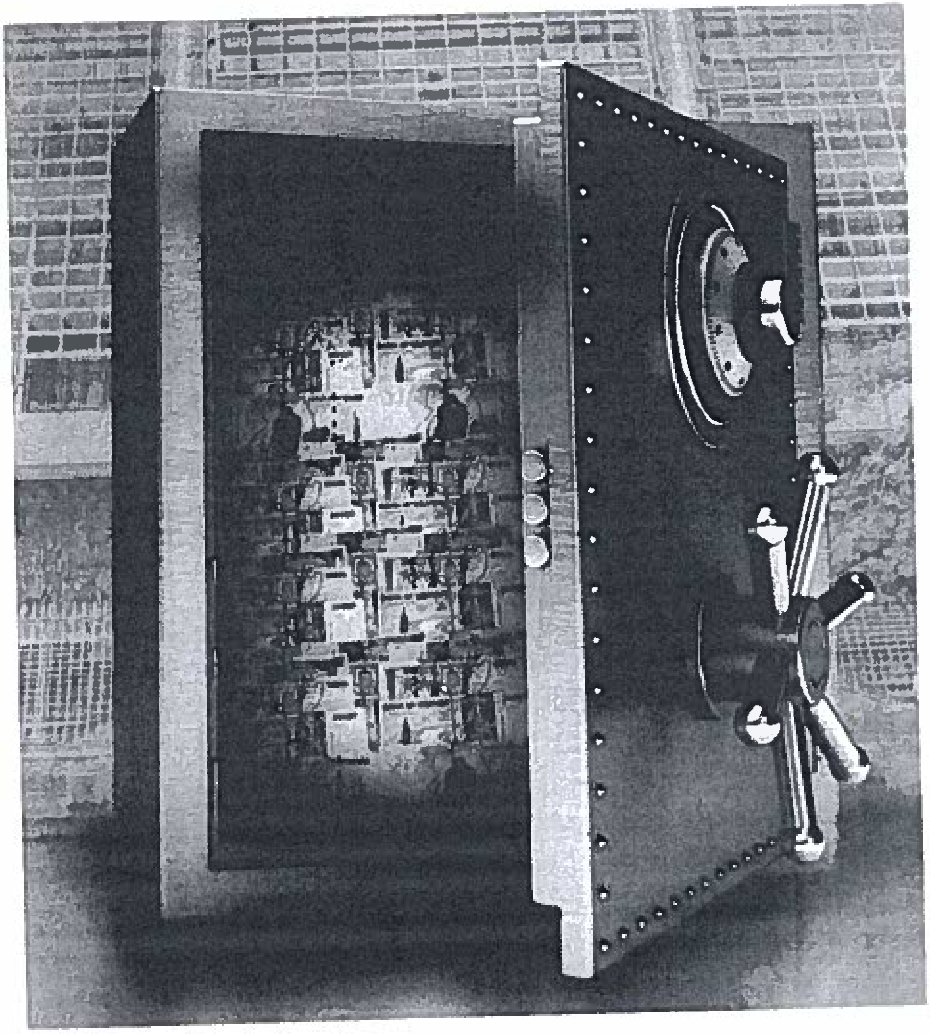
Bank of Uganda



Deposit Protection Fund

Annual Report and Financial Statements for the year ended
31 December 2014

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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
Dr. William S. Kalema	Member
Mr. Ibrahim Kabanda	Member
Mr. James Kahoza	Member
Ms. Judy Obitre-Gama	Member

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 2014

The Management of Bank of Uganda (BOU) presents the Deposit Protection Fund ('the Fund') report together with the audited financial statements of the Fund for the year ended 31 December 2014.

2.1 BACKGROUND OF THE FUND

The Deposit Protection Fund was established under the Financial Institutions Statute, 1993 Section 34(1), 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 2014, the Fund received contributions amounting to UGX 21,302 million from twenty five (25) Commercial Banks compared to contributions of UGX 18,965 million from twenty four (24) Commercial Banks in the FY 2013. A total of four (4) Credit Institutions made contributions of UGX 299 million compared to UGX 244 million in the FY 2013.

