

NATIONAL SOCIAL SECURITY FUND

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

**NATIONAL SOCIAL SECURITY FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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**NATIONAL SOCIAL SECURITY FUND
FUND INFORMATION
FOR THE YEAR ENDED 30 JUNE 2015**

DIRECTORS

Mr. Ivan Kyayonka	Chairman (Deceased 2015)
Mr. Patrick Byabakama Kaberenge	Chairman (Appointed 01 September 2015)
Mr. Richard Bigirwa	Member (Up to 30 May 2015)
Mr. Pius Bigirimana	Member
Mr. Christopher Kahirita	Member (Up to 30 May 2015)
Mrs. Agnes Kunihira	Member (Up to 30 May 2015)
Mr. Henry Mukasa	Member (Up to 30 May 2015)
Mr. Musa Okello	Member (Up to 30 May 2015)
Mrs. Sarah Walusimbi	Member
Mr. Patrick Ocailap	Member
Mr. Richard Byarugaba	Managing Director
Mrs Penninah Tukamwesiga	Member (Appointed 01 September 2015)

HEAD 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

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P. O. Box 3509
Kampala, Uganda

BANKERS

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

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

**NATIONAL SOCIAL SECURITY FUND
FUND INFORMATION
FOR THE YEAR ENDED 30 JUNE 2015**

BANKERS (cont'd)

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

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

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

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

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

Crane Bank Limited
Plot 38, Kampala Road
P.O. Box 22572
Kampala

ADVOCATES

Birungyi, Barata & Associates
Plot 3, Portal Avenue
First Floor Suite B1.6
P.O. Box 22971
Kampala

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

Muhimbura & Co. Advocates
Jumbo Plaza
Plot 2, Parliament Avenue
P.O. Box 22971
Kampala
GP Advocates
(Formerly Omunyokol & Co. Advocates)
Colline House, 3rd Floor
Plot 4, Pilkington Road
P.O. Box 6737
Kampala

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

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

**NATIONAL SOCIAL SECURITY FUND
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2015**

The directors submit their report together with the audited financial statements for the year ended 30 June 2015 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. Principal activity

The principal activity of the Fund is to collect contributions from members and invest in a professional manner to earn a good return to meet the benefit obligations to its members. 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.

2. Results from operations

The results of the Fund for the year ended 30 June 2015 are set out on page 7.

3. Interest to members

Interest is computed based on the opening balances of the members' funds less benefit paid during the year. The rate paid during the year ended 30 June 2015 was 13% (2014: 11.5%).

4. Reserves and accumulated members' funds

The reserves of the Fund and the accumulated members' funds are set out on page 9.

5. Unallocated members' funds

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

6. Directors

The directors who held office during and after the yearend are set out on page 1.

7. Auditors

In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements shall be audited once every year by the Auditor General or an auditor appointed by him to act on his behalf. For the year ended 30 June 2015, M/s KPMG Certified Public Accountants were appointed to act on behalf of the Auditor General.

8. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on 20 October 2015.

By order of the board,


Mr. Richard Wejuli Wabwire
Corporation Secretary

Date: 20 October 2015

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2015**

The Fund's directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Net Assets Available for Benefits at 30 June 2015, the Statement of Changes in Net Assets Available for Benefits, the Statement of Changes in Members' Funds and Reserves and statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the Fund.

The directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of the operating results of the Fund for that year. It also requires the directors to ensure the Fund keeps proper accounting records that disclose with reasonable accuracy the financial position of the Fund.

The directors accept responsibility for the financial statements set out on pages 7 to 73 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the surplus and cash flow for the year ended 30 June 2015. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the Fund will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 20 October.....2015 and were signed on its behalf by:

Mr. Patrick Byabakama Kaberenge :
Chairman



Mr: Richard Byarugaba :
Managing Director



Mr. Richard Wejuli Wabwire :
Corporation Secretary

Date : 20 October.....2015

REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2015

Under the terms of section 32(2) of the National Social Security Fund (NSSF) Act (CAP 222), the Auditor General is required to audit the financial statements of the Fund. In accordance with the provisions of the same section, the Auditor General appointed M/s KPMG Certified Public Accountants to audit the financial statements on his behalf and report to him to enable him report to Parliament in accordance with Article 163 (4) of The Constitution of the Republic of Uganda.

Report on the Financial Statements

We have audited the financial statements of National Social Security Fund (“the Fund”), which comprise the Statement of Net Assets available for Benefits as at 30 June 2015, the Statements of Changes in Net Assets Available for Benefits, Changes in Members’ Funds and Reserves, and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 73.

Directors’ responsibility for the financial statements

The Fund’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of National Social Security Fund as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL FOR THE
YEAR ENDED 30 JUNE 2015 (Continued)**

Emphasis of Matter

We draw attention to Note 35(b) to the financial statements, which indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses in calculating the Fund's tax assessment during the year ended 30 June 2013. The note also indicates the directors have not recognised any provision for the liability of Ushs 84.4 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. Guidance provided by URA in 2001 allowed for the deduction of these expenses. The note gives details of the case and explains the directors have disclosed a contingent liability as the ultimate outcome of the case cannot presently be determined. Our opinion is not qualified in respect of this matter.



KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 20 October 2015

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 30 JUNE 2015**

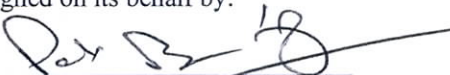
	Note	2015 Ushs'000	2014 Ushs'000
DEALINGS WITH MEMBERS			
Contributions received during the year	31	688,095,082	622,353,746
Benefits paid	31	<u>(186,609,416)</u>	<u>(165,926,552)</u>
Net dealings with members		<u>501,485,666</u>	<u>456,427,194</u>
COMPREHENSIVE INCOME			
Revenue			
Interest income	5	539,197,465	469,728,521
Rental income	6	10,265,101	11,701,610
Dividend income	7	<u>33,693,725</u>	<u>12,898,276</u>
Total revenue		<u>583,156,291</u>	<u>494,328,407</u>
Other income			
Other operating income	8	169,776,564	42,027,939
Fair value gains from equity investments at fair value through profit or loss	18	<u>48,438,003</u>	<u>60,319,956</u>
Total other income		<u>218,214,567</u>	<u>102,347,895</u>
Expenditure			
Administrative expenses	9	(52,074,535)	(45,873,657)
Other operating expenses	10	(13,150,183)	(17,858,210)
Amortisation of intangible assets	25	(1,724,404)	(1,686,790)
Depreciation of property and equipment	26	<u>(1,859,644)</u>	<u>(1,216,408)</u>
Total expenditure		<u>(68,808,766)</u>	<u>(66,635,065)</u>
Share of results from Associates	21	<u>5,654,082</u>	<u>672,716</u>
Surplus from operations		738,216,174	530,713,953
Interest transfer to members	31	<u>(521,769,156)</u>	<u>(365,842,850)</u>
Surplus before tax	11	216,447,018	164,871,103
Income tax expense (withholding tax as final tax)	12(a)	<u>(90,433,851)</u>	<u>(78,297,276)</u>
Surplus for the year		<u>126,013,167</u>	<u>86,573,827</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>		-	-
<i>Items not to be reclassified to profit or loss in subsequent years:</i>		-	-
Total comprehensive income for the year, net of tax		<u>126,013,167</u>	<u>86,573,827</u>
Net increase in scheme funds during the year		<u>627,498,833</u>	<u>543,001,021</u>


The accounting policies and notes on pages 11 to 73 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 30 JUNE 2015**

