

**National Social Security Fund Uganda
Staff Co-operative Savings and Credit
Society Limited
(Reg No: 10478/RCS)**

**Annual Report and Financial Statements
For the year ended 31 December 2021**

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Table of contents	Page
Society information	1
Society's financial highlights	2
Report of Executive Committee	3
Statement of Executive Committee's responsibilities	4
Report of the independent auditor	5 - 7
Financial statements:	
Statement of profit or loss	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes: significant accounting policies	12 - 20
Notes:	21 - 39

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Society information

Executive Committee	: Mr. Stevens Mwanje	Chairperson
	: Mr. Paul Bwayo	Vice Chairperson
	: Mr. Marvin Galiwango Nkugwa	Treasurer
	: Ms. Faith Kimuli	Secretary
	: Ms. Christine Nakayiza Olowo	Member
	: Ms. Diana Nalwoga	Member
	: Mr. Conrad David Mbazira	Member
Supervisory Committee	: Mr. Micheal Sendiwala	Chairperson
	: Mr. Ivan Fred Kato	Member
	: Mr. Oscar Twinomugisha	Member
Loans Committee	: Ms. Diana Nalwoga	Chairperson
	: Ms. Christine Nakayiza Olowo	Member
	: Mr. Conrad David Mbazira	Member
Vetting Committee	: Ms. Juliet Kisitti Katende	Member
	: Mr. Abdul Makubuya	Member
	: Mr. Geoffrey Sajjabi	Member
Registered office	: Plot 1, Pilkington Road	
	: 14th Floor, Workers House,	
	: P.O. Box 7140	
	: Kampala, Uganda	
Principal Bankers	: Standard Chartered Bank (U) Limited	
	: Main Branch,	
	: Kampala, Uganda	
Independent Auditor	: Phillip & Elnest Partners	
	: Certified Public Accountants of Uganda	
	: Ground Floor, Masengere Plaza	
	: P.O Box 29753	
	: Kampala, Uganda	

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Society's financial highlights

Financial performance statistics [2018 – 2021]

	2021	2020	2019	2018
	12-months	12-months	18-months	12-months
	Shs	Shs	Shs	Shs
	Statement of profit or loss			
Net interest income	276,474,970	124,119,954	389,514,662	147,661,421
Total operating income	330,173,263	152,244,644	456,375,729	164,448,029
Net operating income	294,585,517	133,191,397	136,747,004	135,503,100
Profit for the year	52,028,500	60,710,802	40,589,176	76,149,296

Statement of financial position

	2021	2020	2019	2018
	Shs	Shs	Shs	Shs
Loans and advances	9,316,825,152	7,003,134,390	7,513,967,789	5,302,986,655
Investment in financial assets	2,632,017,425	2,356,822,148	923,747,693	115,190,559
Total assets	12,138,785,582	9,529,945,003	8,596,093,480	5,774,492,420
Equity	461,159,263	326,505,436	259,340,021	214,610,397
Members' savings	11,518,949,357	9,054,914,448	7,671,057,606	5,494,327,048
Total liabilities	11,677,626,319	9,203,439,567	8,336,753,459	5,559,882,023

Financial performance ratios

	2021	2020	2019	2018
Loan/Total assets ratio	77%	73%	87%	92%
Loan/deposit ratio	81%	77%	98%	97%
Return on assets	0.72%	0.67%	0.56%	2.37%
Return on equity	13%	21%	17%	47%
Cost to income ratio	82%	54%	70%	44%

Society membership

	2021	2020	2019	2018
Active	571	533	621	506
Dormant	112	132	-	49
Total	683	665	621	555

Society's employees

	2021	2020	2019	2018
No of employees	2	1	1	1

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Report of the Executive Committee

The Executive Committee submits its report together with the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of National Social Security Fund Uganda Staff Co-operative Savings and Credit Society Limited ("the Society").

Principal activity

The principal activity of the Society is to provide financial services to members on a sustainable basis in the areas of operation of the Society.

Results

The results for the year are set out on page 8.

Members' shares

The authorized, issued and fully paid member shares is Shs 165,679,180 (2020: Shs 90,728,266).

Dividends

The Executive Committee recommends the declaration of a dividend for the current year.

Executive Committee

The Executive Committee members who served during the year and to the date of this report are as shown on page 1.

Independent auditor

Phillip & Elnest Partners Certified Public Accountants was appointed during the year and has indicated willingness to continue in office as the Society's auditor in accordance with the Uganda Cooperative Societies Act Cap 112.

By order of the Executive Committee


.....
Secretary

Date 17th / 03 / 2022

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Statement of Executive Committee's responsibilities

The Uganda Cooperative Societies Act, Cap 112 requires the Executive Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society as at the end of the financial year and of its profit or loss for that year. It also requires the Executive Committee to ensure that the Society keeps proper accounting records that are sufficient to show and explain the transactions of the Society; that disclose, with reasonable accuracy, the financial position of the Society and that enable them to prepare financial statements of the Society that comply with the International Financial Reporting Standards and the requirements of the Uganda Cooperative Societies Act, Cap 112. The Executive Committee is also responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Committee accepts responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Uganda Cooperative Societies Act, Cap 112. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgments that are reasonable in the circumstances;

The Executive Committee is of the opinion that the financial statements give a true and fair view of the financial position of the Society as at 31 December 2021 and the financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards and the requirements of the Uganda Cooperative Societies Act, Cap 112.

Having made an assessment of the Society's ability to continue as a going concern, the Executive Committee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Society's ability to continue as a going concern.