Risk adjusted premiums amounting to UGX. 3,889 million (2013: UGX. 2,876 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 per cent of the average weighted customer deposits

Unsatisfactory: 0.2 per cent of the average weighted customer deposits

The Net Assets of the Fund increased by 23 per cent to UGX 241,818 million (2013: UGX 196,514 million). The growth was due to increased return from fixed income assets as a result of increased investment activities, and a 16 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. Messrs. PineBridge Investments Limited and Genesis Kenya Investments Management continued to perform their duties as the Fund's Investment Managers during the year.

The Fund monies were invested in risk free Government Treasury Bills and Bonds which by 31 December 2014, totaled UGX 243,656 million (2013: UGX 193,923 million) showing a significant growth in investments by 25.64 per cent. Treasury Bonds were 56 per cent (2013: 52 per cent) of the total assets, while Treasury Bills contributed 36 per cent (2013: 37 per cent). The cash held at Bank of Uganda was UGX 21,566 million (2013: UGX 23,469 million) representing 8 per cent of total assets (2013: 11 per cent). Of this cash amount, UGX 19,750 is pending settlement of claims by Government of Uganda which will be paid after the conclusion of the liquidation exercise.

At the end of the year under review, the Fund recorded receivables amounting to UGX 409 million (2013: UGX 1,333 million). Receivables mainly comprise risk adjusted premiums due from financial institutions.

2.4 MACROECONOMIC AND CAPITAL MARKETS ENVIRONMENT DURING THE YEAR UNDER REVIEW

The economic information in this section impacts on the activities of the Fund's Investment Managers in their quest to increase return on the Fund investments.

The International Monetary Fund (IMF) projects GDP growth in FY 2014/15 at 6.3 per cent from the 5.2 per cent attained in FY 2013/14. The key driver for growth being the high level of public sector infrastructure spending in the hydro power and road projects being carried out by the Government of Uganda (GoU). The trend of private sector credit during the year was positive and is expected to further support the growth trajectory.

The interest rate regime during the year was relatively high with both ends of the yield curve trending upwards towards the end of 2014. During the first half of 2014, rates were driven by the higher than projected domestic borrowing by the Central Bank as the Government experienced revenue collection shortfalls of UGX 275 Billion. The weakness in the economy caused an underperformance in revenue collections by Uganda Revenue Authority (URA) and this increased the use of domestic debt markets to fill the gap. Treasury bills were the most affected as rates rose averagely from 9 per cent to 13 per cent during the period, while treasury bonds rates remained fairly flat.

The second half of the year was characterized by further upward movements in interest rates. Given the increased target of funding from the domestic debt markets, market sentiments and expectations of higher rates were factored into Government auctions and thus the upward movement of rates continued to the end of the year. The withdrawal of offshore appetite for Government paper led to decreased bid to auction levels and consequently compounding the aggressive bidding by market players. Both short and long term rates increased as was evidenced by the upward shift in the yield curve. Treasury bill rates during the year averaged 9.9 per cent and 12.88 per cent for the 91-day and 364 day Treasury bill respectively with the 364-day Treasury bill reaching highs of 16 per cent while the longer dated treasuries averaged between 13.5 per cent and 15 per cent on the 15 year bond.

Towards the end of the year 2014, Bank of Uganda was however quite decisive in their actions by cancelling the last auction in the year as they felt market players were too aggressive in their bidding. The auction was cancelled due to unacceptably very high yields submitted by the investing public.

2.5 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 2014, the Fund made no payments to depositors since the Financial Institutions remained financially sound.

2.6 AUDITORS

Messrs. KPMG were appointed auditors of the Fund for two years starting 31 December 2014. The auditors have expressed willingness to continue in office.

2.7 APPROVAL OF THE FINANCIAL STATEMENTS BY MANAGEMENT

The financial statements were approved on 10 APRIL 2015

....

GOVERNOR

3 OPERATIONAL HIGHLIGHTS DURING THE YEAR

3.1 BANKING SECTOR DEVELOPMENTS AND PERFORMANCE

During the year ended 31 December 2014, the Bank of Uganda maintained the safety of depositors' funds as well as foster the resilience and soundness of the financial sector.

