

NATIONAL SOCIAL SECURITY FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

**NATIONAL SOCIAL SECURITY FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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**NATIONAL SOCIAL SECURITY FUND
FUND INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018**

DIRECTORS

Mr. Patrick Byabakama Kaberenge	Chairman
Mr. Pius Bigirimana	Member
Mr. Patrick Ocailap	Member
Mrs. Sarah Walusimbi	Member
Mr. Nelson Wafana	Member
Mr. Andrew Stewart Obita	Member
Mrs. Penninah Tukamwesiga	Member
Mrs. Florence Namatta Mawejje	Member
Mr. Richard Byarugaba	Managing Director

REGISTERED OFFICE

14th Floor, Workers House
Plot No. 1, Pilkington Road
P. O. Box 7140
Kampala

AUDITOR

The Auditor General
Office of the Auditor General
Apollo Kaggwa Road
P. O. Box 7083
Kampala

DELEGATED AUDITORS

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

BANKERS

Standard Chartered Bank Uganda Limited
Speke Road
P. O. Box 7111
Kampala, Uganda

Citibank Uganda Limited
Plot 4, Ternan Avenue Nakasero
P. O. Box 7505
Kampala, Uganda

**NATIONAL SOCIAL SECURITY FUND
FUND INFORMATION (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

BANKERS (cont'd)

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

Bank of Baroda Uganda Limited
Plot 18 Kampala Road
P. O. Box 7197
Kampala, Uganda

Housing Finance Bank Limited
Plot 25 Kampala Road
P. O. Box 1539
Kampala, Uganda

Barclays Bank of Uganda Limited
Plot 2A & 4A, Nakasero Road
P. O. Box 7101
Kampala, Uganda

Tropical Bank Limited
Plot 27 Kampala Road
P. O. Box 9485
Kampala, Uganda

dfcu Bank Limited
Plot 26, Kyadondo Road
P. O. Box 70
Kampala, Uganda

Bank of Africa
Plot 45 Jinja Road
P. O. Box 2750
Kampala, Uganda

Centenary Rural Development Bank
Plot 44-46 Kampala Road
P. O. Box 1892
Kampala, Uganda

Commercial Bank of Africa
Plot 10 Kafu Road, Nakasero
P. O. Box 74827
Kampala, Uganda

Diamond Trust Bank Uganda Limited
Plot 17/19, Kampala Road
P. O. Box 7155
Kampala, Uganda

Ecobank Uganda Limited
Plot 4 Parliament Avenue
P. O. Box 7368
Kampala, Uganda

Equity Bank Uganda Limited
Plot 390, Muteesa Road Kampala
P. O. Box 10184
Kampala, Uganda

Finance Trust Bank
Plot 121 & 115, Block 6, Katwe
P. O. Box 6972
Kampala, Uganda

Guaranty Trust Bank
Plot 56 Kiira Road
P. O. Box 7323
Kampala, Uganda

Exim Bank
Plot 6, Hannington Road
P. O. Box 36206
Kampala, Uganda

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

Orient Bank Limited
Orient Plaza No. 14 Kampala Road
P. O. Box 3072
Kampala, Uganda

NC Bank Uganda
Rwenzori Towers
P. O. Box 28707
Kampala, Uganda

PostBank Uganda Limited
Plot 4/6 Nkurumah Road
P. O. Box 7189
Kampala, Uganda

United Bank for Africa (Uganda)
Limited
Plot 2, Jinja Road
P. O. Box 7396
Kampala, Uganda

**NATIONAL SOCIAL SECURITY FUND
FUND INFORMATION (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

ADVOCATES

Sebalu & Lule Advocates
S&L Chambers
Plot 14, Mackinnon Road
P. O. Box 2255
Kampala, Uganda

Kiwanuka & Karugire Advocates
Plot 5A2, Acacia Avenue
P. O. Box 6061
Kampala, Uganda

Kampala Associated Advocates
Plot 14, Nakasero Road
P. O. Box 9566
Kampala, Uganda

Kasirye, Byaruhanga & Co. Advocates
Plot 33, Clement Avenue
P. O. Box 10946
Kampala, Uganda

GP Advocates
(Formerly Omunyokol & Co. Advocates)
Colline House, 3rd Floor
Plot 4, Pilkington Road
P. O. Box 6737
Kampala, Uganda

Ligomarc Advocates
5th Floor Western Wing
Social Security House
P. O. Box 8230
Kampala, Uganda

Nangwala Rezida & Co. Advocates
Plot 9, Yusuf Lule Road
P. O. Box 10304
Kampala, Uganda

BNB Advocates
Kisozi House (Annex) 4th Floor (Suite No.10)
Plot 6/8 Nakasero Lane, off Kyaggwe Rd
P. O. Box 12386
Kampala, Uganda

Muhimbura & Co. Advocates
Plot 2, Parliament Avenue
P. O. Box 22971
Kampala, Uganda

**NATIONAL SOCIAL SECURITY FUND
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2018**

The directors submit their report together with the audited financial statements for the year ended 30 June 2018 which disclose the state of affairs of the National Social Security Fund ('the Fund' or "NSSF"), in accordance with Section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

1. Incorporation

The Fund is a body corporate established by an Act of Parliament and is domiciled in Uganda and is licensed as a Retirement Benefit Scheme under the Ugandan Retirement Benefits Regulatory Act (2011).

2. Principal activity

The Fund was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident fund (pays out contributions in lump sum). It covers all employees in the private sector including Non-Governmental Organizations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by the employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which 10% is paid by the employer and 5% is paid by the employee.

3. Results from operations

The results of the Fund are set out on page 12.

4. Interest to members

Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate paid during the year ended 30 June 2018 was 15% (2017: 11.23%).

5. Reserves and accumulated members' funds

The reserves of the Fund and the accumulated members' funds are set out on pages 14 and 15.

6. Unallocated members' funds

These are collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual members' accounts.

7. Directors

The directors who held office during the year and up to the date of this report are set out on page 1.

8. Auditors

In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 30 June 2018, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

**NATIONAL SOCIAL SECURITY FUND
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on 15/04 2018.

By order of the board,



.....
Mr. Isaac Ogwang
Ag. Corporation Secretary

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2018**

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011 and Regulations require the directors to make available to the Fund's members and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Fund as at the end of the financial year.

It also requires the directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act and National Social Security Fund (NSSF) Act 1985; and, for such internal controls as directors determined are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors confirm that, during the period under review, in the execution of their duties they have complied with the duties imposed by URBRA Act and the NSSF Act. The directors also confirm that:

- Adequate accounting records were kept inclusive of proper minutes of all resolutions passed by the Board of Directors;
- They took such steps as were reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- Proper internal control systems were employed by or on behalf of the Fund;
- Adequate and appropriate information was communicated to the members including their rights, benefits and duties in terms of the rules of the Fund;
- Reasonable steps to ensure that contributions, where applicable, were paid timely to the Fund;
- Expert advice was obtained on matters where they lacked sufficient expertise;
- The rules, operation and administration of the Fund complied with the URBRA Act and all applicable legislation; and,
- Funds were invested and maintained in accordance with the Fund's investment policy statement and Investment Regulations issued by URBRA.

Approval of the annual financial statements

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

The directors believe that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above-mentioned information, the directors wish to draw attention to the following:

The Fund did not appoint a custodian for internally managed investments as required by section 60 (2) of the URBRA Act.

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

These financial statements:

- were approved by the Board of Directors on 2018;
- are to the best of the Directors' knowledge and belief confirmed to be complete and correct; and,
- fairly represent the net assets of the Fund as at 30 June 2018 as well as the results of its activities for the period then ended in accordance with IFRS.

The Directors confirm that for the period under review, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

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

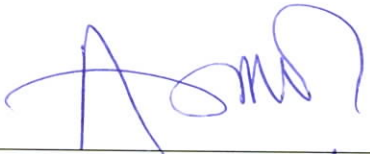
Mr. Patrick Byabakama Kaberenge
Chairman



Mr. Richard Byarugaba
Managing Director



Mr. Andrew Stewart Obita
Director



27/08/2018

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE NATIONAL SOCIAL SECURITY FUND FOR
THE YEAR ENDED 30th JUNE, 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF NATIONAL SOCIAL SECURITY FUND FOR THE
YEAR ENDED 30TH JUNE 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of National Social Security Fund (NSSF) which comprise the Statement of Net Assets Available for Benefits as at 30th June 2018 and the Statements of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set on pages 13 to 111.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30th June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

Basis of Opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Notes 31, 32 and 35 (b) to the Financial Statements:

- **Unallocated Member Funds**

Notes 31 and 32 to the financial statements, show un-allocated member funds of UGX.40.85. billion (2017: UGX.48.4 billion). These are contributions received from employers, which had not yet been allocated to the members' individual accounts because of incomplete members' records and errors in the members' records.

- **URA Tax Matter**

Note 35(b) to the financial statements, indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses. The directors have not recognised any provision for the liability of UGX 42.2 billion to the URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act. The note gives details of the case and explains that the directors have disclosed the matter as a contingent liability as the ultimate outcome of the case cannot presently be determined.

Key Audit Matters

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

- **Litigation and other Claims**

The Fund has legal matters as disclosed in Note 35(c) to the financial statements. I focused on this because some of the legal matters relating to claims over the Fund's investment property are the subject of media coverage and are of interest to the Fund's members. Assessing the liabilities and contingencies that could arise from legal matters involves judgement.

I also considered the risk that the disclosures in note 35(c) to the financial statements, which are significant to the understanding of the Fund's financial exposure to litigation may not be complete.

I had to understand the Fund's processes for recording and assessing litigation provisions and contingent liabilities. I evaluated the completeness and reasonableness of the amounts recognized as litigation liabilities and contingent liabilities, including the assessment of the legal reports by the Fund's internal and external lawyers.

I obtained direct confirmations from the Fund's external lawyers and compared the confirmed positions with the Fund management's assessment of the likely outcome of the legal matters. Furthermore, I obtained written representation from the Fund's directors regarding completeness of the legal matters. I also assessed the adequacy of the Fund's disclosures in respect to litigation.

Based on the procedures performed, I noted no significant issues in the Litigation and other claims against the Fund.

- **Accounting for investment in Associates**

As at 30th June 2018, the carrying amount of investments in associates was UGX.300 billion. As disclosed in Note 21 to the financial statements, investments in associates are carried at cost and adjusted for post-acquisition changes in the Fund's share of net assets of the associates less any impairment in value. The financial reporting periods for the Associates is 31st December, thus necessitating the Fund to use half-year unaudited financial reports for the purpose of determining the Fund's share of post-acquisition changes in net assets of the associates.

Valuation of investments in associates was considered a key audit matter due to the significance of the Fund's interest in associates and the judgements involved in the impairment assessment of the investments. I also considered a risk that the disclosures in Note 21 to the financial statements, which are significant to the understanding of the Fund's investments in associates, may not be complete.

My audit procedures included understanding the Fund's processes for recording the Fund's share of post-acquisition changes in net assets of the associates and other changes in the carrying amount of the investments. In addition, I had to understand the Fund's processes for assessing impairment of investments in associates.

I assessed whether the computation of the Fund's share of post-acquisition changes in net assets of the associates was in accordance with the Fund's shareholding and associate's financial statements. I ascertained whether the Fund's disclosures in respect to investments in associates were adequate.

Based on the procedures performed, I noted no significant issues in relation to accounting for investment in associates and the relevant disclosures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund Information, the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, Uganda Retirement Benefits Regulatory Act, National Social Security Act and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.



John F.S. Muwanga
AUDITOR GENERAL

28th August 2018

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Ushs'000	2017 Ushs'000
Revenue			
Interest income	5	978,134,226	781,099,059
Rental income	6	10,858,364	12,061,467
Dividend income	7	<u>52,990,410</u>	<u>52,311,094</u>
Total revenue		<u>1,041,983,000</u>	<u>845,471,620</u>
Other income			
Other operating income	8	387,590,406	27,358,145
Fair value gains from equity investments at fair value through profit or loss	18	<u>145,800,776</u>	<u>21,877,461</u>
Total other income		<u>533,391,182</u>	<u>49,235,606</u>
Expenditure			
Administrative expenses	9	(90,751,260)	(75,560,248)
Other operating expenses	10	(19,153,629)	(15,389,606)
Amortisation of intangible assets	25	(1,746,833)	(1,615,894)
Depreciation on property and equipment	26	<u>(4,012,001)</u>	<u>(3,644,286)</u>
Total expenditure		<u>(115,663,723)</u>	<u>(96,210,034)</u>
Share of results of associates, net of tax	21	<u>26,664,147</u>	<u>24,548,507</u>
Surplus from operations		1,486,374,606	823,045,699
Interest transfer to members	31	<u>(1,100,080,203)</u>	<u>(681,404,864)</u>
Surplus before tax	11	386,294,403	141,640,835
Income tax expense (withholding tax as final tax)	12(a)	<u>(145,850,312)</u>	<u>(130,637,624)</u>
Surplus for the year		<u>240,444,091</u>	<u>11,003,211</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to surplus or deficit in subsequent years:</i>		-	-
<i>Items not to be reclassified to surplus or deficit in subsequent years:</i>			
Share of other comprehensive income of an associate	21	<u>12,430,101</u>	<u>(6,889,710)</u>
Total other comprehensive income for the year, net of tax		<u>12,430,101</u>	<u>(6,889,710)</u>
Total comprehensive income for the year, net of tax		<u>252,874,192</u>	<u>4,113,501</u>

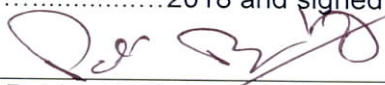
**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

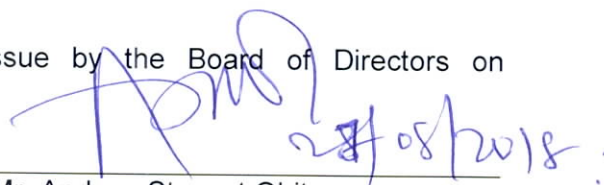
	Note	2018 Ushs'000	2017 Ushs'000
Total comprehensive income for the year, net of tax		252,874,192	4,113,501
DEALINGS WITH MEMBERS			
Contributions received during the year	31	1,049,089,149	916,908,807
Benefits paid	31	<u>(359,670,494)</u>	<u>(278,254,718)</u>
Net dealings with members		<u>689,418,655</u>	<u>638,654,089</u>
Net increase in scheme funds during the year		<u>942,292,847</u>	<u>642,767,590</u>

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 30 JUNE 2018**

	Note	30 June 2018 Ushs'000	30 June 2017 Ushs'000
ASSETS			
Cash and bank balances	13	17,894,729	56,242,869
Deposits with commercial banks	14	99,835,759	224,775,364
Trade and other receivables	16	47,763,900	45,038,256
Equity securities held-for-trading	15	112,181,205	88,373,503
Tax deposit receivable	12 (c)	25,323,522	25,323,522
Investments in securities held-to-maturity	17	7,354,563,778	5,747,059,614
Equity investments at fair value through profit or loss	18	1,326,207,276	899,971,553
Loans and advances	19	22,985,894	26,879,508
Inventories (Office supplies)	20	-	1,187,303
Investments in associates	21	298,309,967	266,525,086
Capital work-in-progress	23	177,845,987	323,834,523
Investment properties	24	464,627,140	188,210,449
Intangible assets	25	6,628,743	5,770,533
Property and equipment	26	11,318,028	10,966,843
Tax claimable	28	16,929,197	13,894,092
Finance leases	27	630,000	650,000
Total Assets		<u>9,983,045,125</u>	<u>7,924,703,018</u>
LIABILITIES			
Other payables	29	32,956,932	28,259,109
Provisions for litigation	30	13,796,545	12,801,429
Total Liabilities		<u>46,753,477</u>	<u>41,060,538</u>
NET ASSETS		<u>9,936,291,648</u>	<u>7,883,642,480</u>
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	31	9,407,593,129	7,623,061,300
Reserve account	32	105,313,084	90,069,937
Accumulated surplus		417,845,044	177,400,953
Other reserves		5,540,391	(6,889,710)
TOTAL MEMBERS' FUNDS AND RESERVES		<u>9,936,291,648</u>	<u>7,883,642,480</u>

These financial statements were approved for issue by the Board of Directors on 2018 and signed on its behalf by:


Mr. Patrick Byabakama Kaberenge
Chairman


Mr. Andrew Stewart Obita
Director


Mr. Richard Byarugaba
Managing Director

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2018**

Note	Reserve account Ushs 000	Accumulated members' funds Ushs 000	Accumulated surplus Ushs 000	Translation reserves' Ushs 000	Total Ushs 000
At 1 July 2016	80,107,536	6,303,685,942	166,397,742	-	6,550,191,220
Surplus for the year	-	-	11,003,211	-	11,003,211
Other comprehensive income, net of tax	-	-	-	(6,889,710)	(6,889,710)
Special contributions received	5,615,923	-	-	-	5,615,923
Members' contributions received	-	916,908,807	-	-	916,908,807
Benefits paid to members	-	(278,254,718)	-	-	(278,254,718)
Interest reallocated arising from arrears recovered	-	4,065,342	-	-	4,065,342
Provision for interest to members	4,346,478	676,655,927	-	-	681,002,405
At 30 June 2017	90,069,937	7,623,061,300	177,400,953	(6,889,710)	7,883,642,480
At 1 July 2017	90,069,937	7,623,061,300	177,400,953	(6,889,710)	7,883,642,480
Surplus for the year	-	-	240,444,091	-	240,444,091
Other comprehensive income, net of tax	-	-	-	12,430,101	12,430,101
Special contributions received	8,785,551	-	-	-	8,785,551
Members' contributions received	-	1,049,089,149	-	-	1,049,089,149
Benefits paid to members	-	(359,670,494)	-	-	(359,670,494)
Interest allocated to members arising from arrears recovered	-	4,709,663	-	-	4,709,663
Provision for interest to members	6,457,596	1,090,403,511	-	-	1,096,861,107
At 30 June 2018	105,313,084	9,407,593,129	417,845,044	5,540,391	9,936,291,648

* The translation reserve comprises the Fund's share of translation differences arising from the translation of the financial statements of an associate (UMEME Limited) from its functional currency to its presentation currency.