	Note	2015 Ushs'000	2014 Ushs'000
ASSETS			
Cash and bank balances	13	14,064,337	14,634,466
Deposits with commercial banks	14	251,067,909	682,070,805
Equity securities held-for-trading	15	90,134,171	73,318,553
Trade and other receivables	16	26,923,918	22,467,276
Tax deposit receivable	12 (c)	25,323,522	-
Investments in securities held-to-maturity	17	3,859,400,332	2,792,735,207
Equity investments at fair value through profit or loss	18	734,270,133	251,274,475
Loans and advances	19	34,464,037	39,325,612
Inventories (Office supplies)	20	853	2,910
Investments in associates	21	74,892,790	71,495,208
Other investments	22	-	-
Capital work-in-progress	23	308,911,107	250,241,953
Investment properties	24	135,873,682	193,710,608
Intangible assets	25	5,857,796	7,312,122
Property and equipment	26	8,422,563	4,356,884
Finance lease	27	256,289	-
Total Assets		<u>5,569,863,439</u>	<u>4,402,946,079</u>
LIABILITIES			
Withholding tax payable	28	1,208,340	971,228
Other payables	29	27,011,883	24,858,304
Provisions for litigation	30	<u>11,852,903</u>	<u>9,420,196</u>
Total Liabilities		<u>40,073,126</u>	<u>35,249,728</u>
NET ASSETS		<u>5,529,790,313</u>	<u>4,367,696,351</u>
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	31	5,166,761,915	4,147,285,690
Reserve account	32	71,316,122	50,149,442
Accumulated surplus		<u>291,712,276</u>	<u>170,261,219</u>
TOTAL MEMBERS' FUNDS AND RESERVES		<u>5,529,790,313</u>	<u>4,367,696,351</u>

These financial statements were approved for issue by the Board of Directors on 20 October 2015 and signed on its behalf by:


Mr. Patrick Byabakama Kaberenge
Chairman:


Mr. Richard Wejuli Wabwire
Corporation Secretary:


Mr. Richard Byarugaba
Managing Director:

The accounting policies and notes on pages 11 to 73 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2015**

	Reserve Account Ushs 000	Accumulated Members' Funds Ushs 000	Accumulated Surplus Ushs 000	Total Ushs 000
At 1 July 2013	36,829,033	3,322,576,227	90,778,294	3,450,183,554
Surplus for the year	-	-	86,573,827	86,573,827
Special contributions (Note 32 (a))	6,229,507	-	-	6,229,507
Transfer of Interest recovered on arrears, fines and penalties received (Note 32 (a))	7,090,902	-	(7,090,902)	-
Members' contributions received (Note 31)	-	622,353,746	-	622,353,746
Benefits paid to members (Note 31)	-	(165,926,552)	-	(165,926,552)
Interest allocated to members arising from arrears recovered (Note 31)	-	2,439,419	-	2,439,419
Provision for Interest to members (Note 31)	-	365,842,850	-	365,842,850
At 30 June 2014	<u>50,149,442</u>	<u>4,147,285,690</u>	<u>170,261,219</u>	<u>4,367,696,351</u>
At 1 July 2014	50,149,442	4,147,285,690	170,261,219	4,367,696,351
Surplus for the year	-	-	126,013,167	126,013,167
Special contributions received (Note 32 (a))	8,634,140	-	-	8,634,140
Transfer of Interest recovered on arrears, fines and penalties received (Note 32 (a))	4,562,110	-	(4,562,110)	-
Members' contributions received (Note 31)	-	688,095,082	-	688,095,082
Benefits paid to members (Note 31)	-	(186,609,416)	-	(186,609,416)
Interest allocated to members arising from arrears recovered (Note 31)	(1,902,042)	1,902,042	-	-
Provision for Interest to members (Note 31)	9,872,472	516,088,517	-	525,960,989
At 30 June 2015	<u>71,316,122</u>	<u>5,166,761,915</u>	<u>291,712,276</u>	<u>5,529,790,313</u>

The accounting policies and notes on pages 11 to 73 form an integral part of the financial statements.

**NATIONAL SOCIAL SECURITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 Ushs '000	2014 Ushs '000
Net cash used in operating activities	33	(38,015,463)	(107,244,040)
Investing activities			
Purchase of software	25	(270,079)	(518,982)
Purchase of property and equipment	26	(4,827,044)	(1,294,263)
Proceeds from sale of fixed assets		224,946	349,600
Purchase of investment properties	24	(3,810,383)	(11,607,952)
Proceeds from disposal of Investment properties		2,505,000	-
Purchase of capital work-in-progress	23	(2,584,704)	(7,630,628)
Purchase of equity investments at fair value through profit or loss		(380,034,368)	(38,683,163)
Purchase of equity investments held for trading		(920,750)	(25,512,569)
Proceeds from disposal of equity investments held for trading		164,458	385,530
Purchase of held to maturity investments		(1,318,746,814)	(1,198,171,798)
Maturities of held to maturity investments		358,933,563	425,858,902
Purchase of deposits with commercial banks		(908,058,993)	(1,048,961,370)
Maturities of deposits with commercial banks		1,319,057,666	1,089,488,400
Maturities of loans and advances		9,621,361	9,542,376
Interest received from held to maturity investments		362,772,044	326,756,009
Interest received from commercial bank deposits		92,320,147	119,084,912
Dividends received		979,478	2,320,710
Net cash flows used in investing activities		(472,674,472)	(358,594,286)
Financing activities			
Benefits paid out to members	31	(186,609,416)	(165,926,552)
Contributions received from members	31	688,095,082	622,353,746
Interest recovered on arrears	31	-	2,439,419
Special contributions	32	8,634,140	6,229,507
Net cash flows from financing activities		510,119,806	465,096,120
Decrease in cash and cash equivalents		(570,129)	(742,206)
Cash and cash equivalents at 1 July		14,634,466	15,376,672
Cash and cash equivalents at 30 June	13	14,064,337	14,634,466

The accounting policies and notes on pages 11 to 73 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015, 15,589 beneficiaries were paid (2014: 12,898).

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

- Age Benefit - payable to a member who has reached the retirement age of 55 years;
- Withdrawal Benefit - payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- Invalidity benefit - payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- Survivors Benefit – Payable to the dependant survivor(s) in the unfortunate event of member's death; and
- Emigration Grant – 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.

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 2016.

Government also tabled the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament. The objective of the bill is, among others, to repeal the National Social Security Fund Act. There is ongoing debate in parliament including provisions to amend (not repeal) the NSSF Act, and to permit NSSF continue as a national scheme receiving a substantial portion of the mandatory contribution.

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 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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) to meet 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

The Fund's investments in its associates are accounted for using the equity method. An associate is an entity in which the Fund has significant influence but not control over the financial and operating policies. 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 is represented on the Board of the Investee Company for holdings below 20 percent. Under the equity method, the investment in the associates is carried in the statement of financial position at cost plus post acquisition changes in the Fund's share of net assets of the associate.

The statement of comprehensive income reflects the share of the results of operations of the associate. The share of the results of an associate is shown on the face of the statement of comprehensive income. These are the results attributable to equity holders of the associate and therefore the results after tax and non-controlling interests in the subsidiaries of the associate. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Fund.

(b) Foreign currencies

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 rate ruling at that date. 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 translation are recognised in the statement of comprehensive income.

(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 being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Interest income

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.

(ii) Dividends

Dividend income is recognised when the right to receive dividends is established.

(iii) Rental income

Rental income from investment properties is recognized in the statement of comprehensive on the straight line basis over the term of the lease.

(iv) Other income

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

(d) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified 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. The Fund determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. 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.

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 financial position 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 by fund managers. Financial assets held for trading are carried in the statement of financial position at fair value with changes in fair value recognised in surplus or deficit.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and advances

Loans and advances 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 comprehensive income. The losses arising from impairment are recognised in impairment losses in the statement of comprehensive income.

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 it 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 comprehensive income.

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.

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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) 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 the debtors 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.

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 comprehensive income. 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 future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, 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, 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.

Derecognition

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

(e) Offsetting

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

(f) Fair value of financial instruments

The Fund measures financial instruments such as financial assets, and non-financial assets such as investment properties, at fair value at each reporting date. 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 15,17 to 19 and 29

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of financial instruments (continued)

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction of transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. 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 value 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 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.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net within other income in profit or loss.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 comprehensive income 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%.

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 comprehensive income when the asset is derecognised.

(i) 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. 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 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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 to sell 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount that would have been determined net of depreciation or amortization if no impairment loss was recognized.

(l) 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 statement of financial position 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. The contribution payable to the plan is in proportion to the services rendered to the Fund by the employees and is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. The Fund also contributes to the plan on behalf of the employees. The Fund's Contributions are charged to the income statement in the year to which they relate.

(m) 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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(n) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss 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 carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 profit or loss, 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.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can 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 profit will allow the deferred tax asset to be recovered.

