members' benefits are accurately computed and paid in time.

Committee Meetings

During the reporting period, the Committees held a number of Committees meetings as follows: -

Finance and Administration Committee	-	6 meetings
Investment and Custody Committee	-	4 meetings
Audit and Risk Committee	-	5 meetings
Benefits Administration Committee	-	4 meetings
Loans Committee	-	5 meetings

Management

The Scheme is internally administered by a team of Eleven (11) qualified staff under the supervision of the Chief Operations Manager.

The Board has continued to strengthen the professional capacity of staff through training in order to improve service delivery. The Scheme's Management is comprised of:

Name	Designation
Ms. Nightingale Mirembe Ssenoga	Chief Operations Manager
Ms. Kizito Elsie	Finance Manager
Mr. Edward Basheka	Benefits Administration Manager
Ms. Susan Nyamwezi	Head of Internal Audit

SCHEME MEMBERSHIP

At the end of the Financial Year, the Scheme had a membership of 973 composed of 853 active members (316 women and 537 men), 2 deferred members, 109 pensioners and 9 beneficiaries as shown in Table 2 below:

Table 2: Scheme Membership

	Active Members		Deferred Mem- bers		Pensioners		Beneficiaries	
	MPs	Staff	MPs	Staff	Staff	MPs	Staff	MPs
At 1 st July 2018	448	394	0	2	27	82	3	3
New Entrants	8	10	0	0	3	0	0	3
Deceased	0	(1)	0	0	0	0	0	0
Leavers	(1)	(2)	0	0	(2)	(1)	0	0
Retired	0	(3)	0	0	0	0	0	0
At 30th June 2019	<u>455</u>	<u>398</u>	<u>0</u>	<u>2</u>	<u>28</u>	<u>81</u>	<u>3</u>	<u>6</u>
Membership in Au- dited Financial statements as at June 2019.	<u>855</u>				<u>118</u>			

CUSTODY AND INVESTMENT ARRANGEMENTS

In compliance with the Uganda Retirement Benefits Regulatory Authority Act, the Board of Trustees appointed Standard Chartered Bank to provide Custody services during to the Scheme.

Stanlib and GenAfrica Asset Managers were responsible for the investment management of the Scheme's investment assets.

LOANS TO MEMBERS

A total of UgX. 12,632,350,000 was disbursed to 150 members during the year ended 30th June 2019. The return on the loan portfolio was UgX. 1,877,147,935 contributing 6.60% of the total investment income.

INTEREST TO MEMBERS

During the Annual General Meeting held on 22nd February 2019, the Board of Trustees declared an additional 2% interest to active members for the financial year 2017/2018 over and above the 8% guaranteed interest. The additional declaration was equivalent to UgX 2,817,511,013. Member statements have been updated with the declared returns. For the year 2018/2019 a total of UgX. 15,300,214,223 representing the 8% guaranteed interest has been provided for and posted to the Members' accounts.

The Board of Trustees has approved an interest of 8% per annum to be credited to the Members' account in line with the recommendations of the Actuary.

FUNDING STATUS

The Board of Trustees conducts periodic actuarial valuation in accordance with Section 71 of Uganda Retirement Benefits Regulatory Act. The Actuarial Valuation was done as at 30th June 2017 and the Scheme was found to be financially sound with a funding level of 105.8%. Consequently, an additional 3% was declared reducing the funding level to 102.2%.

INVESTMENT REPORT AND STRATEGY

Investment Policy

The Board has adopted a moderate risk approach to drive the investment strategy of the Scheme. The Investment Policy Statement for the period 2018 – 2021 has been used to monitor the Investments of the Scheme for the FY 2018/2019.

The policy carefully balances the intent of maximizing the long-term returns while minimizing short-term volatility and other risks.

The Board has maintained the strategic target return of 11.5% [after tax] on invested funds in line with the moderate risk approach adopted.

The implementation of the policy is delegated to the Investment Managers whose performance is closely monitored by Management and overseen by the Investment and Custody Committee of the Board.

Strategic Asset Allocation

The strategic allocation of investable funds to different asset classes allowed for short-term deviations, management of emerging market conditions and exploitation of exceptional opportunities. The tactical ranges that were used are detailed hereunder.

Asset Class	Minimum (%)	Strategic Weight (%)	Maximum (%)
Treasury bills	3.00	5.00	10.00
Term Deposit	2.00	3.00	5.00
Call Deposits	0.00	1.00	5.00
Uganda Treasury Bonds	40.00	48.00	60.00
Uganda Corporate Bonds	0.00	7.00	12.50
Domestic Equities	5.00	9.00	15.00
EAC Equities	10.00	20.00	25.00
Loans*	3.00	5.00	7.00
Private Equity	0.00	1.00	2.00
Property	0.00	1.00	4.00

* Loans asset class is administered internally by the Scheme Management.

Investment Environment

Investments were majorly held in Uganda at 85.5% while 14.5% was in Kenya.

The interest rates in Uganda slightly reduced with the benchmark 91-day Treasury Bills closing at 9.5% from 9.8% in 2017/2018. The Uganda shilling appreciated by 2.8% against the US dollar, closing at UgX 3,729 in June 2019.

The interest rates in Kenya declined from 7.72% in June 2018 to 6.81% in June 2019. The capping of interest rates by the Central Bank of Kenya reduced credit access by Small and Medium Enterprises. This led to increased demand on Government Securities resulting into a decline of the interest rates on 91 Day Treasury Bill. The poor performance in the Local Stock market affected the Scheme's return on equity investments during the reporting period. The Kenya shilling gained 0.5% against the US dollar closing at KES 100.86.

Strategy

The Scheme maintained a moderate approach to risk. There was a decline in investments under corporate bonds and Treasury bills. There was an introduction of Member loans in the Investment portfolio. The portfolio mix at the end of the reporting period was as follows:

Table 3: Portfolio Mix

Asset Class	Amount (UgX.Bn)	Proportions (%)
Equities	47.95	18.64
Government Bonds	149.15	57.99
Treasury Bills	19.34	7.52
Corporate Bonds	0.420	0.16
Others	5.191	2.02
Loans	14.65	5.70
Fixed Deposit	20.51	7.97
Total	257.211	100.00

Investment Performance

The gross investment income earned during the year increased from 20.92 billion to 28.47 billion, representing a 36.09% growth. This was due to increased volume of investments during the year.

The net investment revenue declined from 23.06 billion the previous year to UgX.19.97 billion, representing 13.40% decline. This was attributed to the poor performance on the equity market. The net income after tax was UgX. 17.51 billion compared to UgX. 18.96 billion in FY 2017/2018.

The income realized from different asset classes is summarized in Table 4 below:

Table 4: Income from different asset classes

Asset Class	Amount	Proportions (%)
	(UGX.bn)	
Equities	2.57	9.03
Government Bonds	19.00	66.73
Treasury Bills	3.749	13.17
Corporate Bonds	0.051	0.18
Other Incomes	0.033	0.12
Loans	1.88	6.60
Fixed Deposit	1.19	4.17
Total	28.473	100.00

The return on investable assets before tax was 8.77% compared to 13.0% in 2018. The return after tax was 7.69% compared to 11% of last year.

Amendment to the Tax Law

With effect from 1st July 2019, withholding tax on treasury bonds with maturities greater than 10 years was reduced from 20% to 10%. This amendment is expected to increase the investment income generated by the Scheme from the investments in treasury bonds.

Kenya government repealed its law on interest rates capping for the banking sector. As a result, it is expected that private sector borrowing will increase and boost private sector performance and economic growth. The Board anticipates an improved investment environment in FY 2019/2020.

Signed on behalf of the Board of Trustees by: -



.....
CHAIRPERSON, BOARD OF TRUSTEES



.....
MEMBER, BOARD OF TRUSTEES



.....
MEMBER, BOARD OF TRUSTEES

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act and regulations oblige the Trustees to make available to Scheme members and other parties, audited financial statements for each year which show a true and fair view of the financial transactions of the Scheme during the reporting period and of the amount and disposition at the end of the Scheme year of the assets and liabilities.

It also requires the Trustees to ensure that the Scheme keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Scheme and safeguarding the assets of the Scheme.

Responsibilities

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by URBRA Act and regulations, and for such internal controls as Trustees determined necessary to enable the preparation of financial statements, whether due to fraud or error.