As at December 31, 2014, the number of licensed financial institutions was 25 Commercial Banks and 4 Credit institutions (2013: 25 commercial Banks and 3 Credit Institutions). The following were the major developments in the Banking Sector:

1. Bank of Uganda invoked the provisions of the Financial Institutions Act, 2004 and closed Global Trust Bank Ltd (GTBL) on July 25, 2014. Subsequently, Bank of Uganda arranged for GTBL to be resolved through a Purchase of Assets and Assumption of Liabilities Agreement with DFCU Bank. Under the Agreement, DFCU Bank took over all deposit liabilities of GTBL and acquired selected liquid assets and performing loans of GTBL that were required to cover payment of depositors.

2. The Bank rolled out a communication tool under the Bank Supervision Application (BSA) to facilitate electronic delivery of letters and circulars to Supervised Financial Institutions (SFIs). This was in pursuit of continuous improvement in processes. The functionality has improved timely delivery of communications from Bank of Uganda to SFIs, and reduced the risk and costs associated with delivery of physical documents.

3. BOU also interacted with the First Parliamentary Counsel on the draft Financial Institutions (Amendment) Bill, 2014 and the draft Financial Institutions (Credit Reference System) Regulations 2013. The Amendments to the Financial Institutions Act, 2004 are meant to provide for Islamic banking, bancassurance, mobile banking and agency banking. The amendments are also aimed at reforming the Deposit Protection Fund by merging the separate funds under the FIA 2004 and MDI Act 2003 for increased efficiency.

4. In the year ended 31 December 2014, both onsite inspections and off site surveillance of all supervised financial institutions (SFIs) was conducted. The objective of on-site inspections is to review the SFIs' financial condition, evaluate the adequacy of their risk management systems and assess the degree of compliance with laws, regulations,

prudential guidelines and supervisory recommendations. Off-site surveillance includes reviewing information submitted by SFIs' to monitor the SFIs' safety, financial soundness and compliance with statutory and regulatory requirements. During 2014, Bank of Uganda issued new benchmarks to be used in the analysis of the financial performance of commercial banks and credit institutions. All SFIs, except Global Trust Bank Ltd. that was closed, were adequately capitalized, generally profitable and financially sound. Overall assessment is that the stability of the financial system improved during 2014. Bank assets, deposits, liquidity and asset quality generally improved as illustrated in the table below.

Table 1: Banking sector performance

Category	Commercial Banks		Credit Institutions	
Year	2014	2013	2014	2013
Assets (Billion UGX.)	19,583.6	17,247.0	310.9	265.7
Loans (Billion UGX.)	9,431.0	8,305.0	191.9	151.3
Deposits (Billion UGX.)	13,130.1	11,489.7	195.8	164.7
Return on Assets (%)	2.6	2.5	1.6	1.4
Return on Equity (%)	16.1	15.3	8.2	6.7
No. of deposit accounts	4,353,495	4,045,242	645,226	686,856

Source: Bank of Uganda

5. The Financial Intelligence Authority was established on July 1, 2014 pursuant to Section 18 of the Anti-Money Laundering (AML) Act 2013 which came into force on November 01, 2013. The Authority's duties include amongst others, enhancing the identification of the proceeds of crime and fast tracking the implementation of anti-money laundering measures as stipulated in the AML Act 2013. Bank of Uganda will work with the Authority as a strategic partner in the implementation anti-money laundering initiatives.

3.2 DEPOSIT PROTECTION COVERAGE

Fully insured deposits with balances of less than or equal to UGX 3 million for commercial banks and credit institutions totaled UGX 738 billion while partially insured deposits with balances greater than UGX 3 million amounted to UGX 1,367 billion.

As at 31 December 2014, a total of UGX 2,105 billion (16 per cent) of the total deposits qualified for the statutory deposit protection. However, since the total assets of the Fund amounted to UGX 265 billion as at 31 December 2014, the effective deposit protection cover stood at 12.59 per cent.

