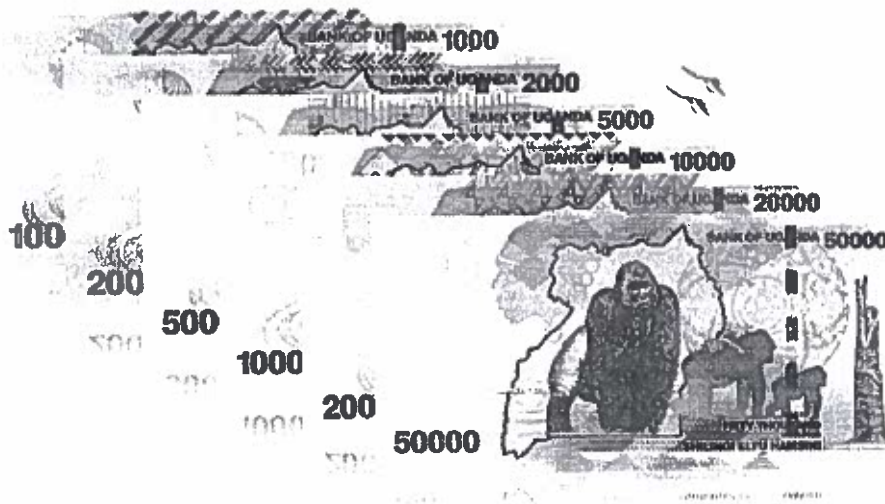




Deposit Protection Fund



Report and financial statements for the year ended 31 December 2013

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1 BOARD OF DIRECTORS AND OTHER INFORMATION

1.1 BANK OF UGANDA BOARD OF DIRECTORS

Name	Position
Prof. Emmanuel Tumusiime-Mutebile	Governor
Dr. Louis Kasekende	Deputy Governor
Mr. C. Manyindo Kassami	Member of the Board
Dr. William S. Kalema	Member of the Board
Mr. Ibrahim Kabanda	Member of the Board
Mr. James Kahoza	Member of the Board
Ms. Judy Obitre-Gama	Member of the Board

1.2 INVESTMENTS MANAGERS

PineBridge Investments (E.A.) Ltd
Africa Re Centre, 5th Floor,
Hospital Road, Upper Hill,
P.O. Box 67262-00200
Nairobi, Kenya.

Genesis Kenya Investment Management Ltd
1st Floor, Arlington Block,
14 Riverside Business Park
P.O.Box 79217-00200
Nairobi, Kenya

1.3 CUSTODIAN

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

1.4 AUDITORS

KPMG, Certified Public Accountants,
3rd Floor, Rwenzori Courts,
Plot 2 & 4A Nakasero Road
P. O. Box 3509
Kampala, Uganda

2 REPORT OF MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Management of Bank of Uganda presents the Deposit Protection Fund ('the Fund') report together with the audited financial statements of the Fund for the year ended 31 December 2013.

2.1 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) of the Financial Institutions Act, 2004 ('the Act'). The objective of the Fund is to make payments to depositors of Financial Institutions closed under an administration order by the Central Bank in accordance with Section 110(1) of the Act.

2.2 CONTRIBUTIONS AND FUNDING

Under section 109 (1) of the Act, every Financial Institution contributes to the Fund and pays such annual amounts as the Central Bank may determine. The Central Bank may from time to time issue statutory instruments varying the percentage and advising the basis of weighting.

Currently, Financial Institutions contribute not less than 0.2 per cent of their average weighted deposit liabilities for the previous financial year.

During the year ended 31 December 2013, the Fund received contributions amounting to UGX 18,965 million from twenty four (24) Commercial Banks compared to contributions of UGX 17,578 million from twenty three (23) Commercial Banks in the FY 2012. A total of four (4) Credit Institutions made contributions of UGX 245 million compared to UGX 226 million received from three (3) Credit Institutions in the FY 2012.

Risk adjusted premiums amounting to UGX. 2,826 million (2012: UGX. 1,326 million) were charged to Financial Institutions that were rated marginal or unsatisfactory in line with Section 109 (7) of the Financial Institutions Act, 2004, as per the quarterly off-site reports, within the period using the following basis:

Marginal: 0.1% of the average weighted customer deposits

Unsatisfactory: 0.2% of the average weighted customer deposits

The Net Assets of the Fund increased by 25 per cent to UGX 196,515 million as at 31 December 2013 from UGX 157,467 million as at 31 December 2012. The growth was due to increased return

from fixed income assets as a result of increased investment activities, and an 8 per cent increase in contributions from financial institutions.