The Board of Trustees hereby confirm that, during the period under review, in the execution of their duties they have complied with their duties imposed by URBRA Act 2011, Regulations and the rules of the Fund, including the following:

- I. Ensured that adequate accounting records are kept inclusive of proper minutes of all resolutions passed by the Board of Trustees; and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities;
- II. Ensured that proper internal control systems were employed by or on behalf of the Fund;
- III. Ensured that adequate and appropriate information was communicated to the members including their rights, benefits and duties in line with the rules of the fund;
- IV. Obtained expert advice on matters where they lacked sufficient expertise;
- V. Ensured that the rules, operation and administration of the fund complied with the URBRA Act and all other applicable legislations; and
- VI. Ensured that Scheme funds were invested and maintained in accordance with the Fund's investment policy statement and investment regulations issued by URBRA.

Approval of the Annual Financial Statements

The Board of Trustees 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 Scheme rules. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and its operating results.

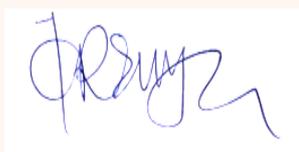
These financial statements have been reported on by M/s Goldgate Certified Public Accountants as appointed by the Auditor General. They were given unrestricted access to all financial records and related data, including minutes of all relevant meetings.

The Board of Trustees believes that all their representations made to the independent auditors in the representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 30 to 33.

These financial statements approved by the Board of Trustees on 2nd October 2019 are to the best of the Board of Trustees' knowledge and belief confirmed to be complete and fairly represent the net assets of the fund as at 30th June 2019 as well as the results of its activities for the period then ended in accordance with IFRS.

We confirm that for the period under review, the Parliamentary Pension Scheme has submitted all regulatory and other returns, and any other information as required by the provision of the URBRA Act 2011 and to the best of our knowledge all applicable legislation.

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



CHAIRPERSON, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

Date: 4th October 2019

REPORT OF THE AUDITORS TO THE MEMBERS OF PARLIAMENTARY PENSION SCHEME FOR THE YEAR ENDED 30TH JUNE 2019

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of the Parliamentary Pension Scheme (PPS) for the year ended 30th June 2019. These financial statements comprise of the statement of changes in Net Assets, Statement of Net Assets, and Statement of changes in Member Funds, cash flow statement together with accompanying statements, notes and accounting policies.

In my opinion, the financial statements present fairly in all material respects, the financial position of the Parliamentary Pension Scheme as at 30th June 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Parliamentary Pensions Act, 2007 as amended, Public Finance and Management Act 2015; the Uganda Retirement Benefits Regulatory Authority Act 2011; and Generally Accepted Accounting Practices.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and Guidelines issued by the Institute of Certified Public Accountants of Uganda. 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 Scheme in accordance with the Constitution of the Republic of Uganda, 1995(as amended), the National Audit Act, 2008, International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Par A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) code of ethics and other independence requirements applicable to performing audits of the financial statements in Uganda. I have fulfilled our 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 Matters (KAM)

Key audit matters are those matters that, in my professional judgment, are of most significance of my audit of the financial statements of the current period. I have determined there are no key audit matters described to communicate in my report.

Other information

The Accounting Officer is responsible for other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by Head of Accounts and the Accounting Officer and other supplementary information. The other information does not include the financial statements and my auditors' report thereon. My opinion on the financial statements does not cover other information, and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent 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 material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Management Responsibilities for the Financial Statements

Management are responsible for preparation and fair presentation of financial statements in accordance with the requirements of the Parliamentary Pensions Act, 2007 as amended, the Uganda Retirement Benefits Regulatory Act 2011 and International Financial Reporting Standards on Accrual basis of accounting and for such internal controls control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Scheme'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 management either intends to liquidate the Scheme or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Scheme financial reporting process.

Auditor's Responsibility for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of 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 my 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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's 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 Scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Scheme 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 those charged with governance 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Parliamentary Pensions Act, 2007 as amended, the Uganda Retirement Benefits Regulatory Authority Act, 2011, I report to you based on my audit, that:

- (i) I have obtained all the information and explanations, which, to the best of my knowledge and belief were necessary for the purpose of my audit.

- (ii) In my opinion, proper books of account have been kept by the Scheme so far, as appears from my examination of those books; and
- (iii) The Scheme's statement of changes in Net Assets, Statement of Net Assets and Statement of changes in Members Fund are in agreement with the books of account.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA
14th October, 2019

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019

	Notes	Jun-19 UGX	Jun-18 UGX
Income from dealing with members			
Member Contributions	1.1	12,516,804,671	12,135,111,068
Government Contributions	1.2	25,033,609,339	24,270,222,139
Pension Contributions	1.3	258,479,053	-
Total Contributions		37,808,893,063	36,405,333,207
Outgoing from dealings with members			
Benefits to Members	2	(2,786,352,396)	(3,746,879,161)
Net additions / (withdrawals) from the dealings with members		35,022,540,667	32,658,454,046
Returns on Investments			
Investment Income	3	28,473,767,577	20,922,274,173
Fund expenses	4	(1,690,031,996)	(1,568,832,549)
Net investment income before tax		26,783,735,581	19,353,441,624
Other comprehensive incomes			
Change in the value of Equities	7.1.6	(8,867,914,856)	7,332,160,522
Changes in the value of Bonds	7.1.4	2,210,454,094	(3,502,297,935)
Foreign exchange gain/(loss)	7.1.10	(128,032,501)	(94,074,045)
Impairment Loss		-	(3,955,476)
Profit/Loss on sale of Investments	7.1.9	(27,486,374)	(25,968,039)
Loss (Gain) in the value in the investments		(6,812,979,637)	3,705,865,027
Change available for members before Tax and guaranteed Interest			
Other incomes	5	2,776,991,036	2,743,180,781
Impairment loss on the asset held for sale	7.1.12	(2,256,854)	-
Management expenses	6	(2,855,695,111)	(2,846,654,736)
Net Administrative Deficit / (Surplus)		(80,960,929)	(103,473,955)
Increase in Net Asset before tax		54,912,335,682	55,614,286,742
Income Tax Charge (Credit)	25	(2,458,994,550)	(4,094,126,507)
Increase in Net Asset after tax during the Year		52,453,341,132	51,520,160,235
Guaranteed Interests to Members	15	(15,300,214,223)	(10,973,687,615)
Net Increase (Decrease) in Net Assets		37,153,126,909	40,546,472,620

The accounting policies and notes to the financial statements on pages 39 to 71 form an integral part of these financial statements.

The financial statements were approved by the Board on **2nd October 2019** and were signed on its behalf by:



CHAIRPERSON, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

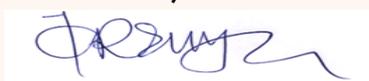
Date: 4th October 2019

STATEMENT OF NET ASSETS AS AT JUNE 30, 2019

	Notes	Jun-19 UGX	Jun-18 UGX
Non-Current Assets			
Property Plant and Equipment	21	331,237,306	315,010,114
Computer Software	22.3	975,677,468	63,800,256
Medium / Long term Investments	7.1	199,090,149,749	142,724,850,901
Sub total		200,397,064,523	143,103,661,271
Current Assets			
Short term Investments	8.1	52,934,647,646	56,024,388,814
Receivables	9	607,452,596	437,341,097
Tax Asset	28.1	504,068,871	1,254,386,745
Withholding Tax Receivable	28.1	303,429,541	227,324,272
Deferred Tax Asset	29	2,028,877,685	-
Cash and Bank balances	10	2,223,911,578	6,709,295,601
Subtotal		58,602,387,918	64,652,736,529
Current Liabilities			
Creditors and Accruals	11	1,185,322,472	2,041,254,949
General Reserve Account	18	961,917	57,034,207
Deferred Tax Liability	29	-	1,103,957,906
Subtotal		1,186,284,389	3,202,247,062
Other Liabilities			
Long term liability	11.2	602,000,000	-
Total Net Current Assets		56,814,103,529	61,450,489,467
Net Total Assets	17	257,211,168,052	204,554,150,738

The accounting policies and notes to the financial statements on pages 39 to 71 form an integral part of these financial statements.

