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Abbreviations /Acronyms

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

SCHEME INFORMATION

Registered Office

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

Fund Managers

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

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

Britam Asset Managers
Britam Centre
Plot 2A, Nakasero
Akki-Bua Road
P.O.BOX 6583,
Kampala
Uganda

Custodian

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

Auditor

Auditor General
P O Box 7083, KAMPALA.

Actuarial Services

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

Bankers

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

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

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

Legal Services

Office of the General Counsel to Parliament
Parliamentary Commission,
P O Box 7178, KAMPALA.

ABOUT THE FUND

Vision:

A Society of dignified retired members of the Scheme.

Mission:

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

Values:

The Core values of Parliamentary Pension Scheme are:

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

Strategic Objectives:

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

OTHER SERVICES

Member Education

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

Loans to Members

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

Medical Treatment

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

Mortgage

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

PPS At A Glance

Members of the Scheme

989

Member's Contributions

UgX.37,679,215,252

Total revenue

UgX. 35,489,117,247

Total Asset Value

UgX. 313,610,309,112

Benefits paid

UgX. 4,171,558,706

Funding level

102.8%

CHAIRPERSON'S STATEMENT

On behalf of the Board of Trustees and Staff of Parliamentary Pension Scheme, I welcome you all to the 9th Annual General Meeting. It is my pleasure to present the Annual report and Financial Statements for Parliamentary Pension Scheme for the year ended 30th June 2020.

Review of the Business Environment

Operating Environment

During the Financial Year 2019/2020, the economy grew by 3.1% compared to 6.1% in 2018/2019. The economy remained subdued in June 2020. This was as a result of the global outbreak of COVID-19 pandemic which led to a severe contraction of economies. Lockdowns and other restrictions further led to poor economic performance. The performance of most sectors during FY 2019/2020 was much slower than the previous year.

The growth in the economy was largely driven by the improvement in the agriculture sector, which grew by 4.2% in the financial year 2019/2020 from 3.8% in 2018/2019¹ due to the good weather conditions. The performance in food crop growing activities registered a growth of 4.3% while livestock growing activities grew by 7.7% in 2019/2020.

The services and industrial sectors were relatively subdued. The service sector grew by 3.6% compared to 7.2% in the previous year. The poor performance was largely due to the reduction in tourism and hospitality services that were grossly hit by the lockdown measures to combat COVID-19 pandemic.

The industry sector grew at 2.3% compared to 5.8% in the financial year 2018/2019. The slower growth in the sector was mainly attributed to the poor performance in manufacturing activities which grew by 1.4 % compared to 7.8 % in the previous year. Mining and quarrying activities declined by 2.8% in 2019/2020 compared to the 33.4% growth in the previous year. Construction activities registered a slowdown growth of 5.4% in 2019/2020 compared to the 14.2% in 2018/19.³

The Annual Headline Inflation rose to 4.1% in June 2020 from 2.1% in June 2018/2019² while Core Inflation increased to 4.9% in June 2020 from 4.7% in June 2019². There were mixed movements in headline inflation amongst the East African

Partner States. During the FY 2019/20 the East African Economies grew by 2.5%, 2.0% and 7.0% for Kenya, Rwanda and Tanzania respectively.

In Kenya, the Nairobi All Share Index (NASI) slightly improved from negative 14.21% in June 2019 to negative 7.97 in June 2020. The Local Share Index (NSE 20) further declined to – 26.25% from – 19.86% in June 2019. The 91-day Treasury bills posted an average yield of 6.70%. The average inflation was 4.6% by June 2020. The Kenyan shilling slightly depreciated by 0.4 % against the US dollar.

There was an improvement in performance of stocks at the Uganda Securities Exchange. The All Share Index (ALSI) improved to - 15.17% in June 2020 from -22.71% in June 2019. The Local Share Index [LSI] slightly reduced to -9.79% from –9.46% in 2019. The 91-day Treasury bills registered an average interest rate of 8.69% during the year. On average, the inflation was 3.11%. During the Financial year 2019/2020, the shilling remained largely stable but depreciated by 0.24% to the US dollar².

In Tanzania, the All Share Index [ASLI] improved from negative -21.10% in June 2019 to negative 6.76% in 2020, while the local share Index [TSI] improved from -17.05% in 2019 to positive 0.83% in 2020³. The 91-day Treasury bills registered an average interest rate of 2.77% during the year. The average inflation was 3.25%. During the Financial year 2019/2020, the Tanzanian shilling continued to marginally depreciate by 0.1% to the US dollar³.

In Rwanda, the ALSI improved from 3.15% in June 2019 to 10.31% in June 2020 while the local share Index [RLS] declined from negative 3.15% in June 2019 to negative 3.89% in 2020. The average inflation was 10.3%. During the financial year ended June 2020, the Rwandan Francs slightly depreciated by 0.3% to the US dollar³.

In the Sub-Saharan Africa, economies were ravaged by the COVID-19 pandemic which led to the sharpest contraction in activity on record. In addition to its heavy toll on health and safety, efforts to contain the spread of the virus such as travel restrictions, border closures, and national lockdowns disrupted the functioning of domestic economies. In addition, sharply lower growth in major trading partners, as well as collapse in commodity prices, have weighed heavily on exports.

In Nigeria, and South Africa, the two largest economies in the region, activity fell precipitously during the first half of 2020. The other economies in the region have also suffered remarkably during the first half of 2020.

On the Global scene, the COVID-19 triggered a global crisis likely to lead to the deepest global recession. This has resulted into contractions in advanced, emerging markets and developing economies (EMDEs).

In the Euro area, the widespread virus outbreaks prompted governments to impose various mitigation measures such as nationwide lockdowns, extended school closures, and border restrictions. These significantly disrupted domestic economic activity. Many Euro Area members states were heavily reliant on tourism, a sector which was virtually shut down by government policies and particularly prone to slow recoveries. In response, the European Central Bank offered low-interest loans to banks which significantly boosted asset purchases and allayed fears of member country from defaults by lifting distributional restrictions on its bond-buying program. Member governments rolled out significant fiscal support packages.

Outlook

The growth for 2021 is projected at 3.7%, 5.2%, 6.9%, and 5.5% for Uganda, Kenya, Rwanda and Tanzania respectively⁷. This macro indicator shows that regional economic growth will be slow due to the effects of the Covid 19 pandemic. However the East African economies are eventually expected to recover by 2021/2022.

Global growth is estimated to grow up to 4.2% in 2021 from negative 5.2% in 2020. Assuming that the Covid 19 outbreak remains under control and activity recovers later this year, China is projected to slow to 1 percent in 2020, the lowest growth, ever forecast.

In the Euro Area, output is expected to contract by 9.1% in 2020. Growth is forecasted to rebound to 4.5% in 2021.

The pandemic will place a lasting damage to fundamental determinants of long term growth prospects, further eroding living standards for years to come. Although a moderate recovery is envisioned in 2021, global growth is anticipated to expand by 4.2%. output is not expected to return to its previously expected levels.

As a result of the severe economic strains in the first half of 2020, activity in the region is expected to contract by 2.8% in 2020. Growth in the region is expected to rebound to 3.1% in 2021. Although growth is projected to recover in 2021, the region is vulnerable to larger and longer lasting downturns given the weakness of its health care systems, constrained fiscal policy space, and its limited capacity to effectively implement social distancing measures. It is also at risk of debt distress given high levels of debt and sharply higher borrowing costs⁷.

In the East Africa region, Kenya has projected growth at 5.2%, Tanzania at 5.5% and Rwanda at 6.9% in 2021. The growth will be supported by investment in public infrastructure projects, boosted economic recovery through re-igniting business activity, safeguard livelihoods and providing tax relief to businesses.

The Ugandan economy is expected to grow at 3.7% in 2021 from 3.3% in 2020. The enablers to the growth include, increased government investment in agriculture, expansionary fiscal policy through provision of tax relief to businesses, waiver of interest on tax arrears, spending in public Infrastructure investments through enhancement of Healthcare facilities, increased availability of investment finance to Micro, Small and Medium Enterprises and other manufacturing firms, ensuring financial sector stability by providing for adequate capital buffers for supervised financial institutions, increased foreign direct investment [FDI] and favorable weather conditions. The measures put in place together with the continued easing of the lockdown will improve performance of the Ugandan economy¹.

Performance review

In the year ended June 2020, the Scheme implemented the annual operational plan as per the Strategic Plan 2018-2023. The Board invested members' funds in the most prudent way.

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

The investment income before tax increased from UgX. 19.97 billion to UgX. 29.55 billion, representing an increase of 47.98% compared to a decline of 13.40% in 2019. The increase was due to the good performance of fixed income investments. The assets under management grew from UgX. 257.21 to UgX. 313.61 billion. The Fund posted a return on average investable fund of 10.49% before tax and 7.92% after tax.

The benefits paid out amounted to UgX. 4.17 billion compared to UgX. 2.79 billion paid out last year.

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

Achievements

During the year, the Scheme registered the following achievements:

1. The Fund registered a positive growth of 21.73%.
2. Promptly paid out Pension benefits of UgX. 1.95 billion.

3. Paid out overdue Death benefits amounting to UgX. 162 million.
4. Disbursed Loans totaling to UgX. 10.03 billion to 154 members.
5. Enhanced capacity of the Board of Trustees and staff through training.
6. Operationalized the Strategic Plan 2018-2023 for year Two.

Challenges

The Scheme also experienced challenges during the year:

1. Members' slow response and failure to update their files.
2. Poor attendance during Annual General Meeting.

Appreciation

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

The Board appreciates the Parliamentary Commission for the timely remittance of Members' contributions, subvention grant, office space for the Secretariat, provision of Human Resource, Legal and Procurement advisory services which would otherwise have been a heavy cost to the Scheme. In an exceptional way, we further extend our gratitude to the Commission for the support they have given in the Management of the Loan Scheme.