2.3 INVESTMENTS

Section 108(6) of the Act stipulates that the money constituting the Fund be placed in an account with the Central Bank to be invested in such a manner as the Central Bank deems appropriate. The Bank has continued to invest the Fund monies in risk free Government Treasury Bills and Bonds.

By the end of the period 31 December 2013, UGX 193,923 million was invested in Treasury Bonds and Treasury Bills (2012: UGX 72,297 million). Treasury Bonds were 58 per cent (2012: 29 per cent) of the total assets, while Treasury Bills contributed 42 per cent (2012: 12 per cent).

Effective 01 January 2013, Messrs. PineBridge Investments Limited and Genesis Kenya Investments Management commenced active management of the Fund as the Fund's Investment Managers. As a result, there was an increase in the level of investment activity leading to significant growth in the assets of the Fund.

As at 31 December 2013, UGX 23,469 million was cash held at Bank of Uganda (2012: UGX 104,968 million) ; Of this amount UGX 19,750 is pending settlement of claims by Government of Uganda which will be paid after the conclusion of the liquidation exercise.

Cash held at Bank of Uganda represented 11 per cent of the total assets of the Fund (2012: 59 per cent).

2.4 PAYMENTS TO DEPOSITORS

The Fund's liability to eligible depositors arises when a Financial Institution is classified as insolvent. The amount payable to depositors is the protected deposit with the Deposit Protection Fund. 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 deposit 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. During the year ended 31 December 2013, the Fund made no payments to depositors since the Financial Institutions remained financially sound.

2.5 AUDITORS

Messrs. KPMG were appointed auditors of the Fund for two years starting 31 December 2013. The auditors have expressed willingness to continue in office.

2.6 APPROVAL OF THE FINANCIAL STATEMENTS BY MANAGEMENT

The financial statements were approved on 21/4/ 2014.



.....
GOVERNOR

3 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Bank of Uganda Management is responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Net Assets as at 31 December 2013, and the Statement of Comprehensive Income and Statement of Cash Flows 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 (IFRS) and the requirements of the Financial Institutions Act, 2004.

Management is responsible for the internal control of the Fund. Standards and systems of internal control are designed and implemented by management 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 judgments 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.

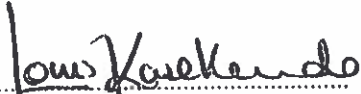
Management accepts responsibility for the financial statements set out on pages 10 to 35, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the requirements of the Financial Institutions Act, 2004. Management is 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 year ended 31 December 2013. Management further accepts 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.

Management certifies 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 Management on behalf of the Board of Directors on 4/4/2014 and signed by:



..... Governor, Bank of Uganda



..... Deputy Governor, Bank of Uganda



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

4 REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE DEPOSIT PROTECTION FUND

4.1 REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Bank of Uganda Deposit Protection Fund, which comprise the Statement of Net Assets as at 31 December 2013, and the Statement of Comprehensive Income and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 10 to 35.

4.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Fund's Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Financial Institutions Act, 2004, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

4.3 AUDITORS' 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.

4.4 OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Deposit Protection Fund as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Financial Institutions Act, 2004.



KPMG,

Certified Public Accountants,

P. O. Box 3509

Kampala, Uganda.

Date:4...../.....04...../2014

5 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

YEAR ENDED		Note	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
Contributions:	Commercial Banks	2	18,965,375	17,578,980
	Credit Institutions	2	244,518	226,630
	Risk Adjusted Premium	2	2,826,767	1,326,554
			22,036,660	19,132,164
Income from investments:	Interest on Government Treasury bills & bonds	3	23,045,796	10,013,009
	Income from secondary market trading	4	-	5,566,204
	Fair Value Loss	8	(896,724)	-
	Other Income		-	1,270
			22,149,072	15,580,483
Total income			44,185,732	34,712,646
Expenses	Audit fees	5	24,182	13,280
	Management fees	6	467,722	102,803
	Taxation	7a)	4,645,501	3,384,346
Total expenditure			5,137,405	3,500,429
Total comprehensive income for the year			39,048,327	31,212,217

The notes set out on pages 13 to 35 form an integral part of the financial statements.