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 receivables or account payables in the statement of financial position.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 balances with less than 90 days maturity from the reporting date and include cash and bank balances.

(q) 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.

(r) 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.

(s) 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 comprehensive income 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.

(t) Leases

Leases, where a significant portion of the risks and rewards of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for adoption of IAS 26 presentation and disclosure during the year. The adoption of IAS 26 disclosures resulted in renaming the primary statements and additional disclosures on the statement of changes in Net Assets Available for Benefits.

Adoption of new and revised standards

Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Fund.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

The Fund is not an investment entity in terms of IFRS 10. This amendment has had no impact on the Fund.

This amendment became effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment would result in the Fund no longer offsetting two of its master netting arrangements. This amendment has had no impact on the Fund.

This amendment became effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. This amendment has had no impact on the Fund.

The amendments were applicable retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early. These will be adopted in the period that they become mandatory or/ and effective.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Fund, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

(u) Comparatives

Where necessary, comparative figures are adjusted to conform to changes in presentation in the current year as shown below;

i) Interest transfer to members

The interest transfer to members has been presented on the face of Statement of Changes in Net Assets Available for Benefits rather than being presented under the Statement of Changes in Members' Funds and Reserves.

ii) Trade and other receivables

Certain loans have been reclassified from trade and other receivables to loans and advances as shown in the table below;

	2014
	Ushs'000
Discount on staff loans	(1,250,442)
Staff advances	<u>499,544</u>
Net impact to loans and advances, and trade receivables	<u>(750,898)</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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 valuation company with recognized professional qualification experience and values 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 price at the reporting date. The fair value-of-held to maturity investments is determined for disclosure purposes only.

(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 initial recognition and for disclosure purposes only.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

5. INTEREST INCOME

	2015	2014
	Ushs 000	Ushs 000
Interest income on short term deposits with banks	83,002,603	107,982,217
Interest income on government bonds: held-to-maturity	429,310,880	338,784,799
Interest income on call deposits made by fund managers	11,554	46,804
Interest income on corporate bonds: held-to-maturity	18,861,854	14,460,542
Interest income on loans measured at amortized cost	<u>8,010,574</u>	<u>8,454,159</u>
	<u>539,197,465</u>	<u>469,728,521</u>

6. RENTAL INCOME

	2015	2014
	Ushs 000	Ushs 000
Workers House	5,959,849	6,031,647
Social Security House	2,055,783	2,251,584
Service Charge	1,645,268	3,052,847
Others	<u>604,201</u>	<u>365,532</u>
	<u>10,265,101</u>	<u>11,701,610</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

	2015	2014
	Ushs 000	Ushs 000
Stanbic Bank Uganda Limited	1,740,891	1,600,732
Bank of Baroda (Uganda) Limited	124,891	131,675
New Vision Printing and Publishing Company Limited	525,000	525,000
DFCU Limited	10,277,333	525,912
Safaricom Kenya Public Limited Company	4,993,970	3,361,017
Umeme Limited	6,696,788	4,946,725
Equity Group Holdings Limited	117,931	90,771
Kenya Commercial Bank (KCB)	2,348,672	52,237
Bank of Kigali	3,109,256	-
Other dividend income earned from Fund Managers	<u>3,758,993</u>	<u>1,664,207</u>
	<u>33,693,725</u>	<u>12,898,276</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

8. OTHER OPERATING INCOME

	2015	2014
	Ushs 000	Ushs 000
Gain on disposal of property and equipment	216,658	346,186
Loss on disposal of investment property	(595,000)	-
Clearance fees	9,362	11,075
Miscellaneous income	132,920	375,900
Fair value gain on equity investments held for trading	14,709,202	11,679,788
Gain on disposal of equity investments held for trading	-	111,437
Accruals for legal and related costs no longer required	-	448,539
Notional (expense) / income on staff loans	(80,944)	70,001
Fines and penalties from defaulting employers Note 32(b)	4,562,110	7,090,902
Fair value gain on investment property	5,900,000	12,197,330
Fair value (loss)/gain on Capital work in progress	(7,000,000)	7,000,000
Foreign exchange gains	<u>151,922,256</u>	<u>2,696,781</u>
	<u>169,776,564</u>	<u>42,027,939</u>

Miscellaneous income is majorly made up of fees from sale of bid documents and insurance claims. Foreign exchange gains arose from appreciation of foreign currencies against the Uganda Shilling which affected monetary foreign denominated assets and liabilities.

9. ADMINISTRATIVE EXPENSES

	2015	2014
	Ushs 000	Ushs 000
Staff costs (Note 9a)	30,620,840	29,559,137
Staff medical insurance	810,189	855,426
General staff and training expenses	1,951,932	1,588,925
Advertising and promotion	5,038,131	3,564,482
Auditors' remuneration	152,071	171,080
Bank charges and commission	15,435	140,947
Board expenses	356,159	376,125
Cleaning expenses	162,779	254,798
IT connectivity and internet	581,728	513,459
Directors' allowances	505,945	391,500
Professional fees	2,084,362	1,224,703
Legal fees	1,096,040	1,573,432
Motor vehicle fuel costs, maintenance & repairs	619,569	795,753
Printing and stationery	606,856	492,798
Subscriptions	243,560	218,716
Telephone, fax, telex and post	505,248	427,196
Travel and subsistence costs	2,192,803	1,844,035
Commission and brokerage fees	4,514,845	580,990
Uganda Retirement Benefits Regulatory Authority annual levy	-	1,150,000
Other administrative expenses	<u>16,043</u>	<u>150,155</u>
	<u>52,074,535</u>	<u>45,873,657</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

9. ADMINISTRATIVE EXPENSES (CONTINUED)

	2015	2014
	Ushs 000	Ushs 000
a) Staff costs		
Leave pay	372,410	399,137
Overtime expenses	122,149	51,723
Salaries and wages	25,080,566	24,155,480
Social security contributions	2,662,914	2,632,265
Contributions to the staff provident fund	1,870,104	1,808,688
Gratuity	<u>512,697</u>	<u>511,844</u>
	<u>30,620,840</u>	<u>29,559,137</u>

10. OTHER OPERATING EXPENSES

	2015	2014
	Ushs 000	Ushs 000
Rent and rates	3,778,012	3,769,936
Electricity and water	1,438,511	1,665,337
Repairs and maintenance	2,339,465	6,589,616
Insurance	1,132,545	893,266
Security expenses	702,665	637,398
Research and library expenses	485,637	163,318
Fund manager expenses	24,712	-
Impairment loss provision for bad debts	<u>3,248,636</u>	<u>4,139,339</u>
	<u>13,150,183</u>	<u>17,858,210</u>
a) Impairment loss provision for bad debts		
Loan due from Uganda Clays Limited (Note 19)	3,248,636	2,884,367
Rent receivable (Note 16)	<u>-</u>	<u>1,254,972</u>
	<u>3,248,636</u>	<u>4,139,339</u>

11. SURPLUS BEFORE TAX

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

	2015	2014
	Ushs 000	Ushs 000
Amortisation of intangible assets (Note 25)	1,724,404	1,686,790
Depreciation of property and equipment (Note 26)	1,859,644	1,216,408
Gain on disposal of property and equipment	(216,658)	(346,186)
Loss on disposal of investment property	595,000	-
Auditors' remuneration	152,071	171,080
Directors' emoluments	505,945	391,500
Staff costs	30,620,840	29,559,137
Unrealised foreign exchange (gains)/losses	(149,744,943)	4,210,390
Provision for bad and doubtful debts	3,248,636	4,139,771
Fair value gains from equity instruments at FVTPL	(48,438,003)	(60,319,956)
Fair value gains from equity instruments held for trading	(14,925,242)	(11,679,788)
Fair value gain on investment property	5,900,000	12,197,330
Fair value (loss)/gain on capital work in progress	<u>(7,000,000)</u>	<u>7,000,000</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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 had accumulated trading losses amounting to Ushs 702 billion as at 30 June 2015 (2014: Ushs 514 billion).

