

**SBG SECURITIES UGANDA UMBRELLA FUND**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2022**

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**FUND INFORMATION**

**Custodian**

Stanbic Bank Uganda Limited  
Plot 17, Hannington Road  
P. O. Box 7131  
Kampala, Uganda

**Corporate Trustee**

KCB Bank Uganda Limited  
Commercial Plaza complex  
Plot 7, Kampala Road  
P. O. Box 7399  
Kampala, Uganda

**Registered Office**

Crested Towers (Short Tower)  
Block D, Ground Floor  
Plot 17, Hannington Road  
P. O. Box 7395  
Kampala, Uganda

**Auditor**

Ernst & Young  
Certified Public Accountants  
EY House  
Plot 18, Clement Hill Road  
Shimoni Office Village  
P. O. Box 7215  
Kampala, Uganda

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**COLLECTIVE INVESTMENT SCHEME MANAGER'S REPORT**

The Collective Investment Scheme (CIS) Manager submits their report together with the audited financial statements for the period from 17 December 2021 to 31 December 2022, which disclose the state of affairs of SBG Securities Uganda Umbrella Fund ("the Umbrella Fund" or "the Fund").

The Trust Deed of the Umbrella Fund was executed and fulfilled on 17 December 2021 upon obtaining an Umbrella Fund unit trust scheme licence from the Capital Markets Authority.

**Investment Objectives**

The investment objective of the Fund is to achieve a sustainable level of current income and offer investors long term capital growth by investing in diversified fixed income securities. To achieve this, the Umbrella Fund created three supplementary trust deeds for the sub funds below.

1. **SBG Securities Uganda money market fund:** The primary objective of the unit portfolio is to seek capital preservation and provide attractive level of current income. Investment instruments in this fund have a maximum duration of 12 months.
2. **SBG Securities Uganda bond fund:** The primary objective of the unit portfolio is to seek capital preservation and provide attractive level of return. Investment instruments in this fund have average durations longer than two years.
3. **SBG Securities Uganda balanced fund:** The primary objective of the unit portfolio is to seek capital preservation and provide attractive level of current and future return. Investment instruments in this fund have average durations longer than two years and allows an allocation to exchange traded stocks. No exchange traded securities were held as at the end of the period.

**Fund performance**

The Fund is a conservative investment portfolio consisting of treasury bills, treasury bonds and fixed deposits. The returns are as below:

	<b>Money market fund</b>	<b>Bond fund</b>	<b>Balanced fund</b>
Maximum yield	11.56%	12.26%	12.96%
Minimum yield	5.05%	6.37%	8.28%
Average yield	9.55%	10.84%	11.63%

**Income distribution**

The profit realised by the Fund for the period is Ushs 173 million. This profit has been distributed to the unit holders' ledgers.

**Fund value**

The total value of the Fund, number of units and unit price at the end of the period was as shown below:

	<b>Money market fund</b>	<b>Bond fund</b>	<b>Balanced fund</b>
Total fund value (Ushs '000)	15,405,371	2,732,136	333,919
Number of units ('000)	152,925	26,306	3,191
Closing unit price (Ushs)	100.74	-	-
Closing bid price (Ushs)	-	103.86	104.62
Closing offer price (Ushs)	-	104.19	105.07

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**TERMS OF APPOINTMENT OF THE AUDITOR**

The Umbrella Fund's auditor, Ernst & Young Certified Public Accountants, was appointed in 2023 and continues in office in accordance with Section 88 of the Collective Investment Schemes (Unit Trusts) Regulations, 2003.

Approved on 22 February 2024 and signed on behalf of the Collective Investment Scheme Manager,

  
\_\_\_\_\_  
**Signature**

**Agnes Konde Asiiimwe**  
\_\_\_\_\_  
**Name**

**Chairperson**  
\_\_\_\_\_  
**Title**

  
\_\_\_\_\_  
**Signature**

**Francis Karuhanga**  
\_\_\_\_\_  
**Name**

**Director**  
\_\_\_\_\_  
**Title**

**SBG SECURITIES UGANDA UMBRELLA FUND  
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**STATEMENT OF CIS MANAGER’S RESPONSIBILITIES**

The Capital Markets Authority Act, the Collective Investment Schemes Act, 2003, the Collective Investment Schemes (Financial and Accounting) Regulations, 2003 and other related regulations require the CIS Manager to prepare financial statements of CISs for each financial period that give a true and fair view of the state of financial affairs of the CIS as at the end of the period and results of its operations. It also requires the CIS Manager to keep proper accounting records that disclose, with reasonable accuracy, the financial position of the CIS.