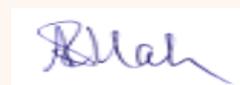
The financial statements were approved by the Board on 2nd October 2019 and were signed on its behalf by:



CHAIRPERSON, BOARD OF TRUSTEES
Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES
Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES
Date: 4th October 2019

STATEMENT OF CHANGES IN THE MEMBERS FUND AS AT JUNE 30, 2019

	Notes	Jun-19 UGX	Jun-18 UGX
Accumulated fund at the start of the year		203,773,888,071	152,131,344,122
Accumulated Actuarial Reserve	13	(5,624,747,337)	-
Actuarial Surplus at the start of the year	13	-	(8,360,744,000)
Declared Interest to members	13	-	2,735,996,663
Net change available for members	5.0	37,234,087,838	40,649,946,575
Guaranteed interest to members	15	15,300,214,223	10,973,687,615
Unvested reserve	14	(19,012,722)	18,909,759
Accumulated Actuarial Reserve	13	5,624,747,337	5,624,747,337
Members Accumulated fund as at June 30.	17	256,289,177,410	203,773,888,071

The accounting policies and notes to the financial statements on pages 39 to 71 form an integral part of these financial statements.

The financial statements were approved by the Board on **2nd October 2019** and were signed on its behalf by:



CHAIRPERSON, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES

Date: 4th October 2019

STATEMENT OF CASH FLOWS AS AT JUNE 30, 2019

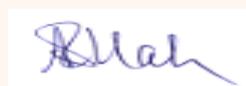
	Jun-19 UGX	Jun-18 UGX
Cash-flows from operating activities		
Contributions during the year	37,808,893,063	36,405,333,207
Taxes paid	-	(478,793,536)
Gain (Loss) in the Value of Investments	(6,812,979,637)	3,705,865,027
Unvested benefits	(19,012,722)	(4,795,806)
Other incomes	2,776,991,036	2,741,512,285
Expenses paid	(7,332,079,503)	(8,162,366,446)
Decrease(increase) in Payables	(1,413,962,673)	784,283,127
Decrease (increase) in Receivables	2,960,607,443	(123,943,803)
Net cash from operating activities	27,968,457,007	34,867,094,055
Cash-flows from investing activities		
Investment income (net)	23,738,238,394	17,489,250,736
Increase(Decrease) in investment	(55,161,292,724)	(46,483,847,512)
Purchase of assets	(1,030,786,700)	(250,278,445)
Net cash used in investing activities	(32,453,841,030)	(29,244,875,221)
Net Increase / (decrease) in cash and cash equivalents	(4,485,384,023)	5,622,218,834
Movement in cash and cash equivalents		
Cash balance at start of the year	6,709,295,601	1,087,076,767
Net Decrease(increase) during the year	(4,485,384,023)	5,622,218,834
Cash balance at June 30	2,223,911,578	6,709,295,601

The accounting policies and notes to the financial statements on pages 39 to 71 form an integral part of these financial statements.

The financial statements were approved by the Board on **2nd October 2019** and were signed on its behalf by:



CHAIRPERSON, BOARD OF TRUSTEES
Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES
Date: 4th October 2019



MEMBER, BOARD OF TRUSTEES
Date: 4th October 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Accounting Policies

The principle accounting policies adopted in the preparation of the financial statements are set out below;

(a) Basis of Preparation

The financial statements are prepared in compliance with the International Financial Reporting Standards. The financial statements summarize the transactions of the Scheme and deal with the net assets at the disposal of the Board of Trustees.

The preparation of financial statements in conformity with international Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

The Board identifies all significant accounting policies as documented in the Finance Manual. The Financial statements have been prepared on accrual basis.

(b) Contributions and Contributions Receivable

The contributions from Members and the Sponsor are accounted for in the period in which they fall due.

(c) Benefits Payable

Pension and benefits payable to members are taken into account in the period in which they fall due. Benefits due are accounted for in the period in which the Sponsor notifies the Trustees.

(d) Cash and cash equivalents

For the purpose of the cash flow, cash and cash equivalent comprise of cash at hand, cash at bank and cash deposits held on call.

(e) Revenue Recognition

Revenue is recognized on accrual basis.

(f) Investment income

Investment income includes interest and dividends from investments. The interest income is recognized on an accrual basis using the effective yield method based on the actual purchase price.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

(g) Funding Policy

Parliamentary Pension Scheme is a contributory Hybrid Cash Balance Retirement Benefit Plan for Members of Parliament and Staff of the Parliamentary Commission. Members of Parliament may serve for five years or more whereas staff members of the Parliamentary Commission are generally on long term engagement.

The benefits of members are based on the accumulated Scheme credit. This rate is reviewed by the Board of Trustees based on investment performance.

The Board of Trustees is required under the Parliamentary Pensions Act to maintain long term solvency and sustainability of the Scheme. The Board is therefore committed to ensure full funding of the Scheme liabilities.

To realize the funding objective, the Scheme has a clear contribution schedule of 15% and 30% of the basic salary by the Member and Sponsor respectively.

Further, investment of Scheme assets forms a major strategy in funding the Scheme liabilities.

(h) The Presentation Currency

The financial statements are presented in the functional currency of Uganda shilling (UGX).

(i) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprises and a financial liability of another enterprise.

Financial instruments held by the Scheme include term Fixed deposits, Treasury bills and Bonds, Corporate bonds and shares. The appropriate classification of the financial instruments is determined at the time of purchase.

Recognition

The Scheme recognizes fixed deposits, treasury bills, Government bonds, shares and corporate Bonds on the date which they are purchased Regular purchases of financial assets are recognized on the trade date at which the Scheme commits to purchase them.

For a financial asset initially measured at cost, the transactions costs that are directly attributable to its acquisition or issue shall be part of the value of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

Measurement

Amortized cost measurement

Fixed income investments (Fixed deposits, Treasury Bills and Corporate Bonds) are held to Maturity and are measured at amortized cost less impairment losses if any, Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Mark at Market

Financial instruments (Government bonds and shares) are measured initially at cost, including transactions costs. Subsequently, all available-for-sale assets are measured at fair value, except any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, plus transaction costs, less impairment losses. In the case of marketable securities, the fair value is market value.

Fair value measurement principle

A fair value of financial instruments is based on their market price at the period end date without any deduction costs.

Investments that have a fixed redemption value and that have been acquired to match the obligations of the Scheme, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate or return to maturity. Fair value gains / (losses) arising on investments are credited/ (debited) to the statement of changes in net assets.

De-recognition

This Scheme derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. A financial liability is derecognized when it is extinguished.

Impairment

At each statement of net assets date, the Scheme assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired Financial assets are impaired when the objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, the loss event has an impact on the future cash flows of the assets and can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

Objective evidence that the financial assets are impaired can include indications that an issuer will enter bankruptcy, the disappearance of an active market for security, or other observable data relating to a group of assets such as adverse changes in issuers environment, or economic conditions that correlate with defaults in the Scheme.

During the year there was evidence of impairment loss on the assets held for sale of UgX. 2,256,854. The impairment losses were written off through the Statement of Other Comprehensive Incomes.

Valuation of the unlisted equities

The Scheme as at 30th June 2019 didn't have any unlisted equities.

Re-classifications

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available for sale and re-measured at fair value, and the difference between its carrying amount and fair value is recognized in other comprehensive income. Held to maturity is revalued at Amortized cost.

(j) Government Grants

Government Grant is recognized over the period in which the Scheme qualifies to receive it and expense the related costs for which the grant is intended.

(k) Property, Plant and Equipment

The property, Plant and Equipment are stated at historical cost, less adjustment for depreciation.

The depreciation rates

Depreciation is calculated on straight-line basis at annual rate estimated to write down the cost of each asset to its residual value as follows:

Furniture and Fitting	12.5%
Motor Vehicles	25.0%
Office Equipment	20.0%
Computer Equipment	33.3%
Computer Software	33.3%

Depreciation for assets acquired in the course of the year is calculated on a pro rata basis depending on the number of months the asset has been in use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

(l) Foreign Currency Transactions

Transactions in foreign currencies are converted into Uganda shillings (UGX) at the exchange rate ruling on the transaction dates. Gains or losses resulting from these transactions are recognized in the statement of Changes in Net Assets under other comprehensive incomes. Gains or losses as a result of revaluation as at 30th June 2019 have been recognized in the Statement of Changes in Net Assets under other Comprehensive Incomes.

(m) Employment Benefits

The Scheme makes contributions to a Statutory Provident Fund, the National Social Security Fund (NSSF). The contributions are determined under a statute and are shared between the employer and employee at 10% and 5% respectively. The Scheme also contributes to staff gratuity based on the employer basic salary.

(n) Donated Assets

The transferred assets acquired from the Parliamentary Commission have been recognized in the records of the Scheme using the IAS 20 which applies to government non-monetary grant using the Income approach. All donated assets were fully depreciated at 30th June 2019.