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

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

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



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

CHIEF OPERATIONS MANAGER'S STATEMENT

The Scheme was well guided by the Board of Trustees, received all Members' contributions for the year and resultantly undertook investments guided by the Investment Policy Statement of 2018-2021. The staff capacity was enhanced through training and skill acquisition, enabling the staff to handle Scheme business efficiently.

The investment environment during the last half of FY 2019/2020 was adversely affected by the outbreak of Covid-19 which led to many foreign investors selling their holdings thus affecting the performance of the equity market. The tax exemptions on 10 year bonds boosted returns of the Scheme. The Scheme is solid and a going concern.

Financial highlights and review

The Scheme assets grew from UgX. 257.21 billion to UgX. 313.61 billion which is 21.93% growth compared to 25.74% in 2019. The slight decline in growth was attributed to the poor performance on the equity market due to the Covid 19 Pandemic.

The growth in Members' contributions was negative 0.34% compared to positive 3.86% the previous year. During the period, there was no conversion of pensions into lump sums, since no pensioners were re-elected into active service.

The audited Financial Statements for the year ended 30th June 2020, are herewith presented to Members on Pages 34 to 72.

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

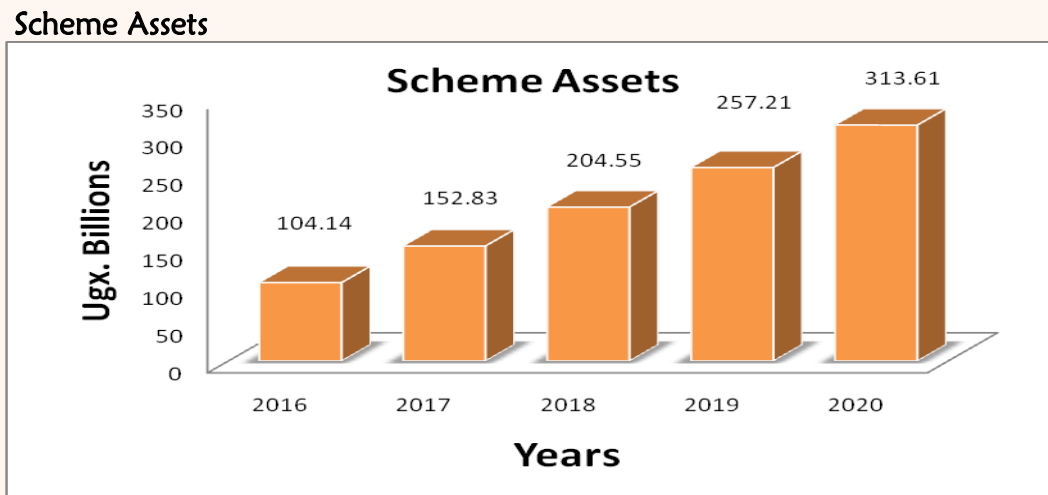


Figure 1: 5- Year trend for the Scheme Assets Investment Income



Figure 2: 5- Year trend for Investment Income

Funding Level

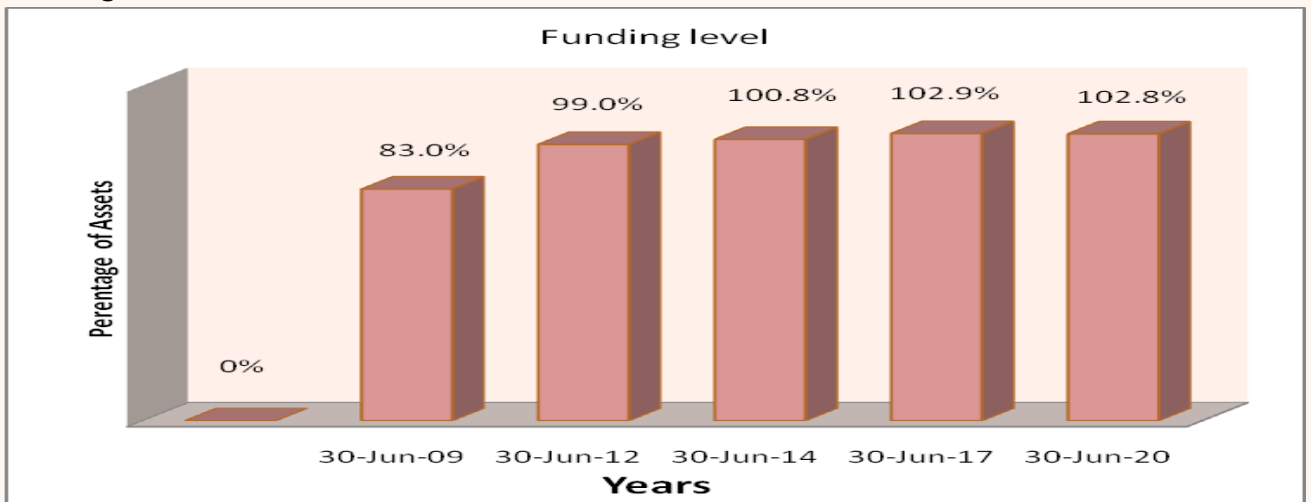


Figure 3: Funding Level since 2007

SUSTAINABILITY REPORT

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

RISK MANAGEMENT AND CONTROL

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

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

The Internal Audit function through the Committee of Audit and Risk provides assurance on the operations, systems, investment decisions and internal controls put in place to ensure their effectiveness in risk mitigation. On annual basis the Scheme profiles the risk environment and monitors effectiveness of mitigation strategies.

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

The Board ensures engagement of competent staff who ably ensure compliance to relevant laws, regulations and policies to effectively avoid unnecessary risks.

ACKNOWLEDGMENT

I take this opportunity to thank the Board of Trustees for the guidance they have given to Management and staff. I thank the Members for the excellent cordial relationship you have accorded us through the year, and to fellow staff, for their dedicated services to Scheme. I thank the Regulator for the support and guidance given to the Scheme to ensure compliance and safe guard of the Members' fund. The Scheme also recognizes contributions from other key players in the pension industry such as the Investment Managers, Custodians, Auditors, Insurers and other Pension Schemes. The growth of the pension sector comes from the concerted efforts of all players.



.....
NIGHTINGALE MIREMBE SSENOGA
CHIEF OPERATIONS MANAGER

BOARD OF TRUSTEES' STATEMENT

CORPORATE GOVERNANCE

BOARD OF TRUSTEES



Hon. Achia Remigio
CHAIRPERSON



Hon. Haruna Kyeyune



Hon. Francis Mwijukye



Hon. Roland Mugume



Hon. Dr. Francis Epetait



Mr. Aloysius Makata



Mr. Solomon Kirunda



Jane L. Kibirige (Mrs.)
SECRETARY

Board Size, Composition and Appointment

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

Table 1: Board of Trustees

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

Statement of Corporate Governance

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

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

Role of the Board

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

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

Skills, Training and Experience

The Board appreciates the importance of training, skills acquisition in the efficient management of the Scheme. During the year ended June 2020, the Board undertook trainings to enhance knowledge and skills in Pension Management.

Board Meetings

The Board meets on a quarterly basis as guided by the approved Annual Board Calendar. The meetings have an agenda informed by priority decisions and discussions necessary to drive the Scheme forward. Board business is based on areas of operations of the Scheme namely Benefits, Administration, Investments and Financial Performance, Human Resource and Assurance on internal controls. During the year the Board held 7 meetings to review investments performance, develop Strategic documents for effective management of the Scheme and payment of Member benefits among others.

Board Evaluation

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

Conflict of Interest

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

Board Committees

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

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

Hon. Mugume Roland	-	Chairperson
Hon. Mwijukye Francis	-	Member
Hon. Haruna Kyeyune Kasolo	-	Member
Mr. Solomon Kirunda	-	Member
Mr. Okello .G. Obabaru	-	Co-opted Member

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

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

Mr. Solomon Kirunda	-	Chairperson
Hon. Dr. Francis Epetai	-	Member
Hon. Mugume Roland	-	Member
Prof. Ocaya Bruno	-	Co-opted Member

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

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

Mr. Aloysius Makata	-	Chairperson
Hon. Oduman A. C. Okello	-	Co-opted Member
Mr. Mugisha Steven	-	Co-opted Member

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

- **Benefits Administration Committee (BAC)**

Hon. Dr. Francis Epetai	-	Chairperson
Hon. Mwijukye Francis	-	Member
Hon. Haruna Kyeyune Kasolo	-	Member
Hon. Alice Alaso Asianut	-	Co-opted Member
Mr. Charles Olich	-	Co-opted Member

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

Committee Meetings

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

Finance and Administration Committee	-	4 meetings
Investment and Custody Committee	-	6 meetings
Audit and Risk Committee	-	5 meetings
Benefits Administration Committee	-	4 meetings
Loans Committee	-	3 meetings

Management

The Scheme is internally administered by a team of Ten (10) qualified staff under the supervision of the Chief Operations Manager.