The CIS Manager accepts responsibility for the period financial statements, which have been prepared using appropriate accounting policies in conformity with International Financial Reporting Standards and in the manner required by the Collective Investment Schemes Act, 2003 and Collective Investment Schemes (Financial and Accounting) Regulations, 2003. The CIS Manager is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Fund and of its operating results.

The CIS Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The CIS Manager must also ensure that proper accounting records are kept which in relation to client money, have regard to the client money requirements under the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations, 2003.

**Declaration statement**

- The SBG Securities Uganda Umbrella Fund is an approved unit trust scheme within the meaning of the Capital Markets Authority (Amendment) Act, 2016.
- The unit holders are not liable for the debts of the Fund, if any; and,
- The SBG Securities Uganda Umbrella Fund is an umbrella fund investing in fixed income securities of various durations at attractive yields to ensure the return on the Fund is maximised.

Nothing has come to the attention of the CIS Manager to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors of the CIS Manager on 22 February 2024 and signed on its behalf by:



**Signature**

**Agnes Konde Asiimwe**  
**Name**

**Chairperson**  
**Title**



**Signature**

**Francis Karuhanga**  
**Name**

**Director**  
**Title**

**SBG SECURITIES UGANDA UMBRELLA FUND  
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**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF THE SBG SECURITIES UGANDA LIMITED  
UMBRELLA FUND**

For the period from 17<sup>th</sup> December 2021 to 31<sup>st</sup> December 2022

Dear Unit Holders,

In accordance with section 121(1) and (2) of the Collective Investment Scheme (Unit Trusts) Regulations, 2003 of Uganda, we KCB Bank Uganda Limited in our capacity as Trustee of the SBG Securities Uganda Umbrella Fund, hereby confirm that:

- To the best of our knowledge, SBG Securities Uganda Limited, the manager of the unit trusts, has managed the Fund in accordance with the limitations imposed on the investment and borrowing powers of the CIS Manager and Trustee by the Trust Deed, by the scheme particulars and by all the regulations for the time being in force under Section 31 of the Collective Investment Schemes Act, 2003 of Uganda.
- That there were no deviations from any of the provisions of the Trust Deed and those of the Regulations.

Yours sincerely,

For and on behalf of the Trustee,

  
Signature 28 FEB 24

**Bruno Muhindi**  
Name

**Head of Finance**  
Title

  
Signature 28/02/2024

**Frank Balabyeki**  
Name

**Head of Risk**  
Title

**SBG SECURITIES UGANDA UMBRELLA FUND  
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**REPORT OF THE CUSTODIAN**

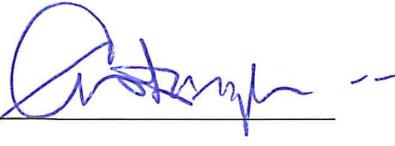
**For the period from 17<sup>th</sup> December 2021 to 31<sup>st</sup> December 2022**

Dear Unit Holders,

In accordance with the Collective Investment Scheme (Unit Trusts) Regulations, 2003 of Uganda, and the Custody Agreement between Stanbic Bank Uganda Limited, in our capacity as Custodian of the SBG Securities Uganda Umbrella Fund, hereby confirm that:

- We have discharged the duties expected of a Custodian under the regulations and the Fund Trust Deed.
- For the period ended 31 December 2022, we have held the assets for the Umbrella Fund including securities and income that accrue there of; to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the CIS Manager.

