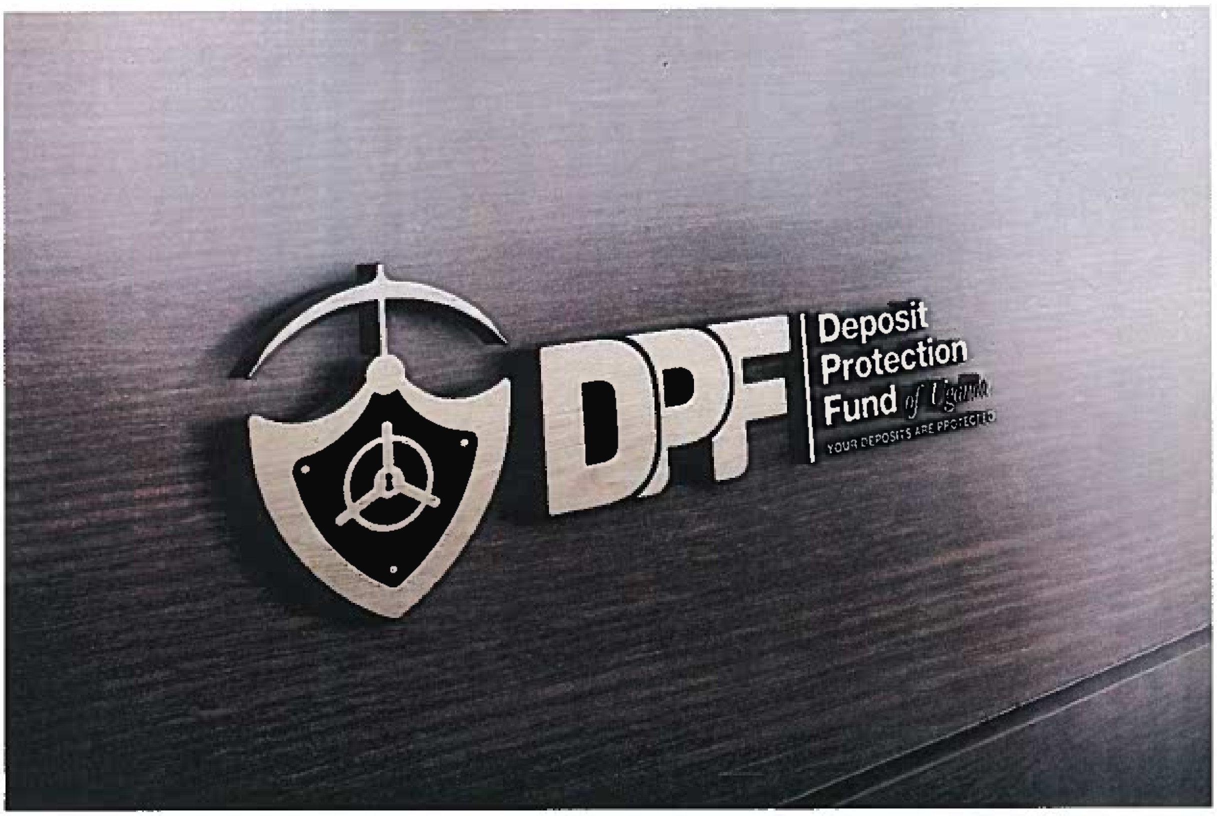
Deposit Protection Fund *of Uganda*

Report And Financial Statements June 2017

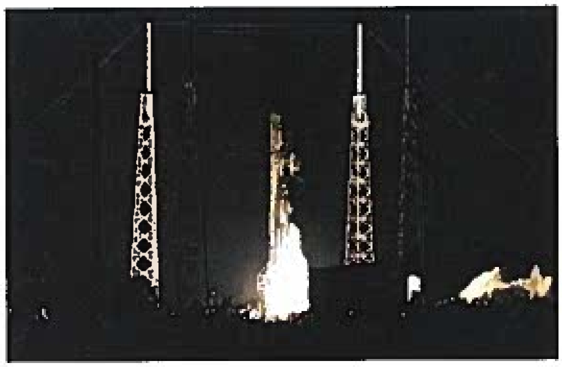
DPF Deposit Protection Fund *of Uganda*
YOUR DEPOSITS ARE PROTECTED

REPORT AND FINANCIAL STATEMENTS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2017



OUR VISION

Excellence in Deposit Protection for Public Confidence



OUR MISSION

To Foster Public Confidence in the Financial System through Protection of Depositors of Contributing Institutions

OUR VALUES

- Transparency
- Integrity
- Excellence

STRATEGIC OBJECTIVES

- Enhance Depositors Confidence
- Develop and Improve a System for Payment of Insured Deposits
- Increase Public Awareness
- Enhance Financial Performance
- Improve Efficiency of Processes
- Build Strategic partnerships
- Improve Board and Staff Knowledge and skills

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1 Corporate Information

1.1 Principal Place of Business & Registered Address

Deposit Protection Fund
C/O Bank of Uganda
Plot 37-45, Kampala Road
P. O. Box 7120
Kampala, Uganda

1.2 Custodian

Bank of Uganda
Plot 37/45, Kampala Road
P. O. Box 7120
Kampala, Uganda

1.3 Investments Managers

Sanlam Investments East Africa Ltd
Africa Re Centre, 5th Floor
Hospital Road, Upper Hill
P. O. Box 67262-00200
Nairobi, Kenya

GenAfrica Asset Managers
1st Floor, Arlington Block
14 Riverside Business Park
P. O. Box 79217-00200
Nairobi, Kenya

1.4 Auditors

The Auditor General
Office of the Auditor General
P. O. Box 7083
Kampala, Uganda

1.5 Delegated Auditors

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

2 Chairman's Foreword

2.1 Introduction

On behalf of the Board and Staff of the Fund, I am delighted to present the first Report of the Deposit Protection Fund of Uganda (DPF) for the 18 months ended, June 30, 2017.

2.2 Brief Background

DPF which is also referred to as the 'Fund', was established as a separate legal entity following the enactment of the Financial Institutions (Amendment) Act, 2016. Prior to this, the Deposit Protection Fund was managed by Bank of Uganda. The process of operationalizing the Fund commenced in April 2017 with the inauguration of the Board of Directors by the Honorable Minister of Finance, Planning and Economic Development. Subsequently, in June 2017, four staff members were seconded from Bank of Uganda to spearhead the transitional process. In its infancy, the Fund has received and continues to receive unwavering support from Bank of Uganda in various areas of operation. It is envisaged that the Fund will establish its own structures, policies and procedures with the support of Bank of Uganda and the World Bank, within a reasonable timeframe.

2.3 Highlights of Financial Performance

Total assets of the DPF increased by UGX 176 billion over the 18 months period from UGX 324 billion to UGX 500 billion registered as at December 31, 2015 and June 30, 2017 respectively. This growth was largely financed by 'fund capital' which grew from UGX 300 billion in December 2015 to UGX 460 billion in June 2017, on account of profits derived from investments and contributions from financial institutions. In line with the key objective of preserving capital and maintaining adequate liquidity levels, 95 percent of the Fund's assets were held in treasury bills and treasury bonds.

2.4 Deposit Coverage

Deposits within the banking sector grew by 20 percent from UGX 14.8 trillion to UGX 17.7 trillion in December 2015 and June 2017 respectively. Likewise, the number of deposit accounts increased from 6 million to 9 million over the 18 months period. Out of these, 97 percent had balances of UGX 3 million and below as at June 2017, meaning they were within the insured limit of UGX 3 million. When total deposits are considered 10 percent fall within the insured limit. Plans are underway to review the deposit insurance limit to cover a larger percentage of deposits.

2.5 Developments in the Banking Sector

There were a number of developments in the Ugandan banking sector during the period. In March 2016, Bank of Uganda exited its statutory management of Imperial Bank Uganda Ltd. and the Bank's shares were sold to Exim Bank (Tanzania) Ltd. In January 2017, Crane Bank Limited was moved from statutory management to receivership and the majority of the Bank's liabilities (including deposits) and assets were transferred to DFCU Bank Limited. On the legal front, the Financial Institutions (Amendment) Act, 2016 was passed to permit Agent Banking, Islamic Banking and Bancassurance. Subsequently, the Financial Institutions (Agent Banking) Regulations, 2017 and the Insurance (Banc assurance)

Regulations, 2017 were gazetted. These legal developments are expected to promote expanded access to financial services which will ultimately result in increased contributions to the Fund.

2.6 State of the Economy

The economy continued to grow at a modest pace, with the Gross Domestic Product growing at 3.9 percent in the FY 2016/17 compared to an average of 4.7 percent in the FY 2015/16. The deceleration in growth was mainly due to the adverse weather conditions that affected agricultural output, weak private sector output, slow credit growth and delayed implementation of government infrastructure projects. Annual headline and core inflation averaged 5.7 percent and 5.1 percent, respectively in the year to June 2017. In an effort to spur economic growth, Bank of Uganda gradually eased monetary policy, lowering the Central Bank Rate (CBR) to 10 percent by June 2017. Growth in economic activity is expected to translate into increased deposits within the financial sector.

2.7 Strategic Focus

After taking into consideration internal factors and those within the sector and economy, the Board together with management put in place a high level strategy to run for a period of five years (2017-2022). The strategy is intended to enable the Fund achieve its mission of fostering public confidence in the financial system through protection of depositors funds. The main areas of focus are:

a) Development of an efficient system for payment of insured depositors in case of failure of a contributing institution.
b) Increasing public awareness on the advantages of banking with a regulated financial institution.
c) Building strategic partnerships with Bank of Uganda and other financial safety net players within the country and beyond.
d) Enhancing knowledge and skills in deposit protection.

With support from the Bank of Uganda, International Association of Deposit Insurers (IADI) and other deposit insurance institutions across the globe, the Deposit Protection Fund of Uganda, intends to steadily evolve into an entity which excels in deposit protection.

2.8 Conclusion

I take this opportunity to express my deep appreciation for the support the DPF has received from the World Bank, Ministry of Finance Planning and Economic Development, Bank of Uganda and other stakeholders. In the same vein, I sincerely thank the Board Members and Management team, who boldly accepted to embark on this challenging but exciting journey of operationalizing the Deposit Protection Fund of Uganda.