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

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

SCHEME MEMBERSHIP

At the end of the Financial Year, the Scheme had a membership of 989 composed of 843 active members (370 women and 619 men), 2 deferred members, 117 pensioners and 27 beneficiaries as shown in Table 2 below:

Table 2: Scheme Membership

	Active Members		Deferred Mem- bers		Pensioners		Beneficiaries	
	MPs	Staff	MPs	Staff	Staff	MPs	Staff	MPs
At 1 st July 2019	455	398	0	2	28	81	3	6
New Entrants	3	0	0	0	7	2	1	17
Deceased	0	0	0	0	(1)	0	0	0
Leavers	(3)	(1)	0	0	0	0	0	0
Retired	(2)	(7)	0	0	0	0	0	0
At 30th June 2020	<u>453</u>	<u>390</u>	<u>0</u>	<u>2</u>	<u>34</u>	<u>83</u>	<u>4</u>	<u>23</u>
Membership in Au- dited Financial statements as at June 2020.	<u>845</u>				<u>144</u>			

CUSTODY AND INVESTMENT ARRANGEMENTS

In compliance with the Uganda Retirement Benefits Regulatory Authority Act (2011), the Board of Trustees appointed Standard Chartered Bank to provide custody services to the Scheme. Stanlib, Britam and GenAfrica Asset Managers were responsible for the management of the Scheme's investment assets.

LOANS TO MEMBERS

A total of UgX. 10,026,000,000 was disbursed to 154 members during the year ended 30th June 2020. The return on the loan portfolio was UgX. 2,009,324,6213 contributing 5.6% of the total investment income.

INTEREST TO MEMBERS

During the Annual General Meeting held on 21st February 2020, the Board of Trustees declared 8% interest to active members for the financial year 2018/2019. For the year 2019/2020, a total of UgX. 19,246,863,765 representing the 8% guaranteed interest has been provided for and posted to the Members' accounts.

FUNDING STATUS

The Board of Trustees conducts periodic actuarial valuation of Scheme assets in accordance with Section 71 of Uganda Retirement Benefits Regulatory Act. The Actuarial Valuation done as at 30th June 2020 indicated that the Scheme was financially sound with a funding level of 102.8%.

INVESTMENT REPORT AND STRATEGY

Investment Policy

The Board has adopted a moderate risk approach to drive the investment strategy of the Scheme. The Investment Policy Statement for the period 2018 – 2021 has been used to guide the Investments of the Scheme for the FY 2019/2020.

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

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

Strategic Asset Allocation

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

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

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

Investment Environment

The majority of the Investments were held in Uganda at 87.1% while 12.9% was in Kenya.

The Central Bank of Uganda reduced the interest rates to 7% in the period March – June 2020 with the aim of supporting the economy which had contracted due to the Covid 19 pandemic. This led to a reduced return on the 91-day Treasury Bills closing at 8.69% from 9.52% in 2018/2019. The Uganda shilling depreciated by 0.24% against the US dollar, closing at UgX 3,738 in June 2020.

The interest rates in Kenya reduced to 7% by June 2020 due to the effects of Covid-19. The repealing of the interest rate capping was done in November 2019 however this did not yield much as most businesses shutdown due to the Covid 19 pandemic.

The poor performance in the Stock markets affected the Scheme’s return on investments during the reporting period. The Kenya shilling slightly depreciated by 0.4% against the US dollar closing at KES 106.42.

Strategy

The Scheme maintained a moderate approach to risk. There was a decline in investments under corporate bonds and Treasury bills. The Member loans were maintained in the Investment portfolio at an average of 5% of total investment assets. The Scheme increased its investments in long term Treasury bonds after government waived With Holding Tax on bonds of 10 years and above. The yields on short term bonds were low, making them unattractive in the course of the year. The strategy on regional equities was to pick up some counters when prices fell and sell a portion when prices increased in order to recoup some capital gains. The Scheme concentrated on investments of 182 and 365-day Treasury bills since yields on 91-day Treasury bills had greatly reduced especially in the second half of the financial year.

The portfolio mix at the end of the reporting period was as follows:

Table 3: Portfolio Mix

Asset Class	Amount (UgX.Bn)	Proportions (%)	Amount (UgX.Bn)
	Jun-20	Jun-20	Jun-19
Equities	50.36	16.06	47.95
Government Bonds	207.87	66.28	149.15
Treasury Bills	26.94	8.59	19.34

Corporate Bonds	0.290	0.09	0.420
Others	5.35	1.71	5.191
Loans	10.78	3.44	14.65
Fixed Deposit	12.02	3.83	20.51
Total	313.610	100.00	257.211

Investment Performance

The gross investment income earned during the year increased from 28.47 billion to 35.48 billion in June 2020, representing a 24.63% growth. This was due to increased volume in fixed income investments during the year.

The net investment revenue increased from 19.97 billion in the previous year to UgX.29.55 billion, representing 47.98% increase. The net income after tax was UgX. 22.32 billion compared to UgX. 17.51 billion in FY 2018/2019.

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

Table 4: Income from different asset classes

Asset Class	Amount	Proportions	Amount
	(UGX.bn)	(%)	(UGX.bn)
	Jun-20	Jun-20	Jun-19
Equities	2.83	7.97	2.57
Government Bonds	26.25	73.96	19.00
Treasury Bills	2.59	7.30	3.749
Corporate Bonds	0.03	0.08	0.051
Other Incomes	0	0.00	0.033
Loans	2.01	5.66	1.88
Fixed Deposit	1.78	5.02	1.19
Total	35.49	100.00	28.47

The return on investable assets before tax was 10.49% compared to 8.77% in 2019. The return after tax was 7.92% in 2020 compared to 7.69% the previous year.

Signed on behalf of the Board of Trustees by: -



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CHAIRPERSON, BOARD OF TRUSTEES



.....
MEMBER, BOARD OF TRUSTEES



.....
MEMBER, BOARD OF TRUSTEES

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

Responsibilities

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

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

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

Approval of the Annual Financial Statements

The Board of Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and Scheme rules. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and its operating results.

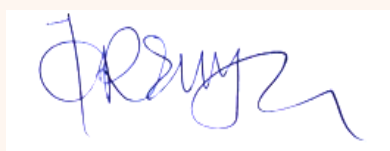
These financial statements have been reported on by M/s Goldgate Certified Public Accountants as appointed by the Auditor General. They were given unrestricted access to all financial records and related data, including minutes of all relevant meetings.

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

These financial statements approved by the Board of Trustees on 2nd October 2020 are to the best of the Board of Trustees' knowledge and belief confirmed to be complete and fairly represent the net assets of the fund as at 30th June 2020 as well as the results of its activities for the period then ended in accordance with IFRS.

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

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



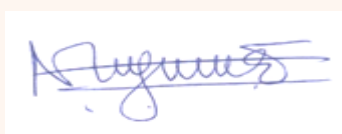
CHAIRPERSON, BOARD OF TRUSTEES

Date: 2nd October 2020



MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020



MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020

REPORT OF THE AUDITORS TO THE MEMBERS OF THE PARLIAMENTARY PENSION SCHEME FOR THE YEAR ENDED 30TH JUNE 2020

Opinion

We have audited the financial statements of the Parliamentary Pension Scheme (PPS) for the year ended 30th June 2020. These financial statements comprise of the statement of changes in Net Assets, Statement of Net Assets, and Statement of changes in Member Funds, cash flow statement together with accompanying statements, notes and accounting policies.

In our opinion, the financial statements present fairly in all material respects, the financial position of the Parliamentary Pension Scheme as at 30th June 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Parliamentary Pensions Act, 2007 as amended, Public Finance Accountability and Management Act 2015; the Uganda Retirement Benefits Regulatory Authority Act 2011; and Generally Accepted Accounting Practices.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Guidelines issued by the Institute of Certified Public Accountants of Uganda. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. This information does not include the financial statements and our independent auditor's report. Our opinion on the financial statements does not cover other information and we do not express any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Key Audit Matters (KAM)

Key audit matters are those matters that in our professional judgments were of most significance of our audit of the financial statements of the current period. These matters were addressed in context of our audit of the financial statements as a whole, and in forming our opinion, and we do not provide separate opinion on these matters. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

Management is responsible for preparation and presentation of financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Schemes' ability to continue as going concern, disclosing, as applicable, matters relating to going concern using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operation or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Scheme financial reporting process.

Auditor's Responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor report. Management made adequate disclosure on the going concern in note 9.34. However, future events or conditions may still affect the going concern of the Scheme.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

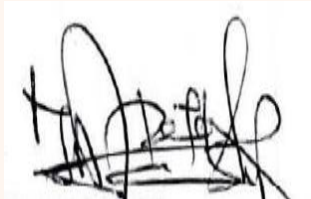
Report on Other Legal and Regulatory Requirements

As required by the Company's Act, we report to you based on our audit, that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account have been kept by the Scheme in so far as appears from our examination of those books; and

3. The Scheme's statement of changes in Net Assets, Statement of Net Assets and statement of changes in Members Fund are in agreement with the books of account.

The engagement Partner on the audit resulting in this independent audit report is **CPA David R. Mugisha - P0148**.

A handwritten signature in black ink, appearing to read 'David R. Mugisha', is written over a horizontal line.

