



BRITAM UMBRELLA FUND UNIT TRUST SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Britam Umbrella Fund
Annual Report and Financial Statements
For the year ended 31 December 2022

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TRUSTEE AND ADVISORS TO THE FUND

FUND MANAGER

Britam Asset Managers Company (Uganda) Limited
Britam Centre
Plot 24A, Akii-Bua Lule Road
P.O. Box 36583
Kampala, Uganda

TRUSTEE

KCB Bank Uganda Limited
Commercial plaza, 7th Floor
Plot 7 Kampala Road
P.O. Box 7399
Kampala, Uganda

CUSTODIAN

Standard Chartered Bank Uganda Limited
Standard Chartered House
Plot 5 Speke Road
P O Box 7111
Kampala, Uganda

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Communications House, 1 Colville Street
P.O. Box 882,
Kampala, Uganda

LAWYER

OS Kagere Advocates
Soliz House, Third Floor
Plot 23, Lumumba Ave
Kampala, Uganda

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FUND MANAGER'S REPORT

The Fund Manager submits its report together with the audited financial statements for the year ended 31 December 2022 that discloses the state of financial affairs of Britam Umbrella Fund Unit Trust Scheme ("the Fund").

INVESTMENT OBJECTIVES

The objective of the Britam Umbrella Fund Unit Trust Scheme is to achieve a reasonable level of current income and enhance capital growth. This is achieved by investing in a diversified spread of shares and fixed income securities. The Fund's long-term strategy is to have a bias towards equities offering long term value.

The key investment philosophies for the Britam Umbrella Fund Unit Trust Scheme are:

- To maintain a balanced and optimal portfolio by investing in shares of companies with strong potential of growth and fixed income instruments with attractive yields.
- To achieve its performance objectives through well-researched and superior share selection.
- To invest in quality businesses diligently selected based upon attractive long-term fundamentals.

FUND PERFORMANCE

The highest and lowest absolute yields were as per the table below.

	2022	2021
Highest price (%)	13.14	18.79
Lowest price (%)	8.13	8.44

INCOME DISTRIBUTION

The profit realised by the Fund for the year 2022 is: Shs. 5,671 million (2021: Shs. 3,391 million). This profit has been distributed to the unit holders.

TOTAL VALUE OF THE FUND

The total book value of the Fund as at 31 December 2022 is Shs 64,624 million (2021: Shs. 35,132 million).

AUDITOR

The Fund's auditor, PricewaterhouseCoopers Certified Public Accountants, has completed a four (4) year term as auditor of the Fund and is not eligible for re-appointment in accordance with the provisions of section 88 of the Collective Investment Schemes (Unit Trusts) Regulations 2003.


On behalf of the Fund Manager
Britam Asset Managers Company
(Uganda) Limited

Date: 31 March 2023


On behalf of the Fund Manager
Britam Asset Managers Company (Uganda)
Limited

Date: 31 March 2023

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STATEMENT OF FUND MANAGER'S RESPONSIBILITIES

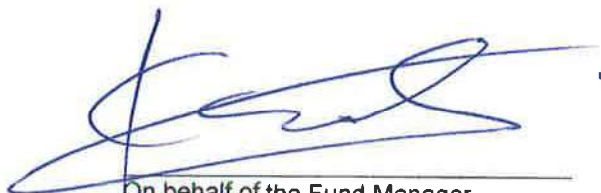
The Capital Markets Authority Act and the Collective Investment Schemes (Unit Trusts) Regulations, 2003 requires the Fund Manager to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the year and of the results of its operations. It also requires the Fund Manager to keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund.

The Fund Manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies in conformity with International Financial Reporting Standards, the requirements of the Capital Markets Authority Act and the Collective Investment Schemes (Unit Trusts) Regulations, 2003. The Fund Manager is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its profit in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority Act and the Collective Investment Schemes (Unit Trusts) Regulations, 2003. The Fund Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

DECLARATION STATEMENT

- The Britam Money Market Fund Unit Trust Scheme is an approved Unit Trust Scheme within the meaning of the Capital Markets Authority Act.
- The unitholders are not liable for the debts of the Unit Trust Scheme.
- The Britam Money Market Fund Unit Trust Scheme is a securities fund investing in income securities at attractive yields to ensure the return of the fund is maximised.