For and on behalf of the Custodian,

  
\_\_\_\_\_  
Signature

**Andrew Omiel**  
\_\_\_\_\_  
Name

**Head of Investor Services Banking**  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Signature

**Esther Mirembe**  
\_\_\_\_\_  
Name

**Ag. Manager Investor Services**  
\_\_\_\_\_  
Title

## **REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF SBG SECURITIES UGANDA UMBRELLA FUND**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### ***Opinion***

We have audited the financial statements of SBG Securities Uganda Umbrella Fund ("the Fund") set out on pages 11 to 27 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SBG Securities Uganda Umbrella Fund as at 31 December 2022, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Act, 2003 and the Collective Investment Schemes (Financial and Accounting) Regulations, 2003 of Uganda.

#### ***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 Fund in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provided the basis for our audit opinion on the accompanying financial statements.



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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*Key Audit Matters (Continued)*

No.	Key audit matter	How our audit addressed the key audit matter
1.	<p><b>Accounting for financial investments</b></p> <p>As indicated in Note 8 to the financial statements, the Fund invested Ushs 13.14 billion and Ushs 5.02 billion in bank deposits and government securities respectively. These financial investments comprise of 98% of the Fund's total assets. Interest earned from the financial investments amounted to Ushs 211 million.</p> <p>Due to the significance of the amounts involved, the accounting for these financial investments has been considered a key audit matter.</p> <p>Refer to Note 2(e) for the accounting policy and Note 8 for other disclosures on the financial investments.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Understood the investment process including the related interest income recognition process.</li> <li>• Compared the interest rates used to compute interest income with the contractual interest rates for the investments.</li> <li>• Recalculated the interest income using the applicable effective interest rates and the investment balances and compared with the interest income recognised by the Fund's management.</li> <li>• Obtained confirmations for the financial investments balances from counterparties and compared the amounts confirmed with those in the Fund's books of account and evaluated that any variances were reconciled.</li> <li>• Evaluated that the disclosures on the financial investments were complete.</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included on pages 1 to 6, which includes the Fund Information, Collective Investment Scheme (CIS) Manager's Report, Statement of CIS Manager's Responsibilities, Trustee's Report to the Unit Holders and the Report of the Custodian. The other information 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 an audit opinion or 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 (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### *Responsibilities of the Collective Investment Scheme Manager for the Financial Statements*

The Collective Investment Scheme (CIS) Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Act, 2003 and the Collective Investment Schemes (Financial and Accounting) Regulations, 2003 of Uganda, and for such internal control as the CIS Manager determines 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 CIS Manager is responsible for assessing the Fund'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 CIS Manager either intends to liquidate the Fund 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 judgement and maintain professional scepticism 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 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Fund'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. 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 Fund to cease to continue as a going concern.



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## REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

- 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 the directors 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.

From the matters communicated with the CIS Manager, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

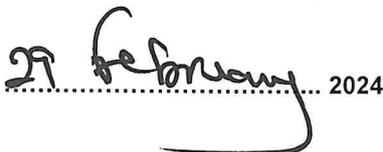
### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

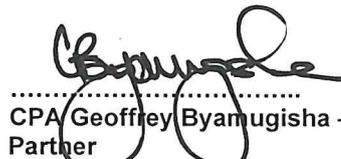
The Collective Investment Schemes (Financial and Accounting) Regulations, 2003 ("the regulations") require that in carrying out our audit, we should consider and state our opinion on the following matters. Accordingly, we report to you that:

- the financial statements have been properly calculated and exceed the requirements stipulated under the regulations;
- proper accounting records have been kept and adequate systems for their control have been maintained in accordance with the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations, 2003 during the period audited;
- the reconciliation of customer assets has been properly performed in accordance with the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations, 2003;
- based on the audit procedures performed, nothing has come to our attention that leads us to believe that the CIS Manager held client money or customer's assets during the period audited; and
- all information and explanations necessary for the purpose of the audit have been obtained.

The engagement partner on the audit resulting in this independent auditor's report is CPA Julius Rwajekare – P0307.