Ben Patrick Kagoro
Board Chairman, Deposit Protection Fund of Uganda

3 Message from the Chief Executive Officer

3.1 Preamble

It is with great pleasure that I present the Report of the Deposit Protection Fund of Uganda for the 18 months period ended, June 30, 2017.

3.2 Financial Results

The asset base of the Fund increased by UGX 176 billion over the period. The major growth was reflected in investments in treasury bills and treasury bonds which increased by UGX 173 billion or 57 percent from UGX 302 billion to UGX 475 billion in December 2015 and June 2017 respectively. The asset growth was financed by fund capital which increased by UGX 160 billion boosted by profits earned during the period.

Profits increased by UGX 110 billion or 220 percent from UGX 50 billion in December 2015 to UGX 160 billion in June 2017 on account of increased income from investments and contributions from financial institutions. Income from investments in treasury instruments increased by 323 percent from UGX 28.6 billion to UGX 121.0 billion over the period, bolstered by the high interest rates which prevailed during most part of the period. Contributions from financial institutions increased by 103 percent from UGX 30.5 billion to UGX 62.0 billion with most of the contributions coming from the commercial banking sector.

On the expenses side, the Fund incurred expenses worth UGX 21.7 billion up from UGX 9.5 billion in the previous period. The increase was largely reflected in withholding tax levied on treasury bill income. Expenses are expected to increase, given that the Fund is a separate legal entity with its own Board and staff.

3.3 Operationalisation of the Strategic Plan

As part of the operationalisation process, the Fund intends to develop a robust organizational structure, put in place adequate processes and skill staff in various aspects of deposit protection. Special focus will be placed on ensuring that depositor's records of contributing institutions are maintained in a uniform manner, in order to facilitate easy identification in the event that depositors have to be paid their insured deposits. The Fund will invest in an appropriate Information Technology system to enable the staff execute their core and support functions efficiently and effectively. A number of awareness campaigns will be held to sensitize the public on the advantages of deposit protection.

The need to develop and build strategic partnerships cannot be over emphasized. To this end, the Fund is in advanced stages of entering into a Memorandum of Understanding with Bank of Uganda. During the 5 year period, partnerships will be built with global bodies like IADI, the World Bank and other financial sector safety net participants such as: the Ministry of Finance, Planning and Economic Development, National Social Security Fund, Capital Markets Authority and the Insurance Regulatory Authority. In addition, we shall collaborate with other established deposit protection entities across the globe, in order to build a solid Deposit Insurance entity which contributes to the stability of the Ugandan banking sector.

3.4 Conclusion

On behalf of Management and the staff of DPF, I take this opportunity to thank the Chairman of the Board and the entire Board of Directors for providing strategic direction and oversight to the Fund. Special thanks go to Bank of Uganda for entrusting the management team with the noble responsibility of setting up the DPF and for supporting the Fund in various aspects. I am also very grateful for the support received from the World Bank, Ministry of Finance, Planning and Economic Development, Kenya Deposit Insurance Corporation and the Financial Services Compensation Scheme of the UK.

Julia Clare Olima Oyet

Chief Executive Officer
Deposit Protection Fund of Uganda

4 Board of Directors and Management Structure

4.1 Board of Directors

From left to right: Mr. Solomon O. Oketcho, Mr. I.K John Byaruhanga, Mr. Patrick Kagoro, Mr. Andrew Obara, Mr. Emmanuel Kalema Musoke and Mr. Wilbrod Humphreys Owor

This picture was taken after the first Board meeting of the Deposit Protection Fund, held on June 26, 2017 at the Bank of Uganda premises.

4.2 Management Structure

Ms. Julia Clare Olima Oyet
Chief Executive Officer

Ms. Proscovia Namwanje
Executive Administrative Assistant

Mr. Peter Mugisa
Head Investments and Risk Management

Mr. Joseph Luboyera
Board Secretary/Legal Counsel

Ms. Rosette Muhimbise
Head Administration and Liaison

5 Corporate Governance

5.1 Regulatory Framework

The Deposit Protection Fund (Fund) was established under Section 34(1) of the Financial Institutions Statute, 1993 which was later replaced by Section 108(1) of the Financial Institutions Act, 2004 ('FIA 2004'). As per these laws, the Fund was managed and controlled by Bank of Uganda. In accordance with international best practice, the Financial Institutions Act, 2004 was amended in 2016 with the passing of the Financial Institutions (Amendment) Act No. 2 of 2016 to create the Deposit Protection Fund (DPF) as a separate legal entity. Section 110 of the FIA, 2004 as amended, vests the authority of the Fund in the Board of Directors. The purpose and functions of the Deposit Protection Fund of Uganda are spelt out in section 109 of the FIA 2004 as amended.

5.2 Corporate Governance Statement

In pursuit of its Mission '*to foster public confidence in the financial system through protection of depositors of contributing institutions*' and in compliance with the principles of good governance, the Deposit Protection Fund of Uganda executes its work through a properly constituted governance structure comprised of the Board of Directors, Board Committees and Management. The Fund operations are implemented and monitored through the Annual Work Plan and regular reporting to the appropriate governance structures.

The Deposit Protection Fund of Uganda upholds, and is committed to upholding international best practice and highest standards of business integrity, ethical values and governance. As such, the Board of Directors subscribe to the provisions of the Board Charter and Code of Conduct which emphasise the need for: accountability, transparency, integrity, compliance, confidentiality, prudence, professionalism and excellence in managing the affairs of the Fund. Within a short time of taking over the mantle of the Fund, the Board put in place a high level strategic plan to drive the Fund over the period 2017 to 2022.

This Corporate Governance Statement is comprehensive and is line with international best practice on disclosure requirements. It contains: the profiles of Directors, information on composition of committees, Directorship/Chairmanship in other organisations and companies, information on attendance of the Board and Board Committee meetings, brief descriptions of the functions of the Board and each of the Board Committees and Remuneration of Directors.

5.3 The Board of Directors

5.3.1 Roles and Responsibilities

The Board of Directors [the 'Board'] is accountable for the operations of the Fund. They are entrusted with the responsibility of setting the strategic direction of the Fund and ensuring that the checks and balances which are established to manage enterprise wide risks are effective. The Board provides oversight on management to ensure that the key strategic objectives are achieved within reasonable time. These governance practices are subjected to continuous review and are periodically benchmarked against the provisions of the International Association of Deposit Insurers as well as other deposit insurance schemes.

5.3.2 Composition of the Board of Directors

The Board comprises of Six Non- Executive Directors [NEDs], including the Chairman of the Board.

The Board members were appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson and representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions and the general Public. With the exception of the representatives of the Governor and the Secretary to the Treasury, all the other Members of the Board hold office for a term of five [5] years but are eligible for re-appointment for one further term. The Board members possess a wide range of professional knowledge, qualifications, skills and experience. The profiles of each member of the Board along with the number of Committee Membership(s)/Chairmanship(s) and date of joining the Board are provided herein and summarized in Table 1.

5.3.2.1Mr. Ben Patrick Kagoro

He is the Chairman of the Board of Directors.

He holds an MBA in Financial Management from University of Manchester, UK, Accountancy Training from London School of Accountancy. He is a member of Chartered Institute of Secretaries and Administrators (ACIS), Certified Public Accountant (U) - CPA and an Associate Member of Chartered Management Accountants (ACMA).

He has extensive experience in Central Banking Finances, Private Sector and Non for Profit Organisations. He has previously served as the President of the Institute of Certified Public Accountants of Uganda (ICPAU) and Chairman of the Public Accountants Examinations Board. In addition, he has over 25 years' experience of Central Banking having worked with Bank of Uganda where he served in different capacities and rose through the ranks to the level of Executive Director Finance, a position he held until retirement. Following his retirement, he was contracted by Bank of Uganda as an Advisor Operations and Accounts in charge of setting up the Accounting and Management of the Petroleum Investment Reserve Fund.

Before joining Bank of Uganda, he served as an Assistant Finance and Procurement Officer on Road Construction Projects for HP Gauff consulting Engineers.

He is also the Chairperson of the Board of Directors Eagle Air Uganda Ltd.

5.3.2.2Mr. Solomon Oketcho

He is a Non-Executive Director and Chairperson of the Governance and Human Resource Committee of the Board. He is also a member of the Technical Committee on Deposit Protection.

He holds a Master of Science in Human Resource Management, Msc. (HRM) from University of Manchester, England. He also holds a Bachelor of Arts Social Work and Social

Administration (Hons), (Upper Second) and Post Graduate Diploma in Computer Science from Makerere University, Kampala.

He joined Bank of Uganda in October, 1992 and has served in different capacities and rose through the ranks to the level of Executive Director Administration, a position he has held since 1st September, 2013. He has vast experience in Human Resource matters. Before joining Bank of Uganda, he served as Administrative Officer/Assistant Secretary office of the President, Assistant Secretary - Ministry of Local Government, Personnel & Administrative Officer - Foods and Beverages Ltd, Teaching Assistant - Department of Social Work and Social Administration, Makerere University.

He is also a Board Member at Fairways Primary school, Kireka, Alliance Global College, Arua, a member Board of Trustees of the Bank of Uganda Pension schemes i.e. Defined Benefit and Defined Contribution schemes.

5.3.2.3Mr. I.K. John Byaruhanga

He is a Non-Executive Director, Chairperson of the Audit Committee of the Board and Member of the Governance and Human Resource Committee of the Board.

He holds a Master of Public Administration in Economic Policy Management, Columbia University, and a Bachelor of Sciences (Economics), Makerere University. He has wide experience in economic development policy formulation and implementation. He is currently the Acting Commissioner, Financial Services Department of the Ministry of Finance, Planning and Economic Development, which is responsible for designing and overseeing implementation of policies, legislations and programmes for financial sector development.

He has participated in a number of Projects including: Member of Core Technical Committee for Drafting the National Development Plan (NDP) 2009/10-2014/15; Member of Steering Committee for Makerere-SIDA Bilateral Research Program; MEFMI Regional Poverty Reduction Analyst Trainer for Debt Strategy; Research Team Leader and Core Researcher/Technical support person for the Uganda Participatory Poverty Assessment Process (UPPAP); Alternate National focal point person and Technical Committee Member for GOU/UNEP Poverty and Environment project; Member on Committee of Experts to Develop Modalities for Operationalisation of the East Africa Community (EAC) Climate Change Fund; and Short Term Consultant - Agriculture and Rural Development, The World Bank .