In preparing the financial statements, the Fund Manager has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of the going concern basis of preparation of the financial statements. Nothing has come to the attention of the Fund Manager to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.



On behalf of the Fund Manager
Britam Asset Managers Company
(Uganda) Limited

Date: 31 March 2023



On behalf of the Fund Manager
Britam Asset Managers Company (Uganda)
Limited

Date: 31 March 2023

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TRUSTEE'S REPORT

We, KCB Bank Uganda Limited in our capacity as Trustee of the Britam Umbrella Fund Unit Trust Scheme, hereby confirm the following: as required under section 121(1) and (2) of the Collective Investment Schemes (Unit Trusts) Regulations, 2003;

- a) To the best of our knowledge, Britam Asset Managers Company (Uganda) Limited has managed the Fund in accordance with the limitations imposed on the investment and borrowing powers of the Fund Manager and Trustee by the Capital Markets Authority Act, the Collective Investment Schemes (Unit Trusts) Regulations, 2003 and the Trust Deed and Rules.
- b) There are no deviations from any of the provisions of the Trust Deed and those of the Regulations.

We confirm that as required by the Collective Investment Schemes (Unit Trusts) Regulations, 2003 Section 92 (2), we are satisfied that the Fund has maintained sufficient records, of which these financial statements are part.

For: KCB BANK UGANDA LTD.


On behalf of the Trustee
KCB Bank Uganda Limited

Date:

31 Mar 23

Britam Umbrella Fund
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REPORT OF THE CUSTODIAN

In accordance with the Collective Investments Schemes (Unit Trusts) Regulations, 2003 (herein the 'Regulations') and the Custody Agreement between Standard Chartered Bank Uganda Limited as the Custodian and Britam Asset Managers Company (Uganda) Limited as the Fund Manager, we confirm that we have discharged the duties prescribed for a Custodian under the Regulations and the Britam Umbrella Fund Trust Deed and Rules.

For the year ended 31 December 2022, we have held the assets for the Britam Umbrella Fund Unit Trust Scheme, including the securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

We confirm that we effected the sale, redemption and cancellation of units in accordance with the creation and liquidation instructions received from the Fund Manager.



On behalf of the Custodian
Standard Chartered Bank Uganda Limited

Date: 31 March 2023



On behalf of the Custodian
Standard Chartered Bank Uganda Limited

Date: 31 March 2023



REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF BRITAM UMBRELLA FUND UNIT TRUST SCHEME

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Britam Umbrella Fund Unit Trust Scheme ("the Fund") as at 31 December 2022, and of its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority Act and the Collective Investment Schemes (Unit Trusts) Regulations, 2003.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with those requirements and the IESBA Code.

Key audit matters

The key audit matter described below is that which, in our professional judgment, is of most significance in our audit of the financial statements of the Fund for the year ended 31 December 2022. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and as such we do not provide a separate opinion on the matter.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042
T: +256 (414) 236018, +256 (312) 354400, F: +256 (414) 230153, E: ug_general@pwc.com, www.pwc.com/ug

Partners: C Mpobusingye D Kalemba P Natamba U Mayanja

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REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF BRITAM UMBRELLA FUND UNIT TRUST SCHEME (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of financial assets (IFRS 9 provisions).</i></p> <p>As disclosed in note 9, the Fund's financial statements include an impairment provision of Shs 10 million (2021: Shs 15 million) computed using the Fund's expected credit loss model as described in Note 2 (d).</p> <p>Because management has made significant judgments and used estimates in determining the key elements of the expected credit loss model, we considered the computation of the Fund's impairment provision as a key audit matter.</p> <p>Management has applied significant judgement and used estimates in:</p> <ul style="list-style-type: none"> deriving the Probability of Default ('PD'), Loss Given Default ('LGD'), and Exposure At Default ('EAD'). selecting the macroeconomic assumptions that best represent the range of future economic conditions that could impact the expected credit losses (ECLs) on the Fund's fixed income securities. assessing whether credit risk on the Fund's fixed income securities increased (or decreased) significantly since initial recognition. 	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> evaluated the appropriateness of the methodology applied by the Fund in the calculation of expected credit losses for consistency with IFRS 9; recomputed the expected credit losses for government securities; used the results from the re-computations to check the overall reasonableness of the Fund's IFRS 9 impairment provisions; checked the reasonableness of the probability of default and the loss given default ratio in the expected credit loss model; checked the reasonableness of management's considerations in determining Significant Increase in Credit Risk (SICR); and checked the appropriateness of the Fund's IFRS 9 disclosures particularly the key judgements and assumptions applied in determining the expected credit losses.



REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF BRITAM UMBRELLA FUND UNIT TRUST SCHEME (continued)

Report on the audit of the financial statements (continued)

Other information

The Fund Manager is responsible for the other information. The other information comprises the information in the annual report 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 identified above 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.

Responsibilities of the Fund Manager for the financial statements

The Fund Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Authority Act and the Collective Investment Schemes (Unit Trusts) Regulations, 2003, and for such internal control as the Fund 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 Fund 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 Fund Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Fund Manager responsible for overseeing the Fund's financial reporting process.

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.



REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF BRITAM UMBRELLA FUND UNIT TRUST SCHEME (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Fund Manager.
- Conclude on the appropriateness of the Fund Manager'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 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.
- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF BRITAM UMBRELLA FUND UNIT TRUST SCHEME (continued)

Report on other legal and regulatory requirements

As required by the Collective Investment Schemes (Unit Trusts) Regulations, 2003, we report to you, based on our audit, that:

- 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 Fund, so far as appears from our examination of those books of account; and
- iii) the Fund's statement of financial position and statement of comprehensive income are in agreement with the books of account

The engagement partner on the audit resulting in this independent auditor's report is CPA Cedric Mpobusingye - P0213.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', with a large, stylized 'P' at the beginning.

Certified Public Accountants
Kampala
31 March 2023

A handwritten signature in blue ink, appearing to read 'Cedric Mpobusingye', with a large, stylized 'C' at the beginning.

CPA Cedric Mpobusingye

Britam Umbrella Fund
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Statement of comprehensive income

	Notes	2022 Shs '000'	2021 Shs '000'
Income			
Interest income	5	6,991,464	3,634,309
Realised gains on investments	6	48,876	525,477
Total income		7,040,340	4,159,786
Expenses			
Service fees	7	(1,374,580)	(777,566)
Expected credit loss on investments	9(iii)	5,423	9,193
Total operating expenses		(1,369,157)	(768,373)
Profit before income tax		5,671,183	3,391,413
Income tax expense	8	-	-
Profit for the year		5,671,183	3,391,413
Other comprehensive income		-	-
Total comprehensive income for the year		5,671,183	3,391,413

The notes on pages 15 to 27 are an integral part of these financial statements.

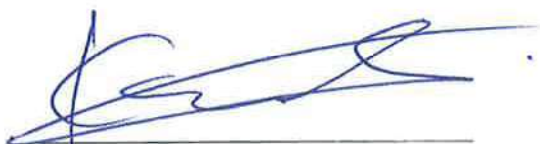
Britam Umbrella Fund
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Statement of financial position

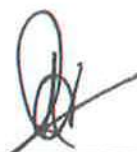
	Notes	2022 Shs '000'	2021 Shs '000'
Assets			
Government securities at amortized cost	9(ii)	61,667,053	28,224,627
Investment with related parties	9(ii)	-	3,444,323
Deposits with financial institutions at amortized cost	9(ii)	2,500,923	3,132,421
Cash at bank	9(iv)	594,646	403,368
Total assets		64,762,622	35,204,739
Liabilities			
Current liabilities			
Accrued expenses	11	139,033	72,571
		139,033	72,571
Net assets attributable to unitholders		64,623,589	35,132,168

The notes on pages 15 to 27 are an integral part of these financial statements.