(o) Comparatives

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

(p) Expenses

Expenses accounted for on an accrual basis.

(q) Revaluation of Assets

During the period ended 30th June 2019, the Motor vehicle was revalued by Ministry of Works and Transport at an estimated book value of UgX. 47,000,000. A revaluation account has been created to cater for the cost of revaluation and shall be reduced annually by the depreciation value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

	Note	2019 UGX	2018 UGX
1. Contribution Income			
1.1 Members contribution			
staff Contributions		3,378,831,671	3,153,099,068
MPs Contributions		9,137,973,000	8,982,012,000
Total Members Contribution		12,516,804,671	12,135,111,068
1.2 Government Contribution			
Government Contribution for Staff		6,757,663,339	6,306,198,139
Government Contribution for MPs		18,275,946,000	17,964,024,000
Total Government Contribution		25,033,609,339	24,270,222,139
1.3 Pension Contribution			
Pension Suspension Contribution	11.3	258,479,053	-
Total		258,479,053	-
2. Benefit to Members			
Staff Retirement Lump-sum		243,410,045	432,333,430
Staff - Death in service benefit		61,744,085	121,203,098
Staff - Withdrawal benefit		246,413,435	-
MPs - Death in service benefit		5,351,999	608,147,238
MPs - Withdrawal benefit		213,762,859	550,334,250
MPs - Retirement Lump-sum		82,116,585	153,600,886
Pensions		1,933,553,388	1,881,260,259
Total Benefits to Members		2,786,352,396	3,746,879,161
3. Investment Income			
Interest on Treasury Bills		3,749,881,304	1,600,326,754
Interest on Fixed Deposits		1,195,773,790	1,676,931,334
Interest from Corporate Bonds		50,518,506	72,708,557
Interest from Government Bonds		18,997,557,765	15,010,980,429
Other Incomes		33,383,472	21,066,858
Dividend Income		2,569,504,805	1,360,983,920
Interest Income from Loans		1,877,147,935	1,179,276,321
Total Investment Income		28,473,767,577	20,922,274,173

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

4. Fund expenses

	Note	Jun-19 UGX	Jun-18 UGX
Annual General Meeting and Board Election		141,327,080	111,358,520
Fund Management Fees		641,983,854	493,283,702
Board of Trustees Costs	4.1	647,844,692	732,902,993
URBRA Levy		105,815,699	79,694,034
Benefits Administrations Costs		128,941,796	104,848,300
Actuarial Valuation fees		24,118,875	46,745,000
Total Fund Expenses		1,690,031,996	1,568,832,549

4.1 Board of Trustees costs

Board of Trustees Capacity Building		376,944,692	477,602,993
Honorarium		270,900,000	255,300,000
Total Board of Trustees costs	4	647,844,692	732,902,993

5. Other Incomes

5.1 Other Incomes

Grant revenue		2,728,081,004	2,728,081,004
Donation income		630,951	1,668,496
Investment income on operational funds		48,279,081	13,431,281
Total other Incomes		2,776,991,036	2,743,180,781

6 Management Expenses

Board of Trustees Meetings		116,478,847	143,560,275
Personnel costs		2,077,077,026	2,143,579,883
Staff Capacity Building		253,000,981	294,863,633
Travelling expenses		21,712,027	10,707,850
Organization structures		45,309,235	48,000,000
Office Administration, supplies/others		157,743,849	66,948,393
Audit fees		24,950,000	24,308,000
Publicity and Communications		1,780,000	6,600,000
Bank charges		10,217,704	5,313,276
Depreciation		147,425,442	102,773,426
Total other Incomes		2,855,695,111	2,846,654,736

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

7. Investments

7.1 Long-term Investments

	Note	Jun-19 UGX	Jun-18 UGX
Corporate Bonds	7.1.1	378,037,500	504,050,000
Government Treasury Bonds	7.1.2	144,689,035,091	89,888,049,237
Loan Portfolio	7.1.3	6,065,369,598	6,640,771,846
Shares & Equities	7.1.5	47,957,707,560	45,691,979,818
Total		199,090,149,749	142,724,850,901

7.1.1 Corporate Books

African Development Bank - maturing in 2023		378,037,500	504,050,000
Total		378,037,500	504,050,000

7.1.2 Government Treasury Bonds (Government of Uganda)

Two-Year Government Treasury Bond		1,548,371,476	2,163,926,545
Three-Year Government Treasury Bond		7,954,422,132	16,931,225,082
Four -Year Government Treasury Bond		3,322,549,125	3,273,359,521
Five-Year Government Treasury Bond		42,037,529,171	39,745,109,552
Ten-Year Government Treasury Bond		69,055,948,166	18,667,467,013
Fifteen-Year Government Treasury Bond		20,770,215,021	9,106,961,524
Total		144,689,035,091	89,888,049,237

7.1.3 Long term outstanding Loan Portfolio

Loans (More than one year)		6,065,369,598	6,640,771,846
Total		6,065,369,598	6,640,771,846

7.1.4 Changes in the value of Bonds

The changes in the value of Bonds arose as a result of the increase or decrease in the market price of the Government Bonds in the active market. The market prices were obtained as published by the Central Bank of Uganda for the bonds being traded. In the period ended 30th June 2019, the fund increased its investment in Government Bonds with high yields. The reduction in interest rates increased the values of the bonds. The net increase in value of the bonds was UgX. 2,210,454,094 as reported in the statement of changes in the net assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

7.1.5 Investment in Shares

The Scheme invested in equities as follows;

	No. of shares No	Jun-19 Value UGX	Jun-18 Value UGX
Equities at the Uganda securities Exchange(USE)			
Bank Of Baroda (U) Ltd	23,159,563	2,981,330,545	3,473,934,450
DFCU (U) Ltd	4,198,728	2,813,147,760	4,072,766,160
Stanbic Bank (U) Ltd	142,398,290	4,129,550,410	4,388,570,464
Umeme	4,880,592	1,464,177,600	1,464,177,600
Total Market Value of Equities at the Uganda Securities Exchange(USE)	174,637,173	11,388,206,315	13,399,448,674
Equities at the Nairobi securities Exchange(USE)			
Atlas Development and Support Services	98,000	-	-
Bamburi Cement	210,400	861,453,602	1,447,711,904
Barclays Bank Kenya	2,698,000	1,019,309,756	866,631,722
BAT Kenya	15,000	271,149,750	345,960,000
Centum Investments	48,240	54,762,705	68,610,787
CFC Stanbic of Kenya Holding Ltd	54,720	195,852,549	192,464,467
Cooperative Bank of Kenya	4,730,527	2,052,290,028	2,119,494,187
Diamond Trust Bank	207,080	881,550,137	319,751,608
East African Breweries Ltd	3,116,600	4,388,705,848	2,575,585,172
Equity Group Holding	505,952	3,653,793,930	3,462,007,305
Flame Tree Group Holding	106,564	10,016,865	23,452,905
I&M Holdings Ltd	43,360	86,218,390	95,838,608
Jubilee Holdings Ltd	8,612	124,463,050	167,177,866
Kenya Commercial Bank	3,828,267	5,293,971,564	4,758,712,426
KenGen Company	-	-	77,441,224
Kenol Kobil Ltd	-	-	516,451,702
Kenya Power and Lighting	-	-	355,628,429
Nation Media Group	20,771	36,796,070	134,132,152
NIC Bank Limited	844,482	934,242,819	1,152,397,027
Nairobi Stock Exchange Ltd	56,160	24,872,024	38,210,590
Safaricom Ltd	15,967,315	16,221,318,736	12,772,600,740
Stanlib Fahari I-Reit	689,520	229,341,495	499,180,302
Standard Chartered Bank (K) Bank	32,622	229,391,927	303,090,021
Equities at the Nairobi Securities Exchange(USE)	33,282,192	36,569,501,245	32,292,531,144
Total	207,919,365	47,957,707,560	45,691,979,818

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

7.1.6 Changes in the value of Equities (Shares)

The change in the value of equities (shares) arises as a result of the increase or decrease in the market price of the shares in the active market. The market prices were obtained as published by the Uganda Securities Exchange for the Ugandan listed equities and the Nairobi Securities Exchange for the Kenyan listed equities. In the financial year ended 30th June 2019, there was reduction in market prices that resulted into a cumulative loss of UgX 8,867,914,856. The reduction in market prices was attributed to changes in sentiments of investors that led to foreign and local investors reducing their share-holdings at the NSE to target higher returns reflected by the increased Federal rate.