CPA David R. Mugisha
PARTNER; AUDIT AND ASSURANCE
GG/MRD/PPS/AD/20

Date: 5th November 2020

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	Jun-20 UGX	Jun-19 UGX
Income from dealing with members			
Member Contributions	1.1	12,559,738,418	12,516,804,671
Government Contributions	1.2	25,119,476,834	25,033,609,339
Pension Contributions	1.3	-	258,479,053
Total Contributions		37,679,215,252	37,808,893,063
Outgoing from dealings with members			
Benefits to Members	2	(4,171,558,706)	(2,786,352,396)
Net additions / (withdrawals) from the dealings with members		33,507,656,546	35,022,540,667
Returns on Investments			
Investment Income	3	35,489,117,247	28,473,767,577
Fund expenses	4	(2,067,164,411)	(1,690,031,996)
Net investment income before tax		33,421,952,836	26,783,735,581
Other comprehensive incomes			
Change in the value of the Equities	8.1	(7,045,382,819)	(8,867,914,856)
Changes in the value of Bonds	7.5	3,254,291,013	2,210,454,094
Foreign exchange gain/(loss)	8.5	(227,958,457)	(128,032,501)
Profit/Loss on sale of Investments	8.4	150,471,906	(27,486,374)
Loss (Gain) in the value in the investments		(3,868,578,357)	(6,812,979,637)
Change available for members before Tax and guaranteed Interest		63,061,031,025	54,993,296,611
Other incomes	5	2,805,505,755	2,776,991,036
Loss on the asset held for sale		-	(2,256,854)
Management expenses	6	(2,386,984,020)	(2,855,695,111)
Net Administrative Surplus/(Deficit)	13	418,521,735	(80,960,929)
Increase in Net Asset before tax		63,479,552,760	54,912,335,682

Income Tax Charge (Credit)	27	(7,236,691,570)	(2,458,994,550)
Increase in Net Asset after tax during the Year		56,242,861,190	52,453,341,132
Guaranteed Interests to Members	16	(19,246,863,765)	(15,300,214,223)
Net Increase (Decrease) in Net Assets		<u>36,995,997,425</u>	<u>37,153,126,909</u>



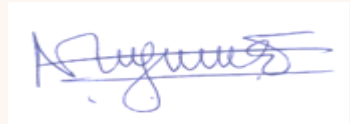
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CHAIRPERSON, BOARD OF TRUSTEES

Date: 2nd October 2020



.....
MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020



.....
MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020

STATEMENT OF NET ASSETS AS AT JUNE 30 2020

	Notes	Jun-20 UGX	Jun-19 UGX
Non-Current Assets			
Property Plant and Equipment	22	276,049,373	331,237,306
Computer Software	23.3	999,157,980	975,677,468
Medium/ Long term Investments	7.1	256,983,755,069	199,090,149,749
Sub total		258,258,962,422	200,397,064,523
Current Assets			
Short term Investments	9	51,281,612,705	52,934,647,646
Receivables	10	220,012,522	607,452,596
Tax Asset	30.1	13,263,472	504,068,871
Withholding Tax Receivable	30.1	393,087,994	303,429,541
Deferred Tax Asset	31	1,200,910,219	2,028,877,685
Cash and Bank balances	11	3,441,802,544	2,223,911,578
Subtotal		56,550,689,456	58,602,387,918
Current Liabilities			
Creditors and Accruals	12	897,380,849	1,185,322,472
General Reserve Account	19	961,917	961,917
Subtotal		898,342,766	1,186,284,389
Other Liabilities			
Long term liability	12.2	301,000,000	602,000,000
Total Net Current Assets		55,351,346,690	56,814,103,529
Net Total Assets	21	313,610,309,112	257,211,168,052



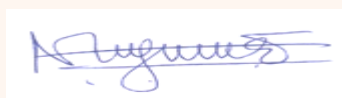
CHAIRPERSON, BOARD OF TRUSTEES

Date: 2nd October 2020



MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020



MEMBER, BOARD OF TRUSTEES

Date: 2nd October 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	Jun-20 UGX	Jun-19 UGX
Cash-flows from operating activities			
Contributions during the year	1.1/2	37,679,215,252	37,808,893,063
Taxes paid	28	(459,323,168)	-
Gain (Loss) in the Value of Investments		(3,868,578,357)	(6,812,979,637)
Unvested benefits		-	(19,012,722)
Other incomes		2,805,505,755	2,776,991,036
Expenses paid		(8,625,707,137)	(7,332,079,503)
Decrease(increase) in Payables		(588,941,623)	(1,413,962,673)
Decrease (increase) in Receivables		2,040,475,015	2,960,607,443
Net cash from operating activities		<u>28,982,645,737</u>	<u>27,968,457,007</u>
Cash-flows from investing activities			
Investment income (net)		30,192,786,561	23,738,238,394
Increase(Decrease) in investment		(57,838,208,862)	(55,161,292,724)
Purchase of assets		(119,332,470)	(1,030,786,700)
Net cash used in investing activities		<u>(27,764,754,771)</u>	<u>(32,453,841,030)</u>
Net Increase / (decrease) in cash and cash equivalent		1,217,890,966	(4,485,384,023)
Movement in cash and cash equivalent			
Cash balance at start of the year		2,223,911,578	6,709,295,601
Net Increase / (decrease) during the year		1,217,890,966	(4,485,384,023)
Cash balance at June 30		<u>3,441,802,544</u>	<u>2,223,911,578</u>

STATEMENT OF CHANGES IN THE MEMBERS FUND AS AT 30th JUNE 2020

		Jun-20		Jun-19
	Notes	UGX		UGX
Accumulated fund at the start of the year		256,289,177,410		203,773,888,071
Actuarial Surplus at the start of the year	14	(5,624,747,337)		(5,624,747,337)
Net change available for members	5.0	36,577,475,690		37,234,087,838
Guaranteed interest to members	16	19,246,863,765		15,300,214,223
Unvested reserve	15	-		(19,012,722)
Accumulated Actuarial Reserve	14	5,624,747,337		5,624,747,337
Members Accumulated fund as at June 30.		312,113,516,866		256,289,177,410

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Accounting policies

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

(a) Basis of Preparation

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

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

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

(b) Contributions and Contributions Receivable

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

(c) Benefits Payable

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

(d) Cash and Cash Equivalents

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

(e) Revenue Recognition

Revenue is recognised on accrual basis.

(f) Investment Income

Investment income includes interest and dividends from investments. The Interest income is recognised on an accruals basis using the effective yield method based on the actual purchase price. Dividend income is recognized on an accrual basis when it has been declared based on the book closure date.

(g) Funding Policy

Parliamentary Pensions Scheme is a contributory Hybrid Cash Balance Retirement Benefit Plan for Members of Parliament and Staff of the Parliamentary Commission. Members of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Parliament may serve for five years or more whereas staff members of the Parliamentary Commission are generally on long term employment engagement.

The benefits of Members are based on the accumulated Scheme Credit. The Board of Trustees annually declares an interest rate awarded on members' accumulated contributions. The declared rate is based on investment performance and recommendations of the Actuary.

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

To realise the funding objective, the Scheme has a clear Contribution Schedule of 15% and 30% of the basic salary by the Member and Sponsor respectively. Further, investment of Scheme assets forms a major strategy in funding the Scheme liabilities.

(h) The Presentation Currency

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

(i) Financial Instruments

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 Scheme include Term Fixed deposits, Treasury Bills and Bonds, Corporate Bonds and Equity shares. The Board determines the appropriate classification of its financial instruments at the time of purchase.

Recognition

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

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

Measurement:

Amortised cost measurement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Mark to Market

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

Fair value measurement principles

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

A financial asset is derecognised when the Scheme loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

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

De-recognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Impairment

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

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

During the year there was no evidence of impairment loss. Any impairment losses are made through the Statement of Other Comprehensive Incomes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Valuation of the unlisted equities

The Scheme as at 30th June 2020 did not have unlisted equities.

Re-classifications;

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

(j) Government Grants

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

(k) Property, Plant and Equipment

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

The depreciation rates:

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

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

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

(l) Foreign Currency Transactions

Transactions in foreign currencies are converted into Uganda Shillings (UGX) at the exchange rate ruling on the transaction dates. Gains or losses resulting from these transactions are recognised in the Statement of Changes in Net Assets under other Comprehensive Incomes. Gains or losses as a result of revaluation as at 30th June 2020 have been recognized in the Statement of Changes in Net Assets under other Comprehensive Incomes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(m) Employment Benefits

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

(n) Donated Assets

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

(o) Comparatives

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

(p) Expenses

Expenses are accounted for on an accrual basis.

(q) Revaluation of Assets

During the period ended June 2020, the historical cost of Ugx.111,056,880 for Motor Vehicle that was revalued by Ministry of Works and Transport along with its accumulated depreciation was removed. The cost reflected in the books is the estimated book value of Ugx. 47 million. A revaluation Account has been created to cater for the cost of the revaluation. The value in this account shall be reduced periodically by the depreciation value charged in the respective year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 CONTRIBUTION INCOME

1.1 Members' Contribution	Notes	Jun-20 UGX	Jun-19 UGX
Staff Contributions		3,404,995,418	3,378,831,671
MPs Contributions		9,154,743,000	9,137,973,000
Total Members' Contributions		12,559,738,418	12,516,804,671

1.2 Government Contribution

		Jun-20 UGX	Jun-19 UGX
Govt's Contributions for Staff		6,809,990,834	6,757,663,339
Govt's Contributions for MPs		18,309,486,000	18,275,946,000
Total Government's Contributions		25,119,476,834	25,033,609,339

1.3 Pension Contribution

	Note	Jun-20 UGX	Jun-19 UGX
Pension Suspension Contribution		0	258,479,053
Total		0	258,479,053

2 BENEFIT TO MEMBERS

	Jun-20 UGX	Jun-19 UGX
Staff - Retirement Lump-sum	533,179,447	243,410,045
Staff - Death in service benefit	0	61,744,085
Staff - Withdrawal benefit	162,148,934	246,413,435
MPs - Death in service benefit	1,980,562	5,351,999
MPs - Withdrawal benefit	1,030,587,088	213,762,859
MPs - Retirement Lump-sum	400,496,554	82,116,585
Pensions	2,043,166,121	1,933,553,388
Total Benefits to Members	4,171,558,706	2,786,352,396

3 INVESTMENT INCOME

		Jun-20	Jun-19
		UGX	UGX
Interest on Treasury Bills		2,593,210,003	3,749,881,304
Interest on Fixed Deposits		1,775,651,146	1,195,773,790
Interest from Corporate Bonds		31,363,545	50,518,506
Interest from Government Bonds		26,251,020,413	18,997,557,765
Other Incomes		0	33,383,472
Dividend Income		2,828,547,517	2,569,504,805
Interest Income from Loans		2,009,324,623	1,877,147,935
Total Investment Income		35,489,117,247	28,473,767,577

Note: Other incomes for the current year have been reclassified and reported under note 5

4 FUND EXPENSES

		Jun-20	Jun-19
	Note	UGX	UGX
Annual General Meeting and Board Election		142,110,095	141,327,080
Fund Management Fees		701,131,772	641,983,854
Board of Trustees Costs	4.1	681,865,779	647,844,692
Administration costs		49,081,073	0
Audit fees		24,308,000	0
Board of Trustees meetings		98,101,363	0
Organization structures		65,699,226	0
URBRA Levy		131,164,726	105,815,699
Benefits Administrations Costs		112,557,377	128,941,796
Actuarial Valuation fees		61,145,000	24,118,875
Total Fund Expenses		2,067,164,411	1,690,031,996

Note: Audit and Board of Trustees meetings costs were reported under management expenses note 4 in the year ended June 2019.