The Executive Committee acknowledges that the independent audit of the financial statements does not relieve it of its responsibilities.

Approved by members of the Executive Committee on 17th/03/ 2022 signed on its behalf by:



Chairperson, Executive Committee



Treasurer, Executive Committee



Phillip & Elnest Partners
Certified Public Accountants
Ground Floor, Masengere Plaza
P.O.Box 29753
Kampala, Uganda

Tel: +256 393 194 063
+256 703 022 874
Email: info@pepartnersuganda.com
Website: www.pepartnersuganda.com
Firm No: AF0329

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NATIONAL SOCIAL SECURITY FUND UGANDA STAFF CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED.

Opinion

We have audited the financial statements of National Social Security Fund Uganda Staff Co-operative Savings and Credit Society Limited ("the Society") set out on pages 8 to 39, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Society's financial position as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Uganda Cooperative Societies Act, Cap 112.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Society 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No key matters were identified in this regard.

Other information

The Executive Committee is responsible for the other information. The other information comprises the report of the Executive Committee and schedule of expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NATIONAL SOCIAL SECURITY FUND UGANDA STAFF CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED (CONTINUED)

Responsibilities of the Executive Committee for the financial statements

The Executive Committee is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the requirements of the Uganda Cooperative Societies Act Cap 112 and for such internal control as the Executive Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Committee either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the executive committee.
- Conclude on the appropriateness of the Executive Committee'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 Society'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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NATIONAL SOCIAL SECURITY FUND UGANDA STAFF CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society, cease to continue as a going concern.

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

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.

Report on other legal and regulatory requirements

As required by the Uganda Cooperative Societies Act Cap 112, we report to you, based on our audit:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Society, so far as appears from our examination of those books; and
- iii) the Society's statement of financial position and statement of profit or loss are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Elnest Kalanzi Kato who holds practice certificate number - P0484.

Phillip & Elnest Partners

**Certified Public Accountants
Kampala**

17/03/2022



CPA Elnest Kalanzi Kato

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Statement of profit or loss

	Notes	2021 Shs	2020 Shs
Interest income	4	1,239,508,358	1,034,914,265
Interest expenses	5	<u>(963,033,388)</u>	<u>(910,794,311)</u>
Net interest income		276,474,970	124,119,954
Fees and commission income	6	<u>53,698,293</u>	<u>28,124,690</u>
Total operating income		330,173,263	152,244,644
Impairment losses	7	<u>(35,587,746)</u>	<u>(19,053,247)</u>
Net operating income		294,585,517	133,191,397
Administrative and operating expenses	8	<u>(242,557,017)</u>	<u>(72,480,595)</u>
Profit before tax		52,028,500	60,710,802
Tax expense	9	<u>-</u>	<u>-</u>
Profit for the year		<u>52,028,500</u>	<u>60,710,802</u>

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021


Statement of financial position

		2021	Restated 2020
	Notes	Shs	Shs
Assets			
Cash and cash equivalents	10	159,780,347	160,911,750
Investment in Umbrella Trust Fund	11	1,902,276,132	2,151,196,694
Government securities – Treasury bonds	12	729,741,294	205,625,453
Other receivables	13	13,093,812	1,151,565
Loans and advances to members	14	9,316,825,152	7,003,134,390
Intangible Asset	15	14,414,446	4,070,750
Property and equipment	16	2,654,400	3,854,400
Total assets		<u>12,138,785,583</u>	<u>9,529,945,003</u>
Equity			
Members' shares		165,679,180	90,728,266
Share transfer fund		10,774,357	3,261,687
Reserve fund		28,994,900	23,792,050
Revolving fund		11,473,889	8,872,464
Education fund		16,485,448	4,090,364
Retained Earnings		227,751,490	195,760,605
Total equity		<u>461,159,264</u>	<u>326,505,436</u>
Liabilities			
Members' savings	17	11,518,949,357	9,054,914,448
Payables and accrued expenses	18	158,676,962	148,525,119
		<u>11,677,626,319</u>	<u>9,203,439,567</u>
Total equity and liabilities		<u>12,138,785,583</u>	<u>9,529,945,003</u>

The financial statements which appear on pages 8 to 39 were authorized and approved by the Executive Committee on 17th/10/2022 and were signed on its behalf by:



 Chairperson, Executive Committee



 Treasurer, Executive Committee

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Statement of changes in equity		Members' shares	Share transfer fund	Statutory reserve	Revolving fund	Education fund	Retained earnings	Total equity
Notes	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 January 2020								
Issued shares	20(a)	112,189,096	2,040,904	17,720,970	5,836,924	2,567,918	118,984,209	259,340,021
Prior year adjustment		3,900,000	-	-	-	-	-	3,900,000
Profit for the year		5,989,170	-	-	-	-	33,058,707	39,047,877
Member fees		-	-	-	-	-	60,710,802	60,710,802
Education fund 1%		2,000,000	-	-	-	-	-	2,000,000
Statutory reserve 10%		-	-	-	-	1,522,446	(1,522,446)	-
Share transfer fund 1%		-	-	6,071,080	-	-	(6,071,080)	-
Revolving fund 5%		(1,220,783)	1,220,783	-	-	-	-	-
		-	-	-	3,035,540	-	(3,035,540)	-
As at 31 December 2020		122,857,483	3,261,687	23,792,050	8,872,464	4,090,364	202,124,652	364,998,700
Impact of correction of errors	21	(32,129,217)	-	-	-	-	(6,364,047)	(38,493,264)
As at 31 Dec 2020 (Restated)		90,728,266	3,261,687	23,792,050	8,872,464	4,090,364	195,760,605	326,505,436
As at 1 January 2021								
Issued shares	20(a)	90,728,266	3,261,687	23,792,050	8,872,464	4,090,364	195,760,605	326,505,436
Profit for the year		59,525,131	-	-	-	-	-	59,525,131
Correction of prior period imbalances		-	-	-	-	-	52,028,500	52,028,500
Dividends paid	21(c)	-	-	-	-	-	25,822,394	25,822,394
Education fund 1%	20(b)	15,425,783	-	-	-	-	(18,147,980)	(2,722,197)
Statutory reserve 10%	20(c)	-	-	-	-	12,395,084	(12,395,084)	-
Statutory reserve 10%	20(c)	-	-	5,202,850	-	-	(5,202,850)	-
Share transfer fund 1%	20(c)	-	7,512,670	-	-	-	(7,512,670)	-
Revolving fund 5%	20(c)	-	-	-	2,601,425	-	(2,601,425)	-
As at 31 December 2021		165,679,180	10,774,357	28,994,900	11,473,889	16,485,448	227,751,490	461,159,264

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Statement of cash flows

	Notes	2021 Shs	2020 Shs
Cash flows from operating activities			
Cash used in operating activities	19	114,476,540	707,374,437
Tax paid		-	-
Net cash from operating activities		114,476,540	707,374,437
Cash flows from investing activities			
Investments in Umbrella Trust Fund	11	252,726,274	(1,260,338,333)
Government securities - Treasury bonds	12	(532,081,609)	(208,769,230)
(Increase) or decrease in loans and advances	14	(2,345,135,749)	163,151,427
Cash paid for purchase of property and equipment/intangible assets	15	(11,972,000)	(4,800,000)
Net cash used in investing activities		(2,636,463,084)	(1,310,756,136)
Cash flows from financing activities			
Increase in member deposits	17	2,464,034,909	609,681,678
Increase in membership fees		-	2,000,000
Increase in members' shares	20	59,525,131	3,900,000
WHT on dividends paid	20	(2,722,197)	-
Net cash generated from financing activities		2,520,837,843	615,581,678
Increase in cash and cash equivalents		(1,148,701)	12,199,979
Movement in cash and cash equivalents			
At start of year		163,371,906	151,171,927
Increase in cash and cash equivalent		(1,148,701)	12,199,979
At end of year	10	162,223,205	163,371,906

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Notes

1 General information

The society is incorporated in the Republic of Uganda under the Cooperative Societies Act Cap 112 and The Tier 4 Microfinance Institutions and Money Lenders Act, 2016 and is domiciled in the Republic of Uganda. The address of its registered office is;

Plot 1, Pilkington Road
14th Floor, Workers House,
P.O. Box 7140
Kampala, Uganda

The principal activity of the Society is to provide financial services to members on a sustainable basis in the areas of operation of the society.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards (IAS), and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements are presented in Uganda shillings (Shs) and the Society presents its statement of financial position broadly in order of liquidity. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below;

Going concern

The financial performance of the Society is set out in the statement of profit or loss and the financial position of the Society is set out in the statement of financial position. Based on the financial performance and position of the society and its risk management policies, the executive committee members are of the opinion that the Society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) New standards, amendments and interpretations issued and now adopted by the Society.

On 1 January 2021, the Society adopted the new or amended International Financial Reporting Standards (IFRS) that are mandatory for application for the financial year. Changes to the society's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs.

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Notes (continued)

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations issued and now adopted by the

b) Society (continued)

Such new or amended standards include:

- Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

The adoption of these new or amended IFRSs did not result in substantial changes to the Society’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to the standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Society has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Notes (continued)

2 Summary of significant accounting policies. (continued)

c) Revenue recognition

Net interest income

Interest income and expense are recognized in the statement of profit or loss on accrual basis using the effective interest method. Interest income and expense include the amortization of any discount at premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

The calculation of the effective interest rate includes all fees and charges paid or received transaction costs, and discounts or premium that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

d) Income tax

Tax credit/expense represents the aggregate amount included in profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current and prior periods, determined in accordance with the Ugandan Income Tax Act.

A deferred tax asset or liability is recognised for tax recoverable or payable as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the balance sheet and their corresponding tax bases, and the carry forward of unused tax losses. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the directors expect the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

At each reporting date, deferred tax assets are reviewed and adjusted, if necessary, by a valuation allowance, so that the net carrying amount equals the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. Any changes to the valuation allowance are recognised in 'tax expense'.

National Social Security Fund Uganda Staff SACCO
Annual report and financial statements
For the year ended 31 December 2021

Notes (continued)

2 Summary of significant accounting policies. (continued)

e) Translation of foreign currencies.