7.1.7 Valuation of Equities (Shares)

The Scheme used the Bank of Uganda average exchange rate in the valuation of the Shares for the regional equities.

7.1.8 Bonus Shares

The Scheme received 21,680 bonus shares from I&M Holdings Limited worth UgX.45,311,200 as at 30th June 2019.

7.1.9 Profit/Loss on sale of Investment

During the period, the Scheme sold equity shares as shown in Table 4 below:

Table 5: Shares sold as at 30th June 2019

Company	Number of Shares sold
Standard Chartered Bank	7,200
KenGen Company	287,800
Kenya Power and Lighting Co.	1,340,800
Nation Media Group	18,000
Flame Tree Group Holdings	65,300
Kenolkobil	742,280
Diamond Trust Bank	16,720
Stanlib Fahari I-REITs	459,680

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

The sale resulted into a net loss of UgX.27,486,374 and has been reported in the Statement of Changes in Net Assets.

7.1.10 Foreign Exchange gain/Loss

The Scheme registered a net unrealized loss of UgX.128,032,501 arising from the re-valuation of Kenyan dividends and the currency translation of Kenya Shillings. The net unrealized loss has been reported in the statement of Changes in net assets.

7.1.11 Impairment of Atlas Shares

In 2015, the Scheme purchased 98,000 shares with Atlas development and support Services. In 2017, the counters for Atlas were closed by NSE. As at 30th June 2018, the value of the Shares was UgX. 3,955,476. The value was written off as at 30th June 2018. During the year ended 30th June 2019, there was no active trading in Atlas shares and the company is still under liquidation.

7.1.12 Impairment loss on assets held for sale

In 2016, assets worth UgX. 2,256,854 were put out on sale through the PDU of Parliamentary Commission but have not yet been sold. The Scheme has written them off as at 30th June 2019.

8.1 Short Term Investment

	Note	Jun-19 UGX	Jun-18 UGX
Fixed Deposits Investments	8.1.1	20,509,192,457	18,047,796,537
Treasury Bills Investments	8.1.2	19,345,406,446	31,133,933,436
Corporate Bonds due in 12 months	8.1.3	19,779,230	27,985,928
Loan Portfolio	8.1.5	8,592,711,994	4,183,790,642
Treasury Bonds due in 12 months	8.1.4	4,467,557,519	2,630,882,271
Total		52,934,647,646	56,024,388,814

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

8.1.1 Fixed Deposits (Commercial Banks)

Fixed deposits (maturing within 0-12 month)	20,397,138,908	17,865,406,135
Interest receivable on all Fixed Deposits	112,053,549	182,390,402
Total	20,509,192,457	18,047,796,537

8.1.2 Treasury Bills (Bank of Uganda)

182-Day Treasury Bills	614,336,000	7,187,836,000
364-Day Treasury Bills	17,751,027,832	22,515,140,771
Interest Receivable on all Treasury Bills	980,042,614	500,285,665
Total	19,345,406,446	31,133,933,436

8.1.3 Corporate Bonds Interest receivable in 12 months

African Development Bank Bond	19,779,230	27,985,928
Total	19,779,230	27,985,928

8.1.4 Government Treasury Bonds Interest receivable in 12 months

	Jun-19 UGX	Jun-18 UGX
Two-Year Government Treasury Bond	37,395,605	58,407,176
Three-Year Government Treasury Bond	307,343,439	728,976,119
Four -Year Government Treasury Bond	105,238,357	104,153,425
Five-Year Government Treasury Bond	1,063,137,308	997,235,158
Ten-Year Government Treasury Bond	2,267,122,927	518,606,988
Fifteen-Year Government Treasury Bond	687,319,883	223,503,405
Total	4,467,557,519	2,630,882,271

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

8.1.5 Short term outstanding Loan Portfolio

Loans recoverable within 12 months	8,397,641,107	4,042,687,760
Interest Receivable	195,070,887	141,102,882
Total	8,592,711,994	4,183,790,642

9. Receivables

Dividend Income Receivable	479,165,199	236,858,437
NALECO SACCO	39,447,000	39,447,000
Other Debtors	81,387,742	159,510,139
CIC Insurance	7,452,655	-
Contributions Receivables	9.1 -	1,525,521
Total	607,452,596	437,341,097

9.1 Contributions Receivables

Contributions due over 30 days	9	1,525,521
Contributions due over 60 days	-	-
Total	-	1,525,521

Contribution Receivables of UgX. 1,525,521 have been offset against the staff Contribution income as it shall not be remitted by the Sponsor. Three staff were promoted to positions where mileage is replaced with a provision of a motor vehicle. This resulted into a reduction in their pensionable remuneration.

10. Cash and Cash Equivalents

	Jun-19 UGX	Jun-18 UGX
Centenary Bank	753,261,681	396,368,123
Standard Chartered Bank (Operations)	438,693,451	378,717,303
Standard Chartered Bank (Loans)	655,039,116	953,651,094
Orient Bank	373,359,787	190,066,237
Standard Chartered Bank (UGX)SL	7,652	36,539,289
Standard Chartered Bank (UGX)GA	-	623,955
Standard Chartered Bank (KES)SL	2,455	4,690,132,535
Standard Chartered Bank (KES)GA	3,244,336	62,937,065
Cash book	303,100	260,000
Total	2,223,911,578	6,709,295,601

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

11. Creditors and Accruals

	Notes	Jun-19 UGX	Jun-18 UGX
Benefits Payable	11.1	346,746,618	852,207,743
Pensions Payable		107,328,088	399,715,512
WHT		0	8,684,836
Parliamentary Commission		2,389,986	1,730,027
Staff Gratuity		340,049,390	248,961,187
Sundry Creditors		388,808,390	529,955,644
Total		1,185,322,472	2,041,254,949

11.1 Benefits Payable

		Jun-19 UGX	Jun-18 UGX
MPs Death in Service Benefits due for over a year.		175,484,170	563,018,703
MPs Death in Service Benefits due in 60 days.	-		139,651,877
MPs withdrawal Benefits due in 60 days			121,018,079
MPs Withdrawal Benefits due over one year.		0	28,519,084
Staff Death in service Benefits due in 60 days.		68,601,639	0
Staff Withdrawal Benefits due in 60 days.		102,660,809	0
MPs Retirement Benefits due in 60 days.		0	0
Total	11	346,746,618	852,207,743

11.2 Other Long Term Liabilities

During the year ended 30th June 2019, the Scheme contacted Systech Africa and commenced upgrade of the Pension Administration System to improve services to the members. The Liability expires in 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

	Jun-19
	UGX
Systech Africa Limited	<u>602,000,000</u>
Total	<u><u>602,000,000</u></u>

11.3 Pension Contributions

During the year ended 30th June 2019, Members who were once pensioners and re-elected were reintroduced to the Active Member class. Their pension balances were converted to lump sum of UgX. 254,479,053 and credited on their member statements as contributions brought forward.

12. Movement in the Administrative reserve account

	Notes		
		Jun-19	Jun-18
		UGX	UGX
Administrative Reserve at the start of the year		589,565,479	693,039,434
Movement in the Revaluation Reserve		6,854,169	-
Administrative Surplus /(Deficit) during the year		<u>(80,960,929)</u>	<u>(103,473,955)</u>
Administrative reserve as at June 30.		<u><u>515,458,719</u></u>	<u><u>589,565,479</u></u>

13. Movement in the Actuarial Revaluation Reserve Account

For the year ended 30th June 2017, the Board carried out an actuarial review of the Scheme assets and by 30th June 2019, there was a surplus of UgX. 5,624,747,377.

	Note	Jun-19	Jun-18
		UGX	UGX
Actuarial Surplus at the start of the year		5,624,747,337	8,360,744,000
Declared Interest to members as at June 30, 2017		<u>-</u>	<u>(2,735,996,663)</u>
Accumulated Actuarial Reserve as at June 30.		<u><u>5,624,747,337</u></u>	<u><u>5,624,747,337</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

14. Movement in Unvested Reserve Account

	Note	Jun-19 UGX	Jun-18 UGX
Unvested Reserve at the start of the year		56,604,170	37,694,411
Net change during the year		(19,012,722)	18,909,759
Unvested Reserve as at June 30.		37,591,448	56,604,170

15. Interest to Members

The PPA provides a Guaranteed Interest rate of 8% which resulted into an interest provision of UGX 15,300,214,223 for the year ended 30th June 2019. The amount is derived by computing 8% p.a interest on individual members' balances on a monthly basis and accumulated over the period for all members.