The tax on the Fund's surplus after interest to member's funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2015 Ushs 000	2014 Ushs 000
Surplus from operations before Tax	<u>738,216,174</u>	<u>530,713,953</u>
Tax calculated at 30%	221,464,852	159,214,186
Effect of expenses related to income taxed at source	86,390,867	44,151,541
Effect of interest expense transferred to members' funds	(156,530,747)	(107,843,972)
Effect of income taxed at source	(144,480,235)	(127,487,129)
Effect of non-taxable income	(2,646,776)	(3,274,862)
Effect of other non-deductible expenses	395,170	98,137
Deferred tax prior year over provision	(44,944,051)	(9,801,951)
Unrecognised deferred tax credit	40,350,920	44,944,050
Unrecoverable withholding tax deducted at source	<u>90,433,851</u>	<u>78,297,276</u>
Statement of comprehensive income tax charge	<u>90,433,851</u>	<u>78,297,276</u>

b) Deferred income tax asset

Deferred income tax is calculated on all temporary differences under the liability method using the principal tax rate of 30% (2014: 30%).

	At 30 June 2014 Ushs 000	Movement for the year Ushs 000	At 30 June 2015 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(8,690,546)	(20,656,301)	(29,346,847)
Provision for impairment loss on trade and other receivables	(7,734,749)	(971,417)	(8,706,166)
Bonus provision	-	(1,175,910)	(1,175,910)
Tax losses carried forward	<u>(154,100,650)</u>	<u>(56,592,491)</u>	<u>(210,693,141)</u>
	<u>(170,525,945)</u>	<u>(79,396,119)</u>	<u>(249,922,064)</u>
Deferred tax liabilities			
Unrealized foreign exchange gains	4,833,490	65,579,784	70,413,274
Fair value gains on investment properties	67,653,577	(330,000)	67,323,577
Fair value changes on equity instruments	47,025,840	14,531,401	61,557,241
Unrealised gains in investments with fund managers	3,503,936	4,412,761	7,916,697
Accelerated depreciation	<u>2,565,051</u>	<u>(204,696)</u>	<u>2,360,355</u>
	<u>125,581,894</u>	<u>83,989,250</u>	<u>209,571,144</u>
Net income deferred tax asset	<u>(44,944,051)</u>	<u>4,593,131</u>	<u>(40,350,920)</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

12. TAX (CONTINUED)

	2013 Ushs 000	Movement the year Ushs 000	2014 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(5,120,173)	(3,570,373)	(8,690,546)
Provision for impairment loss on trade and other receivables	(6,492,947)	(1,241,802)	(7,734,749)
Tax Losses carried forward	<u>(93,890,060)</u>	<u>(60,210,590)</u>	<u>(154,100,650)</u>
	<u>(105,503,180)</u>	<u>(65,022,765)</u>	<u>(170,525,945)</u>
Deferred tax liabilities			
Unrealized foreign exchange gains	-	4,833,490	4,833,490
Fair value gains on investment properties	63,994,378	3,659,199	67,653,577
Fair value changes on equity instruments	28,929,853	18,095,987	47,025,840
Unrealised gains in investments with fund managers	-	3,503,936	3,503,936
Accelerated depreciation	<u>2,774,665</u>	<u>(209,614)</u>	<u>2,565,051</u>
	<u>95,698,896</u>	<u>29,882,998</u>	<u>125,581,894</u>
Net income deferred tax asset	<u>(9,804,284)</u>	<u>(35,139,767)</u>	<u>(44,944,051)</u>

The net income deferred tax asset of Ushs 40.3 billion (2014: Ushs (44.9) 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 use the benefits therefrom. 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

	2015 Ushs 000	2014 Ushs 000
Tax deposit receivable	<u>25,323,522</u>	=

As disclosed under 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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

13. CASH AND BANK BALANCES

	2015	2014
	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	151,572	732,604
Citibank Uganda Limited	1,646,716	299,578
Housing Finance Uganda Limited (Note 34)	22,816	614,616
Stanbic Bank Uganda Limited	2,866,410	3,247,590
Standard Chartered Bank Uganda Limited	5,063,290	8,541,938
KCB Rwand Francs Custodian	3,044,034	-
Imperial Bank Limited	11,957	-
Ecobank Uganda Limited	199,195	225,212
Bank of Africa	78,104	205,424
Crane Bank Limited	141,045	2,483
Centenary Bank	444,616	476,937
DFCU Bank Limited	37,237	45,194
United Bank for Africa	217,617	30,401
Orient Bank Limited	15,906	2,087
Global Trust Bank	5,474	6,578
Tropical Bank -collection account	353	18,453
Bank of Baroda Uganda Limited-collection account	46,148	124,801
Cash at hand	<u>71,847</u>	<u>60,570</u>
	<u>14,064,337</u>	<u>14,634,466</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 its carrying amount.

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

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

14. DEPOSITS WITH COMMERCIAL BANKS

	2015	2014	2015	2014
	% in	% in		
	Class	Class	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	5.0	-	12,519,360	-
Bank of Baroda Uganda Limited	8.9	23.5	22,261,186	160,048,554
Post Bank Uganda Limited	4.2	-	10,573,925	-
Cairo International Bank Limited	-	1.4	-	9,614,746
Global Trust Bank Limited	-	2.6	-	17,599,110
Crane Bank Limited	36.3	28.7	91,173,646	195,598,634
DFCU Bank Limited	10.7	9.9	26,917,918	67,806,535
Diamond Trust Bank Uganda Limited	-	1.6	-	10,740,189
Housing Finance Bank Limited (Note 34)	-	9.8	-	66,666,176
Orient Bank Limited	10.2	7.9	25,521,721	53,645,140
Standard Chartered Bank Uganda Limited	16.9	4.4	42,359,829	29,794,221
Tropical Bank Limited	-	0.8	-	5,501,442
Finca Uganda Limited	2.5	-	6,237,297	-
Equity Bank Uganda Limited	-	0.8	-	5,202,137
Deposit with Banks by Fund Managers	-	0.1	-	404,481
Imperial Bank Limited	-	2.0	-	13,589,405
KCB Bank Uganda Limited	-	5.4	-	36,620,230
Uganda Finance Trust Limited	4.1	1.4	10,413,148	9,239,805
Guarantee Trust Bank	<u>1.2</u>	<u>-</u>	<u>3,089,879</u>	<u>-</u>
	<u>100</u>	<u>100</u>	<u>251,067,909</u>	<u>682,070,805</u>

The deposits with commercial banks are analysed as follows:

Amounts due within three (3) months	35,047,004	93,545,656
Amounts due after three (3) months	<u>216,020,905</u>	<u>588,525,149</u>
	<u>251,067,909</u>	<u>682,070,805</u>

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

	2015	2014
	Ushs 000	Ushs 000
At 1 July	682,070,805	731,954,095
New placements / deposits	908,058,993	1,048,961,370
Maturities	(1,319,057,666)	(1,089,488,400)
Interest accrued	72,154,895	107,982,217
Interest received	(92,320,147)	(119,084,912)
Foreign exchange gains	<u>161,029</u>	<u>1,746,435</u>
At 30 June	<u>251,067,909</u>	<u>682,070,805</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 2015 was 15.55% (2014: 16.45%).

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

15. EQUITY SECURITIES HELD-FOR-TRADING

	2015 Ushs 000	2014 Ushs 000
STANLIB Uganda Ltd	43,952,171	35,601,088
Pinebridge Investments	<u>46,182,000</u>	<u>37,717,465</u>
Total	<u>90,134,171</u>	<u>73,318,553</u>