6 STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2013

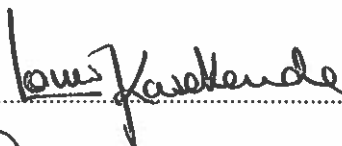
	Note	31 Dec 2013 US\$ '000	31 Dec 2012 UGX '000
Assets			
Investments in Government securities:			
Treasury bills held to maturity	8	80,624,140	20,843,849
Treasury bonds at amortised cost	8	31,865,164	51,453,572
Treasury bonds at fair value	8	81,434,550	-
Receivables	9	1,333,823	1,339,779
Bank and cash balances	10	23,409,478	104,968,528
Total Assets		218,727,155	178,605,728
Current liabilities			
Creditors	11	19,760,392	19,760,392
Unclaimed deposits	12	198,882	198,882
Expenses payable	13	288,961	13,280
Tax payable	7b)	1,962,963	1,165,543
Total Liabilities		22,211,198	21,138,097
Net Assets of the Fund		196,515,957	157,467,631
Represented by:			
Fund Balance	14	196,515,957	157,467,631

The notes set out on pages 13 to 35 form an integral part of the financial statements.

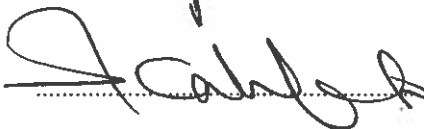
The financial statements on pages 10 to 35 were approved by Management on behalf of the Board of Directors on.....^{21/4/}.....2014 and were signed by:



..... Governor, Bank of Uganda



..... Deputy Governor, Bank of Uganda



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

7 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

Note	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
Cash flows from operating activities		
Contributions received -Commercial banks	18,965,375	17,578,980
Credit Institutions	244,518	226,630
Risk adjusted premium	2,819,497	-
Management fees	(202,943)	(161,533)
Taxation	(3,847,128)	(2,746,828)
Audit fees	(13,280)	(13,280)
Net cash generated from operating activities	17,966,039	14,883,968
Cash flows from investing activities		
Investment income received-T Bills & Bonds	18,786,463	14,367,126
(Increase)/Decrease in investing activities	(118,251,550)	55,881,881
Net cash used in investing activities	(99,465,087)	70,249,007
Net Increase/(Decrease) in cash and cash equivalents	(81,499,048)	85,132,975
Movement in cash and cash equivalents:		
At the start of the year	104,968,528	19,835,553
Net (decrease)/Increase in the year	(81,499,050)	85,132,975
At the end of the year	23,469,478	104,968,528

The notes set out on pages 13 to 35 form an integral part of the financial statements.

8 NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

A. BASIS OF PREPARATION

i) 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.

ii) Basis of measurement

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

iii) Functional and presentation currency

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

iv) Use of estimates and judgment

• 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 judgments 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.

B. SIGNIFICANT ACCOUNTING POLICIES

i) *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 charge of 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.

ii) Financial instruments

The Fund's financial instruments are classified as follows:

1. Government treasury bills are classified as held-to-maturity and are accordingly carried at amortized cost.
2. Government treasury bonds are classified as investments at fair value through profit and loss and are carried at fair value.
3. Bank balances and other receivables are classified loans and advances, and are accordingly carried at amortized cost.
4. Creditors are carried at amortized cost.

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 Bank include balances with Bank of Uganda, loans and advances, investments in government securities, balances with banks, deposits, derivatives and group balances.

The Fund initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the bank 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.

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 Group has the 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 and loss.

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

Policy applicable from 1 January 2013

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 in the principal or, in its absence, the most advantageous market to which the fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

Subsequent measurement depends on the classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Financial instruments at fair value through profit and loss including those classified as held for trading assets and liabilities are subsequently measured at fair value in the statement of financial position. All changes in fair value are recognised in fees and commission income profit or loss. Financial assets classified as available-for-sale are subsequently measured at fair value in the statement of financial position. Gains and losses arising from a change in the fair value are recognised in other comprehensive income and accumulated in the fair value adjustment reserve in equity.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

All non-trading financial liabilities, loans and advances, amounts due from banks and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate (EIR) method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to

their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale.

Amortised cost of a financial asset or liability is the amount at which the financial asset or 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.

The amortisation is included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'Impairment of loans and advances'.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in other comprehensive income is recycled through into profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The fund does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

The fund uses derivatives such as credit default swaps, cross currency swaps, and forward foreign exchange contracts, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net trading income'.