Mr. Byaruhanga is also a Member of the Board of Directors, Uganda Development Bank.

5.3.2.4Mr. Andrew Obara

He is a Non-Executive Director and the Chairman of the Finance, Investment and Risk Management Committee of the Board and a member of the Technical Committee on Deposit Protection.

He holds an MBA (Finance) from the Almeda College & University, Boise Idaho, USA, a Certified Diploma in Finance & Accounting from the Association of Chartered Certified Accountants and Bachelor of Arts (Economics) from Makerere University. He has over 26 years practical and senior level experience in the areas of banking/ finance, microfinance capacity building, project/fund design and management, macroeconomic studies, feasibility studies, product development, market surveys, institutional assessment/diagnostic reviews, strategy development/strategic planning, venture capital and SMME technical assistance. Andrew has led a number of diverse teams that have executed assignments.

He is the Managing Director of Friends' Consult Ltd which is a private firm providing Technical Assistance and Solutions, in the financial and other economic sectors. He has previously served as Senior Microfinance Advisor for Chemonics International at the USAID funded Support for Private Enterprise Expansion and Development Project (SPEED), Uganda, Senior Manager, Centre for Micro-enterprise Finance (CMF), PRESTO (USAID Project), Chief Manager (Credit) -Nile bank Ltd, Loan Administration Manager, Nile Bank Ltd, Principal Operations Executive at DFCU, Ltd.

5.3.2.5Mr. Wilbrod Humphreys Owor

He is the Chairperson of the Technical Committee on Deposit Protection and a member of the Finance, Investment and Risk Management Committee and Governance and Human Resource Committee of the Board.

He holds an MBA majoring in Strategic Management from the East & Southern Africa Management Institute Arusha and Maastricht School of Management Netherlands (ESAMI/MSM) and a Bachelor of Commerce (Finance) from Makerere University.

He has over 25 years work experience, 20 of which at senior management level in banking, business development and consumer services institutions in East Africa. He is the Executive Director Uganda Bankers Association and a director in Fincon Africa LLC, a private financial advisory firm focused on creating value around investment opportunities in Africa. With regard to the Ugandan Banking system, he has served in different capacities including Managing Director, United Bank for Africa, Head, Consumer Banking DFCU Bank, Head of Liabilities & Channel Expansion (Retail) Barclays Bank of Uganda.

5.3.2.6Mr. Emmanuel Kalema Musoke

He is a member of the Finance, Investment and Risk Management Committee and the Audit Committee of the Board. He holds a Master of Business Administration from Makerere University, a Bachelor of Arts (Honors) in Economics and French from Makerere University and a Postgraduate Diploma in Development Economics from Manchester, United Kingdom.

Mr. Kalema has 22 years of Central Banking experience having worked with Bank of Uganda where he managed and evaluated different financing projects, lines of credit for government institutions including the World Bank, and loan sanctioning and disbursement. In addition, he worked with Cooperative Bank in the early 1980s for two years where he, among other things, served as a team leader for an in-depth research on growth opportunities and value addition for the bank.

He is the Chairman Finance and Development Committee & Vice Chairman, Board of Governors, St. Mary's College Kisubi and Chairman, Board of Directors Better view School. He has previously taught at Uganda Institute of Bankers and Kenya Government Teaching

Service Commission. Mr. Kalema has also previously served as the Chairman, Kampala Archdiocese Land Board.

Table 1: Composition and Membership as at June 30, 2017

Name	*Date of Appointment*	*Board Committees*			
		AGCB	***FIRMCB***	***GHRCB***	***TCDP***
Mr. Ben Patrick Kagoro ***[C/M]***	03- February-2017				
Mr. Solomon Oketcho	03- February-2017			*Chairman*	*Member*
Mr. I.K John Byaruhanga	03- February-2017	Chairman		Member	
Mr. Andrew Obara	23-February-2017	Member	*Chairman*		*Member*
Mr. Wilbrod Humphreys Owor	23-February-2017		*Member*	Member	*Chairman*
Mr. Emmanuel Kalema Musoke	03- February-2017	*Member*	*Member*		

5.4 Secretary to the Board

The Board Secretary provides secretarial services and logistical support to the Board in order to facilitate and interface policy making with policy implementation. He also advises the Board on legal and corporate governance matters. In consultation with the Chairman and the Chief Executive Officer, the Secretary ensures good and timely information flow to the Board, the Board Committees and Management.

5.5 The Functions and Duties of the Board

The Board of Directors are vested with the authority to ensure that the Fund executes its mandate as stipulated in Section 109 of the Financial Institutions Act, 2004 as amended. This section states that the Fund:

i. Shall be a deposit insurance scheme of customers of contributing institutions (deposit taking institutions regulated by Bank of Uganda).
ii. May act a as receiver or liquidator of a financial institution if appointed for that purpose by the Central Bank.
iii. May perform such other functions as may be conferred upon it by law.

5.5.1 The Board of Directors' Charter and Code of Conduct

The Board is committed to highest standards of integrity and ethical conduct in carrying out its duties and dealing with all stakeholders. This commitment is confirmed by the endorsement of the Board of Directors' Charter and Code of Conduct, an instrument which is referred to in the course of duty. The following are the obligations inferred from common law and articulated in the Charter and Code of Conduct:

i. Fiduciary obligation to act in the best interest of the Bank;
ii. Duty to act within powers;
iii. To promote the success of the Fund;
iv. Exercise independent judgment;
v. Exercise reasonable care, skill and diligence;
vi. Avoid conflicts of interest; and,
vii. Not to accept benefits from third parties.

5.5.2 Meetings of the Board

The Board and Board Committees meet on a quarterly basis. Special meetings are convened as and when required. The board held its first meeting in June 2017 following the appointment of a Senior Management team in the same month. All the Board members attended this historical event.

5.6 Board Committees

In discharging its functions, the Board delegates some of its responsibilities to the Board Committees. The Committees which have been constituted are as follows:

a) Governance and Human Resource Committee of the Board (GHRCB)

b) Finance, Investment and Risk Management Committee of the Board (FIRMCB)

c) Audit Committee of the Board (ACB)

d) Technical Committee on Deposit Protection (TCDP)

5.6.1 Governance and Human Resource Committee of the Board

The GHRCB is composed of three Non-Executive Directors. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the meetings, as an ex-officio, while other senior staff members may attend by invitation. The Committee is responsible for providing strategic direction to the Fund and building strategic partnerships across the globe. In addition, it considers the organisational structure, proposes human resource policies and oversees the recruitment, remuneration, promotion, and capacity building processes. GHRCB meetings are held quarterly and special meetings are convened as and when required. The Committee reports to, and makes recommendations to, the Board.

5.6.2 Finance, Investment and Risk Management Committee of the Board (FIRMCB)

FIRMCB is composed of three Non-Executive Directors inclusive of the Committee chairperson. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the Committee meetings as an ex-officio. The meetings are held on a quarterly basis. Special meetings are convened as and when necessary. The Committee considers and reviews proposed budgets and work plans, supplementary budgets, virements, business cases for new projects and the financial statements of the Fund. In addition, the committee reviews matters related to funding, liquidity, investment and financial risk management.

5.6.3 Audit Committee (ACB)

The ACB is composed of three Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is secretary to the Committee. Meetings are held quarterly and as and when deemed necessary. The terms of reference of the Committee are to provide assurance to the Board as to whether management is following the approved policies and procedures in achieving the Fund's objectives. The committee therefore, ensures implementation of the Audit Charter, reviews the internal audit plan and audit reports. ACB monitors the Fund's compliance to the laws of the land.

5.6.4 Technical Committee on Deposit Protection

The TCDP is composed of three Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is secretary to the Committee. The Chief Executive Officer will attend the Committee meetings as an ex-officio.

The roles and responsibilities of the Committee include formulation, review and monitoring implementation of pay-out procedures, ensuring that the said procedures are in conformity with the IADI (International Association of Deposit Insurers) core principles, formulation, review and ensuring implementation of the liquidity contingency plans, review and ensure implementation of the legal framework of the Fund; formulate, review and monitor implementation of the publicity and awareness policy of the Fund, Periodic review of a summary report on on-site inspection findings by the Fund, Provision of advice on risks to the Fund and review the report on trend of risk adjusted premiums. Meetings will be held quarterly and as and when there is business to be discussed.

5.6.5 Remuneration of Directors

During the period ended June 2017, the Chairman was paid a monthly retainer fee of UGX 3,000,000 (Three Million Shillings) and UGX 1,000,000 (One Million shillings) as sitting allowance of per meeting. The other Directors were each paid a monthly retainer fee of UGX 2,600,000 (Two Million Six Hundred Thousand Only) and sitting allowance of UGX 750,000 (Seven Hundred Fifty Thousand only) per meeting. All these figures are inclusive of taxes.

5.7 Senior Management

The Fund is in initial stages of establishing its own management structure. The overall responsibility for the day-to-day management of the Fund rests with the Chief Executive Officer (CEO), who executes the strategy of the Fund as approved by the Board. She oversees the operations of three managers namely: Head Administration and Liaison, Head Investment and Risk Management and the Board Secretary/ Legal Counsel. In addition, the Fund employs the services of an Executive Administration Assistant who is attached to the office of the CEO.

The Head Administration and Liaison is responsible for financial management, premium computation and pay outs. The Head Investment and Risk Management oversees the Fund managers performance to ensure that they are in line with agreed benchmarks. Additionally, he advises the Fund on the level of risk emanating from the financial sector and the investment portfolio. The Board Secretary/ Legal Counsel is in charge of Board matters and provides legal advice to the Fund.

The operations of the Fund are heavily dependent on Bank of Uganda. As such, the Fund places reliance on the robust risk management systems embedded within the Bank's systems in ensuring compliance with relevant laws and acceptable risk management procedures. Areas where support is obtained from the Bank include: Accounting, Procurement, Human Resource Management, Payments and Internal Audit amongst others. The Fund is on course in ensuring that it grows into a fully-fledged institution constituted of all management functions.