	Jun-19 UGX	Jun-18 UGX
Guaranteed Interest (8%)	15,300,214,223	10,973,687,615
Total Guaranteed Interest members	15,300,214,223	10,973,687,615

15.1 Declared Interest

During the Annual General Meeting held on 22nd February 2019, the Board of Trustees declared an interest rate of 10% resulting into an additional interest of 2% for the active members for the financial year 2017/2018 amounting to UGX. 2,817,511,013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

16. Revaluation Account

The Scheme vehicle was fully depreciated in October 2018. A revaluation exercise was carried out by a Board of Survey under the supervision of the Ministry of Works and Transport providing an estimated book value of UgX. 47,000,000. The value was recognized through the Revaluation Account and shall be reduced by the depreciation value of each year. The changes shall be credited to the Administrative reserve.

	Jun-19
	UGX
Revaluation of the Motor Vehicle	47,000,000
Changes in the Administrative Reserve	<u>(6,854,169)</u>
Revaluation Reserve as at June 30.	<u>40,145,831</u>

17. Total Net Assets

	Notes	Jun-19 UGX	Jun-18 UGX
Members accumulated fund	8.0	256,289,177,410	203,773,888,071
Administrative reserves	9.12	515,458,719	589,565,479
Loan Protection fund	9.20	366,386,092	190,066,237
Revaluation Reserve	9.16	40,145,831	-
Deferred Income	9.19	-	630,951
Total net assets as at June 30.	6.0	<u>257,211,168,052</u>	<u>204,554,150,738</u>

18. General Reserve Account

	Jun-19 UGX	Jun-18 UGX
General reserves account at the start of the year	57,034,207	67,560,237
Movement of the general reserve during the year	<u>(56,072,290)</u>	<u>(10,526,030)</u>
General reserve as at June 30.	<u>961,917</u>	<u>57,034,207</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

19. Deferred Income [Donated Assets]

	Jun-19 UGX	Jun- 2018 UGX
Deferred Income opening balance	630,951	2,299,447
Donated Income recognized during the year	(630,951)	(1,668,496)
Deferred Income as at June 30.	-	630,951

20. Loan Protection Fund

In line with the Lending Regulations, Loan Protection fund of 2% was charged on all loans disbursed. Part of it was used to purchase an Insurance Policy against default due to death or permanent disability.

	Jun-19 UGX	Jun-18 UGX
Loan Protection Fund at the start of the year	190,066,237	-
2% Loan Protection fee accumulated during the Year	250,927,000	263,596,000
Insurance Policy Purchased	(78,946,871)	(75,343,444)
Bank Charges	(634,353)	(462,412)
Interest Earned on Account Balance	4,974,079	2,276,093
Loan Protection Fund as at June 30.	366,386,092	190,066,237

21. PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED JUNE 30, 2019

	<u>Donated</u>						Motor Vehicle (revalued) 25%	Total
	Furniture & Fittings 12.50%	Computer Equipment 33.30%	Computer Equipment 33.30%	Furniture & Fittings 12.50%	Office Equipment 20%			
Cost:	UGX	UGX	UGX	UGX	UGX	UGX	UGX	
As at July 01, 2018	103,512,130	263,251,748	12,372,120	20,285,380	112,285,575	111,056,880	622,763,833	
Additions	2,500,000	7,000,000			83,920,000	-	93,420,000	
Revaluation						47,000,000	47,000,000	
As at June 30, 2019	<u>106,012,130</u>	<u>270,251,748</u>	<u>12,372,120</u>	<u>20,285,380</u>	<u>196,205,575</u>	<u>158,056,880</u>	<u>763,183,833</u>	
Depreciation:								
As at July 01, 2018	35,233,722	84,609,396	12,372,120	19,840,423	56,152,772	101,802,140	310,010,573	
Disposals	-	-	-	-	-	-	-	
Charge for the year	13,027,640	70,316,543		444,957	22,037,905	16,108,909	121,935,954	
As at June 30, 2019	<u>48,261,362</u>	<u>154,925,939</u>	<u>12,372,120</u>	<u>20,285,380</u>	<u>78,190,677</u>	<u>117,911,049</u>	<u>431,946,527</u>	
Net Book value:								
As at June 30, 2018	<u>68,278,408</u>	<u>178,642,352</u>	<u>-</u>	<u>444,957</u>	<u>56,132,803</u>	<u>9,254,740</u>	<u>312,753,260</u>	
Assets Held for Sale as at June 30, 2018							<u>2,256,854</u>	
As at June 30, 2019	<u>57,750,768</u>	<u>115,325,809</u>	<u>-</u>	<u>-</u>	<u>118,014,898</u>	<u>40,145,831</u>	<u>331,237,306</u>	

Note: The revaluation was in respect to Motor vehicle, which initially cost UgX. 111,056,880 but was fully depreciated by October 2018. The revaluation was carried out by the Board of Survey under the supervision of the Ministry of Works and Transport. The estimated book value of UgX. 47,000,000 shall be depreciated over a period of 4 years.

The purchased assets comprise of the following:

No.	Asset	Note	Amount [UGX]
1	Property, plant and Equipment	9.21	93,420,000
2	Computer Software	9.22.2	937,366,700
	Total		1,030,786,700

21.1 [PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED JUNE 30, 2018]

	Donated						Total
	Furniture & Fittings 12.50%	Computer Equipment 33.30%	Computer Equipment 33.30%	Furniture & Fittings 12.50%	Office Equipment 20%	Motor Vehicle 25%	
Cost:	UGX	UGX	UGX	UGX	UGX	UGX	UGX
As at July 01, 2017	103,512,130	95,863,503	12,372,120	20,285,380	92,500,175	111,056,880	435,590,188
Additions		167,388,248	-	-	19,785,400	-	187,173,645
As at June 30, 2018	103,512,130	263,251,751	12,372,120	20,285,380	112,285,575	111,056,880	622,763,833
Depreciation:							
As at July 01, 2017	22,469,610	51,240,247	12,372,120	18,171,927	41,690,067	74,037,920	219,981,891
Disposals	-	-	-	-	-	-	-
Charge for the year	12,764,112	33,369,149		1,668,496	14,462,705	27,764,220	89,732,625
As at June 30, 2018	35,233,722	84,609,396	12,372,120	19,840,423	56,152,772	101,802,140	309,714,516
As at June 30, 2017	81,042,520	44,623,256	-	2,113,453	50,810,108	37,018,960	215,608,297
Assets Held for Sale							2,256,854
							13,440,200
As at June 30, 2018	68,278,408	178,642,352	-	444,957	56,132,803	9,254,740	315,010,114

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

22. Computer Software for the year ended June 30, 2019

22.1 Oracle Software

	Jun-19 33.30% UGX	Jun-18 33.30% UGX
Cost:		
As at July 01, 2018	76,545,000	76,545,000
Additions	-	-
As at June 30, 2019	<u><u>76,545,000</u></u>	<u><u>76,545,000</u></u>
Amortization :		
As at July 01, 2018	12,744,744	-
Charge for the year	25,489,488	12,744,744
As at June 30, 2019	<u><u>38,234,232</u></u>	<u><u>12,744,744</u></u>
Net Book value:		
As at June 30, 2018	<u><u>63,800,256</u></u>	-
As at June 30,2019	<u><u>38,310,768</u></u>	<u><u>63,800,256</u></u>

22.2 Work in Progress Account [WIP]

During the year ended June 30 2019, the Scheme signed a 3-year contract to Upgrade the Pension Administration System and installation of a Document Management System. The two systems are work in progress as they are still being designed and not fully implemented.