*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:
 - c) The fund has transferred substantially all the risks and rewards of the asset; or
 - d) 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.

iii) 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 2013 was 20 per cent.

iv) 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.

v) 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.

vi) 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.

vii) 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.

IAS 1 Financial Statement Presentation Presentation of items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in SOCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The available-for-sale revaluations are recycled to profit or loss, and the property and equipment revaluation reserves are not recycled. The amendment affects presentation only. The amendment became effective on 1 July 2013. The impact will be shown on the face of Other Comprehensive income.

IAS 12 Income Taxes – Recovery of Underlying Assets

The 2010 amendment provides an exception to this measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. However, this has had no impact on the fund.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The fund is currently assessing the impact that this standard will have on the financial position and performance. The Fund adopted this standard effective 1 January 2013.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Short term and long term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and it has no impact on the financial statements of the Fund.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation —Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require entities to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard became effective on 1 January 2013 and it had no impact on the financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard became effective on 1 January 2013 and it had no impact on the financial statements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard became effective on 1 January 2013 and it had no impact on the financial statements.

Standards and interpretations issued during the year but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which the fund reasonably expects to be applicable at a future date. The Fund intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The completion of this project is expected over the course of the first half of 2013. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the fund's financial assets but will potentially have no impact on the classification and measurement of the financial liabilities. The Fund will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture.

The standards issued, which the Fund does not reasonably expect to be applicable at a future date are listed below;

International Financial Reporting Standards and amendments issued but not effective for 31 December 2013 year-end

New or revised pronouncement	Effective Date	Executive Summary
<i>IAS 32: Offsetting Financial Assets and Financial Liabilities</i>	Applies to annual periods beginning on or after 1 January 2014	The amendments clarify when an entity can offset financial assets and financial liabilities. The amendment will result in the Company no longer offsetting two of its master netting arrangements.
<i>IFRS 10, IFRS 12, and IAS 27 Amendments: Investment Entities</i>	Applies to annual periods beginning on or after 1 January 2014	The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The

International Financial Reporting Standards and amendments issued but not effective for 31 December 2013 year-end

New or revised pronouncement	Effective Date	Executive Summary
		consolidation exemption, mandatory and not optional
<i>IFRS 9 (2009) Financial Instruments</i>	Applicable to annual reporting periods beginning on or after 1 January 2015	The standard introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.
<i>IFRS 9 (2010) Financial Instruments</i>	Applicable to annual reporting periods beginning on or after 1 January 2015	The amendment introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

Interpretations of International Financial Reporting Standards issued but not yet effective for 31 December 2013 year-end

New or revised pronouncement	Effective Date	Effect on the Fund
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	The interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine. This interpretation addresses issues of recognition of production stripping costs as an asset, initial measurement of stripping activity asset and subsequent measurement of the stripping activity asset.
IFRIC 21: Levies		IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not

International Financial Reporting Standards and amendments issued but not effective for 31 December 2013 year-end

New or revised pronouncement	Effective Date	Executive Summary
		expected to have a material effect on the Group's financial statements

2 CONTRIBUTIONS

	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
A) Commercial Banks		
1 ABC Capital Bank Ltd	17,299	11,707
2 Bank of Africa Uganda Ltd	556,275	526,651
3 Bank of Baroda (Uganda) Ltd	891,338	758,217
4 Bank of India (Uganda) Ltd	5,943	-
5 Barclays Bank Uganda Ltd	1,731,468	1,802,500
6 Cairo International Bank Ltd	107,156	126,385
7 Centenary Bank Uganda Ltd	1,427,949	1,348,892
8 Citi Bank Uganda Ltd	951,923	788,131
9 Crane Bank Uganda Ltd	1,514,433	1,359,663
10 DFCU Bank Limited	1,076,029	1,083,352
11 Diamond Trust Bank Uganda Ltd	867,857	609,815
12 Ecobank Uganda Ltd	171,169	161,012
13 Equity Bank Uganda Ltd	351,768	318,866
14 Fina Bank Uganda Limited/Guaranty Trust Bank	119,070	105,889
15 Global Trust Bank Uganda Ltd	85,899	87,631
16 Housing Finance bank Ltd	408,272	408,487
17 Imperial Bank Uganda Limited	149,357	38,343
18 KCB Bank Uganda Ltd	459,771	394,550
19 National Bank of Commerce	-	21,203
20 NC Bank	1,570	-
21 Orient Bank Limited	672,022	626,927
22 Stanbic Bank Uganda Ltd	4,034,433	3,787,605
23 Standard Chartered Bank Uganda Limited	2,988,398	2,883,882
24 Tropical Bank Limited	196,629	187,107
25 United Bank of Africa Uganda Ltd	179,347	142,165
	18,965,375	17,578,980
B) Credit Institutions		
1 Merchantile Cedit Bank Limited	22,387	22,705
2 Opportunity Uganda Ltd	12,948	9,400
3 PostBank Uganda Limited	209,183	194,525
	244,518	226,630
Total contributions	19,209,893	17,805,610