4 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 2014, 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 14 to 37, 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 2014. 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..........10 APRIL..........2015 and signed by

.... Executive Director Finance, Bank of Uganda

Louis Kasekende .... Deputy Governor, Bank of Uganda

.... Governor, Bank of Uganda

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

5.1 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 2014, 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 14 to 37.

5.2 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.

5.3 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

5.4 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 2014, 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: 28 April /2015

6 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

YEAR ENDED		Note	31 Dec 2014 UGX '000	31 Dec 2013 UGX 000
Contributions	Commercial Banks	2	21,301,994	18,965,375
	Credit Institutions	2	299,914	244,518
	Risk Adjusted Premium	3	3,889,316	2,826,767
			25,491,224	22,036,660
Income from investments	Interest on Government Treasury bills & bonds	4	29,040,638	23,045,796
	Fair value Loss	15	(2,626,919)	(896,724)
			26,413,719	22,149,072
Total income			51,904,943	44,185,732
Expenses	Audit fees	1	24,662	24,162
	Management fees	5	701,978	467,742
	Taxation	6(a)	5,875,992	4,645,501
Total expenditure			6,602,632	5,137,405
Total comprehensive income for the year			45,302,311	39,048,327

The notes set out on pages 17 to 37 form an integral part of the financial statements

7 STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2014

		Note	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Assets	Investments in Government securities			
	Treasury bills held to maturity	7	94,787,880	80,624,140
	Treasury bonds at amortised cost	7	16,838,167	31,865,151
	Treasury bonds at fair value	7	132,030,378	81,434,550
	Receivables	8	408,844	1,333,823
	Bank and cash balances	9	21,566,400	23,469,478
Total Assets			265,631,619	218,727,155
Current liabilities	Creditors	10	19,760,392	19,760,392
	Unclaimed deposits	11	198,882	198,882
	Expenses payable	12	1,251,049	288,961
	Tax payable	6(b)	2,603,028	1,962,963
Total Liabilities			23,813,351	22,211,198
Net Assets of the Fund			241,818,268	196,515,957
Represented by:				
Fund Balance		13	241,818,268	196,515,957

The notes set out on pages 17 to 37 form an integral part of the financial statements.

The financial statements on pages 14 to 37 were approved by Management on behalf of the Board of Directors on 10 APRIL 2015 and were signed by:

.... Executive Director Finance, Bank of Uganda

.... Deputy Governor, Bank of Uganda

.... Governor, Bank of Uganda

8 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Cash flows from operating activities			
Contributions received - Commercial banks		21,301,994	[illegible]
Credit Institutions		299,914	[illegible]
Risk adjusted premium		4,837,152	[illegible]
Management fees		(686,386)	(207,943)
Taxation		(5,222,719)	(3,847,128)
Audit fees		(24,182)	(13,280)
Net cash generated from operating activities		20,505,773	17,966,039
Cash flows from investing activities			
Investment income received T Bills & Bonds		26,040,827	[illegible]
(Increase)/Decrease in investing activities		(48,449,678)	[illegible]
Net cash used in investing activities		(22,408,851)	(99,465,087)
Net Increase/(Decrease) in cash and cash equivalents		(1,903,078)	(81,499,048)
Movement in cash and cash equivalents			
At the start of the year		23,469,478	104,968,528
Net (decrease)/increase in the year		(1,903,078)	(81,499,050)
At the end of the year		21,566,400	23,469,478

The notes set out on pages 17 to 37 form an integral part of the financial statements

9 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

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 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.

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 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.

1.2.2 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

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 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.

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 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.

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

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

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.

(Continued)

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 2013 was 20 per cent

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

New or revised pronouncements	Effective for annual periods beginning on or after	Effect on the Fund
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)		
The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement	1 January 2014	The adoption of the amendments did not have a significant impact on the financial statements of the Fund
Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)		
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 consolidation exemption is mandatory and not optional	1 January 2014	The adoption of the amendments did not have a significant impact on the financial statements of the Fund
Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)		
The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed	1 January 2014	The adoption of the amendments did not have a significant impact on the financial statements of the Fund
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)		
The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met	1 January 2014	The adoption of the amendments did not have a significant impact on the financial statements of the Fund as the fund is not involved in the novation of derivatives.
IFRIC 21 Levies (2013)		
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	1 January 2014	The adoption of the amendments did not have a significant impact on the financial statements of the Fund