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Ushs '000	2017 Ushs '000
Net cash flows used in operating activities	33	(203,284,515)	(146,417,112)
Investing activities			
Purchase of software	25	(2,605,043)	(2,986,183)
Purchase of property and equipment	26	(4,363,186)	(2,961,759)
Proceeds from sale of property and equipment		-	141,100
Purchase of investment properties	24	(21,784,965)	(29,845,654)
Proceeds from disposal of investment properties		500,000	-
Additions to capital work-in-progress	23	(60,927,765)	(10,134,666)
Purchase of equity investments at fair value through profit or loss	18	(185,800,294)	(101,222,750)
Purchase of shares in associates	21	-	(59,448,574)
Purchase of equity investments held for trading	15	(14,394,032)	(3,634,838)
Proceeds from disposal of equity investments held for trading	15	9,903,346	1,607,354
Purchase of held to maturity investments	17	(1,754,330,332)	(1,269,848,548)
Maturities of held to maturity investments	17	417,385,506	255,833,542
Placement of deposits with commercial banks	14	(260,697,379)	(299,342,963)
Maturities of deposits with commercial banks	14	371,462,259	355,491,755
Maturities of loans and advances	19	4,742,252	7,782,330
Interest received from held to maturity investments	17	917,274,695	633,955,164
Interest received from loans and advances	19	2,560,610	18,220
Interest received from commercial bank deposits	14	36,620,291	36,089,590
Dividends received from associates		6,476,542	15,031,369
Net cash flows used in investing activities		(537,977,495)	(473,475,511)
Financing activities			
Benefits paid out to members	31	(359,670,494)	(278,254,718)
Contributions received from members	31	1,049,089,149	916,908,807
Interest recovered on arrears		4,709,664	4,065,342
Special contributions received	32	8,785,551	5,615,923
Net cash flows generated from financing activities		702,913,870	648,335,354
Increase in cash and cash equivalents		(38,348,140)	28,442,731
Cash and cash equivalents at the beginning of the year		56,242,869	27,800,138
Cash and cash equivalents at 30 June	13	17,894,729	56,242,869

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. FUND INFORMATION

National Social Security Fund (the "Fund") is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members as stipulated under the National Social Security Fund (NSSF) Act (Cap 222).

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2018, 21,971 beneficiaries were paid (2017: 20,084).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- Age Benefits - payable to a member who has reached the retirement age of 55 years;
- Withdrawal Benefits - payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- Invalidity benefits - payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- Survivors Benefits – Payable to the dependant survivor(s) in the unfortunate event of member's death;
- Emigration Grants – Payable to a member (Ugandan or Expatriate) who is leaving the country for good. Such a member must have been contributing for a minimum of four financial years; else will have to forfeit the 10% employer contribution; and,
 - Exempted Employment Benefits – Payable to a contributing member who joins employment categories that are exempted i.e. have their social protection schemes that are recognised under the existing law and are exempted from contributing to NSSF .e.g. the army, police, prison, civil service and government teaching service employees or members of any scheme who have received exemption from the Minister responsible for Social Security in writing.

The Government is currently implementing policy reforms whose objective is a liberalised and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established a Retirement Benefits Regulatory Authority [RBRA] whose function is to regulate all retirement schemes including NSSF. Like all other schemes, the Fund has an operating license, which has since been renewed until June 2018.

The Government also tabled the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament. The objective of the bill was, among others, to repeal the National Social Security Fund Act. In March 2018, Cabinet approved the National Social Security Fund Amendment Bill 2018. The Cabinet's position embedded in the amendment renders the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament, irrelevant. The amendment seeks to permit the fund continues as a national scheme and seal off its position as sole recipient of mandatory contributions for the country's working population. The amendment also seeks to provide for mid-term access of voluntary benefits, enable the fund to lend to the government, and bring on board new products including education, maternity, housing, health and unemployment.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management's expectation is that government will do all it can to ensure that the Fund continues to exist in the new liberalised and regulated framework.

The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund's going concern in the foreseeable future.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

The financial statements have been prepared on a historical cost basis except for some financial assets (equity investments held-for-trading or designated at fair value through profit or loss), and investment properties that have been measured at fair value. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund's functional currency, and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Investment in associates

An associate is an entity in which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Fund's investments in its associates are accounted for using the equity method.

Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of changes in net assets available for benefits reflects the share of the results of operations of the associates. Any change in OCI of the associates is presented as part of the Fund's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Fund recognises its share of any changes, when applicable, in the statement of changes in members' funds and reserves. Unrealised gains and losses resulting from transactions between the Fund and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Fund's share of profit or loss of associates is shown on the face of the statement of changes in net assets available for benefits and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are not necessarily prepared for the same reporting period as the Fund. Where the reporting periods differ by over 3 months, the Fund uses half-year unaudited financial statements for the differential period, with adjustments for over/under sharing of results upon receipt of the audited financial statements being made in the subsequent period. Where necessary, adjustments are made to make an associate's accounting policies conform to those of the fund when the associate's financial statements are used by the fund in applying the equity method.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Investment in associates (Continued)

After application of the equity method, the Fund determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Fund determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Fund calculates the amount of impairment as the difference between the recoverable amount of an associate and its carrying amount, and then recognises the loss within 'Share of profit of associates' in the statement of changes in net assets available for benefits.

Upon loss of significant influence over an associate, the Fund measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of changes in net assets available for benefits.

(b) Foreign currencies

The Fund's financial statements are presented in Uganda Shillings, which is also the Fund's functional currency.

Transactions in foreign currencies during the year are translated into Uganda Shillings at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Uganda Shillings at the date when the fair value was determined.

Foreign currency gains and losses arising from settlement or translation of monetary items are recognised in the statement of changes in net assets available for benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from investment properties is recognized in the statement of changes in net assets available for benefits on the straight line basis over the term of the lease.

Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of the Fund's assets and all realised and unrealised foreign exchange differences.

(d) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs to the acquisition of the financial asset. The Fund's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, deposits with commercial banks, investments in government and corporate bonds and equity investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments – initial recognition and subsequent measurement
(continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with changes in fair value recognised in surplus or deficit.

Financial assets held for trading

Financial assets held for trading include securities held for trading which are equity investments held by fund managers. Financial assets held for trading are carried in the statement of changes in net assets available for benefits at fair value with changes in fair value recognised in surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of changes in net assets available for benefits. The losses arising from impairment are recognised in impairment losses in the statement of changes in net assets available for benefits.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of changes in net assets available for benefits.

Other receivables

Other receivables are carried at amortised cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments – initial recognition and subsequent measurement
(continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a fund of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments – initial recognition and subsequent measurement
(continued)

Financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of changes in net assets available for benefits. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is recovered in the future, the recovery is credited to other income in the statement of changes in net assets available for benefits.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings measured at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables include trade payables and are subsequently measured at amortised cost. Gains and losses on derecognition and amortisation are recognised in surplus or deficit.

Other accounts payable

Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments – initial recognition and subsequent measurement
(continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a currently enforceable legal 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.

(e) ***Fair value measurement***

The Fund measures financial instruments, such as financial assets at fair value through profit or loss, and non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Fair value measurement (Continued)*

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Fund's Management Investment Committee determines the policies and procedures for recurring fair value measurement of investment properties. The management Investment Committee delegates the role of selection of/determination of involvement of the external valuers to a Valuation Committee which is comprised of the real estate manager, finance manager, procurement manager and Legal Officer.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined every two years by the Valuation Committee and after discussion with and approval by the Contracts Committee and the Accounting Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated at each round of valuation with no single valuer performing consecutive valuations. The Valuation Committee decides, after discussions with the Fund's external valuers, which valuation techniques and inputs to use for each case.

Annually, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee, in conjunction with the Fund's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Fund's external valuers present the valuation results to the Audit Committee and the Fund's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions - Note 4.
- Quantitative disclosures of fair value measurement hierarchy - Note 38.
- Financial instruments (including those carried at amortised cost) -Notes 15, 18 and 38
- Investment property – note 24

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The cost of day-to-day servicing of the property and equipment is recognized in surplus or deficit as incurred.

Depreciation is recognized in surplus or deficit and calculated to write off the cost of the property and equipment on a straight-line basis over the expected useful lives of the assets concerned. Land is not depreciated.

The estimated annual depreciation rates for the current and comparative periods are as follows: -

	Percentage
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment	25%

Management and directors review the depreciation methods, residual value and useful life of an asset at the year-end and any change considered to be appropriate is recorded in surplus or deficit as a change in estimates.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the statement of changes in net assets available for benefits when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of changes in net assets available for benefits in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortised at a rate of 10% p.a.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of changes in net assets available for benefits when the asset is derecognised.

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. All of the Fund's property interests held under operating leases to earn rentals or for Capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise.

Fair values are evaluated every after two years by an accredited external, independent valuer. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property. Any gain arising on revaluation is recognized through other comprehensive income. Any loss arising on revaluation is recognized through the surplus or deficit.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on first-in-first out principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or the replacement cost, as appropriate.

(j) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the asset's recoverable amount is estimated and an impairment loss recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of changes in net assets available for benefits in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of changes in net assets available for benefits.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) Gratuity

The Fund's terms and conditions of employment provide for gratuity to qualifying employees equivalent to 20% of the monthly salary per year of service to the organisation. This employment benefit is accrued on a monthly basis and paid annually in arrears. The provision in the financial statements takes account of service rendered by employees up to the reporting date and is based on the calculated staff benefits payable.

(ii) Staff provident fund

The Fund operates a defined contribution plan for all qualifying employees with contributions being made by the employees and a portion by the fund on behalf of each employee. The contributions payable to the plan are in proportion to the services rendered to the Fund by the employees and are recorded as an expense under 'staff costs' in the statement of changes in net assets available for benefits. Unpaid contributions are recorded as a liability.

(l) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in surplus or deficit except to the extent that it relates to items recognised through other comprehensive income or equity, in which case it is recognised through other comprehensive income or equity.

Current tax is provided for on the surplus for the year adjusted in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided for using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end reporting date. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable surplus or deficit, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable surplus will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax is recognized as an expense/(income), except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or rendering of services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the statement of net assets available for benefits.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances that are available on demand as at the reporting date.

(o) Capital work-in-progress

The ongoing construction/installation of capital projects are recorded at the cost to date or valuation and are only transferred into the relevant assets categories once completed and commissioned. No depreciation is computed on capital work-in-progress as these assets are not yet available for use. However, an expected impairment loss on capital work-in-progress is recognized immediately in surplus or deficit.

(p) Members' funds

The Fund is funded through contributions from members and investment income.

(i) Contributions from members

Contributions from employees remitted by the employers are recognized on a cash basis. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognized in subsequent years when received.

(ii) Benefit payments to members

Benefits to members are accounted for on a cash basis. Benefit payments made but not collected by members are written back in the cash book and no liability thereof recognized in the financial statements.

(iii) Interest payments to members

Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act and is treated as an expense.

(q) Reserve account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non-eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognised through the statement of changes in net assets available for benefits and then appropriated from the accumulated surplus/deficit to the reserve account. Transfers from the reserve account require the approval of the Minister of Finance in accordance with the NSSF Act.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Fund as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases, where substantially all the risks and rewards incidental to ownership are transferred to the Fund are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in surplus or deficit. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Fund as a lessor

Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures

New and amended standards and interpretations

The fund applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The fund has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of each amendment are described below.

Amendments to IAS 7 Statement of Cash flows: Disclosure initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment did not have a significant impact to the Fund's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealised losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Fund applied amendments retrospectively. However, their application has no significant effect on the Fund's financial position and performance as the Fund has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvement Cycle- 2014-2016

Amendments to IFRS 12 Disclosure of interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 30 June 2018, the amendments did not affect the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures

i) Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Fund's financial statements are disclosed below. These are the changes that the Fund reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Fund intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

Fund-specific IFRS 9 analysis:

NSSF holds the following financial assets:

Government Securities:

Classification:

In accordance with paragraph 4.1.2 of the new standard, Government Securities would qualify as measured at amortised cost as both of the following conditions are currently met:

- a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- b) The contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Impairment:

In accordance with paragraph 5.5.1 of the new standard, a loss allowance for expected credit losses is to be recognised in respect of held-to-maturity government securities.

Equity Investments:

The Fund holds equity investments which are currently classified as Held for Trading and at fair value through profit or loss. A distinction is made in the financial statements between Equity Investments at Fair Value through Profit or Loss (managed by the Fund itself) and Equity Securities Held for Trading (managed by external Fund Managers).

Classification and subsequent measurement:

In accordance with 4.1.4 of the new standard, the above instruments would be classified as measured at fair value through profit or loss with the related gains and losses recognised in surplus or deficit in accordance with paragraph 5.7.1 of the new standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Loans and advances:

As at 30 June 2018, the Fund had advanced loan facilities to Uganda Clays Limited and Housing Finance Bank Limited. Under IAS 39, the loans and advances are measured at amortised cost using the effective interest rate.

Classification and Subsequent Measurement:

If the current business model and cash flow characteristics of the two facilities are to be maintained, the loans and advances would be financial assets measured at amortised cost as: the Fund holds all loans and advances to maturity and payments received in respect of the loans are solely payments of principal and interest.

Impairment:

A loss allowance is to be applied to the loans and advances in accordance with paragraph 5.5.1. Under IAS 39, the Fund has recognised impairment based on the assessment of discounted expected cash flows Vs carrying amount of the assets.

Trade and other receivables:

The Fund's trade and other receivables include prepayments, staff advances, dividends receivable, VAT recoverable among other debtors.

Classification:

Under IAS 39, these are classified as Loans and Receivables and measured at amortised cost. Based on the known business model and cash flow characteristics of amounts comprising this grouping of financial assets, the expectation is they will be classified as "measured at amortised cost".

Subsequent measurement:

Subsequent measurement of the amortised cost will be in accordance with the effective interest rate method as was the case under IAS 39.

In accordance with paragraph 2.1(b), IFRS 9 does not apply to the rights and obligations under leases to which IFRS 16 Leases applies. However:

a) finance lease receivables and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of the new standard; and,

b) lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraph 3.3.1 of the new standard

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Impairment:

Under IAS 39, the Fund currently recognises impairment of its trade and other receivables based on the objective evidence of days in arrears.

IFRS 9 allows for the use of a "simplified approach" for trade receivables, contract assets and lease receivables in which the entity may measure the loss allowance at amount equal to the lifetime expected credit losses for:

a) trade receivables that result from transactions that are within the scope of IFRS 15 and that:

i) do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15); or

ii) contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

b) lease transactions that result from transactions that are within the scope of IFRS 16. Currently, the Fund determines impairment provisions on trade and other receivables based on an arrears analysis. Under IFRS 9, expected credit losses would have to be determined in accordance with paragraph 5.5.1.

