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Bank of Uganda  
Deposit Protection Fund

Report and Financial Statements for the  
Year ended 31 December 2006





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## BOARD OF DIRECTORS AND OTHER INFORMATION

### 1. BOARD OF DIRECTORS

Name	Position
Mr. Emmanuel Tumusiime-Mutebile	Governor
Mr. David G Opiokello	Ag. Deputy Governor
Dr. Louis A Kasekende	Deputy Governor (up to 30 April 2006)
Mr. C. Manyindo Kassami	Member of the Board (up to 30 Sept 2006)
Mr. Blasio Kiiza	Member of the Board (up to 30 Sept 2006)
Mr. J. Waswa Balunywa	Member of the Board (up to 30 Sept 2006)
Dr. G. Sebunya Muwanga	Member of the Board (up to 30 Sept 2006)
Professor Matthew Okai PhD, DSc	Member of all the Committees of the Board.

### 2. INVESTMENTS MANAGERS

Africa Alliance Uganda Limited (AAU)  
6<sup>th</sup> Floor Workers House  
Pilkington Road  
P O Box 70828  
Kampala  
Uganda

### 3. CUSTODIANS

Bank of Uganda  
Plot 37/43, Kampala Road  
P.O. Box 7120  
Kampala, Uganda

### 4. AUDITORS

KPMG,  
Certified Public accountants  
1<sup>st</sup> Floor, Rwenzori Courts  
Plot 2 & 4A Nakasero Road  
P. O. Box 3509  
Kampala,  
Uganda





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## REPORT OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

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The Directors present their report together with the audited financial statements of the fund for the year ended 31 December 2006.

### 1. BACKGROUND OF THE FUND

The Deposit Protection Fund was established under the Financial Institutions Statute 1993 Section 34(1), and replaced by Section 108(1) Financial Institutions Act 2004. The objective of the Fund is to make payments to depositors of banks closed under an administration order by the Central Bank in accordance with Section 110(1) of the Act.

### 2. ACTIVITIES OF THE FUND

The Bank of Uganda management is pleased to present the Deposit Protection Fund (the Fund) report for the period ended 31 December 2006.

### 3. CONTRIBUTIONS AND FUNDING

Under section 109 (1) of the Act, every financial institution contributes to the Fund and pays into the Fund such annual amount as the Central Bank may determine. Currently, Financial Institutions contribute not less than 0.2% of their average weighted deposit liabilities of the financial institutions in their previous financial year. The Central bank may from time to time issue statutory instruments varying the percentage and advising the basis of weighting.

During the period ended 31 December 2006, the Fund received contributions from fifteen Commercial Banks amounting to Shs 5,101.9 million and Shs 187 million from Six Non-Banking Financial Institutions. Non-Banking Financial Institutions started contributing to the Fund with effect from 1 January 2000, in compliance with section 35 of the Financial Institutions Statute 1993. The Statute was repealed and saved by the Financial Institutions Act 2004.

The net assets increased by Shs 8,065 million for the period 1 January 2006 to 31 December 2006.

### 4. INVESTMENTS

Section 108(6) of the Act stipulates that the money constituting the Fund be invested in such manner as the Central Bank deems appropriate. The Bank has continued to invest the Fund monies in risk free Government Treasury Bills and Bonds. Effective October 2005, African Alliance Uganda Limited started managing the Fund and by the year end Shs 36,164 million was invested in either Treasury Bonds or Treasury Bills and only Shs 3,381 million was held in cash.

### 5. PAYMENTS TO DEPOSITORS

The Fund's liability to eligible depositors arises when a Financial Institution becomes insolvent. During the period ended 31<sup>st</sup> December 2006, the Fund made no payments to depositors because no institution could be described as such. The amount payable to depositors is the protected deposit. This is the aggregate credit balance of any accounts maintained by a customer at a financial institution less any liability of the customer to the Financial Institution. The protected deposits is determined by the Minister of Finance, Planning and Economic Development, from time to time by order published in the Gazette, and is currently Shs 3 million.

### 6. DUES FROM THE LIQUIDATOR

Under section 110 (8) of the Act, the Fund has a claim from the Financial Institution or the liquidator; which ever is the case, an amount equal to the payment made by the Fund on account of its subrogation to the claims of any customer or depositor. There is





still an outstanding balance of Shs 22,934 million due from the liquidator. This has been recognised as a current asset in the statement of net assets.

#### 7. AUDITORS

KPMG, were appointed auditors of the Fund for the financial year ending 31st December 2006 and being eligible have expressed their willingness to continue in office. KPMG, replace Mungereza & Kariisa Certified Accountants who have audited the Deposit Protection fund for past three financial years.

#### 8. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Executive Committee<sup>1</sup> on 30 April 2007

A handwritten signature in black ink, appearing to be 'G. Tumwine'.

GOVERNOR

<sup>1</sup> At the time of approving these accounts, the Board had not been fully constituted.





## STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors of the fund are responsible for the preparation and fair presentation of the financial statements, comprising the statement of changes in net assets as at 31<sup>st</sup> December 2006, and the statement of net assets for the year then 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.

The Directors of the fund have the responsibility of designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the funds.

The Directors accept responsibility for the financial statements set out on pages 7 to 17, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Financial Institution Act 2004. The Directors are of the opinion that the financial statements give a true and fair view of the financial transactions of the fund and of the disposition of its assets and liabilities for the year ended 31<sup>st</sup> December 2006. 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.