  
Ernst & Young  
Certified Public Accountants of Uganda  
Kampala, Uganda

  
29 February 2024

  
CPA Geoffrey Byamugisha – P0231  
Partner

For and on behalf of CPA Julius Rwajekare

**SBG SECURITIES UGANDA UMBRELLA FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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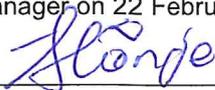
	<b>Notes</b>	<b>Period from 17 December 2021 to 31 December 2022 Ushs '000</b>
Interest income	5	211,249
Other operating expenses	6	(35,495)
Impairment losses on financial instruments	8	<u>(2,660)</u>
<b>Profit before income tax</b>		<b>173,094</b>
Income tax expense	7	<u>-</u>
<b>Profit for the period</b>		<b>173,094</b>
Other comprehensive income		<u>-</u>
<b>Total comprehensive income for the period, net of tax</b>		<b><u>173,094</u></b>

The notes set out on pages 15 to 27 form an integral part of these financial statements.

**SBG SECURITIES UGANDA UMBRELLA FUND  
STATEMENT OF FINANCIAL POSITION  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	<b>Notes</b>	<b>2022 Ushs'000</b>
<b>Assets</b>		
Government securities	8 (ii)	5,024,165
Deposits with financial institutions	8 (ii)	13,141,868
Bank balances	9	340,888
<b>Total assets</b>		<b><u>18,506,921</u></b>
<b>Liabilities</b>		
Accrued expenses	10	35,495
<b>Total liabilities</b>		<b><u>35,495</u></b>
Net assets attributable to unit holders	11	18,471,426
<b>Total liabilities and unit holders' balances</b>		<b><u>18,506,921</u></b>

The financial statements on pages 11 to 27 were approved for issue by the Collective Investment Scheme Manager on 22 February 2024 and signed on its behalf by:

  
\_\_\_\_\_  
Signature

**Agnes Konde Asiimwe**  
\_\_\_\_\_  
Name

**Chairperson**  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Signature

**Francis Karuhanga**  
\_\_\_\_\_  
Name

**Director**  
\_\_\_\_\_  
Title

**SBG SECURITIES UGANDA UMBRELLA FUND  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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	<b>Notes</b>	<b>2022 Ushs'000</b>
At start of period		-
Total comprehensive income for the period		173,094
<b>Transactions with unit holders:</b>		
Units purchased	11	22,571,578
Units liquidated	11	<u>(4,273,246)</u>
Net transactions with unit holders		<u>18,298,332</u>
<b>At end of period</b>		<b><u>18,471,426</u></b>

The notes set out on pages 15 to 27 form an integral part of these financial statements.

**SBG SECURITIES UGANDA UMBRELLA FUND  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Notes	Period from 17 December 2021 to 31 December 2022 Ushs'000
<b>Cash flows from operating activities</b>		
Profit before income tax		173,094
<b>Adjustments for:</b>		
Allowance for ECL	8 (ii)	2,660
Accrued interest	8 (ii)	(211,249)
<b>Changes in working capital:</b>		
Increase in accrued expenses		<u>35,495</u>
<b>Cashflows from operating activities</b>		<b>-</b>
Purchase of financial assets	8 (ii)	(21,419,138)
Proceeds from sale / maturity of financial assets	8 (ii)	3,461,694
Increase in deposits maturing within three months	9	<u>8,510,369</u>
<b>Net cash flows used in operating activities</b>		<b><u>(9,447,075)</u></b>
<b>Cash flows from financing activities</b>		
Contributions from unit holders	11	22,571,578
Liquidations by unit holders	11	<u>(4,273,246)</u>
<b>Net cash flows from financing activities</b>		<b><u>18,298,332</u></b>
Net increase in cash and cash equivalents		8,851,257
Cash and cash equivalents at start of period		<u>-</u>
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b><u>8,851,257</u></b>

The notes set out on pages 15 to 27 form an integral part of these financial statements.

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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**1. GENERAL INFORMATION**

The SBG Securities Uganda Umbrella Fund was registered on 17 December 2021 and started operations on 15 August 2022. It is governed by a Trust Deed and a Collective Investment Scheme License no SBG/UF 2122 (CIS) dated 17 December 2021, is registered with the Capital Markets Authority and is domiciled in Uganda.