Transactions in foreign currencies during the year are converted into Uganda Shillings (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated using the exchange rates at the dates of the initial transactions. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

f) Members' shares

Ordinary shares are classified as equity, mandatorily.

g) Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Society and a party related to the Society, regardless of whether a price is charged. For the purposes of defining related party transactions, key management has been defined as Directors and includes close members of their families and entities controlled or jointly controlled by these individuals.

h) Expenditure recognition

Costs are recognised as and when the supplies or services are received, which shall normally be recorded by the receipt of an invoice. However, if supplies received and services performed are not invoiced by the end of an accounting period, then accrual accounting is applied to recognise the cost in the correct period.

i) Borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

j) Retirement benefit obligations

The Society makes contributions to a statutory scheme, the National Social Security Fund (NSSF) which is a defined contribution scheme. Contributions to NSSF are determined by local statute and are shared between employer and employee. The Society's contributions of 10% and employee emoluments are charged to the statement of profit or loss.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

2. Summary of significant accounting policies (continued)

k) Property and equipment

All property and equipment are initially recorded at cost and thereafter stated at historical cost less accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, respectively, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on all assets is calculated on the straight-line method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Computer and accessories	20

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

l) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be three years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Amortisation on all intangible assets is calculated using the following annual rates:

	Rate %
Computer software	12.5

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

2. Summary of significant accounting policies (continued)

m) Financial instruments

Financial instruments are recognized when, and only when, the Society becomes party to the contractual provisions of the instrument. All financial assets are recognized initially using the trade date accounting which is the date the Society commits itself to the purchase or sale.

— **Financial assets**

The Society classifies its financial assets into the following categories:

Amortised cost

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortized cost; the carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.

At initial recognition of a financial asset, the Society determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Society reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Society has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Society has transferred substantially all risks and rewards of ownership, or when the Society has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Impairment

The Society recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognized on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognized in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

— **Financial assets**

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Society may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

2 Significant accounting policies (continued)

m) Financial instruments (continued)

Financial liabilities (continued)

— All other financial liabilities are classified and measured at amortized cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Society's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the expected to be paid within 12 months of the balance sheet date and those which the Society does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

— **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

n) Provisions and contingent assets

Provisions for legal claims, service warranties and make good obligations are recognised when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the Directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the Society. Contingent assets are not recognised, but they are disclosed and their recognition is only when it is more likely than not that an inflow of benefits will occur.

o) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks.

p) Comparatives

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

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

3 Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Society's financial condition or operating performance.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

Expected credit losses

The Society makes estimates in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default and losses given default.

Useful lives of property and equipment, intangible assets and right-of-use assets

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

Impairment of non-financial assets

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)	2021	2020
4 Interest income	Shs	Shs
Interest on individual loans	940,582,029	846,636,548
Interest income from Umbrella Trust fund	224,774,574	188,277,717
Interest on government securities	74,151,755	-
	<u>1,239,508,358</u>	<u>1,034,914,265</u>
5 Interest expenses		
Provision for Interest on saving/deposits	<u>963,033,388</u>	<u>910,794,311</u>
6 Fees and commission income		
Bank interest	3,268,682	-
Loan processing fees	35,806,037	17,775,212
Income from transactional charges	12,573,574	10,349,478
Membership fees	2,050,000	-
	<u>53,698,293</u>	<u>28,124,690</u>
7 Impairment losses		
Expected credit losses	<u>35,587,746</u>	<u>19,053,247</u>
8 Administrative and Operating expenses		
Legal & professional fees	7,736,411	4,100,000
Repairs and maintenance	2,707,753	3,286,441
Stationery and printing	135,000	740,000
Transport and travel	720,000	40,000
External audit fees	3,500,000	4,000,000
Other audit fees	-	10,405,500
Employee expenses (Note 8b)	136,742,431	30,325,500
AGM expenses	950,500	250,000
Committee expenses	40,574,540	13,203,000
Depreciation - computers	1,200,000	1,065,600
Amortization – software	1,628,304	1,628,304
Bank charges	-	72,850
Operational licenses	700,000	-
Insurance expenses	23,620,000	-
Fraud case facilitation	1,340,000	-
Fines and penalties	2,400,000	2,518,246
Write-off	1,629,698	-
Internet expenses	2,945,000	699,000
Withholding Tax expenses	14,027,380	146,154
	<u>242,557,017</u>	<u>72,480,595</u>

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

	2021	2020
8(b) Employee expenses	Shs	Shs
Salaries and wages	112,086,090	26,723,000
Staff welfare	1,178,281	79,500
Medical insurance	1,836,242	-
SPF employer contribution	10,270,909	-
NSSF Employer contribution	11,370,909	3,523,000
	<u>136,742,431</u>	<u>30,325,500</u>
9 Tax		
<p>The Society has no current income tax expense as per the provisions of the Uganda Income Tax Act Cap 340. In accordance with section 21(ad) of the Income tax Act, income of a Saving and Credit Cooperative Society is exempt up to 30 June 2027. Therefore, no provision for income tax expense has been made in these financial statements.</p>		
10 Cash and cash equivalents		
Cash at bank	144,117,205	163,371,906
Mobile money accounts (MTN & Airtel)	18,106,000	-
Impairment charge	(2,442,858)	(2,460,156)
	<u>159,780,347</u>	<u>160,911,750</u>
<p>For the purpose of the statement of cash flow, the cash and cash equivalents comprise of the following;</p>		
Cash at bank	144,117,205	163,371,906
Mobile money accounts (MTN & Airtel)	18,106,000	-
	<u>162,223,205</u>	<u>163,371,906</u>
11 Investment in Umbrella Trust Fund		
Umbrella Trust Fund	1,931,359,752	2,184,086,026
Impairment charge	(29,083,620)	(32,889,330)
	<u>1,902,276,132</u>	<u>2,151,196,696</u>