4.1 Board of Trustees costs

	Note	Jun-20	Jun-19
		UGX	UGX
Board of Trustees Capacity Building		429,235,779	376,944,692
Honorarium		252,630,000	270,900,000
Total Board of Trustees costs	4	681,865,779	647,844,692

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5 OTHER INCOMES

Other Incomes	Jun-20 UGX	Jun-19 UGX
Grant revenue	2,728,081,004	2,728,081,004
Miscellaneous Incomes	20,707,165	-
Donation income	-	630,951
Investment income on operational funds	56,717,586	48,279,081
Total other Incomes	2,805,505,755	2,776,991,036

6 MANAGEMENT EXPENSES

	Jun-20 UGX	Jun-19 UGX
Board of Trustees meetings	-	116,478,847
Personnel costs	1,932,196,559	2,077,077,026
Staff Capacity Building	192,543,027	253,000,981
Traveling expenses	21,565,811	21,712,027
Organization structures	15,765,000	45,309,235
Office Administration, supplies/others	57,585,791	157,743,849
Audit fees	-	24,950,000
Publicity and Communications	2,200,000	1,780,000
Bank Charges	14,087,941	10,217,704
Depreciation	151,039,891	147,425,442
Total	2,386,984,020	2,855,695,111

Note: Board of Trustees meetings expenses and Audit fees are reclassified to fund expenses under 1.4

7 INVESTMENTS

7.1 Long-term Investments

	Note	Jun-20 UGX	Jun-19 UGX
Corporate Bonds	7.2	252,025,000	378,037,500
Government Treasury Bonds	7.3	200,997,983,984	144,689,035,091
Loan Portfolio	7.4	5,367,200,233	6,065,369,598
Shares & Equities	8	50,366,545,852	47,957,707,560
Total		256,983,755,069	199,090,149,749

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

7.2 Corporate Bonds

	Jun-20 UGX	Jun-19 UGX
African Development Bank - maturing in 2023	252,025,000	378,037,500
Total	252,025,000	378,037,500

7.3 Government Treasury Bonds (Government of Uganda)

	Jun-20 UGX	Jun-19 UGX
Two-Year Government Treasury Bond	-	1,548,371,476
Three-Year Government Treasury Bond	6,665,003,055	7,954,422,132
Four -Year Government Treasury Bond	3,263,430,002	3,322,549,125
Five-Year Government Treasury Bond	38,662,286,034	42,037,529,171
Ten-Year Government Treasury Bond	100,331,606,249	69,055,948,166
Fifteen-Year Government Treasury Bond	52,075,658,644	20,770,215,021
Total	200,997,983,984	144,689,035,091

7.4 Long term outstanding Loan Portfolio

	Jun-20 UGX	Jun-19 UGX
Loans (More than one year)	5,367,200,233	6,065,369,598
Total	5,367,200,233	6,065,369,598

7.5 Changes in the value of Bonds

The changes in the value of Bonds arise as a result of the increase or decrease in the market price of the Government Bonds in the active market. The market prices are obtained

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

as published by the Central Bank of Uganda for the bonds being traded in the market. In the period ended 30th June 2020, the fund increased its investment in Government Bonds which had high yields. The reduction in interest rates by the Central Bank in order to boost the economy led to the increase the values of the bonds. The net increase in value of the bonds was Ugx.3,254,291,013 as reported in the statement of changes.

8 INVESTMENT IN SHARES

The Scheme invested in equities as follows;

	No. of shares	Jun-20	Jun-19
	No	Value UGX	Value UGX
Equities at the Uganda Securities Exchange(USE)			
Bank Of Baroda (U) Ltd	23,159,563	2,547,551,930	2,981,330,545
DFCU (U) Ltd	4,198,728	2,708,179,560	2,813,147,760
Stanbic Bank (U) Ltd	180,120,690	4,322,896,560	4,129,550,410
Umeme	4,880,592	1,195,745,040	1,464,177,600
Total Market Value of Equities at the Uganda Securities Exchange(USE)	212,359,573	10,774,373,090	11,388,206,315
Equities at the Nairobi Securities Exchange(NSE)			
Atlas Development and Support Services	98,000	-	-
Bamburi	210,400	206,528,166	861,453,602
Barclays Bank Kenya	2,698,000	945,839,544	1,019,309,756
BAT Kenya	9,000	100,254,434	271,149,750
Centum Investments	48,240	43,208,951	54,762,705
CFC Stanbic of Kenya Holding Ltd	54,720	161,618,667	195,852,549
Cooperative Bank of Kenya	6,500,527	2,768,855,976	2,052,290,028
Diamond Trust Bank	207,080	513,617,866	881,550,137

East African Breweries Ltd	4,335,100	5,273,562,732	4,388,705,848
Equity Group Holding	505,952	2,882,293,512	3,653,793,930
Flame Tree Group Holding	106,564	5,865,239	10,016,865
I&M Holdings Ltd	60	105,171	86,218,390
Jubilee Holdings Ltd	8,612	73,062,564	124,463,050
Kenya Commercial Bank	5,279,646	6,727,980,764	5,293,971,564
National Media Group	-	-	36,796,070
NIC Bank (K)	844,481	786,013,364	934,242,819
Nairobi Stock Exchange Ltd	56,160	15,238,548	24,872,024
Safaricom Ltd	18,669,515	18,751,377,800	16,221,318,736
Stanlib Fahari I-Reit	689,520	142,618,019	229,341,495
Standard Chartered Bank (K) Bank	32,622	194,131,445	229,391,927
Equities at the Nairobi Securities Exchange(NSE)	40,354,199	39,592,172,762	36,569,501,245
Total	252,713,772	50,366,545,852	47,957,707,560

Note: There was no active trading for Atlas Shares.

8.1 Changes in the value of Equities (Shares)

The change in the value of equities (shares) arises as a result of the increase or decrease in the market price of the shares in the active market. The market prices are obtained as published by the Uganda Securities Exchange and the Nairobi Securities Exchange. In the financial year ended 30th June 2020, the market prices for equities on NSE fell due to foreigners selling their holdings in fear of negative effects of Covid-19 pandemic to the equity market. As a result, the Scheme registered a revaluation unrealized loss of Ugx.7,045,382,819.

8.2 Valuation of Equities (Shares)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

8.3 Bonus Shares

The Scheme received no bonus shares as at 30th June 2020.

8.4 Profit / Loss on sale of Investment

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

Table 5: Shares sold as at 30th June 2020

Company	Number of Shares sold
British American Tobacco	6,000
Nation Media Group	20,771
I&M Holdings	43,300
Equity Bank	200,000
Kenya Commercial Bank	500,000
SafariCom	2,000,000

The proceeds from the sale resulted into a net gain of UgX 150,471,906. The net gain has been reported in the statement of Changes in net assets.

8.5 Foreign Exchange gain/Loss

During the period, the Scheme registered a net unrealized loss of UgX. 227,958,457. This arose from the revaluation of Kenyan dividends and the currency translation of Kenya Shillings. The net unrealized loss has been reported in the statement of Changes in net assets.

9 SHORT TERM INVESTMENT

	Note	Jun-20 UGX	Jun-19 UGX
Fixed Deposits Investments	9.1	12,027,196,832	20,509,192,457
Treasury Bills Investments	9.2	26,947,481,635	19,345,406,446
Corporate Bonds due in 12 months	9.3	12,298,866	19,779,230
Loan Portfolio	9.5	5,414,832,715	8,592,711,994
Treasury Bonds due in 12 months	9.4	6,879,802,657	4,467,557,519
Total		51,281,612,705	52,934,647,646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

9.1 Fixed Deposits (Commercial Banks)

	Jun-20	Jun-19
	UGX	UGX
Fixed deposits (maturing within 0-12 month)	11,857,019,900	20,397,138,908
Interest receivable on all Fixed Deposits	170,176,932	112,053,549
Total	12,027,196,832	20,509,192,457

9.2 Treasury Bills (Bank of Uganda)

	Jun-20	Jun-19
	UGX	UGX
91-Day Treasury Bills	-	-
182-Day Treasury Bills	1,337,168,000	614,336,000
364-Day Treasury Bills	24,474,064,725	17,751,027,832
Interest Receivable on all Treasury Bills	1,136,248,910	980,042,614
Total	26,947,481,635	19,345,406,446

9.3 Corporate Bonds Interest receivable in 12 months

	Jun-20	Jun-19
	UGX	UGX
African Development Bank Bond	12,298,866	19,779,230
Total	12,298,866	19,779,230