Deposits with commercial banks:

NSSF regularly invests in time deposits with commercial banks in Uganda for the purpose of earning interest income. Under IAS 39, the deposits are classified as loans and receivables and are measured at amortised cost using the effective interest rate.

Classification and Subsequent Measurement:

If the current business model and cash flow characteristics of the facilities are to be maintained, the deposits with commercial banks would be financial assets measured at amortised cost as: the Fund holds all the deposits to maturity and payments received in respect of the deposits solely payments of principal and interest.

Impairment:

A loss allowance is to be applied to deposits with commercial banks in accordance with paragraph 5.5.1. Under IAS 39, the Fund has not recognised any impairment. The nature and extent of any loss allowance is dependent mainly on the credit risk rating that would be applicable to NSSF's counterparties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Interest Income:

Under IAS 39, for all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Per section 5.4.1 of the new standard, the method of calculation of interest revenue is unchanged except for:

- a) purchased or originated credit-impaired financial assets. For such financial assets, the credit-adjusted effective interest rate is to be applied to the amortised cost of the financial asset from initial recognition;
- b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the effective interest is to be applied to the amortised cost of the financial asset in subsequent reporting periods.

Likely extent of expected credit losses (ECL):

Sovereign Debt:

The financial services and investment sectors have been slow to adopt ECL modelling for sovereign debt – the lack of reliable macro-economic data and associated low level of credit risk have contributed largely to this. Management has been able to review risk-appropriate models for the computation of ECLs on sovereign debt, results have shown amounts computed ranging from 0.02% to 0.05% of exposures.

Amongst others, risk-appropriate models include those based on appropriate methodologies such as the Pluto-Tasche method which incorporate global sovereign debt delinquency history for a sufficient-enough period of time. There is a general appreciation that the credit risk rating for Ugandan sovereign debt is not expected to significantly change in the foreseeable future.

Corporate Debt:

Most financial institutions in Uganda offering Corporate Lending have diversified portfolios that present as multiple risk grades – arrived at through sectorial and macro-economic analysis. Portfolio quality is subject to changes which may be influenced by the economic cycle and which are also the result of internal credit assessment frameworks. Overall, ECL computations in the financial services industry have produced impairment provisions within the region of 80-120% in excess of provisions held under IAS 39.

Trade and other receivables:

These are primary assets arising from the day-to-day business operations of NSSF and over the years have manifested significant volatility owing to the diverse nature of transactions giving rise to balances under this caption. As such, the level and extent of impairment coverage cannot be reasonably estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Deposits with commercial banks:

Similar to sovereign debt, the financial services and investment sectors have been slow to adopt ECL modelling for time investments – the generally low level of credit risk means that the benefits of modelling are routinely outweighed by the associated cost. Management has been able to review risk-appropriate models for the computation of ECLs on deposits with financial institutions, results have shown amounts computed ranging from 0.005% to 0.01% of exposures.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of the standard will have no significant impact to the Fund as the recognition of revenue from rental agreements and disposal of assets that is currently being done will not change with application of the new standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Fund is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

Other amendments and new standards which have been issued but are not yet effective, which the Fund does not expect to have an impact on the financial statements, are listed below:

- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2¹
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts— Amendments to IFRS 4¹
- Transfers of investment property—Amendments to IAS 40¹
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration¹
- AIP IFRS 1 First-time adoption of International Financial Reporting standards— Deletion of short-term exemptions for first –time adopters¹
- AIP IAS 28 Investments in Associates and Joint Ventures—Clarification that measuring investees at fair value through profit or loss is an investment- by- investment choice¹
- IFRIC Interpretation 23 Uncertainty over income tax treatments²
- Prepayment Features with Negative Compensation—Amendments to IFRS 9²
- Long-term interests in Associates and Joint Ventures—Amendments to IAS 28²
- AIP IFRS 3 Business Combinations—Previously held interests in a joint operation²
- AIP IFRS 11 Joint Arrangements—Previously held interests in a joint operation²
- AIP IAS 12 Income taxes—Income tax consequences of payments on financial instruments classified as equity²
- AIP IAS 23 Borrowing Costs—Borrowing costs eligible for capitalization²
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19²
- IFRS 17 Insurance Contracts³
- IFRS 10 and IAS 28 sale or Contribution of Assets between an Investor and its Associate or Joint Venture—Amendments to IFRS 10 and IAS 28⁴
- Conceptual Framework for Financial Reporting⁵

¹Effective for annual periods beginning on or after date 1 January 2018

²Effective for annual periods beginning on or after 1 January 2019

³Effective for annual periods beginning on or after 1 January 2021

⁴Effective date deferred indefinitely

⁵Effective for annual periods beginning on or after 1 January 2020

**NATIONAL SOCIAL SECURITY FUND
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4. DETERMINATION OF FAIR VALUE

The fair value of both financial/non-financial assets and fair values have been determined for measurement and/or disclosure purposes based on the methods below.

(i) Investment properties

The Fund uses an external independent valuer with recognized professional qualification and experience to value the Fund's investment properties after every two years (previously on an annual basis). The fair values are based on the market conditions being the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. In the absence of an active price in an active market, the values are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. The yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(ii) Investment in debt and equity securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available for sale is determined by reference to their quoted bid prices at the reporting date, if available. The fair value for non-quoted equity instruments has been estimated using the net asset value methodology.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of trade and other receivables is determined at the reporting date for disclosure purposes only.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
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5. INTEREST INCOME

	2018	2017
	Ushs 000	Ushs 000
Interest income on short term deposits with banks	22,176,101	42,951,560
Interest income on government bonds: held-to-maturity	940,388,562	719,180,580
Interest income on corporate bonds: held-to-maturity	12,368,801	15,174,775
Interest income on loans and receivables measured at amortised cost	<u>3,200,762</u>	<u>3,792,144</u>
	<u>978,134,226</u>	<u>781,099,059</u>

All interest income arises from financial assets that are not at fair value through profit or loss.

6. RENTAL INCOME

	2018	2017
	Ushs 000	Ushs 000
Workers House	5,268,051	7,045,959
Social Security House	2,824,503	2,548,541
Service Charge	1,914,787	1,644,474
Others - Naguru & Yusuf Lule	<u>851,023</u>	<u>822,493</u>
	<u>10,858,364</u>	<u>12,061,467</u>

This relates to rental income earned from investment properties (refer to Note 24) owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements.

7. DIVIDEND INCOME

	2018	2017
	Ushs 000	Ushs 000
Stanbic Bank Uganda Limited	2,346,362	1,545,017
Bank of Baroda (Uganda) Limited	374,672	124,891
New Vision Printing and Publishing Company Limited	-	750,000
DFCU Limited	3,808,025	742,794
Safaricom Limited	11,183,896	13,567,879
Equity Group Holdings Ltd	6,630,029	6,442,147
Kenya Commercial Bank (KCB)	6,744,890	6,516,750
Bank of Kigali	2,784	2,243,356
Tanzania Breweries	4,575,408	5,856,612
East Africa Breweries	3,446,791	3,287,382
Eastern and Southern African Trade and Development Bank (TDB Bank)	3,278,566	3,085,446
Other dividend income earned from fund managers	<u>10,598,987</u>	<u>8,148,820</u>
	<u>52,990,410</u>	<u>52,311,094</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
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8. OTHER OPERATING INCOME

	2018	2017
	Ushs 000	Ushs 000
Gain on disposal of property and equipment	-	141,100
Gain on disposal of investment property	136,360	
Clearance fees	-	40,540
Miscellaneous income	79,892	11,307,060
Fair value gains on equity investments held for trading	18,321,014	1,558,529
Gain / (loss) on disposal of equity investments held for trading	128,650	(315,322)
Notional income on staff loans	208,486	340,027
Fines and penalties from defaulting employers	1,235,369	420,985
Fair value gains on investment property	48,079,065	19,019,795
Foreign exchange (loss)/gains	<u>319,401,570</u>	<u>(5,154,569)</u>
	<u>387,590,406</u>	<u>27,358,145</u>

Miscellaneous income mainly comprises fees from sale of bid documents and insurance claims.

Foreign exchange (loss)/gains arose from (depreciation)/appreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities.

9. ADMINISTRATIVE EXPENSES

	2018	2017
	Ushs 000	Ushs 000
Staff costs (Note 9a)	56,476,736	42,590,308
Staff medical insurance	1,148,636	983,186
General staff and training expenses	6,289,388	4,443,893
Advertising and promotion	5,383,236	5,414,593
Auditors' remuneration	162,385	129,928
Bank charges and commission	9,210	199,030
Board expenses	1,005,323	847,656
Cleaning expenses	347,254	335,726
IT connectivity and internet	694,760	521,578
Directors' allowances	813,887	508,417
Professional fees	3,441,591	2,676,786
Legal fees	1,210,936	5,087,598
Motor vehicle fuel costs, maintenance & repairs	1,063,979	916,309
Printing and stationery	698,009	736,165
Subscriptions	615,196	342,892
Telephone, fax, telex and post	773,027	769,382
Travel and subsistence costs	3,664,512	2,889,626
Commission and brokerage fees	1,533,712	1,699,354
Uganda Retirement Benefits Regulatory Authority annual levy	5,026,177	4,022,953
Other administrative expenses	<u>393,306</u>	<u>444,868</u>
	<u>90,751,260</u>	<u>75,560,248</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
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9. ADMINISTRATIVE EXPENSES (CONTINUED)

	2018	2017
	Ushs 000	Ushs 000
a) Staff costs		
Leave pay	819,830	626,712
Overtime expenses	76,330	106,168
Salaries and wages	46,325,518	34,800,313
Social security contributions	4,971,196	3,768,186
Contributions to the staff provident fund	3,328,688	2,616,634
Gratuity	<u>955,174</u>	<u>672,295</u>
	<u>56,476,736</u>	<u>42,590,308</u>

Average number of employees: 549 (2017: 522)

10. OTHER OPERATING EXPENSES

	2018	2017
	Ushs 000	Ushs 000
Office Rent (branches)	1,911,191	4,323,330
Electricity and water	1,630,779	1,661,580
Repairs and maintenance	8,492,458	5,872,157
Insurance	2,134,954	1,302,403
Security expenses	1,579,763	1,270,934
Research and library expenses	559,071	909,082
Impairment loss provision for bad debts	<u>2,845,413</u>	<u>50,120</u>
	<u>19,153,629</u>	<u>15,389,606</u>

a) Impairment loss provision for bad debts

Rent receivable (Note 16)	<u>2,845,413</u>	<u>50,120</u>
	<u>2,845,413</u>	<u>50,120</u>

Future minimum rentals payable under non-cancellable operating leases are as follows:

At 30 June 2018

	Up to 1 year	1 to 5 years	Over 5 years
	Ushs' 000	Ushs' 000	Ushs' 000
Branch office rentals	<u>1,001,902</u>	<u>2,003,803</u>	-

At 30 June 2017

	Up to 1 year	1 to 5 years	Over 5 years
	Ushs' 000	Ushs' 000	Ushs' 000
Branch office rentals	<u>1,068,623</u>	<u>2,137,243</u>	-

Operating leases relate to leases of office space for different Fund branches across the country with lease terms averaging 3 years which are renewable. There are no operating lease contracts bearing terms for contingent rent payments. The Fund does not have an option to purchase the leased office space at the expiry of the lease periods and neither does it have restrictions imposed by any lease arrangements.

**NATIONAL SOCIAL SECURITY FUND
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11. SURPLUS BEFORE TAX

Surplus before tax is arrived at after charging / (crediting):

	2018	2017
	Ushs 000	Ushs 000
Amortisation of intangible assets (Note 25)	1,746,833	1,615,894
Depreciation on property and equipment (Note 26)	4,012,001	3,644,286
Gain on disposal of property and equipment	-	(141,100)
Gain on disposal of investment	(136,360)	-
Auditors' remuneration	162,385	129,928
Directors' emoluments	813,887	508,417
Staff costs	56,476,736	42,590,308
Unrealised foreign exchange (gains)/loss	(319,533,484)	5,228,361
Fair value gains on equity instruments at FVTPL	(145,800,776)	(21,877,461)
Fair value gains on equity instruments held for trading	(8,775,825)	(1,558,529)
Fair value gains on investment property	<u>(48,079,065)</u>	<u>(19,019,795)</u>

12. TAX

(a) Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,202 billion as at 30 June 2018 (2017: Ushs 908 billion). The tax on the Fund's surplus after interest transfer to member's funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2018	2017
	Ushs 000	Ushs 000
Surplus from operations before tax	<u>386,294,403</u>	<u>141,640,835</u>
Tax calculated at 30%	115,888,321	42,492,251
Tax effect of:		
Expenses relating to income taxed at source	16,731,554	14,764,350
Expenses relating to government securities	177,413,720	119,928,101
Interest Income on government securities	(230,900,640)	(200,743,831)
Non- taxable income	(7,999,240)	(8,004,871)
Other non-deductible expenses	650,706	702,699
Unrecoverable withholding tax deducted at source	145,850,312	130,637,625
Prior year deferred tax under provision	31,470	-
Unrecognised deferred tax(charge)/ credit(Note 12(b))	<u>(71,815,891)</u>	<u>30,861,300</u>
Tax charge	<u>145,850,312</u>	<u>130,637,624</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
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12. TAX (CONTINUED)

(b) Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2017: 30%).

	At 30 June 2017 Ushs 000	Movement for the year Ushs 000	At 30 June 2018 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(36,320,157)	(50,436,141)	(86,756,298)
Provision for impairment loss on trade and other receivables	(8,546,005)	(856,457)	(9,402,462)
Bonus provision	(1,657,085)	(364,041)	(2,021,126)
Tax losses carried forward	<u>(272,366,373)</u>	<u>(88,354,576)</u>	<u>(360,720,949)</u>
	<u>(318,889,620)</u>	<u>(140,011,215)</u>	<u>(458,900,835)</u>
Deferred tax liabilities			
Unrealized foreign exchange gains	75,818,075	147,705,355	223,563,004
Fair value gains on investment properties	74,897,024	14,423,719	89,281,169
Fair value changes on equity instruments	39,752,266	43,740,233	83,492,499
Unrealised gains in investments with fund managers	3,702,056	5,496,304	9,198,360
Accelerated depreciation	<u>1,862,727</u>	<u>461,495</u>	<u>2,324,222</u>
	<u>196,032,148</u>	<u>211,827,106</u>	<u>407,859,254</u>
Net deferred tax asset	<u>(122,857,472)</u>	<u>71,815,891</u>	<u>(51,041,581)</u>
	At 30 June 2016 Ushs 000	Movement for the year Ushs 000	At 30 June 2017 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(34,523,209)	(1,796,948)	(36,320,157)
Provision for impairment loss on trade and other receivables	(8,940,546)	394,541	(8,546,005)
Bonus provision	(1,489,711)	(167,374)	(1,657,085)
Tax losses carried forward	<u>(245,703,910)</u>	<u>(26,662,463)</u>	<u>(272,366,373)</u>
	<u>(290,657,376)</u>	<u>(28,232,244)</u>	<u>(318,889,620)</u>
Deferred tax liabilities			
Unrealized foreign exchange gains	84,421,036	(8,602,961)	75,818,075
Fair value gains on investment properties	69,191,086	5,705,938	74,897,024
Fair value changes on equity instruments	39,245,277	506,989	39,752,266
Unrealised gains in investments with fund managers	3,702,056	-	3,702,056
Accelerated depreciation	<u>2,101,751</u>	<u>(239,024)</u>	<u>1,862,727</u>
	<u>198,661,206</u>	<u>(2,629,058)</u>	<u>196,032,148</u>
Net deferred tax asset	<u>(91,996,170)</u>	<u>(30,861,302)</u>	<u>(122,857,472)</u>

**NATIONAL SOCIAL SECURITY FUND
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12. TAX (CONTINUED)

The net deferred tax asset of Ushs 51 billion (2017: Ushs 123 billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilise the benefits therefrom. As at 30 June 2018, tax losses carried forward amounted to Ushs 1,202 billion. Despite the Fund making surplus earnings, Section 22(1) and 25 of the Income Tax Act allows a deduction of interest incurred during the year of income in respect of a debt obligation. In addition, the Fund obtained a ruling from Uganda Revenue Authority in 2001 advising that interest paid to members is tax deductible. The Fund follows this ruling when preparing income tax computations and it is unlikely that the Fund will have taxable profits against which the deferred income tax asset can be utilised.

c) Tax deposit receivable

	2018	2017
	Ushs 000	Ushs 000
Tax deposit receivable	<u>25,323,522</u>	<u>25,323,522</u>

As disclosed in Note 35(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be refunded in the event of a successful outcome, or applied toward the tax obligation in the event that the fund is not successful in its court case.