The financial statements on pages 11 to 27 were approved and authorised for issue by the Fund Manager on 31 March 2023 and signed on its behalf by:



On behalf of the Fund Manager
 Britam Asset Managers Company
 (Uganda) Limited



On behalf of the Fund Manager
 Britam Asset Managers Company (Uganda)
 Limited

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Statement of changes in net assets attributable to unitholders

	Notes	2022 Shs '000'	2021 Shs '000'
At start of year		<u>35,132,168</u>	<u>27,709,789</u>
Transactions with unit holders			
Additional units purchased	10	89,433,002	19,382,310
Units liquidated	10	(65,612,764)	(15,351,344)
Net increase from transactions with unit holders		<u>23,820,238</u>	<u>4,030,966</u>
Total comprehensive income for the year		<u>5,671,183</u>	<u>3,391,413</u>
Net assets attributable to unitholders at 31 December		<u>64,623,589</u>	<u>35,132,168</u>

The notes on pages 15 to 27 are an integral part of these financial statements.

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Statement of cash flows

	Notes	2022 Shs'000'	2021 Shs'000'
Cash flows from operating activities			
Service fees		(1,374,580)	(777,565)
Increase in accrued expenses		<u>66,462</u>	<u>1,890</u>
		(1,308,118)	(775,675)
Purchase of government securities	9(ii)	(44,138,078)	(5,795,682)
Purchase of investment with related parties	9(ii)	(4,922,266)	(9,778,444)
Interest and dividends received	9(vi)	5,971,579	4,078,656
Proceeds from sale of investments	9(ii)	<u>20,136,434</u>	<u>10,164,462</u>
Net cash used in operating activities		<u>(24,260,449)</u>	<u>(2,106,683)</u>
Cash flows from financing activities			
Net contribution from unit holders	10	89,433,002	19,382,310
Liquidations by unit holders	10	<u>(65,612,764)</u>	<u>(15,351,344)</u>
Net cash generated from financing activities		<u>23,820,238</u>	<u>4,030,966</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(440,211)</u>	<u>1,924,283</u>
Movement in cash and cash equivalents			
At start of year		3,535,794	1,611,511
Net (decrease)/ increase in cash and cash equivalents for the year		<u>(440,211)</u>	<u>1,924,283</u>
Cash and cash equivalents at end of year	9(v)	<u><u>3,095,583</u></u>	<u><u>3,535,794</u></u>

The notes on pages 15 to 27 are an integral part of these financial statements.

Notes

1 General information

The Fund started operations in June 2019. The Fund is governed by a trust deed and is registered under the Capital Markets Authority Act and is domiciled in Uganda. The address of its registered office is:

Britam Centre
Plot 24A, Akii-Bua Lule Road
P.O. Box 36583
Kampala, Uganda

2 Summary of significant accounting policies

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

(a) Basis for preparation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and the requirements of the Capital Markets Authority Act. 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 (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires the Fund Manager 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.

(i) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022.

a) Amendment to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

b) Reference to the Conceptual Framework – Amendments to IFRS 3

There were minor amendments made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Notes (continued)

2 Summary of significant accounting policies (Continued)

(a) Basis for preparation (continued)

(i) New and amended standards adopted by the Fund (continued)

c) Annual Improvements to IFRS Standards 2018-2020 Cycle

The following improvements make amendments to the following standards and were finalised in May 2020:

- **IFRS 9: Financial Instruments** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 1: First-time Adoption of International Financial Reporting Standards** – The amendment allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

None of the above amendments had a significant impact on the Fund's financial statements.

(ii) New standards and interpretations not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the Fund had not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New standards and Amendments to standards	Effective for annual periods beginning on or after
Amendment to IAS 1, Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023

Notes (continued)

2 Summary of significant accounting policies (Continued)

(a) Basis for preparation (continued)

(ii) New standards and interpretations not yet effective and have not been early adopted (continued)

a) Amendment to IAS 1, Classification of Liabilities as Current or Non-Current

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

b) Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

c) Amendments to IAS 8 - Definition of Accounting Estimates

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Fund manager does not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above. There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions

Notes (continued)

2 Summary of significant accounting policies (Continued)

(a) Basis for preparation (continued)

iii) Early adoption of standards

The Fund did not early adopt any new or amended standards in the financial year.

(b) Foreign currency translation

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 financial statements are presented in Uganda Shillings ("Shs"), rounded to the nearest thousand which is the Fund's Functional Currency.