The investments in securities held-for-trading are equity investments managed by the Fund Managers, Stanlib 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 2015	% in Class 2014	Number of shares held		Market Value	
			2015	2014	2015 Ushs'000	2014 Ushs'000
Uganda Securities Exchange						
Stanbic Bank (U) Ltd	25.7	28.7	94,758,530	94,758,530	3,127,032	2,842,756
DFCU Bank	40.4	33.4	5,435,580	2,717,790	4,902,893	3,315,704
New Vision Group	10.8	13.2	2,185,857	2,185,857	1,311,514	1,311,514
UMEME Ltd	8.3	8.2	2,143,164	2,143,164	1,007,287	814,402
Uganda Clays Limited	1.4	1.9	9,575,568	9,575,568	172,360	191,511
Bank of Baroda (Uganda)	13.4	14.5	12,525,000	12,525,000	<u>1,628,250</u>	<u>1,440,375</u>
	<u>100</u>	<u>100</u>			<u>12,149,336</u>	<u>9,916,262</u>
Nairobi Stock Exchange						
BAT Kenya Ltd	11.3	10.3	283,700	283,700	7,208,040	5,570,940
Safaricom	11.5	9.1	13,000,000	13,000,000	7,332,446	4,897,079
Kenya Commercial Bank	7.8	7.6	2,650,974	2,650,974	4,999,284	4,090,723
East African Breweries Ltd	11.7	11.4	719,466	719,466	7,499,348	6,160,573
Bamburi Cement ltd	3.8	4.5	460,745	460,745	2,432,882	2,425,684
Equity Group Holdings Limited	6.9	7.4	2,732,042	2,852,042	4,449,596	3,969,522
NIC Bank Limited	5.2	5.3	1,826,589	1,644,128	3,350,688	2,860,407
Barclays Bank Kenya	2.5	2.8	3,000,800	3,005,800	1,599,952	1,518,801
Athi River Mining	4.1	4.5	1,026,025	994,025	2,638,510	2,406,089
Nation Media Group	3.3	5.4	310,712	310,712	2,120,073	2,914,366
Diamond Trust Bank	10.3	10.4	853,475	775,887	6,613,614	5,634,224
Standard Chartered Bank	2.4	2.6	148,317	148,317	1,515,468	1,386,672
Centum Investments (ICDC)	2.5	1.7	720,690	720,690	1,618,562	899,491
Kenya Power & lighting	2.8	1.9	2,830,750	2,550,750	1,781,054	1,026,465
WPP Scan group ltd	1.3	1.2	565,600	457,100	829,058	632,742
Diamond Trust Bank Rights	0.0	0.1	-	57,456	-	57,803
Co-operative Bank	3.0	2.8	2,615,386	2,615,386	1,950,449	1,527,276
CFC Stanbic Holdings	4.7	5.6	773,000	773,000	3,021,510	3,017,127
Britam	1.7	1.7	1,550,000	1,550,000	1,089,495	933,274
I&M Holdings Ltd	1.9	2.3	299,400	299,400	1,201,095	1,250,130
Kenya Airways	0.6	0.8	1,428,000	1,428,000	359,878	447,194
TPS Serena Ltd	0.5	0.5	247,013	247,013	296,434	257,848
Kenol Kobil Ltd	<u>0.2</u>	<u>0.2</u>	400,000	400,000	<u>115,893</u>	<u>105,899</u>
	<u>100</u>	<u>100</u>			<u>64,023,329</u>	<u>53,990,329</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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

Dar es Salaam Stock Exchange

	% in	% in	Number of shares		Market Value	
	Class	Class	held		2015	2014
	2015	2014	2015	2014	Ushs'000	Ushs'000
Tanzania Breweries Ltd	77.7	74.8	460,000	460,000	10,853,424	7,039,251
CRDB Bank Plc	21.9	25.2	4,700,000	4,700,000	3,059,136	2,372,711
CRDB BANK PLC-RIGHTS 6/2015	0.4	-	940,000	-	48,946	-
	<u>100</u>	<u>100</u>			<u>13,961,506</u>	<u>9,411,962</u>

The change in held-for-trading investments during the year were as follows;

	2015	2014
	Ushs 000	Ushs 000
As at 1 July	73,318,553	35,313,327
Purchases	920,750	25,512,569
Disposals	(164,458)	(274,093)
Fair value gain	14,709,202	11,679,788
Foreign exchange gain	1,350,124	1,086,962
As at 30 June	90,134,171	73,318,553

The trading prices at the last date of trading for the years ended 30 June 2015 and 2014 were as follows:

	2015			2014		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Ltd	33.00	-	-	30.00	-	-
DFCU Bank	902.00	-	-	1,220.00	-	-
New Vision Group	600.00	-	-	600.00	-	-
UMEME Ltd	470.00	-	-	380.00	-	-
Uganda Clays Limited	18.00	-	-	20.00	-	-
Bank of Baroda (Uganda)	130.00	-	-	115.00	-	-
British American Tobacco Uganda	8,525.00	-	-	6,515.00	-	-
BAT Kenya Ltd	25,407.26	15.55	-	19,636.73	649.00	-
Safaricom	564.03	-	-	376.70	12.45	-
Kenya Commercial Bank	1,885.83	199.00	-	1,543.10	51.00	-
East African Breweries Ltd	10,423.49	226.00	-	8,562.70	283.00	-
Bamburi Cement ltd	5,280.32	298.00	-	5,264.70	174.00	-
Equity Group Holdings Limited	1,628.67	65.50	-	1,391.82	46.00	-
NIC Bank Limited	1,834.40	18.35	-	1,739.77	57.50	-
Barclays Bank Kenya	533.18	42.75	-	505.29	16.70	-
Athi River Mining	-	-	-	2,420.55	80.00	-
Nation Media Group	6,823.27	21.75	-	9,379.64	310.00	-
Diamond Trust Bank	7,749.04	114.00	-	7,261.66	240.00	-
Standard Chartered Bank	10,217.76	20.50	-	9,349.38	309.00	-
Centum Investments (ICDC)	2,245.85	117.00	-	1,248.10	41.25	-
Kenya Power & lighting	629.18	741.00	-	402.42	13.30	-
WPP Scan group ltd	1,465.80	16.45	-	1,384.25	45.75	-
Diamond Trust Bank Rights	-	-	-	1,006.04	33.25	-
Co-operative Bank	745.76	304.00	-	583.96	19.30	-
CFC Stanbic Holdings	3,908.81	154.00	-	3,903.14	129.00	-
Britam	702.90	47.50	-	602.11	19.90	-

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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

	2015			2014		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
I&M Holdings Ltd	4,011.67	53.50	-	4,175.45	138.00	-
Kenya Airways	252.02	7.00	-	313.16	10.35	-
TPS Serena Ltd	1,200.07	35.00	-	1,043.86	34.50	-
Kenol Kobil Ltd	289.73	8.00	-	264.75	8.75	-
Tanzania Breweries Ltd	52.07	-	32.00	15,302.72	-	9,700.00
CRDB BANK PLC - RIGHTS 6/2015	650.88	-	400.00	-	-	-
CRDB Bank Plc	<u>23,594.40</u>	<u>-</u>	<u>14,500.00</u>	<u>504.83</u>	<u>-</u>	<u>320.00</u>

16. TRADE AND OTHER RECEIVABLES

	2015	2014
	Ushs 000	Ushs 000
Prepayments	2,497,552	1,562,788
Staff advances	195,483	182,308
Trade receivables	8,973,910	8,117,311
Contributions receivable	889,095	1,021,943
Rent receivable	2,181,118	3,149,352
VAT (payable)/ recoverable	(420,194)	1,110,052
Cash advances to Fund Managers	2,088,201	915,224
Dividends receivable	16,855,150	12,825,639
Deferred staff loan expense	1,331,386	1,250,442
Provisions for impairment loss	<u>(7,667,783)</u>	<u>(7,667,783)</u>
	<u>26,923,918</u>	<u>22,467,276</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.

Provisions for impairment loss is analysed as follows:-

	Ushs 000
At 1 July 2013	6,412,811
Charge for the year	1,254,972
Utilised	-
Unused amounts reversed	-
At 30 June 2014	7,667,783
Charge for the year	-
Utilised	-
Unused amounts reversed	-
At 30 June 2015	<u>7,667,783</u>

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

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

17. INVESTMENTS IN SECURITIES HELD-TO-MATURITY

	2015 % in Class	2014 % in Class	2015 Ushs 000	2014 Ushs 000
Treasury bonds	96.4	94.9	3,720,562,497	2,649,550,032
Corporate bonds	3.6	5.1	138,837,835	143,185,175
	100	100	3,859,400,332	2,792,735,207
The investments are analysed as follows:				
Maturing within 3 months			64,998,988	205,756,417
Maturing after 3 months but within 1 year			162,131,426	276,283,330
Maturing after 1 year			3,632,269,918	2,310,695,460
			3,859,400,332	2,792,735,207

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

	2015 Ushs 000	2014 Ushs 000
As at 01 July	2,792,735,207	1,990,125,710
Purchases	1,318,746,814	1,198,171,798
Maturities	(358,933,563)	(425,858,902)
Interest accrued	371,669,140	353,245,341
Interest received	(362,772,044)	(326,756,009)
Foreign exchange gains	97,954,778	3,807,269
As at 30 June	3,859,400,332	2,792,735,207

The yield rates on the treasury bonds ranged from 10.75% to 21% (2014: 10.25% to 14.35%) and the treasury bonds mature between 1 to 15 years. The interest rates for corporate bonds ranged from 10.94% to 14.7% (2014: 11.03% to 17%) and the corporate bonds mature between 1 to 8 years.