The carrying amount of the tax deposit approximates its fair value.

**NATIONAL SOCIAL SECURITY FUND
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13. CASH AND BANK BALANCES

	2018	2017
	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	662,419	523,225
Citibank Uganda Limited	827,797	2,099,237
Housing Finance Uganda Limited (Note 34)	10,545	103,541
Stanbic Bank Uganda Limited	7,049,087	17,484,918
Standard Chartered Bank Uganda Limited	4,412,393	30,256,623
KCB Rwanda	648,436	1,322,625
Imperial Bank Limited	15,261	50,903
Ecobank Uganda Limited	346,705	236,640
Bank of Africa	241,988	566,868
Centenary Bank	434,975	298,951
DFCU Bank Limited	1,018,397	1,575,843
United Bank for Africa	14,982	45,251
Orient Bank Limited	144,584	197,749
Guaranty Trust Bank	295,635	90,142
Tropical Bank -collection account	88,448	70,122
Bank of Baroda Uganda Limited-collection account	318,156	138,154
Post Bank	690,139	104,431
Finance Trust Bank	73,054	44,505
Diamond Trust	480,645	770,065
NC Bank	79,161	73,653
Equity Bank	-	130,878
Commercial Bank of Africa	-	40,987
Cash at hand	8,656	17,558
Mobile Money	33,266	-
	<u>17,894,729</u>	<u>56,242,869</u>

Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held to the Fund except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% respectively. The fair value of the cash and bank balances is equal to their carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and bank balances above.

**NATIONAL SOCIAL SECURITY FUND
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14. DEPOSITS WITH COMMERCIAL BANKS

	2018 % in class	2017 % in class	2018 Ushs 000	2017 Ushs 000
Barclays Bank of Uganda Limited	-	5.6	-	12,525,389
Bank of Baroda Uganda Limited	-	4.7	-	10,506,626
Post Bank Uganda Limited	-	3.8	-	8,456,057
DFCU Bank Limited	-	11.1	-	24,913,169
Housing Finance Bank Limited (Note 34)	40.3	14.8	40,247,673	33,213,725
Orient Bank Limited	-	6.9	-	15,456,882
*Standard Chartered Bank Uganda Limited	-	29.1	-	65,513,847
Commercial Bank of Africa	18.4	3.6	18,396,864	8,163,708
Finca Uganda Limited	-	6.5	-	14,516,526
Tropical Bank Uganda Limited	10.4	4.6	10,307,397	10,244,749
Equity Bank Uganda Limited	30.9	4.5	30,883,825	10,006,027
Guarantee Trust Bank	-	5.0	-	11,258,659
	<u>100</u>	<u>100</u>	<u>99,835,759</u>	<u>224,775,364</u>

*There is a floating lien of Ushs. 29,980,000,000 placed on cash/ deposits with Standard Chartered Bank Uganda Limited. The bank balances with Standard Chartered Bank are not excluded from cash and cash equivalents for purposes of the statement of cash flows as the Deposits are sufficient to settle the lien.

The deposits with commercial banks are analysed as follows:

	2018 Ushs 000	2017 Ushs 000
Amounts due within three (3) months	-	-
Amounts due after three (3) months	<u>99,835,759</u>	<u>224,775,364</u>
	<u>99,835,759</u>	<u>224,775,364</u>

The change in the bank deposits during the year was as follows:

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	224,775,364	274,062,186
New placements / deposits	260,697,379	299,342,963
Maturities	(371,462,259)	(355,491,755)
Interest accrued	22,176,101	42,951,560
Interest received	(36,620,291)	(36,089,590)
Foreign exchange gains/losses	269,465	-
At 30 June	<u>99,835,759</u>	<u>224,775,364</u>

The deposits are carried at amortised cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2018 was 14.99% (2017: 15.73%).

**NATIONAL SOCIAL SECURITY FUND
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15. EQUITY SECURITIES HELD-FOR-TRADING

	2018	2017
	Ushs 000	Ushs 000
GenAfrica	7,389,300	5,544,860
Pinebridge Investments	<u>104,791,905</u>	<u>82,828,643</u>
	<u>112,181,205</u>	<u>88,373,503</u>

The investments in securities held-for-trading are equity investments managed by the Fund Managers; GenAfrica and Pinebridge Investments. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

	% in class 2018	% in class 2017	Number of shares held		Market Value	
			2018	2017	2018 Ushs'000	2017 Ushs'000
Uganda Securities Exchange						
Stanbic Bank (U) Limited	21.6	25.9	114,549,447	113,595,430	3,665,582	3,048,240
dfcu Limited	56.1	37.7	5,835,580	5,835,580	9,533,584	4,429,205
New Vision Printing and Publishing Company Limited	5.8	10.0	2,185,857	2,185,857	983,636	1,178,177
Umeme Limited	6.5	13.8	3,654,088	3,654,088	1,096,226	1,625,197
Uganda Clays Limited	1.2	1.0	9,575,568	9,575,568	205,875	114,907
Bank of Baroda	<u>8.9</u>	<u>11.5</u>	12,525,000	12,525,000	<u>1,503,750</u>	<u>1,352,700</u>
	<u>100</u>	<u>100</u>			<u>16,988,653</u>	<u>11,748,426</u>
Nairobi Securities Exchange						
Athi River Mining	1.3	1.3	-	1,026,025	-	838,795
Bamburi Cement Limited	4.8	4.8	220,845	465,845	1,517,095	3,131,525
Barclays Bank Kenya Limited	3.4	3.4	6,090,000	6,090,000	2,676,054	2,223,465
BAT Kenya Limited	13.0	13.0	283,700	283,700	5,358,211	8,512,909
Britam Holdings Limited	3.7	3.7	3,207,400	5,200,000	1,797,124	2,404,922
Centum Investments (ICDC)	1.8	1.8	-	720,690	-	1,149,424
CFC Stanbic Holdings	3.1	3.1	1,269,400	773,000	4,457,504	2,023,527
Co-operative Bank of Kenya	3.1	3.1	5,242,864	3,290,387	3,521,104	2,010,019
Diamond Trust Bank Kenya	8.2	8.2	948,953	947,953	7,247,195	5,397,096
East African Breweries Limited	11.1	14.2	1,116,016	1,017,666	9,336,822	9,265,940
Equity Group Holdings Limited	8.3	7.2	4,183,842	3,618,442	7,426,072	4,819,250
I&M Holdings Ltd	2.1	2.1	396,700	367,700	1,750,782	1,401,133
Kenya Airways Ltd	2.3	-	3,500,000	-	2,431,189	-
Kenya Commercial Bank	8.1	7.5	4,189,574	3,689,574	7,436,246	4,923,544
Kenya Power & lighting	0.7	1.4	2,140,750	2,830,750	566,875	890,278
Nation Media Group	1.1	2.0	260,712	310,712	900,483	1,277,113
NIC Bank Limited	1.2	1.7	260,712	863,187	1,293,595	1,105,742
Safaricom Limited	20.6	18.8	17,711,400	15,956,400	20,051,509	12,316,404
Standard Chartered Bank Kenya Ltd	<u>2.1</u>	<u>2.7</u>	227,019	227,019	<u>1,725,042</u>	<u>1,755,591</u>
	<u>100</u>	<u>100</u>			<u>79,492,902</u>	<u>65,446,677</u>

**NATIONAL SOCIAL SECURITY FUND
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FOR THE YEAR ENDED 30 JUNE 2018**

15. EQUITY SECURITIES HELD-FOR-TRADING (CONTINUED)

Dar es Salaam Stock Exchange

	% in Class 2018	% in Class 2017	Number of shares held		Market Value	
			2018	2017	2018 Ushs'000	2017 Ushs'000
Tanzania						
Breweries Limited	88.2	88.2	460,000	460,000	12,991,044	9,862,400
CRDB Bank Plc	<u>11.8</u>	<u>11.8</u>	4,700,000	4,700,000	<u>2,730,344</u>	<u>1,316,000</u>
	<u>100</u>	<u>100</u>			<u>15,721,388</u>	<u>11,178,400</u>

The changes in held-for-trading investments during the year were as follows:

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	88,373,503	84,863,191
Purchases	14,394,032	3,634,838
Disposals	(9,903,346)	(1,607,354)
Fair value gains	18,321,014	1,558,529
Foreign exchange gain/(loss)	<u>996,002</u>	<u>(75,701)</u>
As at 30 June	<u>112,181,205</u>	<u>88,373,503</u>

The trading prices at the last date of trading for the years ended 30 June 2018 and 2017 were as follows:

	2018			2017		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	32.00	-	-	27.00	-	-
DFCU Limited	970.00	-	-	759.00	-	-
New Vision Printing and Publishing Company Limited	450.00	-	-	539.00	-	-
Umeme Limited	300.00	-	-	425.00	-	-
Uganda Clays Limited	21.50	-	-	12.00	-	-
Bank of Baroda (Uganda)	150.00	-	-	108.00	-	-
BAT Kenya Limited	23,069.64	600	-	29,412.16	847	-
Safaricom Limited	1,134.26	29.5	-	790.00	22.75	-
Kenya Commercial Bank	1,778.28	46.25	-	1,310.87	37.75	-
East African Breweries Limited	8,381.97	218	-	8,993.80	259	-
Bamburi Cement Ltd	7,074.69	184	-	6,458.87	-	-
Equity Group Holdings Limited	1,778.28	46.25	-	1,310.87	37.75	-
NIC Bank Limited	1,364.95	35.5	-	1,163.29	33.50	-
Barclays Bank Kenya Limited	440.25	11.45	-	345.51	9.95	-
Athi River Mining	-	-	-	711.86	20.50	-
Nation Media Group	3,460.45	90	-	3750.31	108.00	-
Diamond Trust Bank Kenya Limited	7,651.43	199.0	-	5,556.02	160.00	-
Standard Chartered Bank Kenya Limited	7612.98	198.0	-	7,222.82	-	-
					208.00	
Centum Investments (ICDC)	-	-	-	1,426.43	41.50	-
Kenya Power & lighting	265.30	6.90	-	276.06	7.95	-
WPP Scan group Limited	-	-	-	703.18	20.25	-
Co-operative Bank Kenya Limited	672.86	17.5	-	588.59	16.95	-
CFC Stanbic Holdings	3,518.12	91.5	-	2,465.48	71.00	-

**NATIONAL SOCIAL SECURITY FUND
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15. EQUITY SECURITIES HELD-FOR-TRADING (CONTINUED)

	2018			2017		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Britam Holdings Limited	561.36	14.6	-	439.27	12.65	-
I&M Holdings Limited	4,421.68	115.0	-	3,576.69	103.0 0	-
Kenya Airways	-	-	-	175.36	5.05	-
TPS Serena Limited	-	-	-	772.63	22.25	-
Kenol Kobil Limited	695.93	18.10	-	486.15	14.00	-
Tanzania Breweries Limited	28,241.4	-	16,500.0	21,551.22	-	13,400.00
CRDB Bank Plc	273.86	-	160.00	281.45	-	175.00
Tanzania Portland Cement	-	-	-	2,894.94	-	1,800.00

16. TRADE AND OTHER RECEIVABLES

	2018	2017
	Ushs 000	Ushs 000
Prepayments	1,776,563	2,280,852
Staff advances	107,735	108,449
Trade receivables	9,174,530	8,287,816
Contributions receivable	1,879,493	889,095
Rent receivable	4,530,076	3,501,173
Cash advances to investment managers	1,269,073	1,219,066
Deferred staff expense	609,152	817,638
Dividends receivable	34,959,876	33,604,493
VAT recoverable	4,196,659	2,223,518
Provisions for impairment loss	<u>(10,739,257)</u>	<u>(7,893,844)</u>
	<u>47,763,900</u>	<u>45,038,256</u>

The staff advances are interest free and repayable within one month through payroll deductions. The contributions receivable relate to cheque payments in previous years (2011) that were not honoured and fully recognised as a receivable, these have been fully provided for.

Provisions for impairment loss is analysed as follows:-

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	7,893,844	8,448,959
Charge for the year	2,845,413	50,120
Utilised	-	<u>(605,235)</u>
At 30 June	<u>10,739,257</u>	<u>7,893,844</u>

The provision relates to the trade receivable, contributions receivable, and rent receivable accounts. The carrying amount for trade receivables reasonably approximate their fair value due to the short-term nature of the receivables.

**NATIONAL SOCIAL SECURITY FUND
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17. INVESTMENTS IN SECURITIES HELD-TO-MATURITY

	2018 % in Class	2017 % in Class	2018 Ushs 000	2017 Ushs 000
Treasury bonds	98.8	98	7,268,765,602	5,656,920,144
Corporate bonds	<u>1.2</u>	<u>2</u>	<u>85,798,176</u>	<u>90,139,470</u>
	<u>100</u>	<u>100</u>	<u>7,354,563,778</u>	<u>5,747,059,614</u>

The investments are analysed as follows:

Maturing within 3 months		247,046,309	45,505,610
Maturing after 3 months but within 1 year		910,765,604	259,682,437
Maturing after 1 year		<u>6,196,751,865</u>	<u>5,441,871,567</u>
		<u>7,354,563,778</u>	<u>5,747,059,614</u>

The change in Held-to-Maturity investments during the year were as follows:

	2018 Ushs 000	2017 Ushs 000
As at 01 July	5,747,059,614	4,635,745,420
Purchases	1,754,330,332	1,269,848,548
Maturities	(417,385,506)	(255,833,542)
Interest accrued	952,757,363	734,355,355
Interest received	(917,274,695)	(633,955,164)
Foreign exchange gains / (loss)	<u>235,076,670</u>	<u>(3,101,003)</u>
As at 30 June	<u>7,354,563,778</u>	<u>5,747,059,614</u>

The yield rates on the treasury bonds ranged from 10.81% to 21.22% (2017: 10.81% to 21.22%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2017: 10.97% to 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

**NATIONAL SOCIAL SECURITY FUND
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18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 % in Class	2017 % in Class	2018 % Held	2017 % Held	2018 Ushs 000	2017 Ushs 000
Bank of Baroda (Uganda) Limited	0.6	0.6	2.00	2.00	7,493,438	5,395,275
DFCU Limited	4.1	2.5	7.34	5.93	54,129,314	22,381,132
Safaricom Limited	23.6	21.0	0.69	0.60	311,353,629	189,797,002
Centum Investments Limited	0.5	0.7	0.73	0.73	6,376,568	6,276,292
Stanbic Bank Uganda Limited	3.2	4.0	2.61	2.05	42,725,342	36,049,507
Cooperative Rural Dev't	2.1	-	3.38	-	27,385,600	-
Vodacom TZ shares	2.8	-	0.23	-	37,199,052	-
New Vision Printing and Publishing Company Limited	0.5	0.9	19.61	19.61	6,750,000	8,085,000
Bank of Kigali	4.1	4.9	6.36	6.32	53,843,004	44,644,820
Tanzania Breweries Ltd	12.2	13.1	1.93	1.19	160,951,975	118,531,710
Equity Bank Kenya	13.9	-	2.78	-	183,192,235	-
Equity Group Holdings Ltd	-	13.4	-	2.50	-	121,277,017
East African Breweries Ltd (EABL)	10.9	12.9	2.13	1.64	141,487,640	116,919,412
Eastern and Southern African Trade and Development Bank (TDB Bank)	8.8	11.	3.84	3.77	126,042,710	100,631,822
Tanzania Portland Cement(Twiga)	2.0	2.9	5.28	5.00	26,666,728	26,054,460
British-American Invest (Britam)	1.7	1.9	2.03	2.03	22,089,453	17,285,286
Yield Fund	-	0.2	-	0.48	-	2,057,273
Kenya Re-Insurance	0.3	0.3	0.86	0.48	3,691,142	2,421,461
Kenya Commercial Bank	8.7	9.2	2.17	2.05	114,829,446	82,164,084
	100	100			1,326,207,276	899,971,553

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

**18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
(CONTINUED)**

All the above equity investments are traded on the Uganda Securities Exchange (USE) except for Safaricom, KCB, Kenya Re-Insurance and Equity Group which are traded on the Nairobi Securities Exchange (NSE), Tanzania Breweries, Cooperative Development Bank, Vodacom and Twiga which are traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), TDB Bank which is not traded on a stock exchange. The trading prices at the last date of trading for the years ended 30 June 2018 and 2017 were as follows:

	2018					2017			
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf
Bank of Baroda (Uganda) Limited	150.00	-	-	-	-	108.00	-	-	-
DFCU Limited	970.00	-	-	-	-	759.00	-	-	-
Safaricom Limited	1,134.26	29.50	-	-	-	789.99	22.75	-	-
Centum Investments Limited	1,449.22	-	-	66	-	1,426.43	-	-	66
Uganda Clays Limited	-	-	-	-	-	12.00	-	-	-
Stanbic Bank Uganda Limited	32.00	-	-	-	-	27.00	-	-	-
New Vision Printing and Publishing Company Limited	450.00	-	-	-	-	539.00	-	-	-
UMEME	501.00	-	-	-	-	-	-	-	-
Kenya Re	-	-	16.00	-	-	-	20.75	-	-
Vodacom Cooperative	-	-	850	-	-	-	-	-	-
Development Bank	-	160	-	-	-	-	-	-	-
Equity Bank Kenya	1,778.28	46.25	-	-	-	1,310.87	37.75	-	-
Kenya Commercial Bank	1,778.28	46.25	-	-	-	1,310.87	37.75	-	-
Bank of Kigali	1,266.89	-	-	286	-	1,052.28	-	-	245
Tanzania Breweries Limited	28,241.40	-	16,500	-	-	21,551.22	-	13,400	-
Tanzania Portland Cement Limited	2,807.02	-	1,640	-	-	2,894.94	-	1,800	2,390
British-American Invest (Britam)	561.36	14.60	-	-	-	439.27	12.65	-	-
Eastern and Southern African Trade and Development Bank (TDB Bank)	43,761,786	-	-	-	11,273	35,075,108	-	-	-
Yield Fund	-	-	-	-	-	2,057,108	-	-	-

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

**18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
(CONTINUED)**

During the year, the Fund purchased the following shares:

	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
DFCU	Ushs	26,315,758	760.00	1.00	19,999,976
EABL	Ushs	3,880,000	241.2	36.75	34,390,649
Equity Bank	Kshs	10,500,000	49.11	37.1728	19,169,901
Kenya Reinsurance	Kshs	2,639,408	20.24	34.8553	1,862,026
Safaricom (K) Ltd	Kshs	34,249,400	25.12	35.2438	30,321,825
KCB Kenya	Kshs	2,181,400	47.05	36.7862	3,775,547
Tanzanian Breweries	Tzs	199,150	13,500	1.6187	4,351,915
Twiga TPCC	Tzs	500,000	1,460	1.6242	1,185,666
CRDB	Tzs	100,000,000	205.99	1.6099	35,759,332
Vodacom	Tzs	27,166,870	1.6824	1.7116	78,230
TDB Bank	USD	52	9737.00	3,882.27	1,965,686
					<u>185,800,294</u>

The change in the equity investments during the year was as follows:

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	899,971,553	901,377,895
Acquisition of new shares	185,800,294	101,222,750
Transfer to associates	(2,257,621)	(122,952,123)
Fair value gains	145,800,776	21,877,461
Foreign exchange gains/(losses)	<u>96,892,274</u>	<u>(1,554,430)</u>
At 30 June	<u>1,326,207,276</u>	<u>899,971,553</u>

The Fund's investments in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Fund holds less than 20% of the voting rights of the investee companies and the Fund does not have significant influence over the financial and operating decisions of the investee companies.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

19. LOANS AND ADVANCES

	2018	2017
	Ushs 000	Ushs 000
Uganda Clays Limited (Note 34)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 34)	22,333,333	26,000,000
Staff loans	<u>1,261,713</u>	<u>1,697,146</u>
	44,187,884	48,289,984
Fair value of discount on staff loans	<u>(609,152)</u>	<u>(817,638)</u>
	43,578,732	47,472,346
Impairment provision for Uganda Clays Limited loan	<u>(20,592,838)</u>	<u>(20,592,838)</u>
	<u>22,985,894</u>	<u>26,879,508</u>

The impairment provision for Uganda Clays Limited loan is analysed as follows:

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	<u>20,592,838</u>	<u>20,592,838</u>
At 30 June	<u>20,592,838</u>	<u>20,592,838</u>

The change in the loans and advances during the year was as follows:

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	26,879,508	30,547,888
Maturities (proceeds from maturing loans)	(4,742,252)	(7,782,330)
Interest accrued	3,200,762	3,792,144
Interest received	(2,560,610)	(18,220)
Fair value adjustment	<u>208,486</u>	<u>340,026</u>
At 30 June	<u>22,985,894</u>	<u>26,879,508</u>

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly instalments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months' period to 30 June 2018, Uganda Clays Limited made a profit before tax of Ushs 1,482 million and its current assets exceeded current liabilities by Ushs 18,059 million as at 30 June 2018. However, the Company has experienced financial problems since the loan was disbursed and no loan repayment had been received by 30 June 2018. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

19. LOANS AND ADVANCES (CONTINUED)

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 17.5 billion at a rate of 11.5% (2017: 11.5%) and Ushs 8.5 billion at a rate of 15.5% (2017: 15.5%), respectively. The Loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 17.5 billion is repayable over a period of 15 years while that of Ushs 8.5 billion is repayable over 10 years. Instalments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement. During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2017: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2018, the average market rate for mortgages was 17.5% (2017: 17.5%)

All the above loans and advances are measured at amortised cost with exception of the staff loans which are marked to market. Management assessed all loans outstanding as at 30 June 2018 for indicators of impairment and determined that no loans exhibited signs of impairment and as such, no provision for impairment loss has been made with exception of the Uganda Clays Limited loan which has been fully impaired.

20. INVENTORIES

	2018	2017
	Ushs 000	Ushs 000
Consumables and stationery	-	<u>1,187,303</u>

These relate to smart cards held for distribution to members, consumables and stationery maintained by the Fund for day-to-day operations.

**NATIONAL SOCIAL SECURITY FUND
ADJUSTED TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

1. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Umeme Ltd Ushs 000	Yield Fund Ushs 000	Total Ushs 000
At 1 July 2016	61,051,531	11,387,110	7,881,121	-	-	80,319,762
Purchases						
Purchase of shares	-	-	-	59,448,574	-	59,448,574
Transfer from investments at FVTPL	-	-	-	122,952,123	-	122,952,123
Share of profit	10,358,229	1,063,241	1,152,002	11,975,035	-	24,548,507
Share of OCI, net of tax	-	-	-	(6,889,710)	-	(6,889,710)
Less: dividends	(5,415,216)	(292,640)	(1,119,402)	(7,026,912)	-	(13,854,170)
At 30 June 2017	<u>65,994,544</u>	<u>12,157,711</u>	<u>7,913,721</u>	<u>180,459,110</u>	<u>-</u>	<u>266,525,086</u>
Purchases						
Transfer from investments at FVTPL	-	-	-	-	2,257,621	2,257,621
Share of profit / (loss)	9,488,373	411,123	1,215,600	16,068,096	(519,045)	26,664,147
Share of OCI, net of tax	(5,980,840)	(325,704)	(419,777)	12,430,101	-	12,430,101
Less: dividends				(2,840,667)	-	(9,566,988)
At 30 June 2018	<u>69,502,077</u>	<u>12,243,130</u>	<u>8,709,544</u>	<u>206,116,640</u>	<u>1,738,576</u>	<u>298,309,967</u>

As at 30 June 2018, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.2% and 16.5% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited, Umeme Ltd and Yield Fund respectively. These investments have been accounted for under the equity method.

The Fund increased its holding in Umeme Limited to 23.2% in November 2016 and has representation on the Umeme Limited's Board hence a change from equity investments at fair value through profit or loss to investment in an associate.

**ATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018**

INVESTMENTS IN ASSOCIATES (CONTINUED)

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give it joint control and as such, the investment continues to be accounted for as an associate.

Although the Fund holds 16.5% the Yield Fund, it has a significant influence in it due to the fact that it has a third of the Board composition. In addition, their input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

Nature of activities of associates

Company	Nature of activities
Housing Finance Bank Limited	The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	The principal activities of the company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles.
Uganda (Uganda) Limited	The principal activities of the company are operating and running a hotel facility in Uganda, serving the business and tourist markets.
Uganda Electricity Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.
Yield Fund	Yield Uganda Investment Fund specializes in investments in small and medium agri-businesses in the form of equity, semi-equity and debt. The Fund targets agriculture-related businesses across all value chains, with clear competitive advantage and ambitious local management.

ATIONAL SOCIAL SECURITY FUND
 ATES TO THE FINANCIAL STATEMENTS (CONTINUED)
 R THE YEAR ENDED 30 JUNE 2018

INVESTMENTS IN ASSOCIATES (CONTINUED)

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo Kampala, Not Listed
Market price	Not Listed.	Ushs 21.5 per share	Not Listed	Ushs 300 per share	

	Number of Shares Held		Price per Share		Fair Value	
	2018	2017	2018 Ushs	2017 Ushs	2018 Ushs 000	2017 Ushs 000
Umeme Limited	373,771,921	373,771,921	300	425	112,131,576	158,853,066
Housing Finance Bank	3,050,000	3,050,000	-	-	-	-
TPS (Uganda) Limited	19,500	19,500	-	-	-	-
Yield Fund						
Uganda Clays Limited	292,640,000	292,640,000	21.5	12	6,291,760	3,511,680
					<u>118,423,336</u>	<u>162,364,746</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

INVESTMENTS IN ASSOCIATES (CONTINUED)

The summary of the financial information for the investments in associates as at 30 June is as follows:

	Housing Finance Bank Limited		Uganda Clays Limited		TPS (Uganda) Limited		Umeme Limited		Yield Fund	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000
percentage held	50%	50%	32.52%	32.52%	13.99%	13.99%	23.02%	23.02%	16.5%	-
current assets	745,362,407	710,441,808	23,228,000	19,115,000	31,797,809	17,185,605	436,396,000	361,510,000	92,446,611	-
non-current assets	34,066,678	42,204,020	45,149,000	47,163,000	89,921,825	78,271,845	2,137,085,000	1,809,641,000	1,236,508	-
current liabilities	451,392,515	430,813,634	5,169,000	3,485,000	6,314,361	7,266,172	798,555,000	572,542,000	32,508	-
non-current liabilities	192,500,210	192,532,101	31,814,000	33,490,000	41,717,184	9,663,736	1,015,781,000	1,015,975,000	-	-
net assets	135,536,360	129,300,093	31,394,000	29,303,000	73,688,087	78,527,542	722,145,000	582,634,000	104,485,453	-
fund's share of Net assets	67,768,180	64,650,047	10,209,329	9,529,336	10,308,963	10,986,003	166,237,779	134,122,347	17,240,100	-
reconciliation										
amount and Share of Net Assets*	1,733,897	1,344,497	2,066,865	2,628,375	(1,599,419)	(3,072,282)	39,878,861	46,336,763	(15,501,524)	-
carrying amount in the Statement of Net Assets available for benefits	69,502,077	65,994,544	12,243,130	12,157,711	8,709,544	7,913,721	206,116,640	180,459,110	1,738,576	-
revenue	47,117,016	665,549,755	14,445,000	12,861,000	18,990,468	28,094,494	735,834,000	697,478,000	112,214	-
profit after tax from continuing operations	8,490,740	9,459,126	1,037,000	1,273,000	3,619,166	3,685,278	69,157,000	39,176,000	3,147,631	-
other comprehensive income, net of tax	-	-	-	-	-	-	47,589,000	(35,849,000)	-	-
total Comprehensive income	8,490,740	9,459,126	1,037,000	1,273,000	3,619,166	3,685,278	116,746,000	3,327,000	3,147,631	-
reporting date of associate	31 December 2017	31 December 2018	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
inaudited results for months	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	-

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

In applying the equity method for all associates the Fund has used the audited financial statements for period ended 31 December 2017 in deriving the share of results for the 6 months to 31 December 2017 and the over/under sharing of results for the 6 months to 30 June 2017 as reported in the prior year financial statements of the Fund. The Fund has used unaudited results for the 6 months to 30 June 2018 in deriving the share of results for the 6 months differential period between the associates' reporting date and the fund's reporting date.

*Reconciliation between the carrying amount and Share of Net assets relates to the difference between the carrying amount of the investment in the Fund's Financial Statements and the Fund's share of the investee's net assets.

22. OTHER INVESTMENTS

Victoria Properties Development Limited (VPDL) was incorporated in 2004 to develop the Fund's property at Lubowa for sale to the public. NSSF held a 50% equity interest in VPDL, through its wholly owned subsidiary, Premier Developments Ltd (PDL). VPDL borrowed US\$ 1 million from Premier Developments Limited to finance its preliminary activities. VPDL entered into a contract for the design and supervision of the Lubowa Housing Project with M/s SBI Limited, at a contract price of US\$ 4.9 million, and paid the US\$ 1 million borrowed from PDL to SBI to deliver preliminary designs. PDL was later dissolved by the Constitutional Court, and in 2009, the shareholders of VPDL agreed to wind up the joint venture company and instead have an arm's length contract for design and supervision of the Lubowa Housing Project. The investment was therefore written off in 2009. The winding up/dissolution agreements and arm's length design/supervision contract were signed and the joint venture was finally wound up in 2009. The Fund retained 100% ownership of the land, while the other party was required to provide an arm's length contract for design and supervision of the Lubowa Housing Project.

**NATIONAL SOCIAL SECURITY FUND
STATEMENTS TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

CAPITAL WORK-IN-PROGRESS (CWIP)

	Arua Ushs '000	Lubowa Ushs '000	Lumumba Ushs '000	Mbuya Ushs '000	Jinja Ushs '000	Mbarara Ushs '000	CAPEX Ushs '000	Workers House Ushs '000	Total Ushs '000
July 2016	2,330,000	245,077,907	65,388,789	1,847,530	1,126,478	-	1,359,240	-	317,129,944
Adjustments	-	177,000	969,428	5,390,577	1,076,388	1,429,559	830,579	261,135	10,134,666
Transfer to inventory	<u>2,330,000</u>	<u>245,254,907</u>	<u>66,358,217</u>	<u>7,238,107</u>	<u>2,202,866</u>	<u>1,429,559</u>	<u>1,089,732</u>	<u>261,135</u>	<u>326,164,523</u>
30 June 2017	-	50,648,301	179,348	3,592,080	525,350	1,378,613	4,604,073	-	60,927,765
Transfer from/(to) investment property	-	(223,000,000)	19,184,965	-	(2,728,216)	-	(111,915)	(261,135)	(206,916,301)
30 June 2018	<u>2,330,000</u>	<u>72,903,208</u>	<u>85,722,530</u>	<u>10,830,187</u>	<u>2,202,866</u>	<u>2,808,172</u>	<u>5,581,890</u>	<u>261,135</u>	<u>180,175,987</u>
Provision for impairment	(2,330,000)	-	-	-	-	-	-	-	(2,330,000)
Carrying amount	-	<u>72,903,208</u>	<u>85,722,530</u>	<u>10,830,187</u>	<u>2,202,866</u>	<u>2,808,172</u>	<u>5,581,890</u>	<u>261,135</u>	<u>177,845,987</u>
30 June 2018	-	<u>245,254,907</u>	<u>66,358,217</u>	<u>7,238,107</u>	<u>2,202,866</u>	<u>1,429,559</u>	<u>1,089,732</u>	<u>261,135</u>	<u>323,834,523</u>
30 June 2017	-	-	-	-	-	-	-	-	-

Arua capital work-in-progress relates to construction costs for a hotel at the golf course. As at 30 June 2009, construction of the hotel was near completion but liabilities of share of interest in the hotel had not been finalized with the trustees of the Arua Golf Club. The Fund has estimated to incur losses as a result of the delayed implementation of this joint venture and ownership structure of the joint venture. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired in 2008. Management is currently negotiating with the trustees of the Golf Club with a view to finalizing the joint venture arrangements.

Lubowa-This relates to the Lubowa Housing Estate project (LHP) and the Fund Contracted Soleh Boneh International (SBI) holdings AG Uganda as the project manager and supervisor. The expected project completion date is June 2020 and to date approximately 10% of the overall works have been completed. The Project classified under Work in Progress as it is still under construction and its fair value cannot reliably be determined and therefore it is carried at cost until completion.