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)	2021	2020
	Shs	Shs
11 Investment in Umbrella Trust Fund (continued)		
Movement in the Umbrella Trust Fund		
At the start of the year	2,184,086,026	868,144,686
Prior year adjustment	-	(50,000,000)
Purchases during the year	6,490,000,000	3,270,000,000
Redeemed investments	(6,940,000,000)	(2,150,000,000)
Write-off of UAP Interest	(27,500,848)	-
Accrued interest	224,774,574	245,941,340
	<u>1,931,359,752</u>	<u>2,184,086,026</u>
At end of year	1,931,359,752	2,184,086,026
<p>The Umbrella Trust Fund comprises of investment in UAP valued at Shs 1,633,955,511, Britam investment valued at Shs 252,883,914 and Xeno investment valued at Shs 44,520,327.</p>		
12 Government securities		
Treasury bonds	740,850,839	208,769,230
Impairment charge	(11,109,545)	(3,143,777)
	<u>729,741,294</u>	<u>205,625,453</u>
Movement in government securities		
At start of the year	208,769,230	-
Purchase during the year	535,867,200	210,976,000
Less: Transaction costs (Interest)	(11,538,462)	(10,976,000)
Interest receivable	7,752,871	8,769,230
	<u>740,850,839</u>	<u>208,769,230</u>
At end of year	740,850,839	208,769,230
<p>The Society holds investment in treasury bonds at a cost of Shs 210,976,000 and Shs 535,867,200 with a yield rate of 16.6% and 15.912% respectively.</p>		
13 Other receivables		
Members' prepaid insurance	11,980,000	-
Prepaid software license	1,113,812	1,151,565
	<u>13,093,812</u>	<u>1,151,565</u>
At end of year	13,093,812	1,151,565

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)	2021 Shs	2020 Shs
14 Loans and advances at amortized cost		
a) Loans and advances	9,382,151,263	7,064,516,362
Less: Provision for impairment	<u>(65,326,111)</u>	<u>(61,381,972)</u>
Net Loans and advances	<u>9,316,825,152</u>	<u>7,003,134,390</u>

The Society's credit risk arises primarily from loans and advances. The Executive Committee is of the opinion that the society's exposure is limited.

The carrying amounts of the Society's loans and advances are denominated in the following;

Uganda Shillings	<u>9,382,151,263</u>	<u>7,064,516,362</u>
------------------	-----------------------------	-----------------------------

b) Movement in provision for impairment

At start of the year	61,381,972	42,328,725
Charge for the year	31,444,987	19,053,247
Write-off	<u>(27,500,848)</u>	<u>-</u>
At end of year	<u>65,326,111</u>	<u>61,381,972</u>

15 Intangible assets	2021	2021
Cost or valuation	Shs	Shs
	Software	Total
As at 1 January 2021	13,026,400	13,026,400
Additions	<u>11,972,000</u>	<u>11,972,000</u>
As at 31 December 2021	<u>24,998,400</u>	<u>24,998,400</u>
Amortisation		
As at 1 January 2021	8,955,650	8,955,650
Charge for the year	<u>1,628,304</u>	<u>1,628,304</u>
As at 31 December 2021	<u>10,583,954</u>	<u>10,583,954</u>
Net Book Value		
As at 31 December 2021	<u>14,414,446</u>	<u>14,414,446</u>
As at 31 December 2020	<u>4,070,750</u>	<u>4,070,750</u>

During the year, the Society paid 40% (Shs 11,972,000) for the acquisition of a new system called SACCO Management System. The System was not amortized since its still under the installation phase.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

16 Property and Equipment	2021	2021
	Shs	Shs
Year ended 31 December 2020	Computer	Total
	20%	
Cost		
At start of year	1,200,000	1,200,000
Additions	4,800,000	4,800,000
At end of year	6,000,000	6,000,000
Depreciation		
At start of year	1,080,000	1,080,000
Charge for the year	1,065,600	1,065,600
At end of year	2,145,600	2,145,600
Net book value 31 December 2020	3,854,400	3,854,400
Year ended 31 December 2021		
Cost		
At start of year	6,000,000	6,000,000
Additions	-	-
Disposals	-	-
At end of year	6,000,000	6,000,000
Depreciation		
At start of year	2,145,600	2,145,600
Disposals	-	-
Charge for the year	1,200,000	1,200,000
At end of year	3,345,600	3,345,600
Net book value 31 December 2021	2,654,400	2,654,400
17 Member savings		
	2021	2020
	Shs	Shs
Regular Savings Deposits	9,596,344,398	8,160,434,957
Member Saving School fees	88,941,141	35,527,119
Member Saving Group	1,015,085,438	84,777,208
Interest payable	818,578,380	774,175,164
	11,518,949,357	9,054,914,448

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

17 Members' savings (continued)	2021	2020
Movement in members' savings	Shs	Shs
At start of the year	9,054,914,448	7,671,057,606
Interest allocated to members	818,578,380	774,175,164
Net movement in savings and withdrawals	1,645,456,529	609,681,678
At end of year	11,518,949,357	9,054,914,448
18 Payables and accrued expenses		
Withholding tax	138,226,380	136,619,147
PAYE	2,504,000	-
NSSF	1,350,000	-
Local service tax payable	-	200,000
Loan insurance payable	10,027,192	7,705,972
Audit fees payable	3,500,000	4,000,000
SACCO contribution payable	1,291,005	-
Bulk upload control account	1,078,385	-
Suspense**	700,000	-
	158,676,962	148,525,119

**Included under suspense is an unclaimed member deposit.

In the opinion of the Executive Committee, the carrying amounts of other payables approximate to their fair value. The carrying amounts of the Society's trade and other payables are denominated in Uganda Shillings.