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 % in Class	2014 % in Class	2015 % Held	2014 % Held	2015 Ushs 000	2014 Ushs 000
Bank of Baroda (Uganda) Limited	0.9	2.3	2.00	2.00	6,494,313	5,744,969
DFCU Limited	3.6	7.2	5.93	5.93	26,597,868	17,987,471
Centum Investments Limited	1.3	2.1	0.73	0.73	9,640,400	5,187,600
Stanbic Bank Uganda Limited	4.7	12.5	2.05	2.05	34,588,468	31,444,062
New Vision Printing and Publishing Company Limited	1.2	3.6	19.61	19.61	9,000,000	9,000,000
Umeme	14.8	35.0	14.27	14.27	108,909,702	88,054,653
Safaricom Kenya Public Co. Ltd	18.3	35.7	0.60	0.60	134,353,012	89,729,583
Equity Group Holdings Limited	20.5	1.1	2.50	0.03	150,678,495	2,783,639
Kenya Commercial Bank	15.6	0.5	2.05	0.05	114,790,411	1,342,498
Tanzania Breweries Ltd	11.2	-	1.19	-	82,580,400	-
Bank of Kigali	7.7	-	6.32	-	56,637,064	-
	100	100			734,270,133	251,274,475

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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

All the above equity investments are traded on the Uganda Security Exchange (USE) except for Safaricom, KCB, and Equity Group which are traded on the Nairobi Stock Exchange (NSE), Tanzania Breweries which is traded on the Dar es Salaam Stock Exchange (DSE) and Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE). The trading prices at the last date of trading for the years ended 30 June 2015 and 2014 were as follows:

	2015				2014	
	Ushs	Kshs	Tshs	Rwf	Ushs	Kshs
Bank of Baroda (Uganda) Limited	130.00	-	-	-	115.00	-
DFCU Limited	902.00	-	-	-	1,220.00	-
Centum Investments Limited	2,245.85	65.50	-	-	1,248.10	41.25
Stanbic Bank Uganda Limited	33.00	-	-	-	30.00	-
New Vision Printing and Publishing Company Limited	600.00	-	-	-	600.00	-
Umeme	370.00	-	-	-	380.00	-
Safaricom Kenya Public Co. Ltd	564.03	16.45	-	-	376.70	12.45
Equity Group Holdings Limited	1,628.67	47.50	-	-	1,543.10	51.00
Kenya Commercial Bank	1,885.83	55.00	-	-	1,391.82	46.00
Tanzania Breweries Ltd	23,594.40	-	14,500.00	-	-	-
Bank of Kigali	1,332.64	-	-	289.00	-	-

During the year, the Fund purchased the following shares;

	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
Equity Group Holdings Limited	Kshs	90,516,255	50.00	31.35	141,864,126
Kenya Commercial Bank	Kshs	6,000,000	58.35	32.26	11,292,714
Kenya Commercial Bank	Kshs	42,330,000	58.50	31.79	78,733,763
Kenya Commercial Bank	Kshs	6,511,100	60.00	32.84	12,830,068
Kenya Commercial Bank	Kshs	5,158,900	61.00	31.84	10,020,548
Bank of Kigali	RWF	32,500,000	260.00	3.91	33,036,738
Bank of Kigali	RWF	10,000,000	285.00	4.10	11,685,000
Tanzania Breweries Ltd	TZ	1,000,000	14,500.00	1.57	22,740,350
Tanzania Breweries Ltd	TZ	2,500,000	14,750.00	1.57	57,831,061
					<u>380,034,368</u>

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

	2015 Ushs 000	2014 Ushs 000
At 1 July	251,274,475	153,851,580
Acquisition of new shares	380,034,368	38,683,163
Bonus issue	9,583,489	-
Change in fair value	48,438,003	60,319,956
Foreign exchange gains / (losses)	44,939,798	(1,580,224)
At 30 June	<u>734,270,133</u>	<u>251,274,475</u>

The Fund's investment 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 (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

19. LOANS AND ADVANCES	2015	2014
	Ushs 000	Ushs 000
DFCU Limited	-	519,352
Uganda Clays Limited (Note 34)	21,352,771	18,104,135
Housing Finance Bank Limited (Note 34)	33,333,333	37,019,686
Staff loans	<u>2,462,090</u>	<u>3,037,016</u>
	57,148,194	58,680,189
Discount on staff loans	<u>(1,331,386)</u>	<u>(1,250,442)</u>
	55,816,808	57,429,747
Provision for Uganda Clays Limited loan	<u>(21,352,771)</u>	<u>(18,104,135)</u>
	<u>34,464,037</u>	<u>39,325,612</u>

The provision for Uganda Clays Limited loan is analysed as follows;

	Ushs 000
At 1 July 2013	15,219,768
Charge for the year	2,884,367
Utilised	-
At 30 June 2014	18,104,135
Charge for the year	3,248,636
Utilised	-
At 30 June 2015	<u>21,352,771</u>

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

	2015	2014
	Ushs 000	Ushs 000
At 1 July	39,325,612	45,299,537
Placements/(disbursements)	-	-
Maturities (proceeds from maturing loans)	(9,621,361)	(9,542,376)
Interest Accrued	8,089,217	8,454,158
Provisions for Bad Debts during the year	(3,248,636)	(2,884,367)
Fair value adjustment	<u>(80,795)</u>	<u>(2,001,340)</u>
At 30 June	<u>34,464,037</u>	<u>39,325,612</u>

The loan to DFCU Limited matured during the year and was fully repaid.

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and is 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%, plus a penalty default surcharge of 2%. For the six months period to 30 June 2015, Uganda Clays Limited made a loss before tax of Ushs 1,866 million, however, the current assets exceeded the current liabilities by Ushs 3,225 million as at 30 June 2015. The Company has experienced financial problems since the loan was disbursed and no loan repayment has been received as at 30 June 2015. The loan has therefore been fully impaired as recovery procedures continue to be enforced.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

19. LOANS AND ADVANCES (CONTINUED)

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 25 billion at a rate of 11.5% (2014: 11.5%) and Ushs 22.5 billion at a rate of 15.5% (2014: 15.5%) respectively. The Loans were granted on 25 February 2011 and 16 October 2009 respectively. The loan of Ushs 25 billion is repayable over a period of 15 years while that of Ushs 22.5 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.

In addition, a lien imposed at all times on the government securities owned and held by the bank with a total value of at least Ushs 10 billion representing 25% of the loan sum. The reported amount represents the carrying amount as at year-end.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2014: 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 2015, the average market rate for mortgages was 18% (2014: 17.1%).

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 2015 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.

Based on the impairment provision, the carrying value of the loans and advances reasonably approximates the fair value.

20. INVENTORIES

	2015	2014
	Ushs 000	Ushs 000
Consumables and stationery	<u>853</u>	<u>2,910</u>

This relates to consumables and stationery maintained by the Fund for day to day operations.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

21. INVESTMENTS IN ASSOCIATES

	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Total Ushs 000
At 1 July 2013	53,981,153	13,739,037	5,423,012	73,143,202
Share of profit/(loss)	1,592,824	(1,800,142)	880,034	672,716
Less: dividends	(1,935,917)	-	(384,793)	(2,320,710)
At 30 June 2014	<u>53,638,060</u>	<u>11,938,895</u>	<u>5,918,253</u>	<u>71,495,208</u>
Share of profit/(loss)	5,497,030	(997,496)	1,154,548	5,654,082
Less: dividends	(1,277,022)	-	(979,478)	(2,256,500)
At 30 June 2015	<u>57,858,068</u>	<u>10,941,399</u>	<u>6,093,323</u>	<u>74,892,790</u>

As at 30 June 2015, the Fund had shareholding of 50%, 32.52% and 13.99% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited and TPS Uganda Limited respectively. These investments have been accounted for under the equity method. The Fund retained representation on the Board of Directors of TPS subsequent to share dilution in 2013 thus retaining significant influence. As such, the investment in TPS Uganda Limited continues to be accounted for as an investment in associate.