The address of its registered office is:

SBG Securities Uganda Limited  
Block D, Crested Towers  
Plot 17, Hannington Road  
P. O. Box 7395  
Kampala, Uganda

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Collective Investment Schemes Act, 2003 and the Collective Investment Schemes (Financial and Accounting) Regulations, 2003 of Uganda. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Uganda shillings (Ushs) rounded to the nearest thousand (Ushs'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

**New standards and interpretations not yet effective**

The following new or revised standards, amendments and interpretations were not effective for the period ended 31 December 2022 and have not been applied in preparing these financial statements.

**IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)**

Effective date: deferred the effective date for these amendments indefinitely

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Fund's financial statements.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Basis of preparation (Continued)**

**New standards and interpretations not yet adopted (Continued)**

**IAS 1 Presentation of Financial Statements (amendments)**

Effective date: 1 January 2024

The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements. The impact on the financial statements has not yet been fully determined. However, the amendments are not expected to have a significant impact on the Fund's financial statements.

The second amendment to IAS 1 requires an entity to classify debt as non-current only if the entity can avoid settling the debt in the 12 months after the reporting date. However, an entity's ability to do so is often subject to complying with covenants. For example, an entity might have long-term debt that could become repayable within 12 months if the entity fails to comply with covenants in that 12-month period. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements and therefore the aim of the amendments is to improve the information entities provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the Fund's financial statements.

**IFRS 16 Leases (narrow scope amendments)**

Effective date: 1 January 2024

The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the Fund's financial statements.

The CIS Manager does not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future years. The Fund plans to apply the changes above from their effective dates.

**b) Revenue recognition**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount on initial recognition.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Income tax**

The Fund is exempt from income tax and only withholds and pays to Uganda Revenue Authority tax applicable on interest income and distributions to the unit holders.

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand and short-term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

**e) Financial instruments**

**Financial assets**

**(i) Classification and impairment of financial assets**

The Fund classifies its financial assets into the following measurement categories.

- Those subsequently measured at fair value through profit or loss (FVTPL); and
- Those subsequently measured at amortised cost.

**(ii) Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the investments have expired or have been transferred and the fund has transferred substantially all risks and rewards of ownership.

**(iii) Measurement**

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Debt instruments*

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans, government, and corporate bonds. Classification and subsequent measurement of debt instruments depends on:

- the Fund's business model for managing the financial assets; and
- the cash flow characteristics of the asset.

**(iv) Impairment**

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost and debt instruments at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 requires a forward-looking 'expected credit loss' ("ECL") model. This impairment model applies to the following financial instruments that are not measured at FVTPL:

- Corporate bonds and commercial papers
- Deposits with financial institutions, and
- Bank balances.

No impairment loss is recognised on financial assets measured at FVTPL.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Financial instruments (Continued)**

**Financial assets (Continued)**

**(iv) Impairment (Continued)**

The Fund recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Fund will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Financial instruments that are determined to have a low credit risk at the reporting date. The Fund will consider a financial instrument to have low credit risk rating when its credit risk rating is equivalent to the globally understood definition of 'investment-grade', and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

*Measurement of expected credit losses*

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls- i.e., the difference between the cashflows due to the entity in accordance with the contract and cashflows that the fund expects to receive; and
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cashflows.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$ECL = PD * LGD * EAD$$

In applying the IFRS 19 impairment requirements, the Fund follows the general approach. Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in Stage 1, the Fund will recognise 12-month ECL and recognise interest income on a gross basis-this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to Stage 2, the Fund will recognise lifetime ECL, but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in Stage 3, the Fund will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial assets less ECL.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Financial instruments (Continued)**

**Financial assets (Continued)**

**(iv) Impairment (Continued)**

*Measurement of expected credit losses (continued)*

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD)
- Loss Given Default (LGD), and
- Exposure at Default (EAD)

To determine lifetime or 12-month PDs, the Fund uses internally developed PD tables based on the default history obligors with same credit rating. The Fund adopts the same approach for unrated investments by mapping them to the equivalent external credit ratings.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, the subject to using a 12-month PD for financial assets for which credit risk has not significantly increased, the Fund measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which is it exposed to credit risk, even if, for risk management purposes, the fund considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type; credit risk gradings; collateral type, date of initial recognition; remaining term to maturity; industry; and geographical location of the borrower.