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
C) Risk Adjusted Premium		
1 ABC Capital Bank Ltd	15,931	10,717
2 Bank of Africa Uganda Ltd	288,482	73,367
3 Cairo International Bank Ltd	42,550	26,699
4 Ecobank Uganda Ltd	232,282	85,584
5 Equity Bank Uganda Ltd	210,394	175,884
6 Fina Bank Uganda Limited/Guaranty Trust Bank	108,138	103,734
7 Global Trust Bank Uganda Ltd	77,759	85,899
8 Housing Finance bank Ltd	233,451	154,549
9 Imperial Bank Uganda Limited	242,491	45,398
10 KCB Bank Uganda Ltd	78,781	166,473
11 NC Bank	9,829	-
12 Orient Bank Limited	403,532	168,438
13 Standard Chartered Bank Uganda Limited	428,226	-
14 Tropical Bank Ltd	200,365	98,314
15 United Bank of Africa Uganda Ltd	195,417	122,416
	2,767,628	1,317,472
Credit Institutions		
1 Merchantile Cedit Bank Limited	-	2,608
2 Opportunity Bank Uganda Ltd	59,139	6,474
	59,139	9,082
Total Risk Adjusted Premium	2,826,767	1,326,554

3 INTEREST ON GOVERNMENT TREASURY BILLS AND BONDS

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Treasury bills	10,220,170	6,434,466
Treasury bonds	12,825,626	3,578,543
Interest from securities	23,045,796	10,013,009

4 INCOME FROM SECONDARY MARKET TRADING

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Sales/ Redemption value	-	925,006
Ammortised Cost of securities traded	-	919,736
Profit on trading	-	5,269
Interest on treasury bills and bonds bought on the secondary market	-	5,560,935
Total income from secondary market trading	-	5,566,204

5 AUDIT FEES

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Fees for the year	24,182	13,280
	24,182	13,280

6 MANAGEMENT FEES

Management fees were 0.325 per cent and 0.35 per cent per annum for PineBridge Investments and Genesis Kenya Investment Management respectively. The 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 PineBridge Investments and Genesis Kenya Investment Management ("the Investment Managers") and Bank of Uganda (as the Administrator of the Deposit Protection Fund).

	31 Dec 2012	31 Dec 2011
	UGX '000	UGX '000
Fees for the year	467,722	237,020
	467,722	237,020

7 TAXATION

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
7a) Withholding Tax at 20% & 15%	4,645,501	3,121,808
Under provision of Withholding Tax	-	14,896
Reversal of Withholding Tax charged on bonds at premium	-	238,521
Extra Withholding Tax paid due to change of tax rate	-	9,121
	4,645,501	3,384,346
Add: Tax payable brought forward	1,165,543	528,025
WHT written off on premium bond	(953)	-
Less: Withholding tax paid at 20% & 15%	(3,847,128)	(2,746,828)
7b) Tax payable carried forward	1,962,963	1,165,543

A final tax of 20 per cent was charged on interest income earned on Treasury Bills and Treasury Bonds for the year ended 31 December 2013 in accordance with Section 122 of the Ugandan Income Tax Act.

8 INVESTMENTS IN GOVERNMENT SECURITIES

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Treasury bills held to maturity	80,624,140	20,843,849
Treasury bonds at amortised cost	31,865,164	51,453,572
Treasury bonds at fair value	81,434,550	-
	193,923,854	72,297,421

The treasury bills and bonds are further analyzed as follows:

	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
Treasury bills held to maturity		
Treasury bills (at cost)	77,044,510	18,015,915
Interest accrued	3,579,621	2,827,934
Total Treasury bills	80,624,140	20,843,849
Treasury bonds at amortised cost		
Treasury bonds at amortised cost:	29,406,450	49,238,723
Interest accrued	2,458,714	2,214,849
Total	31,865,164	51,453,572
Treasury bonds at fair value		
Treasury bonds at fair value:	79,059,592	-
Interest accrued	3,271,682	-
Fair Value	(896,724)	-
Total	81,434,550	-
Total Treasury bonds	113,299,714	51,453,572