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

Nature of activities of associate companies

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.
TPS (Uganda) Limited	The principal activities of the company are that of operating and running a hotel facility in Uganda, serving the business and tourist markets.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited
Principle 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
Market price	Not listed, the trading prices for comparable Banks have been used to determine the fair value of the investment.	Ushs 18 per share	Not listed, the trading price of TPS (Kenya) Limited has been used to determine the fair value of the investment.

	Number of Shares Held		Price per Share		Fair Value	
	2015	2014	2015	2014	2015	2014
			Ushs	Ushs	Ushs 000	Ushs 000
Housing Finance Bank	3,050,000	3,050,000	902	1,220	2,751,100	3,721,000
TPS (Uganda) Limited	19,500	19,500	1,208.64	1,043.86	23,569	20,355
Uganda Clays Limited	292,640,000	292,640,000	18	20	5,267,520	5,852,800
					<u>8,042,189</u>	<u>9,594,155</u>

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
	2015	2014	2014
	Ushs 000	Ushs 000	Ushs 000
Current assets	179,871,114	161,193,631	17,838,652
Non-current assets	430,428,802	457,748,541	61,322,929
Current liabilities	357,825,538	353,487,528	9,211,209
Non-current liabilities	147,548,742	157,972,275	5,940,944
Revenue	93,551,067	91,121,673	46,851,839
Total comprehensive income/(loss) for the year	<u>9,162,483</u>	<u>3,185,647</u>	<u>9,422,609</u>
Percentage held	<u>50%</u>	<u>50%</u>	<u>13.99%</u>
			<u>13.99%</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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, 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 during the year. The Fund retained 100% ownership of the land, while the other party was retained to provide an arm's length contract for design and supervision of the Lubowa Housing Project.

23. CAPITAL WORK-IN-PROGRESS (CWIP)

	Arua Ushs 000	Lubowa Ushs 000	Lumumba Ushs 000	Others Ushs 000	Total Ushs 000
Cost					
At 01 July 2013	2,330,000	235,611,325	-	65,076	238,006,401
Additions	-	7,034,218	-	596,410	7,630,628
Transfers to intangible assets	-	-	-	(65,076)	(65,076)
Revaluation gains	-	<u>7,000,000</u>	-	-	<u>7,000,000</u>
At 30 June 2014	2,330,000	249,645,543	-	596,410	252,571,953
Additions	-	1,275,117	-	1,309,587	2,584,704
Transfers to computers	-	-	-	(1,362,859)	(1,362,859)
Reclassification from Investment property	-	-	64,447,309	-	64,447,309
Revaluation loss	-	<u>(7,000,000)</u>	-	-	<u>(7,000,000)</u>
At 30 June 2015	<u>2,330,000</u>	<u>243,920,660</u>	<u>64,447,309</u>	<u>543,138</u>	<u>311,241,107</u>
Provision for impairment					
At 30 June 2014/2015	<u>(2,330,000)</u>	-	-	-	<u>(2,330,000)</u>
Net carrying amount					
At 30 June 2015	<u>-</u>	<u>243,920,660</u>	<u>64,447,309</u>	<u>543,138</u>	<u>308,911,107</u>
At 30 June 2014	<u>-</u>	<u>249,645,543</u>	<u>-</u>	<u>596,410</u>	<u>250,241,953</u>

The 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 modalities 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 of finalizing the joint venture arrangements.

The Lubowa capital work in progress relates to Lubowa Housing Project. The Fund contracted Soleh Boneh International (SBI) Holdings AG Uganda as the project designer and supervisor for the project. The fair value of the land at Lubowa was assessed by Ridgeline, certified professional valuer as at 30 June 2015 and a significant movement was noted in comparison to the year ended 30 June 2014. The movement has been accounted for in the financial statements.

The Fund completed Phase 1 of the development of Lumumba avenue and the property has been classified under capital work in progress. The fair value of this property under construction is not reliably determinable and is therefore carried at cost until completion.

NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015

24. INVESTMENT PROPERTIES

	Valuation at	Additions	Disposal	Change in	Valuation at	Additions	Reclassification	Disposal	Change in	Valuation at
	30 June 13			Fair value	30 June 14				Fair value	30 June 15
	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Workers House	52,900,000	5,270	-	1,594,730	54,500,000	1,748,682	-	-	-	56,248,682
Plot 5 Mvule Rd Naguru	1,620,000	-	-	180,000	1,800,000	-	-	-	-	1,800,000
Land on Yusuf Lule Road	17,622,000	-	-	1,378,000	19,000,000	-	-	-	-	19,000,000
Independence Ave Arua	135,000	-	-	15,000	150,000	-	-	-	-	150,000
Land in Kisugu	185,000	-	-	10,000	195,000	-	-	-	-	195,000
Land in Kabale	225,000	-	-	5,000	230,000	-	-	-	-	230,000
Land in Jinja	535,000	-	-	25,000	560,000	-	-	-	-	560,000
Land in Tororo	125,000	-	-	65,000	190,000	-	-	-	-	190,000
Lumumba Avenue	58,918,326	3,467,282	-	-	62,385,608	2,061,701	(64,447,309)	-	-	-
Social Security House	21,015,000	42,150	-	4,942,850	26,000,000	-	-	-	-	26,000,000
Mbuya Property M65	2,840,000	-	-	260,000	3,100,000	-	-	(3,100,000)	-	-
Land in Mbuya	1,620,000	-	-	180,000	1,800,000	-	-	-	-	1,800,000
Land in Busiro Temangalo	12,165,000	-	-	3,435,000	15,600,000	-	-	-	5,900,000	21,500,000
Plot 16 Nakasero Rd (FRV 304)	-	8,093,250	-	106,750	8,200,000	-	-	-	-	8,200,000
Total	169,905,326	11,607,952	-	12,197,330	193,710,608	3,810,383	(64,447,309)	(3,100,000)	5,900,000	135,873,682

Investment properties comprise of land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Ridgeline, certified professional valuer as at 30 June 2015 and no significant movements were noted except for Land at Temangalo in comparison to the year ended 30 June 2014. The movement in Temangalo land has been accounted for in the financial statements. 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 as gains in profit or loss and included in 'other operating income'. All gains are unrealised except for Mbuya Property M65 that was disposed of during the year.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

24. INVESTMENT PROPERTIES (CONTINUED)

The impact of revaluing investment properties on profit for the year is Ushs 5.9 billion (2014: 12.2) 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.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

	Significant unobservable inputs	Range (weighted average)
		2015
Office properties	Estimated rental value per square meter per month	Ushs 31,300 - Ushs 39,000 (Ushs 35,000)
	Rent growth per annum	2% - 3% (2.5%)
	Long-term vacancy rate	10% - 16% (13%)
	Discount rate	11%
Land & buildings	Price per square meter	Ushs 1,000,000 – 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.