9.4 Government Treasury Bonds Interest receivable in 12 months

	Jun-20	Jun-19
	UGX	UGX
Two-Year Government Treasury Bond	-	37,395,605
Three-Year Government Treasury Bond	115,234,786	307,343,439
Four -Year Government Treasury Bond	106,615,387	105,238,357
Five-Year Government Treasury Bond	940,976,463	1,063,137,308
Ten-Year Government Treasury Bond	3,369,061,724	2,267,122,927
Fifteen-Year Government Treasury Bond	2,347,914,297	687,319,883
Total	6,879,802,657	4,467,557,519

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

9.5 Short term outstanding Loan Portfolio

	Jun-20	Jun-19
	UGX	UGX
Loans recoverable within 12 months	5,274,992,793	8,397,641,107
Interest Receivable	139,839,922	195,070,887
Total	5,414,832,715	8,592,711,994

10 RECEIVABLES

	Notes	Jun-20	Jun-19
		UGX	UGX
Dividend Income Receivable		47,787,244	479,165,199
NALECO SACCO		39,447,000	39,447,000
Other Debtors		132,778,278	81,387,742
CIC Insurance		-	7,452,655
Total		220,012,522	607,452,596

11 CASH AND CASH EQUIVALENTS

	Jun-20	Jun-19
	UGX	UGX
Centenary Bank	403,623,795	753,261,681
Standard Chartered Bank (Operations)	464,785,691	438,693,451
Standard Chartered Bank (Loans)	858,345,158	655,039,116
Orient Bank	522,665,961	373,359,787
Standard Chartered Bank (UGX)BTM	576,555,904	7,652
Standard Chartered Bank (UGX)GA	428,931,590	-
Standard Chartered Bank (KES)BTM	186,578,545	2,455
Standard Chartered Bank (KES)GA	200	3,244,336
Cash book	315,700	303,100
Total	3,441,802,544	2,223,911,578

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

12 CREDITORS AND ACCRUALS

		Jun-20	Jun-19
	Notes	UGX	UGX
Benefits Payable	12.1	186,133,853	346,746,618
Pensions Payable		91,048,877	107,328,088
Parliamentary Commission		38,452,527	2,389,986
Staff Gratuity		257,362,295	340,049,390
Sundry Creditors		324,383,297	388,808,390
Total		897,380,849	1,185,322,472

12.1 Benefits Payable

	Jun-20	Jun-19
	UGX	UGX
MPs Death in Service Benefits due for over a year.	14,871,405	175,484,170
MPs Death in Service Benefits due in 60 days.	-	-
MPs withdrawal Benefits due in 60 days	-	-
MPs Withdrawal Benefits due over one year.	-	-
Staff Death in service Benefits due in 60 days.	68,601,639	68,601,639
Staff Withdrawal Benefits due for over a year.	102,660,809	102,660,809
MPs Retirement Benefits due in 60 days.	-	-
Total	12.1 186,133,853	346,746,618

12.2 Other Long Term Liabilities

The Scheme commenced upgrade of the Pension Administration System to improve services to the members. The Liability ends in 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	Jun-20 UGX	Jun-19 UGX
Systemtech Africa		301,000,000	602,000,000
Total		301,000,000	602,000,000

13 MOVEMENT IN THE ADMINISTRATIVE RESERVE ACCOUNT

	Notes	Jun-20 UGX	Jun-19 UGX
Administrative Reserve at the start of the year		515,458,719	589,565,479
Movement in the Revaluation Reserve	18	11,750,004	6,854,169
Administrative Surplus / (Deficit) during the year	13	418,521,735	(80,960,929)
Administrative reserve as at June 30		945,730,458	515,458,719

14 MOVEMENT IN THE ACTUARIAL REVALUATION RESERVE ACCOUNT

For the year ended 30th June 2017, the Board carried out an actuarial review of the Scheme assets and by 30th June 2020, there was a surplus of UgX. 5,624,747,377.

	Note	Jun-20 UGX	Jun-19 UGX
Actuarial Surplus at the start of the year		5,624,747,337	5,624,747,337
Accumulated Actuarial Reserve as at June 30	14	5,624,747,337	5,624,747,337

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

15 MOVEMENT IN UNVESTED RESERVE ACCOUNT

	Note	Jun-20	Jun-19
		UGX	UGX
Unvested Reserve at the start of the year		37,591,448	56,604,170
Net change during the year		-	(19,012,722)
Unvested Reserve as at June 30	15	37,591,448	37,591,448

16 INTEREST TO MEMBERS

The PPA provides a Guaranteed Interest rate of 8% and a provision of UGX 19,246,863,765 for the year ended 30th June 2020 was made. The amount reported is derived by computing 8% interest on individual members' balances on a monthly basis and accumulated over the period for all members.

	Jun-20	Jun-19
	UGX	UGX
Guaranteed Interest (8%)	19,246,863,765	15,300,214,223
Total Guaranteed Interest members	19,246,863,765	15,300,214,223

17 DECLARED INTEREST

During the Annual General Meeting held on 21st February 2020, the Board of Trustees declared no additional interest for the financial year 2018/2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

18 REVALUATION ACCOUNT

The revaluation account created as a result of the revaluation of the motor vehicle is reduced by the depreciation value of each year. The changes have been credited to the Administrative reserve.

	Notes	Jun-20 UGX	Jun-19 UGX
Revaluation of the Motor Vehicle		40,145,831	47,000,000
Changes in the Administrative Reserve	13	(11,750,004)	(6,854,169)
Revaluation Reserve as at June 30		28,395,827	40,145,831

19 GENERAL RESERVE ACCOUNT

	Jun-19 UGX	Jun-19 UGX
General reserves account at the start of the year	961,917	57,034,207
Movement of the general reserve during the year	0	(56,072,290)
General reserve as at June 30	961,917	961,917

20 LOAN PROTECTION FUND

During the period, a Loan Protection fund of 2% was charged on all loans disbursed. Part of it was used to purchase an Insurance Policy on default due to death or permanent disability.

	Jun-20	Jun-19
	UGX	UGX
Loan Protection Fund at the start of the year	366,386,092	190,066,237
2% Loan Protection fee accumulated during the Year	200,778,000	250,927,000
2% Loan Protection fee not transferred		
Insurance Policy Purchased	(56,452,860)	(78,946,871)
Bank Charges	(586,500)	(634,353)
Interest Earned on Account Balance	12,541,229	4,974,079
Loan Protection Fund as at June 30	522,665,961	366,386,092

21 TOTAL NET ASSETS

	Notes	Jun-20	Jun-19
		UGX	UGX
Members accumulated fund		312,113,516,866	256,289,177,410
Administrative reserves	13	945,730,458	515,458,719
Loan Protection fund	20	522,665,961	366,386,092
Revaluation Reserve	18	28,395,827	40,145,831
Total net assets as at June 30	21	313,610,309,112	257,211,168,052

22 PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED JUNE 30, 2020

			Donated		Office Equip- ment 20% UGX	Motor Ve- hicle (reva- lued) 25% UGX	Total UGX
	Furniture & Fittings 12.50% UGX	Computer Equipment 33.30% UGX	Computer Equipment 33.30% UGX	Furniture & Fittings 12.50% UGX			
Cost:							
As at July 01, 2019	106,012,130	270,251,748	12,372,120	20,285,380	196,205,575	47,000,000	652,126,953
Additions	2,000,000	23,575,450	-	-	4,680,000	-	30,255,450
						-	-
As at June 30, 2020	<u>108,012,130</u>	<u>293,827,198</u>	<u>12,372,120</u>	<u>20,285,380</u>	<u>200,885,575</u>	<u>47,000,000</u>	<u>682,382,403</u>
Depreciation:							
As at July 01, 2019	48,261,362	154,925,939	12,372,120	20,285,380	78,190,677	6,854,169	320,889,647
Disposals	-	-	-	-	-	-	-
Charge for the year	<u>13,294,489</u>	<u>67,723,014</u>	<u>-</u>	<u>-</u>	<u>32,782,896</u>	<u>11,750,004</u>	<u>125,550,403</u>
As at June 30, 2020	<u>61,555,851</u>	<u>222,648,953</u>	<u>12,372,120</u>	<u>20,285,380</u>	<u>110,973,573</u>	<u>18,604,173</u>	<u>446,440,050</u>
Net Book value:							
As at June 30, 2019	<u>57,750,768</u>	<u>115,325,809</u>	<u>-</u>	<u>-</u>	<u>118,014,898</u>	<u>40,145,831</u>	<u>331,237,306</u>
WIP as June 30,		<u>40,107,020</u>					<u>40,107,020</u>
As at June 30, 2020	<u>46,456,279</u>	<u>106,335,165</u>	<u>-</u>	<u>-</u>	<u>89,912,002</u>	<u>28,395,827</u>	<u>276,049,373</u>

Note : The opening cost for the Motor vehicle and opening depreciation value have been adjusted with the historical cost that was fully depreciated as at November 2018 with Ugx.111,056,880

The purchased assets comprise of the following:

No.	Asset	Note	Amount [UGX]
1	Property, plant and Equipment	22	30,255,450
2	Work in Progress	22	40,107,020
3	Computer Software	23.2	48,970,000
	Total		119,332,470

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

23 COMPUTER SOFTWARE FOR THE YEAR ENDED JUNE 30, 2020

23.1 Oracle Software

	Jun-20	Jun-19
	33.30%	33.30%
Cost:	UGX	UGX
As at July 01, 2019	76,545,000	76,545,000
Additions	-	-
As at June 30, 2020	<u>76,545,000</u>	<u>76,545,000</u>
Amortization :		
As at July 01, 2019	38,234,232	12,744,744
Charge for the year	<u>25,489,488</u>	<u>25,489,488</u>
As at June 30, 2020	<u>63,723,720</u>	<u>38,234,232</u>
Net Book value:		
As at June 30, 2019	<u>38,310,768</u>	<u>38,310,768</u>
As at June 30, 2020	<u>12,821,280</u>	<u>38,310,768</u>

23.2 Work in Progress Account [WIP]

The Scheme signed a 3-year contract to upgrade the Pension Administration System, installation of a Document Management System and Development of the website. The three systems are work in progress as they are in their final stages of being designed and installed.