19 Cash flows from operating activities

Profit before tax	52,028,500	60,710,802
Adjustments for:		
Depreciation on property and equipment	1,200,000	1,065,600
Amortization of intangible Assets	1,628,304	1,628,300
Impairment losses	35,587,746	19,053,247
Prior year adjustments	25,822,393	39,047,877
Changes in working capital:		
— Increase in other payables	10,151,844	585,633,155
— (Increase) in other receivables	(11,942,247)	235,456
Net cash flow from operating activities	114,476,540	707,374,437

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

20 Capital and reserves	2021	2020
(a) Members' shares	Shs	Shs
At the start of the year	90,728,266	122,857,483
Issue of new shares	59,525,131	3,900,000
Dividends paid (issuance of shares)	15,425,783	3,948,266
Prior year adjustment	-	(39,977,483)
At the end of the year	165,679,180	90,728,266

The authorised, issued and fully paid member shares is Shs 165,679,180 (2020: Shs 90,728,266) representing 16,567.92 (2020: 9,072.83) ordinary shares of Shs 10,000 (2020: Shs 10,000).

(b) Distributions made and proposed dividends

Dividends declared and paid

The Society declared and paid Shs 2,000 per share for the year ended 31 December 2020 (2019: Shs 500). The dividends were paid through issuing additional shares.

Proposed dividends

After the reporting date, the Society's Executive Committee proposed Shs 2,500 per share for the year ended 31 December 2021 (2020: Shs 2,000). Proposed dividends are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December 2021.

(c) Reserves

The regulatory reserve represents an appropriation from retained earnings to comply with Cooperative Societies Regulations. The appropriation is based on the co-operatives Act Cap 112.

Particulars	At start of period	Transfer to reserves	Total
	Shs	Shs	Shs
Statutory reserve fund	23,792,050	5,202,850	28,994,900
Revolving fund	8,872,464	2,601,425	11,473,889
Share transfer fund	3,261,687	7,512,670	10,774,357
Education fund	4,090,364	12,395,084	16,485,448
	40,016,565	27,712,029	67,728,594

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

Reserves (continued)

The apportionment of the reserves is based on the Cooperative Societies Regulations, 1992 as follows:

i) Statutory reserve fund

The Cooperative Societies Regulations, Section 34 requires that every registered society maintain a reserve fund into which shall be paid at the end of each financial year 10% of the net surplus resulting from the operations of the society during the financial year. The reserve fund is to be invested in a registered Co-operative bank, or such other mode as the registrar may approve.

ii) Revolving fund

Section 36 (1) of the Cooperative Societies regulations requires every registered society to pay 5% of its surplus annually to the Cooperative Development revolving fund.

iii) Share transfer fund

Section 43 of the Cooperative Societies regulations requires every registered society to maintain a fund known as share transfer fund where it shall allocate annually out of its surplus, if any. Amounts to be determined by the registrar from time to time, not exceeding 5% of the registered society's share capital, such a fund is to be invested in the Co-operatives bank or any other bank approved by the registrar

iv) Education fund

The Co-operative Societies Act Cap 112 Section 49 requires every registered co-operative society to contribute 1% per year of its turnover towards National Cooperative education fund. 50% of the education fund set aside under subsection (1) is to be sent to the secondary society to which the society is affiliated while the remaining 50% is to be retained by the society and used to carry out its own education programmes.

21 Restatement of financial statements

a) Recognition of impairment on financial assets

The Society's financial assets include cash and cash equivalents, investment in government securities and investments in Umbrella Trust Fund which are measured at amortized cost since they are held to collect the contractual cashflows on a specified date or maturity. However, for the year ended 31 December 2020, the Society did not recognise the impairment charge for these financial assets as required by IFRS 9 - Financial instruments. As such, the Society has elected to restate its financial statements for the year to recognise the respective impairment charge.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

21 Restatement of financial statements (Continued)

b) Prior period errors

Computation of the share transfer fund

- Section 43 of the Cooperative Societies regulations requires every registered society to maintain a fund known as share transfer fund where it shall allocate annually out of its surplus, if any. Amounts to be determined by the registrar from time to time, not exceeding 5% of the registered society's share capital, such a fund is to be invested in the Co-operatives bank or any other bank approved by the registrar. For the years ended 30 June 2018, 31 December 2019 and 31 December 2020, the Society appropriated 1% (Shs 3,261,687) share transfer fund from members' shares instead of retained earnings as required by section 43 of the Cooperative Societies regulations.

Recognition of membership/entrance fees

- Section 13.2 of the Society's Financial Policy and Procedures Manual requires that entrance/membership fees shall be recognised as capital of the society. However, this does not constitute members' shares. The membership fees amounting to Shs 33,350,000 had been recognised as capital (members shares) in prior periods resulting in an overstatement of the capital account. Management has decided to reconcile and restate the Society's capital by adjusting membership fees through retained earnings.

Recognition of dividends

- The Society declared and paid dividends for the year ended 31 December 2019 amounting to Shs 3,948,266. The declared dividends were not recognised in the financial statements for the year ended 31 December 2020.

Erroneous recognition of a prior year adjustment

- The Society erroneously recognised a prior year adjustment amounting to Shs 5,989,170 relating to the financial year ended 31 December 2019.