NEW AND REVISED INTERPRETATIONS PRONOUNCEMENTS WHICH ARE NOT YET EFFECTIVE

New or revised pronouncement	Effective for annual periods beginning on or after	Effect on Fund
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)		

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are: - set out in the formal terms of the plan; - linked to service; and - independent of the number of years of service. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.	1 July 2014	The Fund currently has no permanent Employees and thus the adoption of these changes will not affect it.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund.
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)		
The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund.
Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41) The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation

The amendments to IAS 16 Property Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body. The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the	1 January 2016	The adoption of the amendments will not have a significant impact on the financial statements of the Fund

ultimate parent or intermediate parent consolidates its subsidiaries The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.		
Disclosure Initiative (Amendments to IAS 1)		
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted	1 January 2017	The adoption of the amendments will not have a significant impact on the financial statements of the Fund.
IFRS 9 Financial Instruments (2014)		
On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an	1 January 2018	The Fund is still assessing the impact of the revised standard in view of the set application date of 1 January 2018

"incurred loss" model from IAS 39 to an "expected credit loss" model

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted

2 CONTRIBUTIONS

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
A) Commercial Banks		
1 ABC Capital Bank Ltd	31,862	17,299
2 Bank of Africa Uganda Ltd	576,965	556,275
3 Bank of Baroda (Uganda) Ltd	1,159,490	891,335
4 Bank of India (Uganda) Ltd	35,736	5,943
5 Barclays Bank Uganda Ltd	1,778,932	1,731,468
6 Cairo International Bank Ltd	113,570	104,156
7 Centenary Bank Uganda Ltd	1,779,210	1,427,949
8 Citi Bank Uganda Ltd	861,254	951,923
9 Crane Bank Uganda Ltd	1,899,627	1,514,483
10 DFCU Bank Limited	1,236,597	1,076,076
11 Diamond Trust Bank Uganda Ltd	1,144,901	867,357
12 Ecobank Uganda Ltd	258,557	171,169
13 Equity Bank Uganda Ltd	420,787	551,468
14 Finance Trust Bank Ltd	74,586	
15 Guaranty Trust Bank	110,287	119,370
16 Global Trust Bank Uganda Ltd	105,288	85,895
17 Housing Finance bank Ltd	466,901	408,372
18 Imperial Bank Uganda Limited	271,918	140,357
19 KCB Bank Uganda Ltd	560,734	459,771
20 NC Bank	798,123	1,570
21 Orient Bank Limited	40,183	672,022
22 Stanbic Bank Uganda Ltd	3,650,016	4,034,433
23 Standard Chartered Bank Uganda Limited	3,421,855	2,988,398
24 Tropical Bank Limited	259,417	196,639
25 United Bank of Africa Uganda Ltd	245,198	179,347
	21,301,994	18,965,375
B) Credit Institutions		
1 Merchantile Credit Bank Limited	30,365	22,387
2 Opportunity Uganda Ltd	18,716	12,948
3 PostBank Uganda Limited	250,833	209,183
	299,914	244,518
Total contributions	21,601,908	19,209,893

C) Risk Adjusted Premium	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
1 ABC Capital Bank Ltd	13,673	15,931
2 Bank of Africa Uganda Ltd	245,383	288,482
3 Bank of India (Uganda) Ltd	37,568	
4 Cairo International Bank Ltd	44,042	42,550
5 Commercial Bank of Africa Uganda Ltd	9,145	
6 Ecobank Uganda Ltd	317,790	232,282
7 Equity Bank Uganda Ltd	128,043	210,594
8 Guaranty Trust Bank	58,619	108,138
9 Global Trust Bank Uganda Ltd	64,739	77,759
10 Housing Finance Bank Ltd	210,997	233,451
11 Imperial Bank Uganda Limited	246,667	242,491
12 KCB Bank Uganda Ltd	548,500	75,781
13 NC Bank	34,221	9,826
14 Orient Bank Limited	684,628	403,532
15 Standard Chartered Bank Uganda Limited	882,909	428,226
16 Tropical Bank Ltd	135,997	200,365
17 United Bank of Africa Uganda Ltd	220,571	195,417
	3,883,492	2,767,628
Credit Institutions		
2 Opportunity Bank Uganda Ltd	5,824	59,139
	5,824	59,139
Total Risk Adjusted Premium	3,889,316	2,826,767