Lumumba- This relates to the construction and development of Pension Towers on Lumumba Avenue. Phase two commenced on 25th July with the construction Contract awarded to China Railway Construction Engineering Group.

Mbuya- This relates to the Mbuya 2 Housing estate project (40 apartments). The site works are currently in progress with the following works ongoing.

CAPEX-This relates to the various CAPEX expenditure developments at the head office, designs for the biometric systems, contactless smart card solution design and development, portfolio management system, Electronic document and records management system (EDRMS) among others.

**NATIONAL SOCIAL SECURITY FUND
STATEMENTS TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

INVESTMENT PROPERTIES

	Valuation at 30 June 16	Additions	Disposal	Change in Fair value	Valuation at 30 June 17	Additions	Disposal	Change in Fair value	Reclassification from/(to) CWIP	Valuation at 30 June 18
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Workers House	56,000,000	-	-	2,000,000	58,000,000	-	-	5,098,865	373,050	63,471,915
Plot 5 Mvule Rd Naguru	2,000,000	-	-	-	2,000,000	-	-	1,500,000	-	3,500,000
Land on Yusuf Lule Road	19,000,000	-	-	1,000,000	20,000,000	-	-	-	-	20,000,000
Independence Ave Arua	170,000	-	-	-	170,000	-	-	-	-	170,000
Land in Kisugu	250,000	-	-	-	250,000	-	-	50,000	-	300,000
Land in Kabale	230,000	-	-	-	230,000	-	-	-	-	230,000
Land in Jinja	-	-	-	-	-	-	-	-	-	-
Land in Tororo	170,000	-	-	30,000	200,000	-	-	-	-	200,000
Lumumba Avenue	-	-	-	-	-	-	-	-	-	-
Social Security House	29,000,000	-	-	1,000,000	30,000,000	-	-	420,000	-	30,420,000
Land in Lubowa	-	-	-	-	-	11,000,000	-	39,207,009	223,000,000	273,207,009
Land in Mbuya Jinja	-	-	-	-	-	-	-	-	2,728,216	2,728,216
Land in Busiro Temangalo	24,125,000	-	-	2,412,500	26,537,500	-	(363,640)	826,140	-	27,000,000
Nsimbe	-	29,845,654	-	12,577,295	42,422,949	-	-	977,051	-	43,400,000
Plot 16 Nakasero Rd (FRV 304)	8,400,000	-	-	-	8,400,000	10,784,965	-	-	(19,184,965)	-
Total	139,345,000	29,845,654	-	19,019,795	188,210,449	21,784,965	(363,640)	48,079,065	206,916,301	464,627,140

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

24. INVESTMENT PROPERTIES (CONTINUED)

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Stanfield certified professional valuer as at 30 June 2018. In determining the fair values of investment properties, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment.

In instances where the market value of a property could not be ascertained due to lack of information, the valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly.

Changes in fair values are recognised in surplus or deficit and included in 'other operating income'.

The impact of revaluing investment properties on surplus for the year is Ushs 48 billion (2017: Ushs 19 billion) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

Significant unobservable inputs

		Range (weighted average)
Office properties	Estimated rental value	Ushs 54,348 – Ushs 62,112 (Ushs 58,230)
	Estimated rental expenditure	Ushs 21,230-Ushs. 25,237(Ushs. 23,234)
	Vacancy factor	4% - 6% (5%)
	Discount rate	7%- 8% (7%)
Land	Price per square meter	Ushs.1,500,000-Ushs.3,000,000

Valuation techniques for investment properties:

Market Approach

Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.

Cost Approach

Buildings, structures and services were valued at current replacement costs taking into account their depreciation.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

24. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of investment properties included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs

The Fund generated rental income from its investment properties as shown below:

	2018	2017
	Ushs 000	Ushs 000
Workers House	5,268,051	7,045,959
Social Security House	2,824,503	2,548,541
Others –Naguru & Yusuf Lule	1,914,787	822,493
Service charge	<u>851,023</u>	<u>1,644,474</u>
	<u>10,858,364</u>	<u>12,061,467</u>

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year as shown below:

	2018		
	Workers House	Social Security House	Total
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	1,420,138	444,224	1,864,363
Ground & property rent	198,356	71,118	269,474
Cleaning services	180,131	47,844	227,975
Security services	411,626	82,560	494,186
Electricity	766,954	300,778	1,067,732
Water	<u>209,246</u>	<u>150,307</u>	<u>357,553</u>
	<u>3,186,451</u>	<u>1,096,831</u>	<u>4,283,282</u>

	2017		
	Workers House	Social Security House	Total
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	1,223,939	565,637	1,789,576
Ground & property rent	183,107	61,190	244,297
Cleaning services	174,481	54,801	229,282
Security services	281,486	83,660	365,146
Electricity	798,923	286,190	1,085,113
Water	<u>246,397</u>	<u>134,270</u>	<u>380,667</u>
	<u>2,908,333</u>	<u>1,185,748</u>	<u>4,094,081</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

24. INVESTMENT PROPERTIES (CONTINUED)

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties which did not generate rental income during the period as shown below (no expenses were incurred on properties other than those indicated in the table below):

	2018				Total Ushs 000
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Land in Nsimbe Ushs 000	Land in Kisugu Ushs 000	
Security expenses	173,592	23,789	44,368	5,452	223,412
Demolition expenses	<u>9,000</u>	-	-	-	-
	<u>182,592</u>	<u>23,789</u>	<u>44,368</u>	<u>5,452</u>	<u>223,412</u>

	2017		Total Ushs 000
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	
Security expenses	394,101	23,789	417,890
Demolition expenses	<u>9,000</u>	-	<u>9,000</u>
	<u>403,101</u>	<u>23,789</u>	<u>426,890</u>

As at 30 June 2018, there were no restrictions on the realisability of investment property with the exception of LRV 2172 Folio 10, Plot 1 Pilkington Road which had a caveat. There was no restriction to the remittance of income and proceeds of disposal and there were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fund has not entered into any finance lease arrangements and bears no encumbrances on its titles of ownership of the reported properties. The Fund has several tenants on its properties including Worker's House and Social Security House with tenancy agreements averaging three years in duration. The Fund maintains the properties and only charges a service fee to the tenants for auxiliary services and has, therefore, included these as investment properties in its financial statements.

Future minimum rentals receivable under non-cancellable operating leases are, as follows:

	Up to 1 year Ushs'000	1 to 5 years Ushs'000	Over 5 years Ushs'000
2018			
Property rentals	8,755,315	17,486,499	-
2017			
Property rentals	8,645,717	17,227,700	-

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

25. INTANGIBLE ASSETS

	2018 Ushs 000	2017 Ushs 000
Cost		
At the beginning of the year	22,444,698	19,458,515
Additions	<u>2,605,043</u>	<u>2,986,183</u>
At 30 June	<u>25,049,741</u>	<u>22,444,698</u>
Amortisation		
At the beginning of the year	16,674,165	15,058,271
Charge for the year	<u>1,746,833</u>	<u>1,615,894</u>
At 30 June	<u>18,420,998</u>	<u>16,674,165</u>
Net carrying amount	<u>6,628,743</u>	<u>5,770,533</u>

Intangible assets mainly relate to software which makes up the Integrated Management Information System (IMIS) of the Fund.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018

26. PROPERTY AND EQUIPMENT

Cost	Land Ushs'000	Property & Machinery Ushs'000	Motor Vehicles Ushs'000	Furniture and Fittings Ushs'000	Computer Equipment Ushs'000	TOTAL Ushs'000
At 1 July 2016	400,000	3,068,049	5,478,827	5,198,260	15,049,684	29,194,820
Additions	-	677,342	919,526	1,059,692	305,199	2,961,759
Disposals	-	(61,568)	(240,843)	(98,310)	(216,069)	(616,790)
As at 30 June 2017	<u>400,000</u>	<u>3,683,823</u>	<u>6,157,510</u>	<u>6,159,642</u>	<u>15,138,814</u>	<u>31,539,789</u>
Additions	-	299,017	1,506,346	1,667,436	890,387	4,363,186
Disposals	-	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
As at 30 Jun 2018	<u>400,000</u>	<u>3,961,240</u>	<u>7,495,248</u>	<u>7,706,532</u>	<u>15,638,984</u>	<u>35,202,004</u>
Depreciation						
At 1 July 2016	-	1,865,458	1,607,251	2,691,452	11,381,290	17,545,451
Charge for the year	-	443,987	1,167,129	584,773	1,448,397	3,644,286
Disposals	-	(61,568)	(240,843)	(98,311)	(216,069)	(616,791)
As at 30 June 2017	-	<u>2,247,877</u>	<u>2,533,537</u>	<u>3,177,914</u>	<u>12,613,618</u>	<u>20,572,946</u>
Charge for the year	-	499,777	1,439,261	724,403	1,348,560	4,012,001
Disposals	-	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
As at 30 June 2018	-	<u>2,726,054</u>	<u>3,804,190</u>	<u>3,781,771</u>	<u>13,571,961</u>	<u>23,883,976</u>
Net carrying amount						
As at 30 June 2018	<u>400,000</u>	<u>1,235,186</u>	<u>3,691,058</u>	<u>3,924,761</u>	<u>2,067,023</u>	<u>11,318,028</u>
As at 30 June 2017	<u>400,000</u>	<u>1,435,946</u>	<u>3,623,973</u>	<u>2,981,728</u>	<u>2,525,196</u>	<u>10,966,843</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

27. FINANCE LEASES

	Valuation as At 30 June 2017	Change in fair value	Valuation as At 30 June 2018
	Ushs 000	Ushs 000	Ushs 000
Plot 47 Masaka K'la rd	220,000	20,000	240,000
Plot 87 Churchill Gulu	180,000	10,000	190,000
Plot 8 Msk CL. Mbarara	<u>250,000</u>	<u>(50,000)</u>	<u>200,000</u>
	<u>650,000</u>	<u>(20,000)</u>	<u>630,000</u>

The Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. These were reclassified from property and equipment. The lease terms for Plot 47 Masaka K'la RD, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards.

The properties have not been pledged as security for liabilities.

The fair values of the Finance Leases were assessed by Stanfield certified professional valuer as at 30 June 2018. In determining the fair values of the Finance Leases, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment.

Net carrying amounts of Finance Leases at cost:

If the Finance leases were measured using the cost model, the carrying amounts would be as follows

At 30 June 2018	Cost	Accumulated Depreciation	Net Carrying Amount
	Ushs 000	Ushs 000	Ushs 000
Plot 47 Masaka K'la rd	220,000	-	220,000
Plot 87 Churchill Gulu	180,000	-	180,000
Plot 8 Msk CL. Mbarara	<u>250,000</u>	-	<u>250,000</u>
	<u>650,000</u>	<u>-</u>	<u>650,000</u>
At 30 June 2017	Cost	Accumulated Depreciation	Net Carrying Amount
	Ushs 000	Ushs 000	Ushs 000
Plot 47 Masaka K'la rd	220,000	-	220,000
Plot 87 Churchill Gulu	180,000	-	180,000
Plot 8 Msk CL. Mbarara	<u>250,000</u>	-	<u>250,000</u>
	<u>650,000</u>	<u>-</u>	<u>650,000</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

28. WITHHOLDING TAX CLAIMABLE

	2018 Ushs 000	2017 Ushs 000
Withholding tax claimable	<u>16,929,197</u>	<u>13,894,092</u>

This relates to tax withheld at source claimable from Uganda Revenue Authority.

29. OTHER PAYABLES

	2018 Ushs 000	2017 Ushs 000
Accounts payable	24,546,950	17,853,187
Accrual for legal costs	4,677,430	6,963,360
Alcon retention payable	2,333,846	2,165,511
Deferred income	1,067,791	837,746
WHT payable	<u>330,915</u>	<u>439,305</u>
	<u>32,956,932</u>	<u>28,259,109</u>

The accounts payables are interest free and not overdue. Deferred income relates to advance rent payments from customers as required by the Fund's rental agreements.

The accrual for legal costs is analysed as follows:

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	6,963,360	4,105,840
Payments made during the year	(2,330,159)	(335,099)
Reversal of previous provisions	-	(1,894,979)
Increase in accrual during the year	<u>44,229</u>	<u>5,087,598</u>
At 30 June	<u>4,677,430</u>	<u>6,963,360</u>

The accrual for legal costs relates to fees for the lawyers who handled the Alcon case disclosed in Note 30 and other legal fees relating to other cases based on the fee notes raised by the lawyers. The fee notes relating to the Alcon case have been referred to court for assessment of reasonableness before they can be paid.

30. PROVISIONS FOR LITIGATION

	2018 Ushs 000	2017 Ushs 000
Alcon International Limited		
At the beginning of the year	12,801,429	12,277,112
Foreign exchange losses	<u>995,116</u>	<u>524,317</u>
At 30 June	<u>13,796,545</u>	<u>12,801,429</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

30. PROVISIONS FOR LITIGATION (CONTINUED)

This suit arises out of a contract entered into between Alcon International Limited ("Alcon") and the Fund for construction of the Workers House.

The suit is for recovery of unpaid money for construction work done by Alcon on the Workers' House, recovery of the value of Plant, Equipment, Machinery and Building materials left at the site, special and general damages, interest and costs of the suit. The value of the claim is USD 7,466,042. (United States Dollars Seven Million Four Hundred Sixty Six Thousand Forty Two)

The matter first proceeded to arbitration in which an arbitral award was made in favour of Alcon. The Fund challenged the award up to the Supreme Court.

On 5 February 2013, the Supreme Court delivered its judgment remitting the case for trial in the High Court.

The provision of USD 3,553,731 is for works performed by Alcon and certified that had not been settled by the Fund.

Management is of the opinion Alcon's claim has no chance of success for the balance owing to the Supreme Court's findings of fraud and lack of a cause of action for breach of contract which are binding on the High Court.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018

31. ACCUMULATED MEMBERS' FUNDS

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	7,623,061,300	6,303,685,942
Contributions received during the year	1,049,089,149	916,908,807
Interest on arrears	4,709,663	4,065,342
Interest allocation for the year	<u>1,090,403,511</u>	<u>676,655,927</u>
Members' fund liability before benefit payments	9,767,263,623	7,901,316,018
Benefits paid during the year		
Age benefits	(128,626,447)	(82,266,882)
Withdrawal benefits	(96,224,114)	(79,656,329)
Exempted employee benefits	(51,089,384)	(37,634,757)
Invalidity benefits	(25,073,712)	(18,461,295)
Survivors benefits	(8,521,505)	(9,287,233)
Emigration grant benefits	<u>(50,135,332)</u>	<u>(50,948,222)</u>
Total benefits payments	<u>(359,670,494)</u>	<u>(278,254,718)</u>
At 30 June	<u>9,407,593,129</u>	<u>7,623,061,300</u>
Interest to members:		
	2018	2017
	Ushs 000	Ushs 000
Prior year under provision of interest to members	(3,219,096)	(402,460)
Charge to surplus or deficit	1,100,080,203	681,404,864
Total Interest available to members	<u>1,096,861,107</u>	<u>681,002,404</u>
Allocated as follows:		
To member funds		
Opening provision balance	(3,219,096)	(402,460)
Charge to surplus or deficit	<u>1,093,622,607</u>	<u>677,058,387</u>
	1,090,403,511	676,655,927
To reserves		
Opening provision balance	-	-
Charge to surplus or deficit	<u>6,457,596</u>	<u>4,346,477</u>
	6,457,596	4,346,477
Total provision	<u>1,096,861,107</u>	<u>681,002,404</u>
Total charge to surplus or deficit		
Allocated to Members fund	1,093,622,607	677,058,387
Allocated to reserves	<u>6,457,596</u>	<u>4,346,477</u>
	<u>1,100,080,203</u>	<u>681,404,864</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

31. ACCUMULATED MEMBERS' FUNDS (CONTINUED)

The accumulated members' funds are made up of members' accounts which comprise all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).

Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2018, the Minister for Finance, Planning & Economic Development approved an interest rate of 15% (2017: 11.23 %) to be calculated and added to the members' funds. Included in the accumulated members' fund balance is Ushs 40.85 billion (2017: Ushs 48.4 billion). These relate to collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual member accounts.