Transactions and balances

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

(c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Interest income includes interest from cash and cash equivalents, fixed deposits, government securities and investments with related parties.

(d) Financial instruments

(i) Classification

The Fund classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss, and those to be measured at amortised cost.

(ii) Recognition and derecognition

Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 cash flows 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.

Notes (continued)

2 Summary of significant accounting policies (Continued)

(d) Financial instruments (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

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

Based on these factors, the Fund classifies its debt instruments as those held at amortised cost. Under amortised cost the assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iv) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) 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 recognised in profit or loss as impairment gains or losses.

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:

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

In applying IFRS 9 impairment requirements, the Fund follows the general approach for all its financial assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

The General Approach

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of three stages in order 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 asset less ECL. The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(f) Distribution

All income or loss arising from investment is distributed to unit holders after provision for expenses. All distributions including unclaimed distributions are reinvested in the unit holders' account.

(g) Unit holder balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's 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.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks maturing within three (3) months.

(i) Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

Notes (continued)

3 Critical accounting estimates and judgements

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. Areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements relate to classification of and valuation of assets. In addition, judgement is required in determination of whether the assets are impaired and tax status of the Fund as disclosed in Note 6.

4 Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in market prices and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

Risk management is carried out by the Fund Manager, Britam Asset Managers Company (Uganda) Limited. Britam Asset Managers Company (Uganda) Limited 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 include the use of guidelines governing the acceptance of clients and investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

The Fund has complied with the requirements as at 31 December 2022.

Market risk

(i) Foreign exchange risk

In the year 2022, the Fund did not have exposure to investments that are denominated in foreign currencies, therefore, the Fund had no exposure to foreign exchange risk.

(ii) Price risk

The Fund invests in financial instruments that are subject to price risk. These are closely monitored by the management team to ensure risks are mitigated. At 31 December 2022, the Fund's overall exposure to price risk from government securities amounted to Shs 61,674,977,920 (2021: Shs 28,239,132,341).

As at 31 December 2021, if the Securities Exchange Indexes of all the countries the securities are invested in had increased/decreased by 1%, with all other variables held constant and all the funds equity instrument moved according to the historical correlation to the indexes, income available for distribution for the year would have been Shs Nil higher/lower (2021: 11,123,108).

(iii) Cash flow and fair value interest rate risk

The Fund's interest bearing financial assets are corporate bonds, government securities and deposits with financial institutions which are at fixed rate, and the Fund is therefore not exposed to cash flow interest rate risk. The Fund manager regularly monitors financing options available to ensure optimum interest rates are obtained.

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Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk

The Fund is exposed to credit risk, which is the risk that counterparty will be unable to pay amounts in full when they fall due.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

In accordance with the Funds' policy, the Fund manager monitors the Funds' credit position on a daily basis, and it 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 at 31 December 2022 is made up as follows:

2022	Gross Carrying value	Credit loss allowance	Total
	Shs'000	Shs'000	Shs'000
Government securities	61,674,968	(7,915)	61,667,053
Deposits with financial institutions	2,502,822	(1,899)	2,500,923
Cash and bank balances	594,660	(14)	594,646
Total	64,772,450	(9,828)	64,762,622

2021			
Government securities	28,239,132	(14,505)	28,224,627
Deposits with financial institutions	3,132,514	(93)	3,132,421
Bank balances	403,368	(5)	403,363
Investment with related parties	3,444,971	(648)	3,444,323
Total	35,219,985	(15,251)	35,204,734

No collateral is held for any of the above assets. All assets that are considered impaired are carried at their estimated recoverable value. None of the above assets are past due, past due and impaired or impaired.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily withdrawal of funds by investors. The Fund does not maintain cash balances to meet all of these needs as experience shows that a certain amount of withdrawals are requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

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Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

	Due on demand Shs '000	Due within 3 months Shs '000	Total Shs '000
As at December 2022			
Unit holders' balances	64,623,589	-	64,623,589
Current liabilities	-	139,033	139,033
Total	64,623,589	139,033	64,762,622
As at December 2021			
Unit holders' balances	35,132,168	-	35,132,168
Current liabilities	-	72,571	72,571
Total	35,132,168	72,571	35,204,739

Capital management

The capital of the Fund is represented by unit holders' balances. The amount of unit holder liabilities 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 unitholders.