3 INTEREST ON GOVERNMENT TREASURY BILLS AND BONDS

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Treasury bills	10,733,412	10,220,170
Treasury bonds	18,307,226	12,825,626
Interest from securities	29,040,638	23,045,796

4 AUDIT FEES

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Fees for the year	24,662	24,182
	24,662	24,182

5 MANAGEMENT FEES

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Fees for the year	701,978	467,722
	701,978	467,722

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)

6 TAXATION

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
7a) Withholding Tax at 20%	5,875,693	4,645,501
	5,875,693	4,645,501
Add: Tax payable brought forward	1,962 963	1,165,543
WHT written off on premium bond	(12,909)	(953)
Less: Withholding tax paid at 20%	(5,222 719)	(3,847,128)
7b) Tax payable carried forward	2,603,028	1,962,963

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.

7 INVESTMENTS IN GOVERNMENT SECURITIES

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Treasury bills held to maturity	94,787,880	80,624,140
Treasury bonds at amortised cost	16 838 167	31,865,164
Treasury bonds at fair value	132,030,328	81,434,550
	243,656,375	193,923,854

The treasury bills and bonds are further analyzed as follows

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Treasury bills held to maturity		
Treasury bills (at cost)	89,547,140	77,044,519
Interest accrued	5,240,740	3,579,621
Total Treasury bills	**94,787,880**	**80,624,140**
Treasury bonds at amortised cost		
Treasury bonds at amortised cost	15,744,141	29,406,450
Interest accrued	1,094,026	2,458,714
Total	**16,838,167**	**31,865,164**
Treasury bonds at fair value		
Treasury bonds at fair value	129,627,865	79,059,592.00
Interest accrued	5 926,106	3,271 682.00
Fair Value	(3,523,643)	(896,724.00)
Total	**132,030,328**	**81,434,550**
Total Treasury bonds	**148,868,495**	**113,299,714**

Maturity analysis of the government securities

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Treasury Bills		
Maturity within 91 days	26,710,918	17,217,376
Maturity after 91 days & before 181 days	17,617,164	31,485,325
Maturity after 182 days	50,459,798	31,921,439
	94,787,880	80,624,140
Treasury Bonds		
Maturity within 2 years	102,320,524	66,950,154
Maturity after 2 years and within 3 years	6,901,770	32,511,154
Maturity after 3 years and within 5 years	20,830,401	6,055,613
Maturity after 5 years	18,815,800	8,244,593
Total	148,868,495	113,299,714

8 RECEIVABLES

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Risk Adjusted Premiums	385,988	1,333,823
T Bond interest receivable	22,856	-
	408,844	1,333,823

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).

9 CASH AND BANK BALANCES

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Cash at Bank of Uganda	21,566,400	23,469,478
	21,566,400	23,469,478

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).

10 CREDITORS

	31 Dec 2014 UGX '000	31 Dec 2013 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/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.

11 UN-CLAIMED DEPOSITS

	31 Dec 2014 UGX '000	31 Dec 2013 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 payable to insured depositors of closed banks

12 EXPENSES PAYABLE

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
Audit fees	24,662	24,182
Management fees	280,371	264,779
T bill 23-Dec-15	946,016	
	1,251,049	288,961

Of the expenses payable, UGX 946,016 relates to the purchase of a Treasury bill with a maturity date of 23 December 2015 whose funds had not yet settled by the year end.

13 FUND BALANCE

	31 Dec 2014 UGX '000	31 Dec 2013 UGX '000
At 1 January	196,515,957	157,467,630
Total comprehensive income for the year	45,302,311	39,048,327
At 31 December	**241,818,268**	**196,515,957**

14 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 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.

14.1 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 2 below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities categorized by maturity dates.