6 Macroeconomic Environment

6.1 Introduction

The state of the economy has a bearing on the financial performance of the Fund. This is mainly in terms annual premium contributions and interest income derived from investments.

6.2 Gross Domestic Product (GDP)

Uganda's GDP grew by 3.9 percent in the FY 2016/17 which was a slowdown compared to 4.7 percent in the FY 2015/16. The decline was largely attributed to the prolonged drought which affected agricultural production and slow implementation of planned infrastructural projects in hydro power and road projects. The services sector was the biggest contributor to GDP, contributing 51.7 percent.

6.3 Inflation

Inflation remained within single digits over the period. Annual headline and core inflation averaged 5.7 percent and 5.1 percent, respectively in FY 2016/17. In an effort to spur economic growth, Bank of Uganda gradually eased monetary policy, lowering the Central Bank Rate (CBR) to 10 percent by June 2017. Growth in economic activity is expected to translate into increased deposits within the financial sector.

6.4 Interest Rates

Interest rates steadily declined throughout FY 2016/17 as a result of the ease in monetary policy coupled with improved inflation outlook. Reduction in yields on the short term tenors saw investors move into the medium portion of the curve owing to attractive coupon returns (greater than 16 percent).

6.5 Conclusion

Going forward, Uganda's macroeconomic environment may be impacted by exogenous factors given her integration into the global economy. The possible slowdown in the Chinese economy, tight global financial markets and increased protectionist policies being adopted across the world, may have adverse effects on the domestic economy.

7 Financial and Operational Highlights

7.1 Assets and Liabilities

Total assets grew by 54 percent from UGX 324 billion in December 2015 to UGX 500 billion in June 2017, with investments in risk free Government treasury bills and treasury bonds totaling to UGX 475 billion up from UGX 302 billion posted previously. Treasury bonds and treasury bills constituted 78 percent and 17 percent of total assets respectively. The cash held at Bank of Uganda was UGX 20.4 billion representing 4 percent of total assets. Receivables amounted to UGX 4.7 billion and mainly comprised of risk adjusted premiums due from financial institutions.

Current liabilities increased by UGX 15 billion mainly because of deferred income worth UGX 14.8 billion which was recognized for the first time, following the change in accounting period. This income relates to annual premiums which had to be a portioned for the half year, in line with accrual based accounting principles. Other items classified as current liabilities include an amount worth UGX 19.8 billion which relates to monies received when a number of banks were closed in the late 1990's. This liability will be settled after the conclusion of the liquidation exercise. In addition, the fund has a liability of UGX 198 million in respect of unclaimed deposits payable to insured depositors.

7.2 Fund Capital and Profits

The fund capital grew from UGX 300 billion to UGX 460 billion over the eighteen months period ended 30 June 2017. The increase was due to growth in profits worth 110 million, largely on account of increased income from investments and contributions from financial institutions.

The Fund received total contributions amounting to UGX 61.6 billion compared to UGX 30.5 billion received in the FY ended December 2015. Out of this, annual contributions of UGX 42.9 billion were received from 26 Commercial Banks compared to UGX 24.9 billion in the FY 2015. A total of 4 Credit Institutions made annual contributions of UGX 737.6 million compared to contributions of UGX 368 million in the FY 2015. Annual contributions amounting to UGX 517 million were received from 5 Microfinance Deposit-Taking Institutions (MDIs) compared to UGX 234 million from 3 MDIs in the FY 2015.

Risk adjusted premiums amounting to UGX 17.3 billion were charged to contributing institutions that were rated marginal or unsatisfactory in line with the provisions of the Financial Institutions Act, 2004 as amended. Additionally, the Fund received contributions amounting to UGX 86.8 million as penalties charged to financial institutions that failed to comply with the provisions of the Financial Institutions Act, 2004 as amended.

In terms of investments, the Fund recognized income from risk free Government Treasury Bills and Treasury Bonds amounting to UGX 121.0 billion compared to UGX 28.6 billion previously. This represented a significant increase of 326 percent. Out of this, fair value gains on treasury bonds accounted for 20 percent of the total investment income. The investments in Treasury bonds are classified as held for trading and are therefore treated as fair value through profit or loss in accordance with IAS 39 -*Financial Instruments*.

On the expenses side, the Fund incurred administrative expenses amounting to UGX 21.7 billion compared to UGX 9.5 billion registered in FY 2015. The significant increase of 127 percent is mainly attributed withholding tax levied on interest derived from treasury instruments. Expenses are expected to increase, given that the Fund is a separate legal entity with its own Board and staff.

8 Banking Sector Performance and Developments

8.1 Commercial Banks

The banking system remained safe and sound during the period under review. All banks met the minimum core capital requirement of 8 percent of risk weighted assets as at the end of June 2017. In addition, banks maintained adequate liquidity buffers as shown by the ratio of liquid assets to total deposits of 50.1 percent as at the end of June 2017, which was well above the minimum requirement of 20 percent. However, the industry wide NPL ratio (non-performing loans to total gross loans) grew from 5.3 percent in December 2015 to 6.2 percent in June 2017 due to an increase in volume of non-performing loans.

The total assets of the banking sector grew by 14.7 percent from UGX 21.7 trillion in December 2015 to UGX 24.9 trillion at the end of June 2017. However, there was a slowdown in lending recorded in the year to June 2017. Bank loans grew marginally by 1.9 percent from UGX 10.8 trillion in December 2015 to UGX 11.0 trillion in June 2017. Deposits increased by 20 percent from UGX 14.8 trillion to UGX 17.7 trillion over the period under review.

In March 2016, Bank of Uganda exited statutory management of Imperial Bank Uganda Ltd. and the Bank's shares were sold to Exim Bank (Tanzania) Ltd. in January 2017. In another development, Crane Bank Limited was moved from Statutory Management to Receivership in order to avoid a systemic problem in the financial sector. The majority of its liabilities (including deposits) and assets were then moved to DFCU Bank Limited. Bank of Uganda incurred net intervention costs amounting to UGX 397billion towards Crane Bank statutory management. These costs are recoverable from the shareholders of Crane Bank Limited (in receivership) in line with the FIA 2004.

The total number of commercial bank branches was 546 as at the end of June 2017 compared to 581 branches as at the end of December 2015. Similarly, the number of Automated Teller Machines (ATMs) decreased from 850 as at end of December 2015 to 818 as at the end of June 2017. The decrease in branches and ATMs was mainly on account of the integration of Crane Bank Limited into DFCU Bank Limited where some branches were closed. In addition, some commercial banks undertook branch and ATM rationalization in an effort to scale down on operational costs and focus on alternative delivery channels.

8.2 Credit Institutions

All Credit Institutions were adequately capitalized and had adequate liquidity buffers as at the end of June 2017. Total assets held by the sub-sector grew by UGX 106.7 billion or 27.4 percent from UGX 389.6 billion as at the end of December 2015 to UGX 496.3 billion as at the end of June 2017. Similarly, net loans and advances increased by UGX 32.1 billion or 14.2 percent from UGX 225.3 billion as at the end December 2015 to UGX 257.4 billion as at the end of June 2017. Total deposits rose by UGX 85.4 billion or 33.6 percent from UGX 254.3 billion to UGX 339.7 billion over the same period.

8.3 Microfinance Deposit-Taking Institutions

During the period ended June 2017, the Microfinance Deposit-taking Institutions (MDIs) were adequately capitalized. Aggregate core and total capital held was UGX 139.0 billion and UGX 151.0 billion, while the capital adequacy ratios of core and total capital to risk weighted assets were 38.9 percent and 42.3 percent respectively. The sub-sector's annualized Return on Assets (ROA) and Return on Equity (ROE) ratios were 2.8 percent and 8.8 percent, respectively.

Total assets held by the sub-sector increased by UGX 70.7 billion or 17.6 percent from UGX 401.0 billion as at the end of December 2015 to UGX 471.7 billion as at the end of June 2017. Total loans grew by UGX 7.3 billion or 2.7 percent from UGX 270.4 billion to UGX 277.7 billion. Customer deposits increased by UGX 18.3 billion or 10.0 percent from UGX 182.9 billion to UGX 201.2 billion over the same period. Non-performing loans increased by UGX 5.4 billion or 62.8 percent from UGX 8.6 billion to UGX 14.0 billion.

9 Deposit Protection Fund Activities

9.1 Introduction

The Deposit Protection Fund was set up to mainly protect small, unsophisticated customers of regulated deposit taking institutions from losing their deposits in case of institutional failure. The Fund operated as a unit within the Non-Bank Financial Institutions Department in Bank of Uganda. Following the amendment to the Financial Institutions Act 2004, it was transformed into a separate legal entity. Consequently, more emphasis is placed on achieving the key strategic goals of the Fund which will ultimately contribute to financial sector stability.

9.2 Membership

Membership to the DPF is compulsory for all deposit taking institutions regulated by Bank of Uganda. As at June 30, 2017 a total of 33 institutions were members of the DPF, broken down as follows:

a) Commercial banks – 24
b) Credit Institutions - 4
c) Microfinance Deposit Taking Institutions- 5

9.3 Payments to Depositors

The Fund's liability to eligible depositors arises when a financial institution is closed. The amount payable is the insured aggregate credit balance per depositor per bank. The deposit insurance limit is determined by the Minister of Finance, Planning and Economic Development, from time to time by order published in the Gazette, and is currently UGX 3 million. The Fund has grown over the past 5 years mainly due to the increased number of banks and relative stability within the financial sector. Troubled banks have been resolved by the Bank of Uganda using Purchase and Assumption Agreements, subsequently, no depositor has lost funds and there has been no need to pay depositors out of the DPF.

9.4 Deposit Coverage

Deposits within the banking sector grew by 20 percent from UGX 14.8 trillion to UGX 17.7 trillion in December 2015 and June 2017 respectively. Likewise, the number of deposit accounts increased from 6 million to 9 million over the 18 months period. Out of the total number of deposit accounts, 97 percent had balances of UGX 3 million and below, meaning they were within the insured limit of UGX 3 million. When the total value of deposits is considered, 10 percent are within the insured limit.