	Jun-19 UGX
Opening Balance of work in progress	-
Additions during the year:	
Pension Administration System	860,000,000
Document Management System	77,366,700
Work in Progress as at June 30.	<u><u>937,366,700</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

22.3 Total computer Software

	Note	Jun-19 UGX	Jun-18 UGX
Oracle Software	22.1	38,310,768	63,800,256
Work in Progress	22.2	937,366,700	-
Total Computer Software as at June 30.		975,677,468	63,800,256

23. Tax computation for the period ended 30 June 2019

Investment Income	24.2	28,522,046,658	20,935,705,454
Less: Income where WHT is final	24.1	(25,316,943,874)	(17,972,291,103)
Income subject to income tax		3,205,102,784	2,963,414,351
Less: Fund Expenses	24.3	(1,690,031,996)	(1,568,832,549)
Less: Operating Expenses	6	(2,855,695,111)	(2,846,654,736)
Add back disallowable :			
Fund Expenses	24.3	1,500,118,337	1,346,766,906
Operational Expenses	6	2,708,269,669	2,743,881,310
Depreciation	6	147,425,442	102,773,426
Impairment Loss		-	(3,955,476)
Loss on sale of Investments		(27,486,374)	(25,968,039)
Less: Wear and Tear (W&T)		(133,366,115)	(153,021,993)
Taxable Income after W&T	25	2,854,336,636	2,558,403,200

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

24. Total Investment Income

24.1 Income where WHT is final

	Note	Jun-19 UGX	Jun-18 UGX
Interest on Treasury Bills	3	3,749,881,304	1,600,326,754
Interest from Government Bonds	3	18,997,557,765	15,010,980,429
Dividend income	3	2,569,504,805	1,360,983,920
Total Investment Income where WHT is Final		25,316,943,874	17,972,291,103

The Withholding tax [WHT] deducted at source on the above investments is the final tax charged on the incomes.

24.2 Income where WHT is not final

	Note	Jun-19	Jun-18
Interest from Corporate Bonds	3	50,518,506	72,708,557
Other Incomes	3	33,383,472	21,066,858
Interest Income from Operations	5.1	48,279,081	13,431,281
Interest on Fixed Deposits	3	1,195,773,790	1,676,931,334
Interest Income from Loans	3	1,877,147,935	1,179,276,321
Total Investment Income where WHT is not Final		3,205,102,784	2,963,414,351
Total Investment Income	23	28,522,046,658	20,935,705,454

The Withholding tax [WHT] charged on the above investments is not the final tax and a full computation is done for this income as per the Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

24.3 Fund Expenses

Section 122 of the ITA states that all expenses where withholding tax is final shall not be allowed for the purposes of computing Tax liability /asset for the Year. The Scheme has apportioned the Fund management fees as at 30th June 2019 based on the Income approach.

	Notes	Jun-19 UGX	Jun-18 UGX
Total Fund Expenses	4	<u>1,690,031,996</u>	<u>1,568,832,549</u>
Total Investment Income		<u>28,522,046,658</u>	<u>20,935,705,454</u>
Income where WHT is final		<u>25,316,943,874</u>	<u>17,972,291,103</u>
Investment Income where WHT is not final		<u>3,205,102,784</u>	<u>2,963,414,351</u>
Proportion of total investment where WHT is final		<u>89%</u>	<u>86%</u>
Proportion of total Investment where WHT is not final		<u>11%</u>	<u>14%</u>
Disallowed Expenses:			
Fund expenses	23	<u>1,500,118,337</u>	<u>1,346,766,906</u>

25. Tax Expense

	Notes	Portfolio Jun-19 UGX	Totals Jun-19 UGX	Totals June 2018 UGX
Taxable Income	23	<u>2,854,336,636</u>	<u>2,854,336,636</u>	<u>2,558,403,200</u>
Tax Charge	30%	856,300,991	856,300,991	767,520,960
Deferred Tax Charge	29	(3,132,835,624)	(3,132,835,624)	(106,417,890)
Add: Tax deducted at source (WHT)		<u>4,735,529,183</u>	<u>4,735,529,183</u>	<u>3,433,023,437</u>
Tax Expense Charge for the year		<u>2,458,994,550</u>	<u>2,458,994,550</u>	<u>4,094,126,507</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

26. Tax Payment

No provisional tax was paid.

27. Tax Payable

	Notes	Jun-19 UGX	Jun-18 UGX
Tax Charge Payable	25	856,300,991	767,520,960
Less: Provisional Tax Paid during the year	26	-	(478,793,536)
Less: WHT certificates		<u>(105,983,117)</u>	<u>(515,385,297)</u>
Tax Payable (Credit)	28	<u>750,317,874</u>	<u>(226,657,873)</u>
28. Tax Asset Account			
Tax Credit Account		1,481,711,017	1,524,548,147
Tax Credit (payable) for the year	27	(750,317,874)	226,657,873
Add: Withholding Tax during the year		182,088,386	245,890,294
Less:			
Less: WHT Claimed	27	<u>(105,983,117)</u>	<u>(515,385,297)</u>
Tax Asset at year end		<u>807,498,412</u>	<u>1,481,711,017</u>

28.1 Cumulative split of Tax Asset and WHT Receivables

Tax Credit with URA		504,068,871	1,254,386,745
Withholding tax Receivables		<u>303,429,541</u>	<u>227,324,272</u>
Tax Asset at year end	28	<u>807,498,412</u>	<u>1,481,711,017</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

29. Deferred Tax

Deferred tax is calculated in accordance with IAS 12 on all temporary differences under the liability method using a principal tax rate of 30%. The temporary differences arise between tax bases of assets and liabilities and their carrying amounts in the financial statements. The reconciliation of the deferred tax is as highlighted below:

Arising from:

		Jun-19 UGX	Jun-18 UGX
Accelerated Tax Depreciation			
Carrying value as at 30			
June		369,548,074	376,553,516
Written down Value as at 30 June		(319,494,164)	(312,440,279)
Difference		<u>50,053,910</u>	<u>64,113,237</u>
Deferred Tax on Fixed			
assets	30%	<u>15,016,173</u>	<u>19,233,971</u>
Prior Year Adjustment		-	-
Total Deferred Tax for the Year on as-		<u>15,016,173</u>	<u>19,233,971</u>
sets			
Changes in fair value			
Changes in fair value during the Year		<u>(6,684,947,136)</u>	<u>3,705,865,027</u>
Deferred Tax Charge			
for the period	30%	<u>(2,005,484,108)</u>	<u>1,112,946,148</u>
Foreign Exchange losses			
Foreign Exchange losses during the			
Year		<u>(128,032,501)</u>	<u>(94,074,045)</u>
	30%	<u>(38,409,750)</u>	<u>(28,222,214)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

Changes in the Deferred Tax during the Year ended 30th June 2019

	At 1 July	Credit/ Charge for the Period	At 30 June
	2018 UGX	UGX	2019 UGX
Accelerated Tax Depreciation	19,233,971	(4,217,798)	15,016,173
Foreign Exchange losses	(28,222,214)	(10,187,537)	(38,409,750)
Changes in fair Value	1,112,946,148	(3,118,430,289)	(2,005,484,108)
Net deferred Tax (asset) / Lia- bility	1,103,957,906	(3,132,835,624)	(2,028,877,685)

30. Investments Allocations

	Notes	Jun-19 UGX	Jun-18 UGX
Government Treasury Bond	7.1.2/8.1.4	149,156,592,610	92,518,931,508
Fixed Deposits Investments	8.1.1	20,509,192,457	18,047,796,537
Treasury Bills Investments	8.1.2	19,345,406,446	31,133,933,436
Corporate Bonds	7.1.1/8.1.3	397,816,730	532,035,928
Loans	7.1.3/8.1.5	14,658,081,592	10,824,562,488
Shares& Equities	7.1.5	47,957,707,560	45,691,979,818
Total Investments(Short & Long term)		252,024,797,395	198,749,239,715
Allocation per fund Manager			
Gen Africa		105,004,226,925	83,114,696,633
Stanlib		131,923,739,489	104,809,980,594
Parliamentary Pension Scheme		15,096,830,982	10,824,562,488
		252,024,797,395	198,749,239,715

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

30.1 Detailed Allocation per Fund Manager

GenAfrica

	Jun-19 UGX	Jun-18 UGX
Government Treasury Bond	69,297,335,565	46,735,434,568
Fixed Deposits Investments	4,178,687,892	3,871,747,991
Treasury Bills Investments	6,369,059,365	8,194,994,244
Corporate Bonds	158,325,410	212,814,371
Shares& Equities	25,000,818,692	24,099,705,459
Total	105,004,226,925	83,114,696,633

Stanlib

Government Treasury Bond	79,859,257,044	45,783,496,939
Fixed Deposits Investments	15,891,755,176	14,176,048,546
Treasury Bills Investments	12,976,347,081	22,938,939,192
Corporate Bonds	239,491,320	319,221,557
Shares& Equities	22,956,888,868	21,592,274,360
Total	131,923,739,489	104,809,980,594