Maturity analysis of the government securities:

	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
Treasury Bills		
Maturity within 91 days	17,217,376	18,451,729
Maturity after 91 days & before 181 days	31,485,325	2,392,120
Maturity after 182 days	31,921,439	-
Total	80,624,140	20,843,849
Treasury Bonds		
Maturity within 2 years	66,850,154	35,083,138
Maturity after 2 years and within 3 years	32,111,154	12,296,654
Maturity after 3 years and within 4 years	6,093,813	556,880
Maturity after 4 years	8,244,593	3,516,900
Total	113,299,714	51,453,572

9 RECEIVABLES

	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
Risk Adjusted Premiums	1,333,823	1,326,554
System price alteration on T-bill 45220-T-BILL-91-15-SEP-11	-	13,225
Total	1,333,823	1,339,779

During the year, financial institutions which were rated marginal or unsatisfactory as per the quarterly off-site reports were charged an additional charge of 0.1 per cent and 0.2 per cent respectively of the average weighted liabilities on a quarterly basis as per Section 109(7) of the Act. (Refer to note 2).

10 CASH AND BANK BALANCES

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Cash at Bank of Uganda	23,469,478	104,968,528
	23,469,478	104,968,528

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

11 CREDITORS

	31 Dec 2013	31 Dec 2012
	UGX '000	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)
Bal. from Coop Bank A/Cs & 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.

12 UN-CLAIMED DEPOSITS

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
At 1 January	198,882	198,882
Un-claimed deposits paid in the year	-	-
	198,882	198,882

The balance constitutes unclaimed deposits by insured depositors.

13 EXPENSES PAYABLE

	31 Dec 2013	31 Dec 2012
	UGX '000	UGX '000
Audit fees	24,182	13,280
Management fees	264,779	-
	288,961	13,280

14 FUND BALANCE

	31 Dec 2013 UGX '000	31 Dec 2012 UGX '000
At 1 January	157,467,630	126,255,414
Total comprehensive income for the year	39,048,327	31,212,216
At 31 December	196,515,957	157,467,630

15 RISK MANAGEMENT

Introduction and overview

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

- Interest rate risk
- 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 Bank of Uganda Board of Directors 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.

A. INTEREST RATE RISK

The Funds are invested in Government of Uganda Treasury bills and bonds. The interest rate risk exposure was managed by the Fund Managers; PineBridge Investments Limited and Genesis Kenya Investment Management.

Exposure to interest rate risk

Table 1 below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities categorized by maturity dates;

Table 1: 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	Non-Interest bearing UGX '000	Total 2013 UGX '000	Total 2012 UGX '000
Assets							
Cash at bank	-	-	-	-	23,469,478	23,469,478	104,968,528
Investments in treasury bills	17,217,376	31,485,325	31,921,439	-	-	80,624,140	20,843,849
Investments in treasury bonds (Amortised)	6,773,207	3,122,617	5,365,040	16,604,300	-	31,865,164	51,453,572
Investments in treasury bonds (Fairvalue)	-	-	8,523,104	72,911,446	-	81,434,550	-
Receivables	-	-	-	-	1,333,823	1,333,823	1,339,779
Total assets	23,990,583	34,607,942	45,809,583	89,515,746	24,803,301	218,727,155	178,605,728
Liabilities							
Creditors	-	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	-	198,882	198,882	198,882
Expenses payable	-	-	-	-	288,961	288,961	13,280
Tax payable	-	-	-	-	1,962,963	1,962,963	1,165,543
Total liabilities	-	-	-	-	22,211,198	22,211,198	21,138,097
Net Interest rate gap	23,990,583	34,607,942	45,809,583	89,515,746	2,592,103	196,515,957	157,467,631
	Up to 3 months UGX '000	3 to 6 months UGX '000	6 to 12 months UGX '000	1 to 5 years UGX '000	Non-Interest bearing UGX '000	Total 2012 UGX '000	Total 2011 UGX '000
Assets							
Cash at bank	-	-	-	-	104,968,528	104,968,528	19,835,553
Investments in treasury bills	18,451,729	2,392,120	-	-	-	20,843,849	56,057,107
Investments in treasury bonds	-	-	-	51,453,572	-	51,453,572	70,910,108
Receivables	-	-	-	-	1,339,779	1,339,779	13,225
Total assets	18,451,729	2,392,120	-	51,453,572	106,308,307	178,605,728	146,815,993
Liabilities							
Creditors	-	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	-	198,882	198,882	198,882
Expenses payable	-	-	-	-	13,280	13,280	73,280
Tax payable	-	-	-	-	1,165,543	1,165,543	528,025
Total liabilities	-	-	-	-	21,138,097	21,138,097	20,560,579
Net Interest rate gap	18,451,729	2,392,120	-	51,453,572	85,170,210	157,467,631	126,255,414