The above errors have been adjusted in the current year in accordance with IAS 8 - Effects of changes in accounting policies, changes in accounting estimates and errors with the resultant net effects of the restatement shown in the table below;

Particulars	Previously stated	Adjustments		Restated
	(Shs)	(a) (Shs)	(b) (Shs)	
Retained earnings	202,124,652	(38,493,264)	32,129,217	195,760,605
Investment in Umbrella Trust Fund	2,184,086,026	(32,889,330)	-	2,151,196,696
Government securities	208,769,230	(3,143,777)	-	205,625,453
Cash and cash equivalents	163,371,906	(2,460,156)	-	160,911,750
Members' shares	122,857,483	-	(32,129,217)	90,728,266

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

21 Restatement of financial statements (Continued)

c) Correction of prior period imbalances in the general ledger

The prior period adjustment relates to partial configuration of the Savings Plus system creating imbalances in the Society's general ledger. The system was not properly configured to provide a total sum of all transactions in the general ledger. The adjustment has been recognised to reconcile all general ledger opening imbalances.

22 Risk management objectives and policies

Financial risk management

The Society's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Society's financial performance.

(i) Credit risk

Risk management is carried out by the management under policies approved by the Executive Committee. Management identifies, evaluates and hedges financial risks in close co-operation with the various committees of the Society. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate and credit risk.

Credit risk is the risk of suffering financial loss should any of the Society's clients or counterparties fail to fulfil their contractual obligations to the Society. Credit risk arises from cash and cash equivalents and deposits with banks, government securities as well as credit exposures to customers, including outstanding loans and receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Society.

The Management, Supervisory Committee and Loans Committee, manage the Society's credit risk. The committee is responsible for managing and analysing credit risk before standard payment terms are offered.

The table below contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is measured. The gross carrying amount of financial assets below also represents the Society's maximum exposure to credit risk on these assets

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(i) Credit risk (continued)

	Year ended 31 December 2021					As at 1 January 2021 Shs
	Stage 1 12-month ECL Shs	Stage 2 Lifetime ECL Shs	Stage 3 Lifetime ECL Shs	Total Shs		
Loans to borrowers						
Normal	9,333,189,175	-	-	9,333,189,175	7,022,404,758	
Watch	-	-	-	-	-	
Substandard	-	-	-	-	-	
Doubtful	-	-	-	-	-	
Loss	-	-	48,962,122	48,962,122	42,111,604	
Gross carrying amount	9,333,189,175	-	48,962,122	9,382,151,297	7,064,516,362	
Loss allowance	(16,363,989)	-	(48,962,122)	(65,326,111)	(61,381,972)	
Carrying amount	9,316,825,186	-	-	9,316,825,186	7,003,134,390	
Other financial assets*						
Performing	2,847,527,608	-	-	2,847,527,608	2,557,378,727	
Watch	-	-	-	-	-	
Non-Performing	-	-	-	-	-	
Gross carrying amount	2,847,527,608	-	-	2,847,527,608	2,557,378,727	
Loss allowance	(42,636,024)	-	-	(42,636,024)	(38,493,264)	
Carrying amount	2,804,891,584	-	-	2,804,891,584	2,518,885,463	

*Other financial assets include bank balances, government securities, investments in Umbrella Trust Fund and other receivables. There were no indicators of significant increase in credit risk in respect of other financial assets and as a result, these were categorised under stage 1.

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(i) Credit risk (continued)

— **Risk limit control and mitigation policies**

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

Credit quality

The Society's Loans Committee assesses the credit quality of counterparties, taking into account the character of the applicant, credit history of the applicant, capacity to utilise and repay the loan, adequacy of the security and the characteristics of the loan.

Collateral

The Society employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Society implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Members' savings deposits.
- Collateral covering 120% of the outstanding loan balance for members departing the fund.
- Bank standing orders

(ii) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations on its financial liabilities. It includes both the risk of being unable to fund liabilities at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The table below analyses the liquidity profile of the Society's financial instruments as at 31 December 2021.

**National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021**

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(ii) Liquidity risk (continued)

Year ended 31 December 2021	On demand Shs	Within 3 months Shs	4 to 12 months Shs	Over 1 year Shs	Total Shs
Financial assets					
Loans and advances	-	-	-	9,316,825,152	9,316,825,152
Other receivables	-	-	13,093,812	-	13,093,812
Investment in Umbrella Trust Fund	-	-	-	1,902,276,132	1,902,276,132
Government securities	-	-	-	729,741,294	729,741,294
Cash and cash equivalents	159,780,347	-	-	-	159,780,347
Total financial assets	159,780,347	-	13,093,812	11,948,842,578	12,121,716,737
Financial liabilities					
Members' savings	-	-	-	11,518,949,357	11,518,949,357
Other payables	-	158,676,962	-	-	158,676,962
Total financial liabilities	-	158,676,962	-	11,518,949,357	11,677,626,319
Liquidity cover/(gap)	159,780,347	(158,676,962)	13,093,812	429,893,221	444,090,418

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(ii) Liquidity risk (continued)

Year ended 31 December 2020

Financial assets	On demand Shs	Within 3 months Shs	4 to 12 months Shs	Over 1 year Shs	Total Shs
Loans and advances	-	-	-	7,003,134,390	7,003,134,390
Other receivables	-	-	1,151,565	-	1,151,565
Investment in Umbrella Trust Fund	-	-	-	2,151,196,696	2,151,196,696
Government securities	-	-	-	205,625,453	205,625,453
Cash and cash equivalents	160,911,750	-	-	-	160,911,750
Total financial assets	160,911,750	-	1,151,565	9,359,956,538	9,522,019,854
Financial liabilities					
Members' savings	-	-	-	9,054,914,448	9,054,914,448
Other payables	-	148,525,119	-	-	148,525,119
Total financial liabilities	-	148,525,119	-	9,054,914,448	9,203,439,567
Liquidity cover/(gap)	160,911,750	(148,525,119)	1,151,565	305,042,090	318,580,287

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables such as interest rates and foreign exchange rates

Foreign exchange risk

Foreign exchange risk arises when the Society enters into transactions denominated in a currency other than its functional currency. The Society's policy, where possible, is to settle liabilities denominated in the functional currency with cash generated from the operations in that currency.