**Financial liabilities**

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency is Ushs, which is also the presentation currency.

*Translation of balances and transactions denominated in foreign currencies*

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

**g) Distributions**

The profit resulting from the income earned from investments done by the Fund less expenses incurred by the Fund is distributed to unit holders. All distributions including unclaimed distributions are reinvested in the unit holders' accounts.

**h) Unit holders' balances**

Unitholders' accounts are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

**3. CRITICAL JUDGEMENT IN APPLYING THE FUNDS ACCOUNTING POLICIES**

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as disclosed in Note 2(e). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

- Assessing whether the credit risk of a financial asset has increased significantly since initial recognition; and
- Incorporating forward-looking information into measurement of ECLs.

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**4. FINANCIAL RISK MANAGEMENT**

The Fund generates returns for the unit holders by investing in various income generating activities which involve investing in financial assets. These activities expose the Fund to a variety of financial risks and the effects of changes in market dynamics.

The Trust Deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on the Fund's financial performance.

Risk management is carried out by the CIS Manager, SBG Securities Uganda Limited. The CIS Manager identifies, evaluates, and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

The Fund's risk management policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

**Capital management**

The capital of the Fund is represented by the unit holders' balances. The amount of unit holders' balances can change significantly daily as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders.

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders.

**a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. In accordance with the Fund's policy, the CIS Manager monitors the Fund's credit position on daily basis, and the position is reviewed on a quarterly basis by the Fund's Investments Committee.

The amount that best represents the Fund's maximum exposure to credit risk is made up as follows:

<b>At 31 December 2022</b>	<b>Money market fund</b>	<b>Bond fund</b>	<b>Balanced fund</b>	<b>Total</b>
	<b>Ushs'000</b>	<b>Ushs'000</b>	<b>Ushs'000</b>	<b>Ushs'000</b>
Bank balances (Note 9)	163,875	169,795	7,218	340,888
Deposits with financial institutions (Note 8(ii))	12,781,073	360,795	-	13,141,868
Government securities (Note 8(ii))	2,475,340	2,218,035	330,790	5,024,165
<b>Total</b>	<b>15,420,288</b>	<b>2,748,625</b>	<b>338,008</b>	<b>18,506,921</b>

**b) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or at the risk of damaging the Fund's reputation.

The Fund is exposed to daily liquidation of invested funds by investors. The Fund maintains cash balances to meet all of these needs as experience shows that a certain amount of withdrawals is requested daily, and this can be reasonably predicted. Management closely monitors the proportion of maturing funds available to meet such calls and the minimum level of funds that should be on hand to cover withdrawals at unexpected levels of demand.

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**b) Liquidity risk (Continued)**

The table below analyses the Fund's financial liabilities and unit holders' balances that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

<b>At 31 December 2022</b>	<b>Due on demand Ushs'000</b>	<b>Due within 3 months Ushs'000</b>	<b>Total Ushs'000</b>
<b>Money Market Fund</b>			
Unit holders' balances	15,405,371	-	15,405,371
Accrued expenses	-	24,304	24,304
	<u>15,405,371</u>	<u>24,304</u>	<u>15,429,675</u>
<b>Bond Fund</b>			
Unit holders' balances	2,732,136	-	2,732,136
Accrued expenses	-	9,082	9,082
	<u>2,732,136</u>	<u>9,082</u>	<u>2,741,218</u>
<b>Balanced Fund</b>			
Unit holders' balances	333,919	-	333,919
Accrued expenses	-	2,109	2,109
	<u>333,919</u>	<u>2,109</u>	<u>336,028</u>
<b>Total for the sub funds</b>			
Unit holders' balances	18,471,426	-	18,471,426
Accrued expenses	-	35,495	35,495
	<u>18,471,426</u>	<u>35,495</u>	<u>18,506,921</u>

**c) Market risk**

***Cash flow and fair value interest rate risk***

The Fund's interest-bearing financial assets are government securities and deposits with financial institutions. These investments carry fixed interest rates and are therefore not exposed to interest rate risk.

The Investment Manager regularly monitors financing options available to ensure optimum interest rates are obtained.