32. RESERVES

	Note	2018 Ushs 000	2017 Ushs 000
Special contributions	(a)	55,804,847	47,019,296
Unallocated members' contributions	(b)	<u>49,508,237</u>	<u>43,050,641</u>
		<u>105,313,084</u>	<u>90,069,937</u>

a) Special contributions

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	47,019,296	41,403,373
Special contributions received	<u>8,785,551</u>	<u>5,615,923</u>
At 30 June	<u>55,804,847</u>	<u>47,019,296</u>

In accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222), special contributions by non-eligible employees are recognised directly in reserves since they relate to members' contributions and not operating results of the Fund.

b) Unallocated members' contributions

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	43,050,641	38,704,163
Provision for interest on unallocated members' contributions	<u>6,457,596</u>	<u>4,346,477</u>
	<u>49,508,237</u>	<u>43,050,640</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

32. RESERVES (CONTINUED)

The movement in the provision for interest on unallocated members' contributions was as follows:

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	18,458,140	14,111,663
Charged to surplus or deficit	<u>6,457,596</u>	<u>4,346,477</u>
At 30 June	<u>24,915,736</u>	<u>18,458,140</u>

As at 30 June 2018, the Fund had unallocated members' contributions of Ushs 49.5 billion that formed part of the reserve account. As at 30 June 2007, the unallocated members' contributions amounted to Ushs 360 billion and through the measures taken by management to identify the respective members to whom the amounts belonged, the unallocated amounts gradually reduced over the years to Ushs 24.6 billion as at 30 June 2012. The directors believe that, in addition to putting in place measures to curtail the growth of the unallocated amounts, the Fund had exhausted all possible measures to identify the members to whom these amounts belonged and accordingly resolved to transfer the Ushs 24.6 billion to the reserve account in accordance with Section 36 (1) (b) of the NSSF Act. In the event that a member of the Fund presents adequate documentation to prove that there are contributions that should have been credited to their account, NSSF will transfer the contributions from the reserve account to the members' account following approval by the Minister of Finance as stipulated in Section 36 (2) of the NSSF Act. There was no transfer of these funds during the year. Interest is accrued on these balances as stated under note 31 above.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

33. NET CASH USED IN OPERATING ACTIVITIES

	Note	2018 Ushs'000	2017 Ushs'000
Surplus from operations		1,486,374,606	823,045,699
Depreciation on property and equipment	26	4,012,001	3,644,286
Gain on disposal of property and equipment	8	-	(141,100)
Gain / (loss) on disposal of equity investments held for trading	8	(128,650)	315,322
Reversal of previous provisions	29	-	(1,894,979)
Gain on disposal of investment property	8	(136,360)	-
Amortisation of intangible assets	25	1,746,833	1,615,894
Share of results of associates	21	(26,664,147)	(24,548,507)
Staff loans fair value adjustment	8	(208,486)	(340,027)
Unrealised foreign exchange (gains) / loss on equity investments at fair value through profit or loss	18	(96,892,274)	1,554,430
Unrealised foreign exchange (gains) / loss on held to maturity investments	17	(235,076,669)	3,101,003
Unrealised foreign exchange (gains) / loss on held for trading investments	15	(996,002)	75,701
Unrealised foreign exchange gains on deposits with commercial banks	14	(269,465)	-
Fair value gains on investment properties	24	(48,079,065)	(19,019,795)
Fair value gains on equity investments held for trading	15	(18,321,014)	(1,558,529)
Fair value gains on equity investments at fair value through profit or loss	18	(145,800,776)	(21,877,461)
Fair value loss on finance leases	27	20,000	-
Interest income on loans & advances	19	(3,200,762)	(3,792,144)
Interest income on held to maturity investments	17	(952,757,363)	(734,355,355)
Interest income on commercial bank deposits	14	(22,176,101)	(42,951,560)
Withholding tax on investments paid at source	12(a)	(145,850,312)	(130,637,624)
Provision for litigations	30	995,116	524,317
Write off of inventory		1,100,087	
Changes in working capital			
Decrease / (increase) in inventories	20	87,217	(87,214)
Increase in trade and other receivables	16	(2,725,644)	(2,190,932)
Increase in other payables	29	5,137,126	4,490,494
Increase in WHT claimable	28	(3,474,411)	(1,389,031)
Net cash used in operating activities		(203,284,515)	(146,417,112)

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

34. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2018 and 2017, refer to Notes 13, 14, 17 19 and 21:

	2018	2017
	Ushs'000	Ushs'000
Bank balances		
Housing Finance Bank Limited	<u>10,545</u>	<u>103,541</u>
Loans and Advances		
Housing Finance Bank Limited	22,333,333	26,000,000
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	<u>432,809</u>	<u>530,012</u>
	<u>43,358,980</u>	<u>47,122,850</u>
Corporate Bonds		
Housing Finance Bank Limited	<u>528,065</u>	<u>2,644,538</u>
Fixed deposits		
Housing Finance Bank Limited	<u>40,247,673</u>	<u>33,213,725</u>
Treasury Bonds		
Government of Uganda	<u>5,213,531,235</u>	<u>4,008,618,804</u>
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	8,183,241	5,415,216
Uganda Clays Limited	248,744	1,119,402
TPS (U) Limited	<u>-</u>	<u>292,640</u>
As at 30 June	<u>8,431,985</u>	<u>6,827,258</u>
Other related party transactions during the year:		
	2018	2016
	Ushs'000	Ushs'000
Housing Finance Bank Limited		
Interest income on loans and advances	3,070,844	3,644,400
Interest income on corporate bonds	153,370	427,039
Interest income on term deposits	<u>2,783,314</u>	<u>4,278,756</u>
	<u>6,007,528</u>	<u>8,350,195</u>
Dividend Income		
TPS (U) Limited	419,777	1,119,402
Umeme Limited	2,840,667	7,026,912
Uganda Clays	325,704	292,640
Housing Finance	<u>5,980,840</u>	<u>5,415,216</u>
	<u>9,566,988</u>	<u>13,854,170</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

34. RELATED PARTY DISCLOSURES (CONTINUED)

	2018 Ushs'000	2017 Ushs'000
Government of Uganda		
Withholding tax expense for the year	<u>145,850,313</u>	<u>130,637,624</u>
Interest income on treasury bonds	<u>643,933,725</u>	<u>562,403,699</u>

a) Housing Finance Bank Limited

The Fund has 50% shareholding in Housing Finance Bank Limited (the bank).

Bank balances - The bank balances relate to balances on the current accounts held by NSSF in the bank. These accounts are non-interest bearing.

Fixed deposits - The Fund has fixed deposit placements with the bank maturing within a period of 365 days.

Corporate bonds - Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 17.5 billion repayable over a period of 15 years while that of Ushs 8.5 billion is repayable over 10 years at rates of 13.5% and 13.75% respectively

Loans - Loans to the bank are at interest rates ranging between 11.5% and 15.5%. Refer to Note 19 for the terms and conditions of the facilities.

b) Uganda Clays Limited

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 19 for the terms and conditions of the loan facility. The outstanding amount on the loan facility as at 30 June 2018 amounted to Ushs 20.6billion (2017: Ushs 20.6billion)

c) TPS -The Fund has 13.9% shareholding in TPS.

d) Government of Uganda

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions presented in Note 17. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay as-You-Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties.. Rental income for the year amounted to Ushs 5 billion (2017: Ushs 4.9 billion)

e) Terms and conditions

Other than the terms disclosed above, there have been no guarantees provided or received for any of the above related party balances. As at 30 June 2018, except for the amount due from Uganda Clays Limited, which had been fully provided for, the Fund had not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

34. RELATED PARTY DISCLOSURES (CONTINUED)

f) Compensation for key management personnel and directors' emoluments

	2018	2017
	Ushs'000	Ushs'000
Non-executive directors' emoluments:		
Directors' allowances	813,887	508,417
Key management remuneration:		
Salaries and allowances	5,190,753	3,540,787
Gratuity	<u>955,174</u>	<u>672,295</u>
	<u>6,145,927</u>	<u>4,213,082</u>
Total compensation for key management personnel	<u>6,959,814</u>	<u>4,721,499</u>

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel and directors.

35. CONTINGENT LIABILITIES

- a) The Fund is a litigant in various cases for breach of contract arising in the normal course of business. The directors are of the view that the Fund has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Fund's operation. The directors are confident that the Fund shall receive favourable ruling from the outstanding cases. Information on these cases has not been disclosed as the directors consider that the disclosure of the information could prejudice the Fund's position. The cases in which the Fund is a litigant mainly relate to alleged breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.
- b) The Fund objected to a tax assessment by Uganda Revenue Authority (URA) on 15 April 2013 on the grounds that URA's tax computations wrongly disallowed expenses that are deductible for tax purposes. Management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act which allows a deduction for interest incurred during the year of income in respect of a debt obligation. Guidance received from the URA in 2001 allowed for these expenses to be deductible for tax purposes. There have been no changes to those sections of the Income Tax Act. The Fund has treated the interest incurred in the past in exactly the same way.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process, both parties agreed to reduce the taxes in dispute from Ushs.84.4 billion to Ushs.42.2 billion. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognised any provision for liability to the URA.

In accordance with the Income Tax Act the Fund was required to pay 30% deposit of the assessed tax as disclosed in Note 12(c). Payment of this deposit is not an admission of guilt but purely a statutory payment.

The ultimate outcome of this case cannot presently be determined. Accordingly, these matter has been disclosed as a contingent liability as the Fund currently has a possible obligation but the existence of any obligation to URA will be confirmed only by the decision of the court. There has not been a change in the proceedings since the prior year.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

35. CONTINGENT LIABILITIES (CONTINUED)

- c) The Fund is also a defendant on various legal actions arising from its investment property, mainly land. The Fund has been advised by its legal counsel that it is unlikely that actions from the cases will succeed. Accordingly, no provision nor disclosures for these liabilities have been made in these financial statements.

36. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates

The accounting policies that involve high judgement in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- (i) *Impairment* - The Fund regularly reviews its assets and makes judgements in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Further information on impairment is disclosed in Notes 16 and Note 19.
- (ii) *Determining fair values* - The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Further information on determination of fair value is disclosed in Notes 24 and 38.
- (iii) *Provisions and contingencies* - A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgements in determining the provisions presented in Note 30.
- (iv) *Valuation of Investment properties*- The Fund carries its investment properties at fair value, with changes in fair value being recognised in surplus or deficit. The Fund engaged an independent valuation specialist to assess fair value as at 30 June 2018. The investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties are provided in note 24.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

36. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

- (v) *Determination of significant influence*-Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent.
- (vi) *Lease classification*- Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Fund. The carrying amounts are disclosed in note 27.

37. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk,
- Liquidity risk,
- Credit risk, and
- Capital management risk.

Included below is information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing the risks and the Fund's management of capital.

Risk management framework

The Fund's Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board has established an Audit and Risk Committee, and the Risk Department, which are responsible for developing and monitoring the risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Fund's Audit and Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions.

Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(a) Market risk

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

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management of market risks

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as equity, bonds and property prices, currency exchange rates and interest rates.

The Board grants authority to take on market risk exposure to the Management Investment Committee (MIC). This committee manages this risk through the guidelines set out in the Fund's investment policy.

Equity price risk

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy. All shares held by the Fund are either quoted or traded on the Uganda, Dar es salaam, Rwanda and Nairobi Securities Exchanges.

The table below shows the effect of share price sensitivity on the surplus before tax based on the share price volatility as at 30 June 2018:

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax Ushs 000
Equity securities held-for-trading	+/-5%	+/-5,609,060
Equity investments at fair value through profit or loss	+/-5%	+/-65,832,379

Property price risk

The Fund is exposed to property price risk through its investments in real estate properties. The Fund's Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund's investment policy.

The table below shows the effect of property price sensitivity on the surplus before tax based on the property price volatility as at 30 June 2018:

	Change in property price % Ushs 000	Effect on surplus before tax Ushs 000
Investment property	+/-5%	+/- 23,398,813

Currency risk

The Fund is exposed to currency risk through transactions in foreign currencies. The Fund transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Fund ensures that its net exposure is kept to an acceptable level by matching foreign currency assets to liabilities when considered appropriate. Monitoring of foreign currency fluctuations is done through the Management and Investment Committee. The Fund operates wholly within Uganda and its assets and liabilities are reported in Uganda Shillings, although it maintains some of its assets and trades with banks in foreign currencies.

ATIONAL SOCIAL SECURITY FUND
 TES TO THE FINANCIAL STATEMENTS (CONTINUED)
 R THE YEAR ENDED 30 JUNE 2018

FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

The Fund had the following currency positions as at 30 June 2018. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Rwf	Total
Financial assets					
Cash and bank balances	1,345,859	1,450,841	1,883,343	648,436	5,328,479
Equity securities held-for-trading	-	84,725,360	14,398,579	-	99,123,939
Trade and other receivables	-	2,221,650	4,958,127	2,527,653	9,707,430
Investments in securities held-to-maturity	-	1,230,821,284	546,378,683	21,174,789	1,798,374,756
Equity investments at fair value through profit or loss	116,483,008	776,643,547	252,203,355	53,843,004	1,199,172,914
Total assets	117,828,867	2,095,862,682	819,822,087	78,193,882	3,111,707,518
Financial liabilities					
Other payables	(7,244,963)	-	-	-	(7,244,963)
	(7,244,963)	-	-	-	(7,244,963)
Currency gap At 30 June 2018	110,583,904	2,095,862,682	819,822,087	78,193,882	3,104,462,555

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

The table below indicates the currencies to which the Fund had significant exposure at 30 June on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement of the currency rate against the Uganda Shilling, with all other variables held constant, on the statement of changes in net assets available for benefits (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the surplus for the year and equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Uganda Shilling would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in % 2018	Effect on surplus before tax 2018 Ushs '000	Change in currency rate in % 2017	Effect on surplus before tax 2017 Ushs '000
USD	+/-5%	+/- 5,859,165	+/-5%	+/- 6,440,903
KES	+/-5%	+/- 104,793,134	+/-5%	+/- 94,038,626
TZS	+/-5%	+/- 40,991,104	+/-5%	+/- 25,888,639
RWF	+/-5%	+/- 3,909,694	+/-5%	+/- 3,277,162
EUR	+/-5%	+/- 112,881	+/-5%	+/- 102,864

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
	Ushs	Ushs	Ushs	Ushs
KES	35.91	34.73	38.45	34.52
USD	3670.91	3,602.25	3882.27	3,522.54
TZS	1.63	1.6083	1.71	1.5975
EUR	4,390	4,132	4,515	4,115
RWF	4.30	4.283	4.43	4.295

Interest rate risk

In broad terms, interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in interest rates. The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimize interest rate risk, the Fund has a policy whereby the approved investment commitments are matched to members' funds.