Parliamentary Pension Scheme

Loans	14,658,081,592	10,824,562,488
Fixed Deposits Investments	438,749,390	-
Total	15,096,830,982	10,824,562,488

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

30.2. Investment Reconciliation

	Value as at 01/07/2018 UGX	Purchases at cost UGX	Capitalized/Interest discounts UGX	Sales /Proceeds/ Redemptions /Impairment loss UGX	Changes in the Fair value UGX	Value as at 30.06.19 UGX
Fixed Deposits	18,047,796,537	300,703,000,530	112,053,549	(298,353,658,159)	-	20,509,192,457
Treasury Bills	31,133,933,436	30,769,456,048	980,042,614	(43,538,025,652)	-	19,345,406,446
Corporate Bonds	532,035,928	-	19,779,230	(153,998,428)	-	397,816,730
Shares	45,691,979,818	12,447,898,144	-	(1,314,255,546)	(8,867,914,856)	47,957,707,560
Loans	10,824,562,488	12,632,350,000	195,070,887	(8,993,901,783)	-	14,658,081,592
Treasury Bonds	92,518,931,508	63,200,066,180	4,467,557,519	(13,240,416,691)	2,210,454,094	149,156,592,610
Total	198,749,239,715	419,752,770,902	5,774,503,799	(365,594,256,259)	(6,657,460,762)	252,024,797,395

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

31. Contingent Liabilities and Capital Commitments

There were no contingent liabilities or capital commitments as at 30th June 2019.

32. Financial Risk Management

The Trustees are charged with the overall responsibility of oversight of the Scheme's risk management framework. The Trustees are responsible for developing and monitoring the risk management policies, identifying, analyzing and mitigating the risks faced by the Scheme.

(a) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations on its financial liabilities. The Scheme undertakes regular Cash flow projections to identify and provide for financial obligations that may fall due. Immediate liquidity needs are settled from monthly contributions from the Sponsor.

Management of liquidity risk

The Scheme funds are raised mainly from contributions received from both Sponsor and members of the Scheme.

The Scheme strives to maintain a balance between continuity of funding and flexibility through the use of investment assets with a range of maturities. The Scheme continually assesses liquidity risk by identifying and monitoring changes in funding and adjusts investment plans accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

Exposure to liquidity risk

Key measures used by the Scheme for managing liquidity risk are the asset mix limits. Details of the asset mix at the reporting date were as follow:

	Limit	Jun-19 UgX	%	Jun- 2018 UgX	%
Government securities	40%- 50%	149,156,592,610	58.67	92,518,931,508	45.03
Treasury bills	40%- 50%	19,345,406,446	7.61	31,133,933,436	15.15
Corporate Bonds	2.50%-12.5%	397,816,730	0.16	532,035,928	0.26
Fixed deposits	7.5%-17.5%	20,509,192,457	8.07	18,047,796,537	8.78
Domestic Equities	10%- 15%	11,388,206,315	4.48	13,399,448,674	6.52
Regional Equities	10%-25%	36,569,501,245	14.38	32,292,531,144	15.72
Others(Loans)	2.5%-10%	14,658,081,592	5.77	10,824,562,488	5.27
Cash	3%-10%	2,223,911,578	0.87	6,709,295,601	3.27
		254,248,708,973	100	205,458,535,316	100

The table below analyzes assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity dates:

	Up to 3 months UGX	3-12 months UGX	1 - 5 years UGX	Over 5 years UGX	Total UGX
Government securities	-	4,467,557,519	54,862,871,904	89,826,163,187	149,156,592,610
Treasury Bills	-	838,619,584	18,506,786,862	-	19,345,406,446
Corporate Bonds	-	19,779,230	378,037,500	-	397,816,730
Fixed deposits	112,053,549	20,397,138,908		-	20,509,192,457
Domestic Equities			1,138,820,631	10,249,385,684	11,388,206,315
Regional Equities			1,828,475,062	34,741,026,183	36,569,501,245
Loans	195,070,887	8,397,641,107	6,065,369,598		14,658,081,592
Cash at Bank	2,223,911,578				2,223,911,578
Receivables	486,617,854	81,387,742	39,447,000		607,452,596
Total Assets	3,017,653,868	34,202,124,090	82,819,808,557	134,816,575,054	254,856,161,569

Other Liabilities and accrued expenses	459,800,015	1,027,484,378	301,000,000	-	1,788,284,389
Total Liabilities	459,800,015	1,027,484,378	301,000,000	-	1,788,284,389

Liquidity gap
At 30 June
2019

2,557,853,853	33,174,639,716	82,518,808,557	134,816,575,054	253,067,877,180
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

(b) Market risk

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

Management of market risks

The authority of management of the market risk is vested with the Scheme's investment managers.

Interest rate risk

The Scheme's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Scheme business strategies. Interest rate monitoring is done by the investment managers and Investment and Custody Committee of the Board. The Scheme does not have any significant interest rate risk exposures.

Currency risk

The Scheme is exposed to currency risk through transactions in foreign currencies. The Scheme's transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Scheme ensures that its net exposure is kept to acceptable levels. Monitoring of foreign currency fluctuations is done through the Scheme's investment managers. The Scheme's assets and liabilities are reported in the Uganda shillings

(c) Non-financial risk

In addition to the risks discussed above, the Scheme is also exposed to a number of Non-financial risks. Non-financial risk encompasses operational risk and business risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUATION)

Operational risk

This is the risk of direct or indirect impacts resulting from inadequate or failed internal processes or systems or from external events. Major sources of operational risk include: implementation of strategic change, outsourcing of operations, fraud, error, regulatory compliance among others. Operational risk is managed and monitored by the Scheme's Trustees and the presence of the Internal Audit function.

Business risk

This is the risk of adverse impact resulting from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include: revenue volatility due to factors outside the Scheme's control; inflexible cost structures; uncompetitive products or pricing; and structural inefficiencies. Parliamentary Pension Scheme is continuously reinforcing its commitment to the management of these risks. The Scheme will continue to implement advanced financial and non-financial risk management processes to mitigate losses and reduce exposure.

Related Party Transaction

There were no related party transactions during the period ended 30th June 2019.

ABRIDGED ACTUARIAL VALUATION REPORT

Purpose

The actuarial valuation was done in order to determine the funding status of the Scheme as at 30th June 2017.

Valuation Basis:

A summary of the valuation assumptions is as follows: -

Financial assumptions

- A long-term investment return of 10% p.a is used to place a present value on future benefit payment.
- Pension increase of 4% p.a. and a guaranteed period of 15 years.

Demographic assumptions

- Rates of mortality after retirement was based on the “Pensioner Annuity”, PA (90) ultimate mortality tables with mortality improvement of 1% per annum from age 60.

Valuation Results	JUNE 2017 (UGX. 000)	JUNE 2014 (UGX. 000)
Total Value of Assets	152,201,204	66,384,457
Total value of Liabilities	(143,840,460)	(65,834,199)
Surplus	8,360,744	550,258
Funding Level	105.8%	100.8%

Valuator Statement

The Valuator hereby certifies that the Scheme is in a financially sound condition as at 30th June 2017.

The actuarial valuation was undertaken by **Mr. T.W. Doubell of ARGEN Actuarial Solutions.**

FIVE YEAR FINANCIAL STATISTICS

The financial statistics shows the performance and growth of the Scheme over a period of 5 years.

Table 6: 5 year financial statistics (in Shs Billion)

	2015	2016	2017	2018	2019
Contributions	26.04	31.69	35.38	36.41	37.81
Benefits to Members	1.27	38.49	2.05	3.75	2.68
Return on Investment (B/T)	10.56	12.54	19.85	23.06	19.97
Interest to Members	7.64	8.02	7.70	10.97	15.30
Total Fund & Reserve	100.87	104.14	152.83	204.55	257.21
Bank Balance	1.34	7.20	1.08	6.71	2.22
Fixed Deposit	20.66	5.62	27.89	18.05	20.51
Treasury Bills	22.94	8.94	11.65	31.13	19.34
Corporate Bonds	1.52	1.10	0.67	0.53	0.42
Government Bonds	27.86	53.87	83.03	92.52	149.15
Quoted Shares	25.62	29.92	28.97	45.69	47.95
Loans	-	-	-	10.82	14.65
Net Current Liabilities (assets)	0.93	(2.51)	(0.46)	(0.90)	2.97
Net Assets	100.87	104.14	152.83	204.55	257.21

Figure 4: Summary of 5 year financial statistics