B. LIQUIDITY RISK

The Fund has a medium exposure to liquidity risk. However, the rating of the liquidity risk will improve to low level when the Fund builds up sufficient resources through investments and premiums.

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 2: 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	Total 2013 UGX '000	Total 2012 UGX '000
Assets						
Cash at bank	23,469,478	-	-	-	23,469,478	104,968,528
Investments in treasury bills	9,044,321	8,173,055	63,466,764	-	80,684,140	20,843,849
Investments in treasury bonds(Cost)	-	-	-	31,865,164	31,865,164	51,453,572
Investments in treasury bonds(Fairvalue)	-	-	-	81,434,550	81,434,550	-
Receivables	-	-	1,333,823	-	1,333,823	1,339,779
Total assets	32,513,799	8,173,055	64,800,587	113,299,713	218,787,155	178,605,728
Liabilities						
Creditors	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	198,882	198,882	198,882
Expenses payable	-	288,961	-	-	288,961	13,280
Tax payable	190,980	197,769	644,345	929,869	1,962,963	1,165,543
Total liabilities	190,980	486,730	644,345	20,889,143	22,211,198	21,138,097
Liquidity gap As at 31 December 2013	32,322,819	-	64,156,243	92,410,571	196,575,957	157,467,631

	Up to 1 month UGX '000	1 to 3 months UGX '000	3 to 12 months UGX '000	1 to 5 years UGX '000	Total 2012 UGX '000	Total 2011 UGX '000
Assets						
Cash at bank	104,968,527	-	-	-	104,968,527	19,835,553
Investments in treasury bills	-	-	20,843,849	-	20,843,849	56,057,107
Investments in treasury bonds	-	-	-	51,453,573	51,453,573	70,910,108
Receivables	1,339,779	-	-	-	1,339,779	13,225
Total assets	106,308,306	-	20,843,849	51,453,573	178,605,728	146,815,993
Liabilities						
Creditors	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	198,882	198,882	198,882
Expenses payable	13,280	-	-	-	13,280	73,280
Tax payable	1,165,543	-	-	-	1,165,543	528,025
Total liabilities	1,178,823	-	-	19,959,274	21,138,097	20,560,579
Liquidity gap As at 31 December 2012	105,129,483	-	20,843,849	31,494,299	157,467,631	126,255,414

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 3

Table 3: Asset Class Limits

Asset Class	Limit	2013 %	2012 %
Cash at bank	0 - 5%	11	59
Investments in Treasury bills	40 - 80%	37	12
Investments in Treasury bonds	20 - 60%	52	29
Debt instruments explicitly guaranteed in full by government of Uganda	0 - 15%	0	0
		100	100

16 RELATED PARTY TRANSACTIONS

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

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

1. The staff working on the Fund are employees of the Bank, and it is the Bank that fully meets their emoluments.
2. The Fund's operations are carried out within the Central Bank premises.

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2013, 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 year ending 31 December 2013, there were no financial instruments under level 2 and 3. Quoted prices were available and obtained from the Central Bank as at 31 December 2013.

Table 4: Treasury bonds measured at Fair Value

	Note	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000	Total	UGX '000
31-December-2013						
Investments in Treasury bonds	8	81,434,550	-	-	81,434,550	
	8	81,434,550	-	-	81,434,550	

Financial Instruments not measured at Fair Value

Table 5 below sets out the fair values of treasury bills held-to-maturity and treasury bonds at amortized cost and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized:

Table 5: Treasury bills and bonds at Fair value

	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000	Total UGX '000
31-December-2013				
Investments in Treasury bills	80,846,918	-	-	80,846,918
Investments in Treasury bonds	31,895,778	-	-	31,895,778
	112,742,696	-	-	112,742,696

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