***Foreign exchange risk***

The Fund had no significant exposure to foreign exchange risk as it held no significant financial assets denominated in foreign currencies.

***Price risk***

The Fund invests in financial instruments (deposits with financial institutions, and government securities) that are measured at amortised cost. The amortised cost of debt instruments is considered equal to the fair value of the assets. Therefore, the Fund is not exposed to price risk.

**d) Fair value estimation**

All the Fund's investments are measured at amortised cost and the carrying amounts reasonably approximate their fair values.

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**5. INTEREST INCOME**

<b>Period ended 31 December 2022</b>	<b>Money market fund Ushs'000</b>	<b>Bond fund Ushs'000</b>	<b>Balanced fund Ushs'000</b>	<b>Total Ushs'000</b>
Interest income from:				
Fixed deposits with financial institutions	110,496	2,839	261	113,596
Government securities	29,244	54,603	13,806	97,653
	<b>139,740</b>	<b>57,442</b>	<b>14,067</b>	<b>211,249</b>

**6. OPERATING EXPENSES**

<b>Period ended 31 December 2022</b>	<b>Money market fund Ushs'000</b>	<b>Bond fund Ushs'000</b>	<b>Balanced fund Ushs'000</b>	<b>Total Ushs'000</b>
Management fees	21,995	8,219	1,909	32,123
Trustee fees	1,215	454	105	1,774
Custodial and bank fees	1,094	409	95	1,598
	<b>24,304</b>	<b>9,082</b>	<b>2,109</b>	<b>35,495</b>

**7. TAXATION**

The Fund is registered as a Collective Investment Scheme under the Collective Investment Scheme Act, 2003 and is hence exempt from income tax, subject to meeting the requirements to distribute income to the unit holders, as stipulated in schedule 21(1)(t) of the Income Tax Act.

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**8. INVESTMENTS**

**(i) Maturity profile of investments**

<b>At 31 December 2022</b>	<b>Up to 3 months Ushs'000</b>	<b>Up to 3 to 6 months Ushs'000</b>	<b>Due within 1 to 5 years Ushs'000</b>	<b>Due after 5 years Ushs'000</b>	<b>Allowance for ECL Ushs'000</b>	<b>Total Ushs'000</b>
<b>Money market fund:</b>						
Deposits with financial institutions	8,149,490	4,634,159	-	-	(2,576)	12,781,073
Government securities	338,939	1,459,104	677,297	-	-	2,475,340
	<u>8,488,429</u>	<u>6,093,263</u>	<u>677,297</u>	<u>-</u>	<u>(2,576)</u>	<u>15,256,413</u>
<b>Bond fund:</b>						
Deposits with financial institutions	360,879	-	-	-	(84)	360,795
Government securities	68,029	50,369	1,503,871	595,766	-	2,218,035
	<u>428,908</u>	<u>50,369</u>	<u>1,503,871</u>	<u>595,766</u>	<u>(84)</u>	<u>2,578,830</u>
<b>Balanced fund:</b>						
Deposits with financial institutions	-	-	-	-	-	-
Government securities	-	-	202,294	128,496	-	330,790
	<u>-</u>	<u>-</u>	<u>202,294</u>	<u>128,496</u>	<u>-</u>	<u>330,790</u>
<b>Total</b>	<b>8,917,337</b>	<b>6,143,632</b>	<b>2,383,462</b>	<b>724,262</b>	<b>(2,660)</b>	<b>18,166,033</b>

**(ii) Movement in investments**

<b>Period ended 31 December 2022</b>	<b>Carrying amount at start of period Ushs'000</b>	<b>Purchases at cost Ushs'000</b>	<b>Accrued interest Ushs'000</b>	<b>Sales / maturities Ushs'000</b>	<b>Allowance for ECL Ushs'000</b>	<b>Carrying value at end of period Ushs'000</b>
Deposits with financial institutions	-	16,492,626	113,596	(3,461,694)	(2,660)	13,141,868
Government securities	-	4,926,512	97,653	-	-	5,024,165
<b>Total</b>	<b>-</b>	<b>21,419,138</b>	<b>211,249</b>	<b>(3,461,694)</b>	<b>(2,660)</b>	<b>18,166,033</b>