The Fund does not account for any fixed rate or variable rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date will not affect the Fund's surplus or deficit but would change the future performance of the Fund. The financial assets held at variable interest rates relate to the corporate bonds for African Development Bank (ADB). These balances are not significant when compared with the total financial assets of the Fund as at year-end, hence a change of 1 basis point in the interest rate for these instruments would have an insignificant effect on the statement of changes in net assets available for benefits.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing dates and the maturity dates. All balances are in Ushs 000.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

2018 Assets	<3 months Ushs'000	3-12 months Ushs'000	> 1 year Ushs'000	Non-Interest bearing Ushs'000	Total Ushs'000
Cash and bank balances	12,308,698	-	-	5,614,310	17,923,008
Deposits with commercial banks	-	99,835,759	-	-	99,835,759
Equity securities held-for-trading	-	-	-	112,181,205	112,181,205
Trade and receivables	-	-	-	41,181,526	41,181,526
Investments in securities held-to-maturity	247,046,309	910,765,604	6,196,751,865	-	7,354,563,778
Equity investments at fair value through profit or loss	-	-	-	1,326,207,276	1,326,207,276
Loans and advances	-	-	22,985,894	-	22,985,894
Total assets	259,355,007	1,010,601,363	6,219,737,759	1,485,184,317	8,974,878,446
Liabilities					
Other payables	-	-	-	(31,853,816)	(31,853,816)
Total liabilities	-	-	-	(31,853,816)	(31,853,816)
Gap as at 30 June 2018	259,355,007	1,010,601,363	6,219,737,759	1,453,330,501	8,943,024,630

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

2017 Assets	<3 months Ushs'000	3-12 months Ushs'000	> 1 year Ushs'000	Non-Interest bearing Ushs'000	Total Ushs'000
Cash and bank balances	49,018,424	-	-	7,224,445	56,242,869
Deposits with commercial banks	-	224,775,364	-	-	224,775,364
Equity securities held-for-trading	-	-	-	88,373,503	88,373,503
Trade and other receivables	-	-	-	39,716,248	39,716,248
Investments in securities held-to-maturity	45,505,610	259,682,437	5,441,871,567	-	5,747,059,614
Equity investments at fair value through profit or loss	-	-	-	899,971,553	899,971,553
Loans and advances	-	-	26,879,508	-	26,879,508
Total assets	94,524,034	484,457,801	5,468,751,075	1,035,285,749	7,083,018,659
Liabilities					
Trade payables	-	-	-	(26,982,055)	(26,982,055)
Total liabilities	-	-	-	(26,982,055)	(26,982,055)
Gap as at 30 June 2017	94,524,034	484,457,801	5,468,751,075	1,008,303,694	7,056,036,604

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

Management of liquidity risk

The Fund has access to a diverse funding base. Funds are raised mainly from members' contributions and reserves. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Fund strategy. In addition, the Fund has a Management Investment Committee that meets on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

Exposure to liquidity risk

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2018 to the contractual maturity date. All balances are in Ushs 000.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2018	Matured Ushs'000	<3 months Ushs'000	3-12 months Ushs'000	1-5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000
Financial assets						
Cash and bank balances	17,894,729	-	-	-	-	17,894,729
Deposits with commercial banks	-	-	99,835,759	-	-	99,835,759
Equity securities held-for-trading	-	-	-	112,181,205	-	112,181,205
Trade and other receivables	-	-	41,181,526	-	-	41,181,526
Investments in securities held-to-maturity	-	92,337,840	910,765,604	4,724,244,546	8,947,175,559	14,674,523,549
Equity investments at fair value through profit or loss	-	-	-	-	1,326,207,276	1,326,207,276
Loans and advances	-	-	2,740,365	27,745,421	1,559,757	32,045,543
Total financial assets	17,894,729	92,337,840	1,054,523,254	4,864,171,172	10,274,942,592	16,303,869,587
Financial liabilities						
Other payables	-	(19,931,423)	-	(11,922,393)	-	(31,853,816)
Financial liabilities	-	(19,931,423)	-	(11,922,393)	-	(31,853,816)
Liquidity gap as at 30 June 2018	17,894,729	72,406,417	1,054,523,254	4,852,248,779	10,274,942,592	16,272,015,771

NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2017	Matured Ushs'000	<3 months Ushs'000	3-12 months Ushs'000	1-5 years Ushs'000	> 5 years Ushs'000	Total Ushs'000
Financial assets						
Cash and bank balances	56,242,869	-	-	-	-	56,242,869
Deposits with commercial banks	-	-	224,775,364	-	-	224,775,364
Equity securities held-for-trading	-	-	-	88,373,503	-	88,373,503
Trade and other receivables	-	-	39,716,248	-	-	39,716,248
Investments in securities held-to-maturity	-	462,158,168	1,386,474,503	1,848,632,670	5,545,898,011	9,243,163,352
Equity investments at fair value through profit or loss	-	-	-	-	899,971,553	899,971,553
Loans and advances	-	-	-	-	36,287,336	36,287,336
Total financial assets	56,242,869	462,158,168	1,650,966,115	1,937,006,173	6,482,156,900	10,588,530,225
Financial liabilities						
Other payables	-	(14,704,943)	-	(12,277,112)	-	(26,982,055)
Financial liabilities	-	(14,704,943)	-	(12,277,112)	-	(26,982,055)
Liquidity gap as at 30 June 2017	56,242,869	447,453,225	1,650,966,115	1,924,729,061	6,482,156,900	10,561,548,170

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans and advances, trade and other receivables, deposits with commercial banks and investments in government and corporate bonds. For risk management reporting purposes, the Fund considers all elements of credit risk exposure such as individual obligator default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Management Investment Committee. The Investments Department is responsible for oversight of the Fund's credit risk, including:

- Formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting. Documentary, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Fund's Legal and Compliance Department.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Management Investment Committee. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing compliance of investment mix with agreed exposure limits, including those for selected industries, country risk and product types. The Fund's Investment Committee is responsible for monitoring the credit quality of investments and ensuring that appropriate corrective action is taken and providing advice, guidance and specialist skills to business units to promote best practice throughout the Fund in the management of credit risk.

The Investment department is required to implement the Fund's credit policies and procedures, with credit approval authorities delegated from the Fund's Board of Directors. The Investment department is responsible for the quality and performance of the Fund's investment portfolio and for monitoring and controlling all credit risks in the Fund's portfolio, including those subject to Board approval.

Regular audits of the Investment department and the Fund's credit processes are undertaken by the Internal Audit department.

Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum credit exposure as at the reporting date was:

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Note	2018	2017
		Ushs 000	Ushs 000
Bank balances	13	17,886,073	56,225,311
Deposits due from banks	14	99,835,759	224,775,364
Trade and other receivables	16	41,181,526	39,716,248
Investment securities held-to-maturity	17	7,354,563,778	5,747,059,614
Loans and advances	19	<u>22,985,894</u>	<u>26,879,508</u>
		<u>7,536,453,030</u>	<u>6,094,656,045</u>

The concentration of credit risk for loans at amortised cost as at the reporting date was:

	2018	2017
	Ushs 000	Ushs 000
Housing Finance Bank Limited	22,333,333	26,000,000
Staff loans	<u>652,561</u>	<u>879,508</u>
	<u>22,985,894</u>	<u>26,879,508</u>

The ageing of loans at amortised cost as at the reporting date was as follows:

	30 June 2018		30 June 2017	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	22,985,894	-	26,879,508	-
Past due 30-60 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 120-360 days	20,592,838	(20,592,838)	20,592,838	(20,592,838)
More than a year	-	-	-	-
	43,578,732	(20,592,838)	47,472,346	(20,592,838)

As at the reporting date, there were no impairment loss allowances in respect of held to maturity investments.

The concentration of credit risk for trade and other receivables as at the reporting date by type of receivables was as follows:

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2018	2017
	Ushs 000	Ushs 000
Rent receivable	4,636,719	3,501,173
Contributions receivable	889,095	889,095
Staff advances	107,735	108,449
Cash advances to investment managers	1,269,073	1,219,066
Dividends receivable	34,337,967	33,604,493
Trade receivables	9,244,300	8,287,816
Provision for Impairment losses	<u>(10,739,257)</u>	<u>(7,893,843)</u>
	<u>39,745,632</u>	<u>39,716,249</u>

The ageing of trade and other receivables as at the reporting date was as follows:

	30-Jun-18		30-Jun-17	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	33,367,077	-	36,412,981	-
Past due 30-60 days	2,836,293	-	1,851,717	-
Past due 31-120 days	1,888,646	-	904,072	-
Past due 120-360 days	3,089,510	-	547,479	-
Past due 360 days	10,739,257	(10,739,257)	7,893,844	(7,893,844)
	51,920,783	(10,739,257)	47,610,093	(7,893,844)

Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due by 360 days.

The allowance account in respect of trade and other receivables (as per Note 16) is used to record impairment losses unless the Fund is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off against the financial asset directly.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Categories of financial assets and financial liabilities

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of net assets available for benefits are analysed as follows:

	Carrying Amount		Fair value	
	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000
FINANCIAL ASSETS				
Held-for-trading				
Investment securities held-for-trading	112,181,205	88,373,503	112,181,205	88,373,503
Financial assets at fair value through profit or loss				
Equity investments	1,326,207,276	899,971,553	1,326,207,276	899,971,553
Loans and receivables				
Deposits with commercial banks	99,835,759	224,775,364	99,835,759	224,775,364
Cash and bank balances	17,923,008	56,242,869	17,923,008	56,242,869
Trade and other receivables	41,181,526	39,716,248	41,181,526	39,716,248
Loans and advances	<u>22,985,894</u>	<u>26,879,508</u>	<u>22,707,765</u>	<u>27,301,590</u>
Total	<u>181,926,187</u>	<u>347,613,989</u>	<u>181,648,058</u>	<u>348,036,071</u>
Held-to-maturity investments	<u>7,354,563,778</u>	<u>5,959,877,041</u>	<u>7,465,573,556</u>	<u>6,055,235,074</u>
Total financial assets	<u>8,974,878,446</u>	<u>7,295,836,086</u>	<u>9,085,610,095</u>	<u>7,391,616,201</u>
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost				
Other payables	<u>31,853,816</u>	<u>26,982,055</u>	<u>31,853,816</u>	<u>26,982,055</u>

e) Capital risk management

The primary source of capital used by the Fund is member contributions and income from investments. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board. There have been no significant changes in the Fund's capital management policies and processes and capital structure during the past year and previous year. An important aspect of the Fund's overall capital management process is the setting of target risk and inflation adjusted rates of return, which are aligned to performance objectives and ensure that the Fund is focused on the creation of value for the members. The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate actions that will provide the target return in light of changes in economic conditions and risk characteristics.

The Fund seeks to optimise the structure and investment of capital to ensure that it consistently maximises returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 15% was declared for the year 2018 (2017: 11.23%).

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

38. FAIR VALUE MEASUREMENT

Fair values of cash and deposits with commercial banks, trade receivables, loans and advances and other payables reasonably approximate their carrying amounts largely due to the short-term maturities of these instruments and/or because they carry interest rates that reasonably approximate market rates.

The carrying amounts of equity securities held for trading and at fair value through profit of loss are the same as their fair values since the instruments are presented at fair value.

The financial instruments whose fair values differ from the carrying amounts as shown in the statement of net assets available for benefits are analysed as follows:

	30 June 2018		30 June 2017	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Investment securities held to maturity	7,354,563,778	7,465,573,556	5,747,059,614	6,055,235,074

Valuation techniques

Description of valuation techniques used and key inputs to valuation for investment properties are disclosed under note 24, and below for held to maturity investments (Government debt securities and Corporate bonds) and investments at fair value through Profit or loss:

Government debt securities: - Government debt securities are bonds issued by sovereign governments i.e Uganda, Kenya, Tanzania, Rwanda with fixed interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Other debt securities: - Most of these instruments are standard fixed rate securities made up of majorly corporate bonds. The fund uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments where usually there is not sufficient third party trading data to justify Level 1 classification. The corporate bonds held by the fund have sufficient third party trading and have therefore been considered Level 1

Equity instruments: -The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions. Such instruments are generally Level 2. Equity instruments in non-listed entities include investment in private equity funds are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as Level 3. The Fund does not hold equity investments that would be valued at cost due lack of reliable information to value them.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

38. FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides the fair value measurement hierarchy of the Fund's assets and liabilities measured at fair value or those for which fair value is disclosed:

As at 30 June 2018

	Date of valuation	Total Ushs '000	Fair value measurement using		
			Quoted price in active market (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservable inputs (Level 3) Ushs '000
Assets measured at fair value					
Investment at fair value through profit or loss (Note 18)	30-Jun-18	1,326,207,276	1,200,164,566	126,042,710	-
Quoted equities-held for trading (Note 15)	30-Jun-18	112,181,205	112,181,205	-	-
Investment Properties (Note 24)	30-Jun-18	464,627,140	-	-	464,627,140
Assets for which fair values are disclosed					
Investment securities held to maturity	30-Jun-18	7,465,573,556	7,465,573,556	-	-

There have been no transfers between the levels during the period.

As at 30 June 2017

	Date of valuation	Total Ushs '000	Fair value measurement using		
			Quoted price in active market (Level 1) Ushs '000	Significant observable input (Level 2) Ushs '000	Significant unobservable input (Level 3) Ushs '000
Assets measured at fair value					
Investment at fair value through profit or loss (Note 18)	30-Jun-17	899,971,553	797,282,458	102,689,095	-
Quoted equities-held for trading (Note 15)	30-Jun-17	88,373,503	88,373,503	-	-
Investment Properties (Note 24)	30-Jun-17	188,210,449	-	-	188,210,449
Assets for which fair values are disclosed					
Investment securities held to maturity	30-Jun-17	6,055,235,074	6,055,235,074	-	-

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

38. FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	Investment properties Shs'000
2018	
At 1 July 2017	188,210,449
Total gains in surplus or deficit	48,079,065
Purchases	21,784,965
Sales	(363,640)
Reclassifications	<u>206,916,301</u>
At 30 June 2018	<u>464,627,140</u>
Total gains for the period included in surplus or deficit for assets at the end of the reporting report (Note 24)	<u>48,079,065</u>
2017	
At 1 July 2016	139,345,000
Total (loses)/gains in surplus or deficit	19,019,795
Purchases	<u>29,845,654</u>
At 30 June 2017	<u>188,210,449</u>
Total gains for the period included in surplus or deficit for assets at the end of the reporting report (Note 24)	<u>19,019,795</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

38. FAIR VALUE MEASUREMENT (CONTINUED)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2018 and 2017 are, as shown below:

Description	Input	Sensitivity used*	Effect on the Fair value Ushs,000
Workers house	Estimated rental value	2018: 10%	13,248,000
		2017:10%	11,923,200
	Estimated expenditure rental	2018:10%	6,372,000
		2017:10%	5,734,800
	Vacancy factor	2018:1%	1,404,000
		2017:1%	1,263,600
Discount factor	2018:1%	7,610,400	
	2017:1%	6,849,360	
Social Security house	Estimated rental value	2018: 10%	3,816,000
		2017:10%	3,739,680
	Estimated rental expenditure	2018:10%	828,000
		2017:10%	811,440
	Vacancy factor	2018:1%	421,200
		2017:1%	412,776
Discount factor	2018:1%	4,064,400	
	2017:1%	3,983,112	

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value

No sensitivity analysis was done for the other properties as these were revalued using the sales comparison approach which was considered to be the most appropriate to determine the fair values of the properties that were mainly composed of vacant land with no establishments to warrant use of other methods with varying inputs.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 30 June 2018

	Within 12 months Ushs'000	After 12 months Ushs'000	Total Ushs'000
ASSETS			
Cash and bank balances	17,894,729	-	17,894,729
Deposits with commercial banks	99,835,759	-	99,835,759
Trade and other receivables	47,763,900	-	47,763,900
Equity securities held-for-trading	-	112,181,205	112,181,205
Tax deposit receivable	-	25,323,522	25,323,522
Investments in securities held-to-maturity	1,157,811,913	6,196,751,865	7,354,563,778
Equity investments at fair value through profit or loss	-	1,326,207,276	1,326,207,276
Loans and advances	1,563,265	21,422,629	22,985,894
Investments in associates	-	299,635,870	299,635,870
Capital work-in-progress	-	177,845,987	177,845,987
Investment properties	-	464,627,140	464,627,140
Intangible assets	-	6,628,743	6,628,743
Property and equipment	-	11,318,028	11,318,028
Tax claimable	-	16,929,198	16,929,198
Finance leases	-	630,000	630,000
Total assets	<u>1,324,869,566</u>	<u>8,659,501,463</u>	<u>9,984,371,029</u>
LIABILITIES			
Other payables	32,956,932	-	32,956,932
Provisions for litigation	<u>13,796,545</u>	-	<u>13,796,545</u>
Total liabilities	<u>46,753,477</u>	<u>-</u>	<u>46,753,477</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

As at 30 June 2017

	Within 12 months	After 12 months	Total
	Ushs'000	Ushs'000	Ushs'000
ASSETS			
Cash and bank balances	56,242,869	-	56,242,869
Deposits with commercial banks	224,775,364	-	224,775,364
Trade and other receivables	45,038,256	-	45,038,256
Equity securities held-for-trading	-	88,373,503	88,373,503
Tax deposit receivable	-	25,323,522	25,323,522
Investments in securities held-to-maturity	305,188,047	5,441,871,567	5,747,059,614
Equity investments at fair value through profit or loss	-	899,971,553	899,971,553
Loans and advances	3,893,614	22,985,894	26,879,508
Inventories (Office supplies)	1,187,304	-	1,187,304
Investments in associates	-	266,525,086	266,525,086
Capital work-in-progress	-	323,834,522	323,834,522
Investment properties	-	188,210,449	188,210,449
Intangible assets	-	5,770,533	5,770,533
Property and equipment	-	10,966,843	10,966,843
Tax claimable	-	13,894,092	13,894,092
Finance leases	-	650,000	650,000
Total assets	<u>636,325,454</u>	<u>7,288,377,564</u>	<u>7,924,703,018</u>
LIABILITIES			
Other payables	28,259,109	-	28,259,109
Provisions for litigation	12,801,429	-	12,801,429
Total liabilities	<u>41,060,538</u>	<u>-</u>	<u>41,060,538</u>

40. ESTABLISHMENT

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

41. SUBSEQUENT EVENTS

There were no material events occurring after the reporting date which had an impact on the financial position or results of the Fund.