These financial statements were approved by the directors on 30/4/2007 and signed on its behalf by:

..... Governor, Bank of Uganda

..... Ag. Deputy Governor, Bank of Uganda

..... Ag. Executive Director Finance, Bank of Uganda

Date:

2007





## REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF BANK OF UGANDA DEPOSIT PROTECTION FUND

### Report on the Financial Statements

We have audited the financial statements of the Bank of Uganda Deposit Protection Fund, which comprise: statement of changes in net assets as at 31 December 2006, and the statement of net assets for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 17.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Financial Institution Act 2004. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

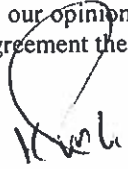
### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Deposit Protection Fund as at 31<sup>st</sup> December 2006 and of the statement of changes in net assets for the year then ended and in accordance with International Financial Reporting Standards and the Financial Institutions Act 2004.

### Report on Other Legal and Regulatory Requirements

We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

In our opinion, proper books of account have been kept and the financial statements referred to in the preceding paragraph are in agreement therewith.

  
**KPMG**  
Certified Public Accountants  
P.O. Box 3509  
Kampala  
Uganda

Date: 30 April 2007





**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR  
ENDED 31 DECEMBER 2006**

	<b>Note</b>	<b>31-Dec-06 UShs '000</b>	<b>31-Dec-05 UShs '000</b>
<b>Receipts</b>			
Contributions received			
Commercial Banks		5,101,971	4,723,646
Non- Banking Financial Institutions		<u>187,061</u>	<u>135,452</u>
	2	<u>5,289,032</u>	<u>4,859,098</u>
<b>Other Income</b>			
Interest on Treasury bills & bonds	3	3,622,938	1,210,596
Income from secondary markets trading	4	326,107	3,324
Fair value surplus on held for trading investments		<u>114,110</u>	<u>-</u>
		<u>4,063,155</u>	<u>1,213,920</u>
<b>Total receipts</b>		<u><b>9,352,187</b></u>	<u><b>6,073,018</b></u>
<b>Expenses</b>			
Impairment loss on debtors	10 (b)	-	15,368,685
Audit fees	5	15,853	4,271
Management fees	6	93,404	-
Taxation	7	855,676	182,088
Impairment loss - Other debtors		<u>322,301</u>	<u>-</u>
Total payments		<u>1,287,234</u>	<u>15,555,044</u>
<b>Increase in net assets</b>	8	<u><b>8,064,953</b></u>	<u><b>(9,482,026)</b></u>

The notes set out on pages 9 to 17 form an integral part of the financial statements.





**STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2006**

	Note	31-Dec-06 UShs '000	31-Dec-05 UShs '000
<b>Assets</b>			
Investments	9	36,163,976	29,515,115
<b>Current assets</b>			
Debtors	10 (a)	7,712,451	7,712,451
Other debtors	11	-	322,301
Bank and cash balances		3,381,081	1,189,747
		<u>11,093,532</u>	<u>9,224,499</u>
<b>Total Assets</b>		<u>47,257,508</u>	<u>38,739,614</u>
<b>Current liabilities</b>			
Creditors	12	19,750,480	19,750,480
Un claimed deposits	13	206,357	217,564
Expenses payable	14	646,237	182,088
		<u>20,603,074</u>	<u>20,150,132</u>
<b>Net Assets of the Fund</b>		<u>26,654,434</u>	<u>18,589,481</u>
<b>Represented by:</b>			
Fund Balance	8	<u>26,654,434</u>	<u>18,589,481</u>

These financial statements were approved by the management of Bank of Uganda on 30/4/2007 and signed on its behalf by:

..... Governor, Bank of Uganda

*K. Spruiell*  
..... Ag. Deputy Governor, Bank of Uganda

*B. Magan*  
..... Ag. Executive Director Finance, Bank of Uganda

Under Sec.108 (2), the fund is managed and controlled by the central bank. To this effect, the Board of Directors is deemed to be trustees of the fund.

The notes set out on pages 9 to 17 form an integral part of the financial statements.





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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006.

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### 1. ACCOUNTING POLICIES

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

#### a. Basis of preparation

These financial statements have been prepared in accordance with and comply with the International Reporting Standards.

The financial statements have been prepared under the historical cost convention modified by the carrying of certain assets at their recoverable amounts.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from the estimates.

#### b. Revenue recognition

Income comprises contributions levied to contributing Institutions and is recognised in the period when they are recoverable. Such contributions are assessed at a rate of 0.2% of the average of the institutions total deposits during the period of twelve months prior to date of levy notice.

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.

Discounts and premium on acquisition of government securities are amortized over the life of the security and are recognised with interest income.

#### c. 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 operating results for the year. Provisions that relate to unclaimed protected deposits are written back to income on expiry of the statutory period.

#### d. Financial instruments

The funds financial instruments are classified into the following categories;

- Government Securities are classified as held for trading and are accordingly carried at fair value.
- Receivables which comprise of debtors and prepayments are classified as originated loans and are accordingly carried at amortized costs.
- Creditors and accruals are carried at amortized cost.

A financial asset is impaired if its carrying value is greater than its estimated recoverable amount. The amounts of impairment losses are taken into account in determining operating surplus for the year.

#### e. Taxation

Management considers 15% withholding tax on treasury bill interest to be final tax. All other income is taxable at the corporate rate of 30%.





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**Notes to the Financial Statements (Continued)**

**f. Payments to depositors**

Payment to depositors is initially recognised 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.

**g. Comparatives**

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