	Jun-20	Jun-19
	UGX	UGX
Opening Balance	937,366,700	-
Additions during the year:		
Web Site Development	48,970,000	-
Pension Administration System	-	860,000,000
Document Management System	-	77,366,700
Work in Progress as at June 30	<u>986,336,700</u>	<u>937,366,700</u>

23.3 Total computer Software

	Note	Jun-20 UGX	Jun-19 UGX
Oracle Software	23.1	12,821,280	38,310,768
WIP	23.2	986,336,700	937,366,700
Total Computer Software as at June 30		999,157,980	975,677,468

24 TAX COMPUTATION FOR THE PERIOD ENDED JUNE 2020

	Notes	Total Jun-20 UGX	Total Jun-19 UGX
Investment Income	25.2	35,566,541,998	28,522,046,658
Less: Income where WHT is final tax	25.1	(31,672,777,933)	(25,316,943,874)
Income subject to income tax		3,893,764,065	3,205,102,784
Less: Fund Expenses	26	(2,067,164,411)	(1,690,031,996)
Less: Operating Expenses	6	(2,386,984,020)	(2,855,695,111)
Add back disallowable :			
Fund Expenses	26	1,840,854,794	1,500,118,337
Operational Expenses	6	2,235,944,129	2,708,269,669
Depreciation	6	151,039,891	147,425,442
Gain on sale of Investments	8.4	150,471,906	(27,486,374)
Less: Wear and Tear (W&T)		(109,948,295)	(133,366,115)
Taxable Income after W&T	24	3,707,978,059	2,854,336,636

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,
2020

25 TOTAL INVESTMENT INCOME

25.1 Income where WHT is final

	Notes	Jun-20	Jun-19
		UGX	UGX
Interest on Treasury Bills	3	2,593,210,003	3,749,881,304
Interest from Government Bonds	13	26,251,020,413	18,997,557,765
Dividend income	13	2,828,547,517	2,569,504,805
Total Investment Income where WHT is Final		31,672,777,933	25,316,943,874

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

25.2 Income where WHT is not final

	Notes	Jun-20	Jun-19
Interest from Corporate Bonds	3	31,363,545	50,518,506
Other Incomes	3	25,358,760	33,383,472
Interest Income from Operations	5	56,717,586	48,279,081
Interest on Fixed Deposits	3	1,775,651,146	1,195,773,790
Interest Income from Loans	3	2,004,673,028	1,877,147,935
Total Investment Income where WHT is not Final		3,893,764,065	3,205,102,784
Total Investment Income	25.2	35,566,541,998	28,522,046,658

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

26 FUND EXPENSES

Section 122 of the ITA states that all expenses where withholding tax is final shall not be allowed for the purposes of computing Tax liability /asset for the Year. The Scheme has apportioned the Fund management fees based on the Income approach as at June 2020.

	Notes	Jun-20 UGX	Jun-19 UGX
Total fund Expenses	4	2,067,164,411	1,690,031,996
Total Investment Income		35,566,541,998	28,522,046,658
Income where WHT is final		31,672,777,933	25,316,943,874
Investment Income where WHT is not final		3,893,764,065	3,205,102,784
Proportion of total investment where WHT is final		89%	89%
Proportion of total Investment where WHT is not final		11%	11%
Disallowed Expenses:			
Fund expenses	26	<u>1,840,854,794</u>	<u>1,500,118,337</u>

27 TAX EXPENSE

	Notes	Portfolio Jun-20 UGX	Totals Jun-20 UGX	Totals June 2019 UGX
Taxable Income	24	3,707,978,059	3,707,978,059	2,854,336,636
Tax Charge	30%	1,112,393,418	1,112,393,418	856,300,991
Deferred Tax Charge	31	827,967,466	827,967,466	(3,132,835,624)
Add: Tax deducted at source (WHT)		5,296,330,686	5,296,330,686	4,735,529,183
			-	-
Tax Expense charge for the year		7,236,691,570	7,236,691,570	2,458,994,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

28 TAX PAYMENT

During the year ended 30th June 2020, the Scheme paid provisional tax of Ugx.459,232,168.

29 TAX PAYABLE

	Notes	Jun-20 UGX	Jun-19 UGX
Tax Charge Payable	27	1,112,393,418	856,300,991
Less: Provisional Tax Paid during the year	28	(459,232,168)	
Less: WHT certificates		(162,355,850)	(105,983,117)
Tax payable (Credit)	30	490,805,400	750,317,874

30 TAX ASSET ACCOUNT

	Notes	Jun-20 UGX	Jun-19 UGX
Tax Credit Account		807,498,412	1,481,711,017
Tax payable(Credit) for the year	29	(490,805,400)	(750,317,874)
Add: Withholding Tax during the year		252,014,303	182,088,386
Less:			
Less: WHT Claimed		(162,355,850)	(105,983,117)
Tax Asset at year end		406,351,466	807,498,412

30.1 Cumulative split of Tax Asset and WHT Receivables

	Notes	Jun-20 UGX	Jun-19 UGX
Tax Credit with URA		13,263,472	504,068,871
Withholding tax Receivables		393,087,994	303,429,541
Tax Asset at year end	30	406,351,466	807,498,412

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

31 DEFERRED TAX

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

Arising from:

		Jun-20 UGX	Jun-19 UGX
Accelerated Tax Depreciation			
Carrying value as at 30 June		248,763,633	369,548,074
Written down Value as at 30 June		(232,747,434)	(319,494,164)
Difference		16,016,199	50,053,910
Deferred Tax on Fixed assets	30%	4,804,860	15,016,173
Total Deferred Tax for the Year on assets		4,804,860	15,016,173
Changes in fair value			
Changes in fair value during the Year		(3,791,091,806)	(6,684,947,136)
Deferred Tax Charge for the period	30%	(1,137,327,542)	(2,005,484,108)
Foreign Exchange losses			
Foreign Exchange losses during the Year		(227,958,457)	(128,032,501)
	30%	(68,387,537)	(38,409,750)
Deferred Tax Charge for the period	At 1 July 2019 UGX	Credit/ Charge for the Period UGX	At 30 June 2020 UGX
Accelerated Tax Depreciation	15,016,173	(10,211,313)	4,804,860
Foreign Exchange losses	(38,409,750)	(29,977,787)	(68,387,537)
Changes in fair Value	(2,005,484,108)	868,156,566	(1,137,327,542)
Net Deferred Tax (asset) / Liability	(2,028,877,685)	827,967,466	(1,200,910,219)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

32 INVESTMENTS ALLOCATIONS

		Jun-20	Jun-19
	Notes	UGX	UGX
Government Treasury Bonds	7.3/9.4	207,877,786,641	149,156,592,610
Fixed Deposits Investments	9.1	12,027,196,832	20,509,192,457
Treasury Bills Investments	9.2	26,947,481,635	19,345,406,446
Corporate Bonds	7.2/9.3	264,323,866	397,816,730
Loans	7.4/9.5	10,782,032,948	14,658,081,592
Shares& Equities	8	50,366,545,852	47,957,707,560
Total Investments(Short & Long term)		308,265,367,774	252,024,797,395

Allocation per fund Manager		Jun-20	Jun-19
		UGX	UGX
Gen Africa		154,905,988,686	105,004,226,924
Britam(Stanlib)		141,707,346,140	131,923,739,489
Parliamentary Pension Scheme		11,652,032,948	15,096,830,982
		308,265,367,774	252,024,797,395

1.30.1 Detailed Allocation per Fund Manager

GenAfrica

		Jun-20	Jun-19
		UGX	UGX
Government Treasury Bonds		105,508,200,587	69,297,335,565
Fixed Deposits Investments		1,551,063,802	4,178,687,892
Treasury Bills Investments		17,748,182,274	6,369,059,365
Corporate Bonds		105,612,238	158,325,410
Shares& Equities		29,992,929,785	25,000,818,692
Total		154,905,988,686	105,004,226,924

Britam/Stanlib

		Jun-20	Jun-19
		UGX	UGX
Government Treasury Bonds		102,369,586,055	79,859,257,044
Fixed Deposits Investments		9,606,133,029	15,891,755,176
Treasury Bills Investments		9,199,299,361	12,976,347,081
Corporate Bonds		158,711,628	239,491,320
Shares& Equities		20,373,616,067	22,956,888,868
Total		141,707,346,140	131,923,739,489

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Parliamentary Pension Scheme

		Jun-20	Jun-19
		UGX	UGX
Loans		10,782,032,948	14,658,081,592
Fixed Deposits Investments		870,000,000	438,749,390
Total		11,652,032,948	15,096,830,982

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

33 INVESTMENT RECONCILIATION

	Value as at 01/07/2019	Purchases at cost	Capita- lized/Interest discounts	Sales /Proceeds/ Redemptions /Impairment loss	Changes in the Fair value	Value at 36.06.20
	UGX	UGX	UGX	UGX	UGX	UGX
Fixed Deposits	20,509,192,457	171,630,734,617	170,176,932	(180,282,907,174)	-	12,027,196,832
Treasury Bills	19,345,406,446	26,576,123,700	1,136,248,910	(20,110,297,421)	-	26,947,481,635
Corporate Bonds	397,816,730		12,298,866	(145,791,730)	-	264,323,866
Shares	47,957,707,560	12,634,961,009		(3,180,739,898)	(7,045,382,819)	50,366,545,852
Loans	14,658,081,592	10,026,900,000	139,839,922	(14,042,788,566)	-	10,782,032,948
Treasury Bonds	149,156,592,610	68,908,688,170	6,879,802,657	(20,321,587,809)	3,254,291,013	207,877,786,641
Total	252,024,797,395	289,777,407,496	8,338,367,287	(238,084,112,598)	(3,791,091,806)	308,265,367,774

34 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 30th June 2020.