A trend analysis of the past five years indicates that deposits in the sector have steadily grown. In June 2017 total deposits stood at UGX 17.7 trillion compared to UGX 10.6 trillion registered as at June 2013. Likewise, the number of deposit accounts in the formal financial sector have grown substantially from 5 million to 9 million or 80 percent over the same period. This notable growth is attributed to increased economic activity, the entry of new financial institutions as well as concerted efforts to promote financial inclusion.

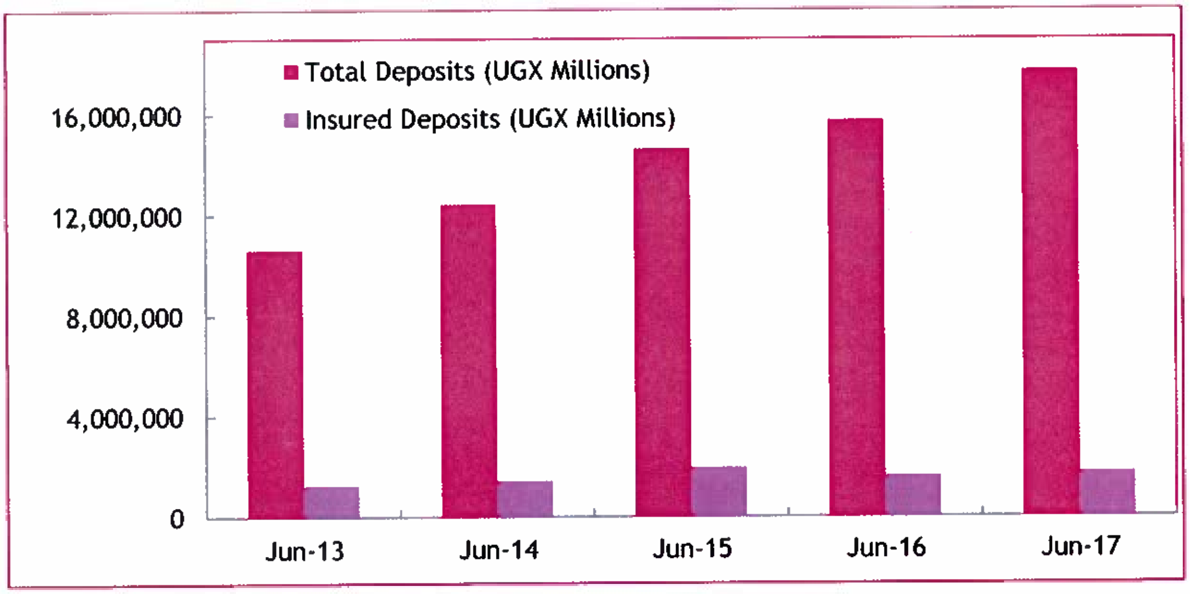
In terms of depositor coverage which stands at UGX 3 million per depositor per bank, over 90 percent of the accounts have been covered in the last 5 years. This is in line with IADI core principle No.8 which states that the coverage level should cater for a large majority of depositors but also leave a substantial amount of deposits subject to market discipline. Over the same period, the amount of deposits that were not covered by deposit insurance increased from 88 percent in June 2013 to 90 percent in June 2017. Efforts are underway to increase the insurance limit, so that more deposits are covered. Table 2 below contains statistics on deposit coverage.

Table 2: Trends in Deposit Coverage

	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Total Deposits (UGX Millions)	10,625,212	12,443,492	14,629,803	15,758,506	17,723,894
Total Insured (UGX Millions)	1,255,410	1,435,171	1,936,720	1,629,066	1,749,222
Total No. of accounts	4,974,392	5,587,251	6,031,861	6,064,360	9,314,365
Accounts fully covered	4,774,660	5,422,960	5,770,494	5,786,376	9,006,967

Source: DPF

Figure 1: Trend in Deposit Coverage



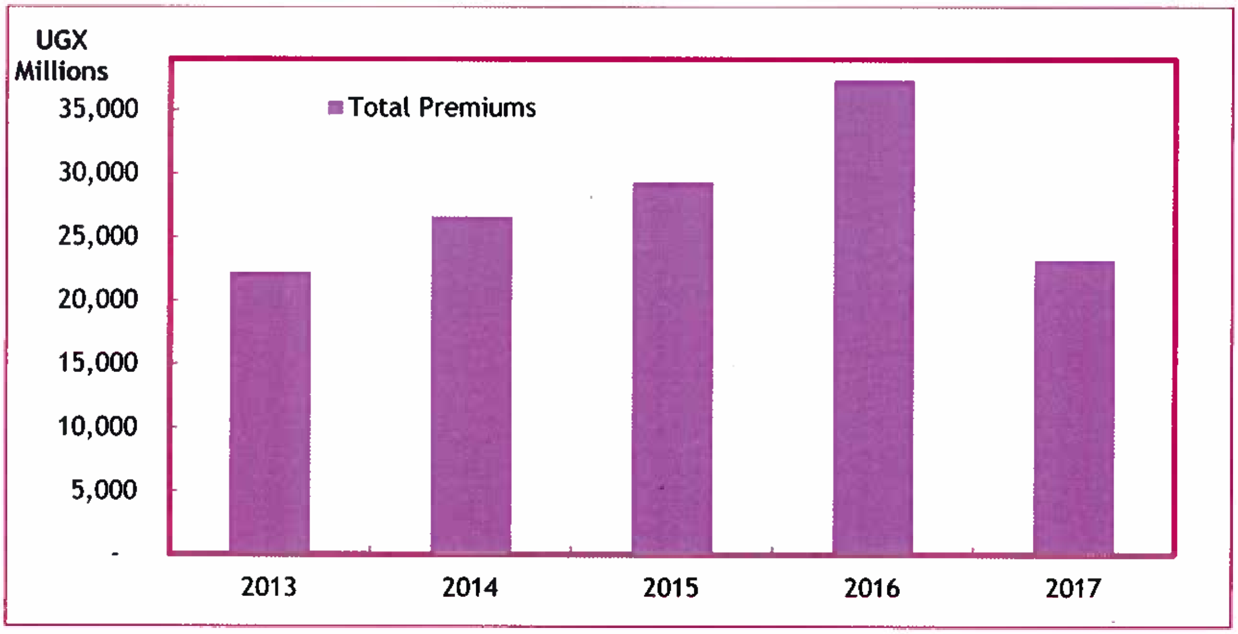
Source: DPF

9.5 Trend of Premium Contributions

Deposit Taking Institutions regulated by Bank of Uganda are required to contribute annual premiums to the Fund. This premium is currently charged at 0.2 percent of the average weighted deposit liabilities of the institution in the previous financial year. Risk adjusted contributions based on quarterly ratings resulting from Bank of Uganda's offsite surveillance reports are also charged. An institution rated marginal pays an additional charge of 0.1 percent of average weighted deposit liabilities while an institution rated unsatisfactory will pay an additional charge of 0.2 percent of the average weighted deposit liabilities in addition to annual premium. Premiums have grown steadily since 2013 due to growth in deposits (See chart 3 below). Please note that the reduction observed in

2017 is because this captures premiums collected over a half year period from January 2017 to June 2017.

Figure 2: Trend of Deposit Premiums



10 Directors' Report

The Directors are pleased to present the Report and Audited Financial Statements of the Deposit Protection Fund, for the 18 months period ended 30 June 2017.

10.1 Incorporation

The Deposit Protection Fund was established as a body corporate under section 108 the Financial Institutions Act, 2004 as amended by Act No.2 of 2016 (Financial Institutions Act, 2004 as amended). As per the said law, the Fund is governed by board members who were appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson and representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions and the general Public.

10.2 Principal Activities

As per Section 109 of the Financial Institutions Act, 2004 as amended, the principal activity of the Fund is to act as the deposit insurance scheme for customers of contributing institutions (deposit taking institutions regulated by Bank of Uganda). The Fund may act as a receiver or liquidator of a financial institution, if appointed for that purpose by Bank of Uganda and may perform such other functions as may be conferred upon it by law.

10.3 Operating Financial Results

The Directors present the financial statements for the period ended 30 June 2017 as set out on pages 31 to 57 of this report. Total assets of the DPF increased by UGX 176 billion over the 18 months period from UGX 324 billion to UGX 500 billion registered as at December 31, 2015 and June 30, 2017 respectively. This growth was financed by 'fund capital' which grew from UGX 300 billion in December 2015 to UGX 460 billion in June 2017, on account of profits derived from investments and contributions from financial institutions. Fund expenses amounted to UGX 21.7 billion up from UGX 9.5 billion in the previous period.

10.4 Directors

The directors who held office at the date of this report were: Mr. Ben Patrick Kagoro (Chairman), Mr. Solomon O. Oketcho, Mr. John Byaruhanga, Mr. Andrew Obara, Mr. Wilbrod Humphreys Owor and Mr. Emmanuel Kalema Musoke.

10.5 Auditors

In accordance with Section 111D, of the Financial Institutions Act 2004 as amended, the financial statements shall be audited once every year within four months after the close of each financial year, and an annual report of its operation of the Fund submitted to the Minister and contributing institutions.

In accordance with the provisions of section 23 of the National Audit Act, the Auditor General appointed M/s Ernst & Young, Certified Public Accountants, to audit the financial statements on his behalf. This will enable him report to Parliament in accordance with Article 163 (4) of the Constitution of the Republic of Uganda.

10.6 Approval of the Financial Statements by Management

The financial statements were approved on ...5th......October 2017.

....

BOARD CHAIRMAN

11 Statement of Director's Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 30 June 2017, and the statement of profit or loss and statement of cash flows for the 18 months period ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act 2016.

The Directors are responsible for the internal control of the Fund. Standards and systems of internal control are designed and implemented by the Directors to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Fund's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the financial statements set out on pages 31 to 57, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and the requirements of the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act 2016. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and of the disposition of its assets and liabilities for the 18 months period ended 30 June 2017. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors certify that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and is an accurate representation of the Fund's financial transactions in every respect.

The financial statements were approved by the Board of Directors on....................October 2017 and signed by:

Chairman	Director	Director

12 Report of the Auditor Auditor General to Parliament

Under the terms stipulated in Section 111D of the Financial Instituions Act, 2006 as amended, I am required to audit the financial statements of the Deposit Protection Fund. In accordance with Section 23 of the National Audit Act, I appointed M/s Ernst & Young, Certified Public Accountants, to audit the financial statements on my behalf and report to me to enable me report to Parliament in accordance with Article 163 (4) of the Constitution of the Republic of Uganda.