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**8. INVESTMENTS (CONTINUED)**

The following is the movement on the ECL balances:

	Fixed deposits Ushs'000	Government securities Ushs'000	Total Ushs'000
At 17 December 2021	-	-	-
Charge for the period	2,660	-	2,660
<b>At 31 December 2022</b>	<b>2,660</b>	<b>-</b>	<b>2,660</b>

The Fund holds no collateral for these investments. The average interest rates applicable were as follows:

	<u>Fixed deposits</u>	<u>Government securities</u>	
		Treasury bills	Treasury bonds
Period ended 31 December 2022	11.45%	11.79%	14.86%

**9. BANK BALANCES AND CASH AND CASH EQUIVALENTS**

	Money market fund Ushs'000	Bond fund Ushs'000	Balanced fund Ushs'000	Total Ushs'000
<b>At 31 December 2022</b>				
Bank balances	163,875	169,795	7,218	340,888

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	Money market fund Ushs'000	Bond fund Ushs'000	Balanced fund Ushs'000	Total Ushs'000
<b>At 31 December 2022</b>				
Bank balances	163,875	169,795	7,218	340,888
Deposits with financial institutions (maturing within 3 months)	8,149,491	360,878	-	8,510,369
	<b>8,313,366</b>	<b>530,673</b>	<b>7,218</b>	<b>8,851,257</b>

**10. ACCRUED EXPENSES**

	Money market fund Ushs'000	Bond fund Ushs'000	Balanced fund Ushs'000	Total Ushs'000
<b>At 31 December 2022</b>				
Management fees	21,995	8,219	1,909	32,123
Trustee fees	1,215	454	105	1,774
Custodial and bank fees	1,094	409	95	1,598
	<b>24,304</b>	<b>9,082</b>	<b>2,109</b>	<b>35,495</b>

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**11. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

	<u>Money market fund</u>		<u>Bond fund</u>		<u>Balanced fund</u>		<u>Total</u>
	<b>Number of units '000</b>	<b>Value Ushs'000</b>	<b>Number of units '000</b>	<b>Value Ushs'000</b>	<b>Number of units '000</b>	<b>Value Ushs'000</b>	<b>Value Ushs'000</b>
<b>At 31 December 2022</b>							
At start of period	-	-	-	-	-	-	-
Creations	188,442	18,844,182	33,432	3,396,776	3,275	330,620	22,571,578
Liquidations	(35,517)	(3,551,670)	(7,126)	(712,917)	(84)	(8,659)	(4,273,246)
Total comprehensive income for the period		112,859		48,277		11,958	173,094
<b>At end of period</b>	<b>152,925</b>	<b>15,405,371</b>	<b>26,306</b>	<b>2,732,136</b>	<b>3,191</b>	<b>333,919</b>	<b>18,471,426</b>

**SBG SECURITIES UGANDA UMBRELLA FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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**12. RELATED PARTY TRANSACTIONS AND BALANCES**

The SBG Securities Uganda Umbrella fund is managed by SBG Securities Uganda Limited. SBG Securities Uganda Limited is controlled by Stanbic Uganda Holdings Limited whose ultimate parent is Standard Bank South Africa. There are other companies related to SBG Securities Uganda Limited through common shareholdings or common directorships. These include Stanbic Bank Uganda Limited, Stanbic Properties Limited, Flyhub Uganda Limited and Stanbic Business Incubator Limited.

The following were the transactions and balances with related parties:

**a) Unit holders' balances**

	<b>Unit value Ushs'000</b>	<b>Accrued interest Ushs'000</b>	<b>Total Ushs'000</b>
Stanbic Uganda Holdings Limited	10,000,000	11,975	10,011,975
Flyhub Uganda Limited	4,500,000	11,975	4,511,975
SBG Securities Uganda Limited	750,000	30,414	780,414

**b) Management fees**

Management fees earned by SBG Securities Uganda Limited as the CIS Manager in 2022 were Ushs 32 million.

**13. EVENTS AFTER THE REPORTING PERIOD**

There are no events after the reporting period which require adjustment of or disclosure in the financial statements.