35 FINANCIAL RISK MANAGEMENT

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

(a) Liquidity risk

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

Management of liquidity risk

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

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

Exposure to liquidity risk

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

	Limit	Jun-20 UgX	%	June 2019 UgX	%
Treasury Bonds	40%- 50%	207,877,786,641	66.69	149,156,592,610	58.67
Treasury bills	40%- 50%	26,947,481,635	8.65	19,345,406,446	7.61
Corporate Bonds	2.50%- 12.5%	264,323,866	0.08	397,816,730	0.16
Fixed deposits	7.5%- 17.5%	12,027,196,832	3.86	20,509,192,457	8.07
Domestic Equities	10%- 15%	10,774,373,090	3.46	11,388,206,315	4.48
Regional Equities	10%-25%	39,592,172,762	12.70	36,569,501,245	14.38
Loans	3%-7%	10,782,032,948	3.46	14,658,081,592	5.77
Cash	3%-10%	3,441,802,544	1.10	2,223,911,578	0.87
		311,707,170,318	100	254,248,708,973	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	Up to 3 months	3-12 months	1 - 5 years	Over 5 years	Total
Treasury Bonds	-	6,879,802,657	48,590,719,091	152,407,264,893	207,877,786,641
Corporate Bonds		12,298,866	252,025,000	-	264,323,866
Treasury Bills	-	2,473,416,910	24,474,064,725	-	26,947,481,635
Fixed deposits		12,027,196,832	-	-	12,027,196,832
Domestic Equities		538,718,655	430,974,927	9,804,679,508	10,774,373,090
Regional Equities		88,581,676	1,891,026,963	37,612,564,123	39,592,172,762
Loans		5,414,832,715	5,367,200,233	-	10,782,032,948
Cash at Bank	3,441,802,544	-	-	-	3,441,802,544
Receivables	-	116,579,372	103,433,150	-	220,012,522
					0
Total Assets	3,441,802,544	27,551,427,683	81,109,444,089	199,824,508,524	311,927,182,840
Other Liabilities and accrued expenses	640,018,554	301,961,917	257,362,295	-	1,199,342,766
					-
Total Liabilities	640,018,554	301,961,917	257,362,295	-	1,199,342,766
Liquidity gap	0	0	0	0	0
At 30 June 2020	2,801,783,990	27,249,465,766	80,852,081,794	199,824,508,524	310,727,840,074

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimizing the return on investment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Management of market risks

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

Interest rate risk

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

Currency risk

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

(c) Non-financial risk

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

Operational risk

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

Business risk

This is the risk of adverse impact resulting from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include: revenue volatility due to factors outside our control; inflexible cost structures; uncompetitive products or

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

pricing; and structural inefficiencies. Parliamentary Pension Scheme is continuously reinforcing its commitment to the management of these risks. The Scheme will continue to implement advanced financial and non-financial risk management processes to mitigate losses and reduce exposure.

36 RELATED PARTY TRANSACTION

There were no related party transactions during the period ended 30th June 2020.

37 IMPACT OF COVID 19 PANDEMIC

The pandemic has contracted national economies globally and in particularly the East African economy. Resultantly many organizations will suffer reduction in operations and income.

Given the unforeseen circumstances; it's difficult to anticipate the likely impact of such disruptions to the going concern of the Scheme. Management will continue to closely monitor the effects of such disruptions on the operations of the Scheme and make regular reports to the Board and the Regulator for appropriate remedial action.

ABRIDGED ACTUARIAL VALUATION REPORT

Purpose

The actuarial valuation was done in order to determine the funding status of the Scheme as at 30th June 2020.

Valuation Basis

A summary of the valuation assumptions is as follows: -

Financial assumptions

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

Demographic assumptions

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

Valuation Results	JUNE 2020 (UGX. 000)	JUNE 2017 (UGX. 000)	JUNE 2014 (UGX. 000)
Total Value of Assets	312,113,763	152,133,644	66,384,457
Total value of Liabilities	(303,559,921)	(147,811,769)	(65,834,199)
Surplus	8,553,842	4,321,874	550,258
Funding Level	102.8%	102.9%	100.8%

Valuator Statement

The Valuator hereby certifies that the Scheme is in a financially sound condition as at 30th June 2020.

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

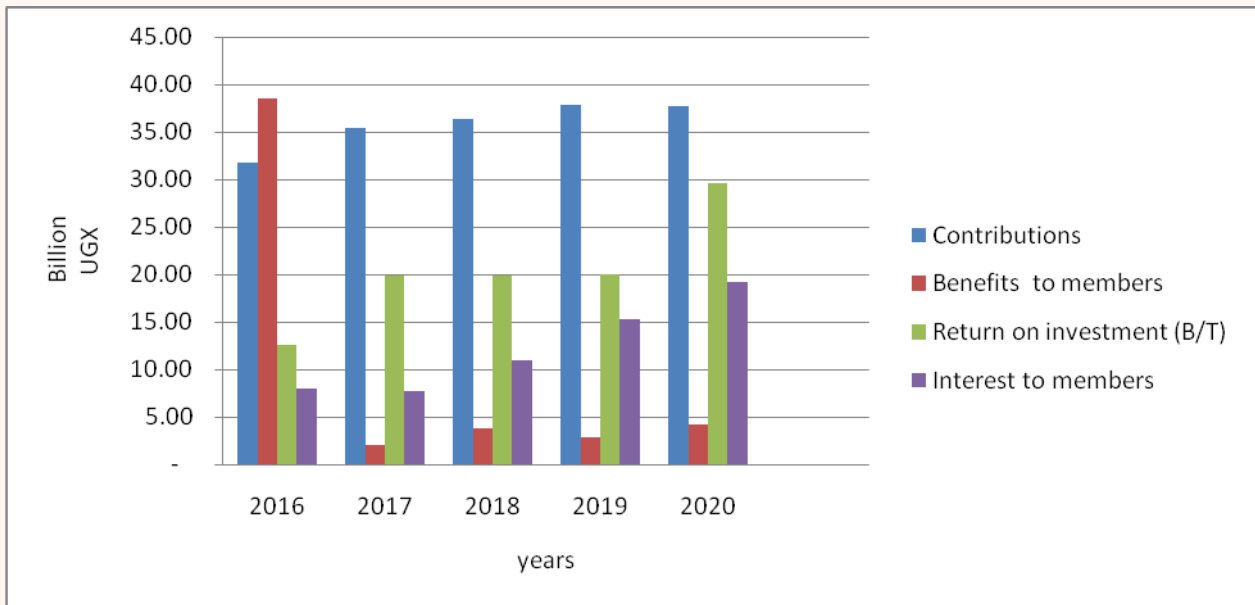
FIVE YEAR FINANCIAL STATISTICS

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

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

	2016	2017	2018	2019	2020
Contributions	31.69	35.38	36.41	37.81	37.67
Benefits to Members	38.49	2.05	3.75	2.78	4.17
Return on Investment (B/T)	12.54	19.85	23.06	19.97	29.55
Interest to Members	8.02	7.7	10.97	15.3	19.24
Total Fund & Reserve	104.1	152.8	204.6	257.2	313.61
Bank Balance	7.2	1.08	6.71	2.22	3.44
Fixed Deposit	5.62	27.89	18.05	20.51	12.02
Treasury Bills	8.94	11.65	31.13	19.34	26.94
Corporate Bonds	1.1	0.67	0.53	0.42	0.29
Government Bonds	53.87	83.03	92.52	149.15	207.87
Quoted Shares	29.92	28.97	45.69	47.95	50.36
Loans	-	-	10.82	14.65	10.78
Net Current Liabilities (assets)	(2.51)	(0.46)	(0.9)	2.97	1.91
Net Assets	104.1	152.8	204.6	257.2	313.61

Figure 4: Summary of 5 year financial statistics



ONE YEAR FINANCIAL PROJECTIONS

The projection shows the incomes and Benefits to be made by the Scheme for a period of 1 year 2020/2021.

Table 7: 1 Year Projections (in UGX Billion)

Incomes	UgX [Bn]
Fixed Deposit	1.85
Treasury Bills	2.74
Corporate Bonds	0.017
Government Bonds	27.94
Quoted Shares	2.21
Loans	1.53
Total projected Income	36.29
Benefits	UgX [Bn]
Withdrawal benefits	48.00
Retirement Lumpsum	32.00
Death in Service benefits	3.13
Pensions	2.47
Total projected benefit payouts	85.60

Assumptions

1. There will be stability in the inflation, interest and exchange rates.
2. There will be local demand for goods and services.
3. Recovery in the private sector.
4. Peace and security will be maintained.
5. Favourable weather conditions.
6. Increase in domestic borrowing.

¹Budget Speech FY 2019/2020

²Uganda Bureau of Statistics June 2020

³Performance of the Economy Report June 2020

⁴Stock Market Reports June, 2020

⁵Monetary Policy Report June 2020

⁶State of the Economy June, 2020

⁷World Bank Report June 2020

⁸National Budget Framework 2020 - 2025