12.1 Report of Financial Statements

Opinion

I have audited the financial statements of the Deposit Protection Fund set out on pages 31 to 57, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income and statement of cash flows for the 18 months period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Deposit Protection Fund as at 30 June 2017, and its financial performance and cash flows for the 18 months period then ended in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act 2016.

Basis for Opinion

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

Other Information

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

My opinion on the financial statements does not cover the 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 inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

12.2 Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act 2016, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

12.3 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 Fund's internal control.

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

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 Fund to cease to continue as a going concern.

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

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

John F.S Muwanga

AUDITOR GENERAL

KAMPALA

5 OCTOBER 2017

13 Statement of Profit or Loss

		Note	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Contributions:				
	Commercial Banks	2(a)	42,916,906	24,873,914
	Credit Institutions	2(a)	737,555	367,674
	Microfinance Deposit Taking Institutions	2(a)	517,119	234,156
	Risk Adjusted Premium	2(b)	17,337,561	5,044,611
	Penalties	2(c)	86,790	-
			61,595,931	30,520,355
Income from investments:	Interest on Government treasury bills & bonds	3	97,029,477	42,143,614
	Income from secondary market trading	4	-	120
	Impairment loss on receivables	10	(688,341)	-
	Fair value gain/(loss)	8	24,591,479	(13,561,419)
			120,932,615	28,582,315
Expenses	Audit fees	5	35,000	29,900
	Management fees	6	1,546,116	918,573
	Taxation	7a)	19,907,611	8,523,200
	Administrative expenses	14	203,078	-
Total expenditure			21,691,805	9,471,673
Total profit for the period		16	160,836,741	49,630,997

The notes set out on pages 34 to 57 form an integral part of the financial statements.

14 Statement of Financial Position

		Note	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Assets	Investments in Government securities:			
	Treasury bills held to maturity	9	83,458,896	121,982,880
	Treasury bonds at amortised cost	9	-	4,636,710
	Treasury bonds at fair value	9	391,861,703	175,976,056
	Receivables	10	4,657,737	1,651,568
	Bank balances	11	20,437,744	19,911,228
Total Assets			500,416,080	324,158,442
Current liabilities	Deferred income	2(d)	14,781,825	-
	Creditors	12	19,760,392	19,760,392
	Unclaimed deposits	13	198,882	198,882
	Expenses payable	15	322,894	277,053
	Tax payable	7b)	4,568,376	3,975,145
Total Liabilities			39,632,369	24,211,472
Net Assets of the Fund			460,783,711	299,946,970
Represented by:				
Fund Balance		16	460,783,711	299,946,970

The notes set out on pages 34 to 57 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on..................October 2017 and signed on its behalf by:

Chairman Director Director

15 Statement of Cash Flows

		18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Cash flows from operating activities			
	Contributions received -commercial banks	57,231,836	24,873,914
	Credit institutions	1,010,307	367,674
	Microfinance Deposit Taking Institutions	711,262	234,156
	Risk adjusted premium	13,643,051	3,779,031
	Penalties	86,790	-
	Management fees	(1,505,688)	(958,793)
	Taxation	(19,314,381)	(7,270,403)
	Audit fees	(29,900)	(30,857)
	Administrative expenses	(202,765)	-
Net cash used in operating activities		51,630,512	20,994,722
Cash flows from investing activities			
	Investment income received-T bills & bonds	95,801,411	35,771,742
	Increase in investing activities	(146,905,407)	(58,422,921)
Net cash used in investing activities		(51,103,996)	(22,651,179)
Net decrease in cash and cash equivalents		526,516	(1,656,457)
Movement in cash and cash equivalents:			
	At the start of the year	19,911,228	21,567,685
	Net decrease in the year	526,516	(1,656,457)
At the end of the period		20,437,744	19,911,228

The notes set out on pages 34 to 57 form an integral part of the financial statements.

16 Notes to the Financial Statements

1 Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

1.1 Basis of Preparation

1.1.1 Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Financial Institutions Act, 2004 as amended by the Financial Institutions Act, 2016.

1.1.2 Basis of measurement

The financial statements have been prepared under the historical cost basis unless otherwise stated.

1.1.3 Functional and presentation currency

The financial statements are presented in thousands of Uganda Shillings (UGX), which is the Fund's functional currency.

1.1.4 Accounting period

Following the enactment of the Financial Institutions (Amendment) Act, 2016, the financial year end of the fund was amended from 31 December to 30 June to be in line with the financial year of Government. The financial statements for the period ended 30 June 2017 present an 18 months period compared to the 12 months period ended 31 December 2015.

1.1.5 Use of estimates and judgement

Assumptions and estimates of uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgements about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

1.2 Significant Accounting Policies

1.2.1 Revenue recognition

Income comprises contributions levied from contributing Financial Institutions and is recognized in the period when it is recoverable. Such contributions are assessed at a rate of 0.2 percent of the average weighted deposit liabilities of the Financial Institutions for the previous financial year.

Income also comprises of the risk adjusted premium where the financial institutions which are rated marginal or unsatisfactory as per the quarterly off-site reports are charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis.

Interest income is primarily earned on treasury bills and bonds and is recognized in the period in which it is earned taking into account the effective yield on the asset.

Interest income includes the amortization of any premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest rate method.

The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

1.2.2 Financial instruments

The Fund's financial instruments are classified as follows:

1. Government treasury bills as held-to-maturity and are accordingly carried at amortized cost. Refer to note 9

2. Government treasury bonds as investments at fair value through profit or loss and are carried at fair value. Refer to note 9

3. Bank balances and other receivables as loans and receivables, and are accordingly carried at amortized cost. Refer to note 10 and 11.

4. Creditors are carried at amortized cost. Refer to note 12.

1.2.3 Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Fund include balances with Bank of Uganda and investments in government securities.

All financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

1.2.4 Classification

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified. The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics.

a) Held for trading assets and liabilities are those assets and liabilities that the Fund acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

b) Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

c) Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available for sale assets are recognised on the date they are transferred to the Fund.

d) Financial liabilities: The Fund classifies its financial liabilities other than guarantees and loan commitments as measured at amortised cost or fair value through profit or loss.

1.2.5 Measurement

Initial measurement of financial instruments

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, which are recorded at fair value.

Subsequent measurement of financial instruments

Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

Fair value measurement

The Fund discloses the fair values of financial instruments such as treasury bonds held at fair value through profit or loss.

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

In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Fair-value related disclosures for financial instruments for which fair values are disclosed, are included in note 19.

1.2.6 De-recognition of financial instruments

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

a) The rights to receive cash flows from the asset have expired; or

b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

   i. The Fund has transferred substantially all the risks and rewards of the asset; or

   ii. The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

b) Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of net assets when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

1.2.7 Taxation

A final tax is charged on interest income earned on treasury bills and bonds in accordance with the Income Tax Act of Uganda. The rate applicable during the year ended 31 December 2015 was 20 percent.

1.2.8 Provision for payments to depositors

Provisions for payments to protected depositors are recognized in the financial statements in the period the contributory institution is placed under liquidation. Any payments that exceed the provisions made are taken into account in determining the operating results for the year. Provisions that relate to unclaimed protected deposits are written back to income on expiry of the statutory period.

1.2.9 Payments to depositors

Payments to depositors are initially recognized as receivables from the liquidators of closed Commercial banks/Non-Banking financial institutions. Subsequently, any short fall in receivables not made good by the liquidator is written off in the statement of changes in net assets.

1.2.10 Cash and bank

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days to maturity from the statement of financial position date and include: cash and balances with the Bank of Uganda.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.2.11 Adoption of new and revised standards

The accounting policies adopted are consistent with those used in the previous financial year except the following standards, amendments and interpretations which the Fund has adopted. The adoption of these standards, amendments and interpretations did not have significant effect on the financial performance or position of the Fund.

1.3 New And Amended Standards And Interpretations

1.3.1 New or Revised Pronouncements, Interpretations and Amendments Which Became Effective

New or revised pronouncements	Effective Date	Effect on DPF
IFRS 14 *Regulatory Deferral Accounts*		
IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.	IFRS 14 did not have any impact on the financial statements of the Fund.
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)		
Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: • apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 • disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.	Applicable to annual periods beginning on or after 1 January 2016	IFRS 11 did not have any impact on the financial statements of the Fund.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)		
Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: • clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment • introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Fund.

asset are highly correlated • add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.		
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)		
Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to: • include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16 • introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales • clarify that produce growing on bearer plants remains within the scope of IAS 41.	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Fund.
Equity Method in Separate Financial Statements (Amendments to IAS 27)		
Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Fund.
Annual Improvements 2012-2014 Cycle		
Makes amendments to the following standards: • IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued • IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements • IAS 19 – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid • IAS 34 – Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference	Applicable to annual periods beginning on or after 1 January 2016	The amendments did not have any impact on the financial statements of the Fund.
Disclosure Initiative (Amendments to IAS 1)		
Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: • clarification that information should not be obscured	Effective for annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial

by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; • clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; • additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.		statements of the Fund.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)		
Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points: • The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. • A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. • When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. • An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.	Effective for annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Fund.