Price risk

Price risk arises from fluctuations in prices of equity instruments. As at 31 December 2021, the Society had no financial assets that are subject to this risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets 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 Society's business strategies. The Society's management does interest rate monitoring.

The table below summarizes the exposure to interest rate risk. Included in the table are the Society's financial assets and financial liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

**National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021**

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Year ended 31 December 2021	Average Interest Rate	Within 3 months	4 to 12 months	Over 1 year	Non - interest bearing	Total
Financial assets		Shs	Shs	Shs	Shs	Shs
Loans and advances	12%	-	-	9,316,825,152	-	9,316,825,152
Other receivables		-	-	-	13,093,812	13,093,812
Investment in Umbrella Trust Fund	10.59%	-	-	1,902,276,132	-	1,902,276,132
Government securities	17%	-	-	729,741,294	-	729,741,294
Cash and cash equivalents		-	-	-	159,780,347	159,780,347
Total financial assets		-	-	11,948,842,578	172,874,159	12,121,716,737
Year ended 31 December 2021						
Financial liabilities						
Members' savings	9%	-	-	11,518,949,357	-	11,518,949,357
Other payables		-	-	-	158,676,962	158,676,962
Total financial liabilities		-	-	11,518,949,357	158,676,962	11,677,626,319
Net exposure		-	-	429,893,221	14,197,197	444,090,418

National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021

Notes (continued)

22 Risk management objectives and policies (continued)

Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Year ended 31 December 2020	Average Interest Rate	Within 3 months Shs	4 to 12 months Shs	Over 1 year Shs	Non - interest bearing Shs	Total Shs
Financial assets						
Loans and advances	12%	-	-	7,003,134,390	-	7,003,134,390
Other receivables		-	-	-	1,151,565	1,151,565
Investment in Umbrella Trust Fund	10.59%	-	-	2,151,196,696	-	2,151,196,696
Government securities	16.63%	-	-	205,625,453	-	205,625,453
Cash and cash equivalents		-	-	-	160,911,750	160,911,750
Total financial assets		-	-	9,359,956,538	162,063,315	9,522,019,854
Financial liabilities						
Members' savings	9%	-	-	9,054,914,448	-	9,054,914,448
Other payables		-	-	-	148,525,119	148,525,119
Total financial liabilities		-	-	9,054,914,448	148,525,119	9,203,439,567
Net exposure		-	-	305,042,090	13,538,196	318,580,287

**National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021**

Notes (continued)

22 Risk management objectives and policies (continued)

Capital management

Capital consists solely of funds from members' shares. The primary objective of the Society's capital management is to ensure that it invests the funds in non-risky financial instruments and thus maximize the return and secure the future of the Society. The Society manages its capital structure and adjusts it, in light of changes in economic conditions. The Society's total capital is represented by the equity as presented in the statement of financial position. The Society considers capital to be total shareholder's equity. Total capital as at 31 December 2021 was Shs 461 million (2020: Shs 326 million).

Non-financial risks

In addition to the financial risks discussed above, the Society also faces a number of other risks that it groups and manages as non-financial risks. Non-financial risks encompass operational risk and business risk.

Operational risk is the risk of direct or indirect impact resulting from inadequate or failed internal processes or systems or from external events. Major sources of operational risk include: implementation of strategic change, fraud, error, regulatory compliance and IT security. Operational risk is managed and monitored by the Society's Executive Committee. Business risk 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 the Society's control; inflexible cost structures; uncompetitive products or pricing; and structural inefficiencies.

23 Related party transactions

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

The Society's members are solely employees and ex-employees of the National Social Security Fund (NSSF) with powers to participate in the financial and operating decisions of the Society since they hold 100% of the capital made up of their members' shares.

The National Social Security Fund on behalf of its employees deducts and remits monthly member savings and any loan repayments to the Society.

(i) Key management compensation

Key management includes the Society's Administrator or Principal Officer and the Assistant Administrator. The compensations paid or payable to key management is shown below:

	Shs 2021	Shs 2020
Salaries and other short term employee benefits	<u>133,727,908</u>	<u>30,246,000</u>

**National Social Security Fund Uganda Staff SACCO
Annual Report and Financial Statements
For the year ended 31 December 2021**

Notes (continued)

23 Related party transactions (continued)

(ii) Allowances to Executive and Committee members

	Shs 2021	Shs 2020
Allowances to Committee Members	<u>40,574,540</u>	<u>13,203,000</u>

(iii) Amounts due to related parties

National Social Security Fund	<u>-</u>	<u>-</u>
-------------------------------	----------	----------

(iv) Amounts due from related parties

National Social Security Fund	<u>-</u>	<u>-</u>
-------------------------------	----------	----------

24 Contingent assets

At 31 December 2021, the Society was pursuing a court case against its former administrator relating to a loss of Shs 295 million due to fraud.

25 Commitments

At 31 December 2021, the Society did not have any commitments.

26 Events after reporting date

At the date of authorisation of these financial statements, there were no significant events after 31 December 2021 to be reported.