5 Interest income	2022 Shs '000	2021 Shs '000
Government Securities	6,628,102	3,153,818
Deposits with financial institutions	251,046	128,906
Investment with related parties	112,316	351,585
	6,991,464	3,634,309

The weighted average interest rate for the interest-bearing securities is 14.33% (2021:10.96%)

6 Realized losses on investments	2022 Shs '000	2021 Shs '000
Realised gains on treasury bonds	(194,515)	267,402
Realised gains on treasury bills	231,335	254,960
Realised loss on bank deposits	12,056	3,115
	48,876	525,477

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Notes (continued)

7 Service fees

	2022	2021
	Shs'000	Shs'000
Management fees	1,118,772	632,448
Audit fees	22,105	25,194
Trustee fees	89,945	46,964
Custody fees	86,684	39,137
Annual general meeting costs	54,546	31,309
Licence fees	2,528	2,514
Total	<u>1,374,580</u>	<u>777,566</u>

The management fees relate to service fees paid to Britam Asset Managers Company (Uganda) Limited for the professional management of the Fund (Note 12). This is charged at 2% per annum, computed on the daily fund balances. Other costs such as, trustee fees at 0.15%, custodial fees at 0.125%, annual general meeting fees at 0.1% and license fees at 0.05% are also computed on the daily fund balances and charged to the Fund as well. The audit fees for the year amounted to Shs 22,105,000 (2021: Shs 25,194,000).

8 Taxation

The Fund is registered as a collective investment scheme under the Capital Markets Authority Act. The Fund is therefore exempt from income tax under the Uganda Income Tax Act.

9 Investments

(i) Maturity profile of investments

Year ended 31 December 2022

	Up to 3 months Shs'000	6 - 12 months Shs'000	Due within 1- 5 years Shs'000	Due after 5 years Shs'000	Totals Shs'000
Deposits with financial institutions	2,500,923	-	-	-	2,500,923
Government securities	-	7,959,055	26,965,508	26,742,489	61,667,053
Total	<u>2,500,923</u>	<u>7,959,055</u>	<u>26,965,508</u>	<u>26,742,489</u>	<u>64,167,976</u>

Year ended 31 December 2021

	Up to 3 months Shs'000	6 - 12 months Shs'000	Due within 1- 5 years Shs'000	Due after 5 years Shs'000	Totals Shs'000
Deposits with Financial Institutions	3,132,421	-	-	-	3,132,421
Government securities	-	-	18,070,299	10,154,328	28,224,627
Investment with related parties	-	3,444,323	-	-	3,444,323
Total	<u>3,132,421</u>	<u>3,444,323</u>	<u>18,070,299</u>	<u>10,154,328</u>	<u>34,801,371</u>

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Notes (continued)

9 Investments (continued)

(ii) Movement in investments

Year ended 31 December 2022	At start of year Shs '000	Purchases at cost Shs '000	Accrued Interest Shs '000	Sales/ maturity Shs '000	Provision for ECL Shs '000	At end of year Shs '000
Government securities	28,224,627	44,138,078	1,174,548	(11,876,790)	6,590	61,667,053
Deposits with financial institutions	3,132,421	118,250,000	308	(118,880,000)	(1,806)	2,500,923
Investment with related parties	3,444,323	4,922,266	(105,787)	(8,261,450)	-	-
Total	34,801,371	167,310,344	1,069,069	(139,018,240)	5,432	64,167,976

Year ended 31 December 2021	At start of year Shs '000	Purchases at cost Shs '000	Accrued Interest Shs '000	Sales/ maturity Shs '000	Provision for ECL Shs '000	At end of year Shs '000
Government securities	23,548,980	5,795,682	63,835	(1,187,523)	3,653	28,224,627
Deposits with financial institutions	1,513,024	52,485,000	(14,922)	(50,855,000)	4,319	3,132,421
Investment with related parties	2,619,979	9,778,444	17,293	(8,972,619)	1,226	3,444,323
Total	27,681,983	68,059,126	66,206	(61,015,142)	9,198	34,801,371

i(iii) i Expected credit loss on investments

The expected credit loss on investments relates to the Fund's investment in bank deposits, government securities, bank balances and investments in related. The Fund is holding a provision of Shs 9.9 million (2021: Shs 15.3 million) being doubtful on the investments. The table below displays the movement of the expected credit loss between 31 December 2021 and 31 December 2022:

	Government Securities Shs '000'	Deposits with financial institutions Shs '000'	Bank balances Shs '000'	Others Shs '000'	Total Shs '000'
At 1 January 2021	18,157	4,413	-	1,874	24,444
Increase/ (decrease) in loss allowance	(3,652)	(4,320)	5	(1,226)	(9,193)
At 31 December 2021	14,505	93	5	648	15,251
At 1 January 2022	14,505	93	5	648	15,251
Increase/(decrease) in loss allowance	(6,590)	1,806	9	(648)	(5,423)
At 31 December 2022	7,915	1,899	14	-	9,828

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Notes (continued)

9 Investments (continued)

	2022	2021
	Shs '000	Shs '000
(iv) Bank balances		
Bank balance	594,660	403,368
Expected credit loss	(14)	(4)
	<u>594,646</u>	<u>403,364</u>
(v) Cash and cash equivalents		
Deposits held with financial institutions – maturity of up to 3 months from contract date	2,500,923	3,132,524
Bank balance	594,660	403,368
	<u>3,095,583</u>	<u>3,535,892</u>
Expected credit loss	(1,913)	(98)
	<u>3,095,569</u>	<u>3,535,794</u>
(vi) Income received		
Government Securities	5,456,588	3,521,638
Bank deposits	356,833	128,906
Interest Income Others	112,316	334,291
Realised gains	45,842	93,821
	<u>5,971,579</u>	<u>4,078,656</u>

10 Unit holder balances

	2022		2021	
	No. of units '000	Shs '000	No. of units '000	Shs '000
At beginning of the period	317,408	35,132,168	277,098	27,709,789
Creations	889,637	89,433,002	193,823	19,382,310
Liquidations	(651,374)	(65,612,764)	(153,513)	(15,351,344)
Profit distribution	-	5,671,183	-	3,391,413
At the end of year	<u>555,671</u>	<u>64,623,589</u>	<u>317,408</u>	<u>35,132,168</u>

11 Accrued expenses

	2022	2021
	Shs '000	Shs '000
Management fees payable	114,902	59,444
Custody fees payable	8,046	3,678
Trustee fees payable	8,396	4,414
Annual general meeting payable	5,597	2,943
Licence fees payable	215	215
Audit fees payable	1,877	1,877
	<u>139,033</u>	<u>72,571</u>

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Notes (continued)

12 Related party transactions

Britam Umbrella Fund Unit Trust Scheme is managed by Britam Asset Managers Company (Uganda) Limited. Britam Asset Managers Company (Uganda) Limited is controlled by Britam Holdings Plc, a company incorporated in Kenya. There are other companies that are related to Britam Asset Managers Company (Uganda) Limited through common shareholdings or common directorship.

Transactions and balances arising during the year with related parties:

	2022	2021
	Shs '000	Shs '000
(a) Unit holder's balances		
Britam Umbrella Scheme Uganda	247,833	-
Britam Insurance Company (Uganda) Limited	623	-
Britam Holdings Plc	-	644,900
	<u>248,456</u>	<u>644,900</u>
(b) Service fees		
Britam Asset Managers Company (Uganda) Limited	<u>1,118,772</u>	<u>632,448</u>
(c) Payables to related parties		
Britam Asset Managers Company (Uganda) Limited	<u>111,943</u>	<u>58,855</u>
(d) Investment with related parties		
	2022	2021
	Shs '000	Shs '000
Britam Wealth Management Fund Uganda	<u>-</u>	<u>3,442,830</u>

13 Contingent liability

Uganda Revenue Authority in a letter to the fund managers indicated that distributions to the unit holders are dividends subject to withholding tax. This matter has been taken up by the industry and engagements are ongoing to streamline the position. The crystallization of this liability is considered low and dependent on the outcome of these ongoing discussions.