1.3.2 *New or Revised Pronouncements, Interpretations and Amendments Which Are Not Yet Effective*

New or revised pronouncements	Effective Date	Effect on DPF
IFRS 9 *Financial Instruments (2014)*		
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: • **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow	Effective for annual periods beginning on or after 1 January 2018.	The Fund is currently estimating the impact of IFRS 9 on the financial statements of the Fund.

characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk. • **Impairment**. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. • **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.		
IFRS 15 *Revenue from Contracts with Customers*		
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.	The amendments will not have any impact on the financial statements of the Fund.
IFRS 16 *Leases*		
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Applicable to annual reporting periods beginning on or after 1 January 2019.	The amendments will not have any impact on the financial statements of the Fund.
IFRS 17 *Insurance Contracts*		
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	Applicable to annual reporting periods beginning on or after 1 January 2021.	IFRS 17 will not have an impact on the financial statements of the Fund.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*		
The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. • The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	Applicable to annual reporting periods beginning on or after 1 January 2018.	IFRIC 22 will not have an impact on the financial statements of the Fund.
IFRIC 23 *Uncertainty over Income Tax Treatments*		
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances	Applicable to annual reporting periods beginning on or after 1 January 2019.	IFRIC 23 will not have an impact on the financial statements of the Fund.
New or revised Amendments		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)		
Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: • require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations) • require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.	Effective date deferred indefinitely	The amendment will not have any impact on the financial statements of the Fund.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)		
Amends IAS 12 Income Taxes to clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	Effective for annual periods beginning on or after 1 January 2017	The amendment did not have any impact on the financial statements of the Fund.
Disclosure Initiative *(Amendments to IAS 7)*		
Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Effective for annual periods beginning on or after 1 January 2017	The Fund is currently assessing the impact of the amendment to its financial statements.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'		
Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	Effective for annual periods beginning on or after 1 January 2018	The amendment will not have any impact on the financial statements of the Fund.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)		
Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	Effective for annual periods beginning on or after 1 January 2018	The amendment will not have any impact on the financial statements of the Fund.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)		
Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for	The amendment will not have any impact on the financial

the income or expenses arising from designated financial assets; this is the so-called overlay approach; • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	annual periods beginning on or after 1 January 2018 and only available for three years after that date.	statements of the Fund.
Transfers of Investment Property (Amendments to IAS 40)		
The amendments to IAS 40 Investment Property: • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. • The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.	Effective for annual periods beginning on or after 1 January 2018	The amendment did not have any impact on the financial statements of the Fund.
Annual Improvements to IFRS Standards 2014-2016 Cycle		
Makes amendments to the following standards: • IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	The amendment will not have any impact on the financial statements of the Fund.

2 Contributions

A) Annual Contributions 2016 - 2017	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Commercial Banks		
1 ABC Capital Bank Ltd	50,608	22,473
2 Bank of Africa Uganda Ltd	1,309,901	666,502
3 Bank of Baroda (Uganda) Ltd	2,812,080	1,485,520
4 Bank of India (Uganda) Ltd	218,550	75,136
5 Barclays Bank of Uganda Ltd	3,528,788	2,075,170
6 Cairo International Bank Ltd	161,370	115,548
7 Centenary Bank Uganda Ltd	4,046,007	2,149,201
8 Citibank Uganda Ltd	1,318,653	840,455
9 Commercial Bank of Africa Uganda Ltd	125,036	18,210
10 Crane Bank Uganda Ltd	2,629,923	2,379,621
11 DFCU Bank Ltd	2,698,921	1,493,307
12 Diamond Trust Bank Uganda Ltd	3,081,869	1,474,293
13 Ecobank Uganda Ltd	702,072	317,790
14 Equity Bank Uganda Ltd	1,150,626	536,499
15 Exim Bank Uganda Ltd	286,831	-
16 Finance Trust Bank Ltd	246,539	125,349
17 Guaranty Trust Bank	184,856	117,237
18 Housing Finance Bank Ltd	935,919	563,311
19 Imperial Bank Uganda Ltd	491,238	406,315
20 KCB Bank Uganda Ltd	1,600,914	856,873
21 NC Bank	206,434	88,729
22 Orient Bank Ltd	1,245,878	777,923
23 Stanbic Bank Uganda Ltd	7,438,081	4,117,585
24 Standard Chartered Bank Uganda Ltd	5,652,261	3,602,764
25 Tropical Bank Ltd	408,039	271,994
26 United Bank of Africa Uganda Ltd	385,512	296,109
	42,916,906	**24,873,914**
Credit Institutions		
1 Merchantile Credit Bank Ltd	66,910	32,567
2 Opportunity Bank Uganda Ltd	55,638	27,596
3 PostBank Uganda Ltd	605,038	307,511
4 Top Finance Bank Uganda Ltd	9,969	-
	737,555	**367,674**
Microfinance Deposit Taking Institutions		
1 EFC Limited	5,416	-
2 Finca Uganda Limited	218,229	86,570
3 Pride Microfinance Limited	253,245	132,514
4 Ugafode Microfinance Limited	39,740	15,072
5 Yako Microfinance Limited	489	-
	517,119	**234,156**
Total contributions	**44,171,580**	**25,475,744**

B) Risk Adjusted Premium	**18 months period 30 Jun 2017 UGX '000**	**Year ended 31 Dec 2015 UGX '000**
1 Commercial banks	17,125,670	5,026,315
2 Credit Institutions	124,181	17,837
3 Microfinance Deposit Taking Institutions	87,710	459
Total Risk Adjusted Premium	**17,337,561**	**5,044,611**

C) Penalties for late payment	**18 months period 30 Jun 2017 UGX '000**	**Year ended 31 Dec 2015 UGX '000**
Commercial banks	86,790	-
Total Penalties	**86,790**	-

During the period ended 30 June 2017, financial institutions that did not pay their contributions to the Fund with in the specified period were charged a civil penalty interest charge of 0.5 per cent of the unpaid amount for every day outside the notice period on which the amount remained unpaid as per Section 111 (3) of the Financial Institutions Act, 2016.

D) Deferred Contributions 2017	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Commercial Banks		
1 ABC Capital Bank Ltd	17,306	-
2 Bank of Africa Uganda Ltd	461,028	-
3 Bank of Baroda (Uganda) Ltd	1,026,525	-
4 Bank of India (Uganda) Ltd	93,265	-
5 Barclays Bank Uganda Ltd	1,198,327	-
6 Cairo International Bank Ltd	54,913	-
7 Centenary Bank Uganda Ltd	1,456,007	-
8 Citibank Uganda Ltd	524,739	-
9 Commercial Bank of Africa Uganda Ltd	56,595	-
10 Crane Bank Uganda Ltd	965,409	-
11 DFCU Bank Ltd	1,087,638	-
12 Diamond Trust Bank Uganda Ltd	207,887	-
13 Ecobank Uganda Ltd	425,341	-
14 Equity Bank Uganda Ltd	226,242	-
15 Exim Bank Uganda Ltd	60,589	-
16 Finance Trust Bank Ltd	90,163	-
17 Guaranty Trust Bank	74,216	-
18 Housing Finance Bank Ltd	335,511	-
19 Imperial Bank Uganda Ltd	518,359	-
20 KCB Bank Uganda Ltd	66,748	-
21 NC Bank	409,520	-
22 Orient Bank Ltd	2,799,572	-
23 Stanbic Bank Uganda Ltd	1,906,081	-
24 Standard Chartered Bank Uganda Ltd	141,074	-
25 Tropical Bank Ltd	111,875	-
	14,314,930	-
Credit Institutions		
1 Merchantile Credit Bank Ltd	29,473	-
2 Opportunity Bank Uganda Ltd	20,773	-
3 PostBank Uganda Ltd	218,259	-
4 Top Finance Bank Uganda Ltd	4,248	-
	272,753	-
Microfinance Deposit Taking Institutions		
1 EFC Limited	4,012	-
2 Finca Uganda Limited	97,917	-
3 Pride Microfinance Limited	77,437	-
4 Ugafode Microfinance Limited	14,287	-
5 Yako Microfinance Limited	489	-
	194,142	-
Total contributions	14,781,825	-

Deferred income worth UGX 14.8 billion was recognized for the first time. This was necessitated because of the change in the accounting period of the Fund from calendar year (Jan - Dec) to the financial year of the Government of Uganda. Given that annual contributions relate to a calendar year, there was need to apportion the contributions in line with accrual based accounting principles.

3 Interest On Government Treasury Bills And Bonds

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Treasury bills	31,081,102	15,793,332
Treasury bonds	65,948,375	26,350,282
Interest from securities	**97,029,477**	**42,143,614**

4 Income From Secondary Market Trading

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Sales proceeds	-	19,582
Original cost of sale	-	19,359
Profit on trading	-	223
Interest accrued on securities	-	(103)
Income for the year from secondary market trading	-	120

5 Audit Fees

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Fees for the year	35,000	29,900
	35,000	**29,900**

6 Management Fees

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Fees for the year	1,546,116	918,573
	1,546,116	**918,573**

M/s. Sanlam Investments East Africa Ltd and GenAfrica Asset Managers continued to perform their duties as the Fund's investment managers during the period. The Management fees are based on the market value of the portfolio at the end of each relevant quarter as per Section 10 of the investment management agreement between M/s Sanlam Investments East Africa Ltd and GenAfrica Asset Managers ("the Investment Managers") and the Fund.

7 Taxation

		18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
7a)	Withholding Tax at 20%	19,910,755	8,537,363
	WHT written off on premium bond	(3,144)	(14,163)
	Adjusted Tax for the period	**19,907,611**	**8,523,200**
	Add: Tax payable brought forward	3,975,145	2,722,348
	Less: Withholding tax paid at 20%	(19,314,380)	(7,270,403)
7b)	**Tax payable carried forward**	**4,568,376**	**3,975,145**

A final tax of 20 percent was charged on interest income earned on Treasury Bills and Treasury Bonds for the period ended 30 June 2017 in accordance with Section 122 of the Income Tax Act.

8 Fair Value Movement On Treasury Bonds

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Fair value gain/(loss) at 30 June	7,413,469	(17,178,010)
Less: fair value loss at 1 January	(17,178,010)	(3,616,591)
Fair value gain/(loss)	**24,591,479**	**(13,561,419)**

The investments in Treasury bonds are classified as held for trading and are therefore treated as fair value through profit or loss in accordance with IAS 39 -Financial Instruments. Note 19 highlights the treatment of fair value of financial instruments.