Table 2: 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 2014 UGX '000
Assets							
[illegible]							[illegible]
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]							[illegible]
[illegible]				[illegible]	[illegible]	[illegible]	[illegible]
Total assets	76,710,918	17,617,164	50,459 798	130,052,695	18,815,800	21,975,244	265,631 619
Liabilities							
[illegible]							
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
Total liabilities	-	-	-	-	-	23,813,351	265,631,619
[illegible]							
As at 31 December 2014	26,710,918	17,617,164	50,459,798	130,052,695	18,815,800	(1,838,107)	
As at 31 December 2013	17,717,376	31,485,325	31 921,439	23,783,968	89,515,746	2,592,104	

	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 2013 UGX '000
Assets							
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
[illegible]				[illegible]	[illegible]		[illegible]
[illegible]						[illegible]	[illegible]
Total assets	17,217,376	31,485,325	31 921,439	23 783,968	89,515,746	24,803,301	218,727,155
Liabilities							
[illegible]							
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
Total liabilities	-	-	-	-	-	27,211 198	218,727,155
[illegible]							
As at 31 December 2013	17,217,376	31,485,325	31 921,439	23,783,968	89,515,746	2,592,104	
As at 31 December 2012	18,451,729	2,392,120	-	51,453,572	-	85,170,210	

14.2 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 3: 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 2014 UGX '000
Assets						[illegible]	[illegible]
[illegible]	[illegible]						[illegible]
[illegible]	[illegible]	[illegible]	[illegible]				[illegible]
[illegible]				[illegible]	[illegible]		[illegible]
[illegible]	-						[illegible]
[illegible]	[illegible]						
Total assets	28,935,683	17,617,164	50,459,798	130,052,695	18,815,800	19,750,479	265,631,619
Liabilities						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]							[illegible]
[illegible]		[illegible]					[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]							
Total liabilities	858,762	1,788,296	670,092	440,651	96,776	19,959,274	265,631,619
[illegible]							
As at 31 December 2014	28,077,421	15,828,868	49,789,706	129,612,044	18,719,024	(208,795)	
As at 31 December 2013	22,079,218	30,998,595	31,277,094	22,877,946	89,491,899	(208,795)	

	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 2013 UGX '000
Assets						[illegible]	[illegible]
[illegible]	[illegible]						[illegible]
[illegible]	[illegible]	[illegible]	[illegible]				[illegible]
[illegible]				[illegible]	[illegible]		[illegible]
Receivables	[illegible]						
Total assets	22,270,198	31,485,325	31,921,439	23,783,968	89,515,746	19,750,479	218,727,155
Liabilities						[illegible]	[illegible]
[illegible]						[illegible]	[illegible]
[illegible]							[illegible]
[illegible]		[illegible]					[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]							
Total liabilities	190,980	486,730	644,345	906,022	23,847	19,959,274	218,727,155
[illegible]							
As at 31 December 2013	22,079,218	30,998,595	31,277,094	22,877,946	89,491,899	(208,795)	

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 4

Table 4: Asset Class Limits

Asset Class	31 Dec 2014 Value UGX'000	31 Dec 2014 Percentage %	Strategic Allocation %	Tactical Range %	31 Dec 2013 Value UGX'000	31 Dec 2013 Percentage %
Interest bearing						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		0%	[illegible]	[illegible]		0%
Total	265,631,619	100%	100%		218,727,155	100%

15 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.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2014, 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 2014, there were no financial instruments under level 1 and 3. Investment prices were available and obtained from the Central Bank as at 31 December 2014.

Table 5: Treasury bonds measured at Fair Value

31-Dec-2014	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value		[illegible]	-

31-Dec-2013	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value	-	[illegible]	-

Financial Instruments not measured at Fair Value

Table 6 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 6: Treasury bills and bonds at Fair value

31-Dec-2014	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000	Total fair values UGX '000	Total carrying amount UGX '000
Financial assets					
[illegible]				[illegible]	[illegible]
[illegible]		[illegible]		94,456,512	94,787,880
[illegible]	[illegible]	[illegible]		16,767,302	132,030,326
Financial liabilities					
[illegible]			[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	[illegible]	[illegible]