9 Investments In Government Securities

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Treasury bills held to maturity	83,458,896	121,982,880
Treasury bonds at amortised cost	-	4,636,710
Treasury bonds at fair value	391,861,703	175,976,056
	475,320,599	**302,595,646**

2018 19 20 21

The treasury bills and bonds are further analyzed as follows:

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Treasury bills held to maturity		
Treasury bills (at cost)	77,455,635	113,490,653
Interest accrued	6,003,261	8,492,227
Total Treasury bills	**83,458,896**	**121,982,880**
Treasury bonds at amortised cost		
Treasury bonds (at cost)	-	3,698,388
Interest accrued	-	938,322
Total	**-**	**4,636,710**
Treasury bonds at fair value		
Treasury bonds (at cost)	370,060,292	183,421,477
Interest accrued	14,387,943	9,732,589
Fair value gain/(loss)	7,413,468	(17,178,010)
Total	**391,861,703**	**175,976,056**
Total treasury bonds	**391,861,703**	**180,612,766**

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Maturity analysis of the government securities:

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Treasury Bills		
Maturity within 91 days	24,996,330	38,705,092
Maturity after 91 days & before 182 days	23,640,095	39,337,296
Maturity after 182 days	34,822,471	43,940,492
	83,458,896	**121,982,880**
Treasury Bonds		
Maturity within 2 years	100,323,016	85,988,806
Maturity after 2 years and within 3 years	77,497,082	24,534,642
Maturity after 3 years and within 5 years	84,311,908	34,376,946
Maturity after 5 years and within 10 years	94,813,030	28,908,509
Maturity after 10 years	34,916,667	6,803,863
Total	**391,861,703**	**180,612,766**

10 Receivables

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Risk Adjusted Premiums	5,346,078	1,651,568
Impairement loss on receivables	(688,341)	-
	4,657,737	**1,651,568**

During the year, financial institutions which were rated marginal or unsatisfactory as per the quarterly off-site reports were charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis as per Section 109(7) of the Act. (Refer to note 2). The impairment loss on receivables relates to Risk Adjusted Premium charged to the defunct Crane Bank Uganda Limited for the quarter ended 30 June 2017.

11 Bank Balances

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Cash at Bank of Uganda	20,437,744	19,911,228
	20,437,744	**19,911,228**

Included in the cash held at Bank of Uganda is UGX 19,750 million payable to the Government of Uganda (Refer to Note 12). This will be disbursed after the conclusion of the liquidation exercise of the closed banks; (Greenland Bank, Cooperative Bank, and International Credit Bank).

12 Creditors

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Total insured depositors	41,152,210	41,152,210
Claim by Deposit Protection Fund	(3,299,997)	(3,299,997)
Claim by Government of Uganda	**37,852,213**	**37,852,213**
Refund to Government	(10,000,000)	(10,000,000)
Balance from Coop Bank A/C & Other Assets	(8,101,734)	(8,101,734)
Amount payable to Government	**19,750,479**	**19,750,479**
Amount payable to Bank of Uganda	9,913	9,913
	19,760,392	**19,760,392**

The amount payable to Government and Bank of Uganda relates to their contribution for settlement of claims in the liquidation exercise of the closed banks. The amount will be paid after the conclusion of the liquidation exercise.

13 Un-Claimed Deposits

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
At 1 January and the end of the period	198,882	198,882
	198,882	**198,882**

The balance constitutes unclaimed deposits payable to insured depositors of closed banks.

14 Administrative Expenses

	18 months period 30 Jun 2017 UGX '000	Year ended 31 Dec 2015 UGX '000
Procurement expenses	50,461	-
Board expenses	80,350	-
Staff costs	72,267	-
	203,078	-

15 Expenses Payable

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
Audit fees	35,000	29,900
Management fees	287,580	247,153
Administrative expenses	314	-
	322,894	277,053

16 Fund Balance

	30 Jun 2017 UGX '000	31 Dec 2015 UGX '000
At 1 January	299,946,970	250,315,973
Total profit for the period	160,836,741	49,630,997
At the end of the period	460,783,711	299,946,970

17 Risk Management

Introduction and overview

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

i. Interest rate risk

ii. Liquidity risk

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk. The Fund does not have material exposure to credit risk as all its investments are in government securities. The Fund operates wholly within Uganda and all its assets and liabilities are reported in local currency. It does not carry out any transactions in foreign currencies hence there is no currency risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is responsible for developing and monitoring the risk management policies. The Board is responsible for identifying and analyzing the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

17.1 Interest Rate Risk

The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. Interest rate monitoring is done by the Board of Directors as well as the investment managers. The Fund does not have any significant interest rate risk exposures as it holds no hedging instruments through derivatives.

Exposure to interest rate risk

Table 3 below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities categorized by maturity dates;

Table 3: Interest rate Risk

	Up to 3 months UGX '000	3 to 6 months UGX '000	6 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000	Non-interest bearing UGX '000	Total 2016/2017 UGX '000
Assets							
Bank balances	-	-	-	-	-	20,437,744	20,437,744
Investments in treasury bills	24,996,330	23,640,095	34,822,471	-		-	83,458,896
Investments in treasury bonds	-	-	-	262,132,006	129,729,697	-	391,861,703
Receivables	-	-	-	-	-	4,657,737	4,657,737
Total assets	24,996,330	23,640,095	34,822,471	262,132,006	129,729,697	25,095,481	500,416,080
Interest sensitivity gap							
As at 30 June 2017	24,996,330	23,640,095	34,822,471	262,132,006	129,729,697	25,095,481	500,416,080

	Up to 3 months UGX '000	3 to 6 months UGX '000	6 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000	Non-interest bearing UGX '000	Total 2015 UGX '000
Assets							
Bank balances	-	-	-	-	-	19,911,228	19,911,228
Investments in treasury bills	38,705,092	39,337,296	43,940,492	-	-	-	121,982,880
Investments in treasury bonds	-	-	-	144,900,394	35,712,372	-	180,612,766
Receivables	-	-	-	-	-	1,651,568	1,651,568
Total assets	38,705,092	39,337,296	43,940,492	144,900,394	35,712,372	21,562,796	324,158,442
Interest sensitivity gap							
As at 31 December 2015	38,705,092	39,337,296	43,940,492	144,900,394	35,712,372	21,562,796	324,158,442

17.2 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations on its financial liabilities. It includes both the risk of being unable to Fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. In order to manage liquidity risk, the Fund spreads its investments over the government securities time horizon to ensure availability of Funds to meet the Funds obligations as they fall due.

Management of liquidity risk

The Fund has access to Funds raised from deposit protection premiums paid by financial and non-financial institutions annually. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Fund strategy in the Investment Policy.

Exposure to liquidity risk

Table 4: Liquidity risk

	Up to 1 month UGX '000	1 to 3 months UGX '000	3 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000	Non-interest bearing UGX '000	Total 2016/2017 UGX '000
Assets							
Bank balances	687,265	-	-	-	-	19,750,479	20,437,744
Investments in treasury bills	24,996,330	23,640,095	34,822,471	-	-	-	83,458,896
Investments in treasury bonds	-	-	-	262,132,006	129,729,697	-	391,861,703
Receivables	4,657,737	-	-	-	-	-	4,657,737
Total assets	30,341,332	23,640,095	34,822,471	262,132,006	129,729,697	19,750,479	500,416,080
Liabilities							
Creditors	-	-	-	-	-	14,781,825	14,781,825
Unclaimed deposits	-	-	-	-	-	19,760,392	19,760,392
Total liabilities	-	-	-	-	-	34,542,217	34,542,217
Liquidity gap							
As at 30 June 2017	30,341,332	23,640,095	34,822,471	262,132,006	129,729,697	(14,791,738)	

	Up to 1 month UGX '000	1 to 3 months UGX '000	3 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000	Non-interest bearing UGX '000	Total 2015 UGX '000
Assets							
Bank balances	160,749	-	-	-	-	19,750,479	19,911,228
Investments in treasury bills	38,705,092	39,337,296	43,940,492	-	-	-	121,982,880
Investments in treasury bonds	-	-	-	144,900,394	35,712,372	-	180,612,766
Receivables	1,651,568	-	-	-	-	-	1,651,568
Total assets	40,517,409	39,337,296	43,940,492	144,900,394	35,712,372	19,750,479	324,158,442
Liabilities							
Creditors	-	-	-	-	-	-	-
Unclaimed deposits	-	-	-	-	-	19,760,392	19,760,392
Total liabilities	-	-	-	-	-	19,760,392	19,760,392
Liquidity gap							
As at 31 December 2015	40,517,409	39,337,296	43,940,492	144,900,394	35,712,372	(9,913)	

The key measure used by the Fund for managing liquidity risk is the asset mix limits.

Details of the asset mix at the reporting date were as shown in Table 5

Table 5: Asset Class Limits

Asset Class	30 Jun 2017 Value UGX'000	30 Jun 2017 Percentage %	Strategic Allocation %	Tactical Range %	31 Dec 2015 Value UGX'000	31 Dec 2015 Percentage %
Interest bearing						
Cash and cash equivalents	20,437,744	4%	0%	0% - 5%	19,911,228	6%
Treasury bills held to maturity	83,458,896	17%	50%	40% - 80%	121,982,880	38%
Treasury bonds at fair value	391,861,703	79%	50%	20% - 60%	180,612,766	56%
Debt instruments explicitly guaranteed in full by Government of Uganda	-	0%	0%	0% - 15%	-	0%
Total	495,758,343	100%	100%		322,506,874	100%

18 Related Party Transactions

The Deposit Protection Fund and Bank of Uganda ('the Bank') are related parties performing duties of deposit protection and supervision of financial institutions respectively.

No trading is carried on with Bank of Uganda. The following takes place between the Bank and the Fund.

1. The Bank of Uganda staff members who were seconded to the Fund are fully paid by DPF.

2. The Fund's operations are carried out within the Central Bank premises. The Fund is in the process of procuring its own office space.

19 Fair Value of Financial Instruments

As at 30 June 2017, the Fund's investments in financial instruments included Treasury Bills and Treasury Bonds. Treasury Bills are held-to-maturity while Treasury Bonds are measured at fair values derived from quoted market prices.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly from the market.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

During the period ending 30 June 2017, there were no financial instruments under level 1 or level 3. Investment prices were available and obtained from the Central Bank as at 30 June 2017.

Table 6: Treasury bonds measured at Fair Value

30-Jun-2017	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value	-	391,861,703	-

31-Dec-2015	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value	-	175,976,056	-

Financial Instruments not measured at Fair Value

Table 7 below sets out the fair values of treasury bills held-to-maturity and treasury bonds at amortized cost analysed by the level in the fair value hierarchy into which each fair value measurement is categorized:

Table 7: Financial instruments not measured at fair value but for which fair values are disclosed

30-Jun-2017	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000	Total fair values UGX '000	Total carrying amount UGX '000
Financial assets:					
Treasury bills held to maturity	-	83,926,472	-	83,926,472	83,458,896