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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

24. INVESTMENT PROPERTIES (CONTINUED)

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

	2015	2014
	Ushs 000	Ushs 000
Workers House	5,959,849	6,031,647
Social Security House	2,055,783	2,251,584
Others	604,201	365,532
Service charge	<u>1,645,268</u>	<u>3,052,847</u>
	<u>10,265,101</u>	<u>11,701,610</u>

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

	2015		
	Workers House	Social Security House	Total
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	743,031	623,315	1,366,346
Ground & property rent	183,107	73,790	256,897
Cleaning services	129,813	76,478	206,291
Security services	276,599	86,400	362,999
Electricity	731,962	348,492	1,080,454
Water	<u>156,536</u>	<u>91,887</u>	<u>248,423</u>
Total	<u>2,221,048</u>	<u>1,300,362</u>	<u>3,521,410</u>

	2014		
	Workers House	Social Security House	Total
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	2,596,556	996,894	3,593,450
Ground & property rent	184,336	74,690	259,026
Cleaning services	112,726	48,001	160,727
Security services	162,000	67,200	229,200
Electricity	835,657	363,159	1,198,816
Water	<u>294,914</u>	<u>67,067</u>	<u>361,981</u>
Total	<u>4,186,189</u>	<u>1,617,011</u>	<u>5,803,200</u>

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):

	2015			
	Land in Lubowa	Land in Busiro Temangalo	Land in Mbuya	Total
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Security expenses	32,400	21,600	21,600	75,600
Demolition expenses	50,000	-	-	50,000
Cleaning expenses	-	-	<u>18,436</u>	<u>18,436</u>
Total	<u>82,400</u>	<u>21,600</u>	<u>40,036</u>	<u>144,036</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

24. INVESTMENT PROPERTIES (CONTINUED)

	2014			Total Ushs 000
	Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Land in Mbuya Ushs 000	
Security expenses	25,488	25,488	31,860	82,836
Demolition expenses	2,000	-	-	2,000
Cleaning expenses	-	-	18,408	18,408
Total	<u>27,488</u>	<u>25,488</u>	<u>50,268</u>	<u>103,244</u>

As at 30 June 2015, there were no restrictions on the realisability of investment property or 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.

25. INTANGIBLE ASSETS

	2015 Ushs 000	2014 Ushs 000
Cost		
At 1 July	19,168,629	18,584,571
Transfers from capital work in progress	-	65,076
Additions	<u>270,079</u>	<u>518,982</u>
At 30 June	<u>19,438,708</u>	<u>19,168,629</u>
Amortisation		
At 1 July	11,856,508	10,169,717
Charge for the year	<u>1,724,404</u>	<u>1,686,790</u>
At 30 June	<u>13,580,912</u>	<u>11,856,507</u>
Net carrying amount	<u>5,857,796</u>	<u>7,312,122</u>

Intangible assets relate to software which makes up the Integrated Management Information System (IMIS) of the Fund. The remaining useful life as at 30 June 2015 is three years.

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

26. PROPERTY AND EQUIPMENT

	Land Ushs 000	Machinery Ushs 000	Motor vehicles Ushs 000	Furniture and equipment Ushs 000	Computer equipment Ushs 000	Total Ushs 000
Cost						
At 1 July 2013	400,000	1,620,032	3,592,955	3,139,681	10,627,975	19,380,643
Additions	-	147,975	-	834,200	312,088	1,294,263
Reclassified from Held for sale	256,290	-	-	-	-	256,290
Disposals	-	-	(1,003,232)	-	-	(1,003,232)
At 30 June 2014	656,290	1,768,007	2,589,723	3,973,881	10,940,063	19,927,964
Additions	-	965,937	2,135,486	596,176	1,129,445	4,827,044
Transfer from CWIP	-	-	-	-	1,362,859	1,362,859
Reclassification to Finance Lease	(256,290)	-	-	-	-	(256,290)
Disposals	-	(89,165)	(636,205)	(206,438)	(227,662)	(1,159,470)
At 30 June 2015	400,000	2,644,779	4,089,004	4,363,619	13,204,705	24,702,107
Depreciation						
At 1 July 2013	-	1,213,724	3,452,484	1,668,794	9,019,488	15,354,490
Charge for the year	-	131,467	133,643	335,302	615,996	1,216,408
Disposals	-	-	(999,818)	-	-	(999,818)
At 30 June 2014	-	1,345,191	2,586,309	2,004,096	9,635,484	15,571,080
Charge for the year	-	294,424	233,500	409,995	921,725	1,859,644
Disposals	-	(89,165)	(636,206)	(198,146)	(227,663)	(1,151,180)
At 30 June 2015	-	1,550,450	2,183,603	2,215,945	10,329,546	16,279,544
Net carrying amount						
At 30 June 2015	400,000	1,094,329	1,905,401	2,147,674	2,875,159	8,422,563
At 30 June 2014	656,290	422,816	3,414	1,969,785	1,304,579	4,356,884

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

27. FINANCE LEASE

	2015	2014
	Ushs 000	Ushs 000
Plot 47 Masaka K'la RD	46,787	-
Plot 87 Churchhill Gulu	105,248	-
Plot 8 Msk CL. MBARARA	<u>104,254</u>	-
	<u>256,289</u>	<u>-</u>

Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. These have been reclassified from property and equipment.

28. WITHHOLDING TAX PAYABLE

	2015	2014
	Ushs 000	Ushs 000
Withholding tax payable	<u>1,208,340</u>	<u>971,228</u>

This relates to withholding tax withheld from suppliers and consultants which is payable to Uganda Revenue Authority.

29. OTHER PAYABLES

	2015	2014
	Ushs 000	Ushs 000
Accounts and other payables	17,476,653	15,849,088
Accrual for legal costs	7,043,594	7,277,857
Alcon retention payable	2,005,056	1,202,310
Deferred income	<u>486,580</u>	<u>529,049</u>
	<u>27,011,883</u>	<u>24,858,304</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:

	2015	2014
	Ushs 000	Ushs 000
At 1 July	7,277,857	6,810,744
Payments made during the year	(1,170,913)	(1,004,887)
Reversal of previous provisions	(2,043,050)	-
Increase in accrual during the year	<u>2,979,700</u>	<u>1,472,000</u>
At 30 June	<u>7,043,594</u>	<u>7,277,857</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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

30. PROVISIONS FOR LITIGATION

	2015 Ushs 000	2014 Ushs 000
Alcon International Limited		
At 1 July	9,420,196	9,239,702
Foreign exchange losses	2,432,707	180,494
Additional provision	-	-
At 30 June	<u>11,852,903</u>	<u>9,420,196</u>

On 21 July 1994, the Fund and Alcon International Limited (Alcon), a company incorporated in the Republic of Kenya, entered into a building contract to erect a building on land located on Plot 1 Pilkington Road, Kampala ("the site") at the contract price of USD 16,160,000. In addition, the parties signed a co-financing agreement by which Alcon agreed to lend NSSF USD 8,080,000 in the form of materials, workmanship and labour. On 8 June 1996, the parties signed an additional agreement to carry out "improvement works" for an additional sum of USD 9,066,917.

NSSF alleged default on the terms of the contract by Alcon and construction of all the works contemplated by the contract was not completed. NSSF terminated the contract on 15 May 1998 due to breaches by Alcon. Consequently, on 30 November 1998, Alcon filed Civil Suit No.1255 of 1998 against NSSF seeking general damages for breach of contract. The High Court stayed the suit and referred the dispute to arbitration.

On 29 March 2001, the arbitrator awarded Alcon USD 8,858,470 and interest at 6% per annum. A corresponding provision was made in the financial statements for this amount which was accruing interest on an annual basis. However, NSSF was dissatisfied with the award and filed an objection in the High Court under Misc. Application No. 417 of 2001 seeking to set it aside. On 30 September 2003, the High Court dismissed the objection. NSSF filed a Civil Appeal No. 2 of 2004 in the Court of Appeal which was also dismissed with costs on 25 August 2009. NSSF then filed Civil Appeal No. 15 of 2009 in the Supreme Court against the decision of the Court of Appeal.

During the financial year 2012/13, the Fund adopted a new litigation strategy, introduced new grounds of appeal and also instructed new lawyers to conduct the case. In February 2013, the Supreme Court delivered a judgment setting aside the arbitration award, and ordered that the case be tried afresh in the High Court.

Management is of the opinion Alcon's claim has no chance of success 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. The High Court trial will therefore be a formality. The provision hitherto made for that liability amounting to Ushs 41.6 billion was accordingly reversed in the financial year 2012/13. However, a provision of USD 3,553,731 was made in the financial statements in the same period for works performed by Alcon that had not been settled by the Fund. This provision is still held as at 30 June 2015.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

31. ACCUMULATED MEMBERS' FUNDS

	2015 Ushs 000	2014 Ushs 000
At 1 July	4,147,285,690	3,322,576,227
Contributions received during the year	688,095,082	622,353,746
Interest allocated to members arising from arrears recovered	1,902,042	2,439,419
13% interest (2014: 11.5%) **	<u>516,088,517</u>	<u>365,842,850</u>
Members fund liability before benefit payments	5,353,371,331	4,313,212,242
Benefits paid during the year		
Age benefits	(67,531,078)	(57,509,800)
Withdrawal benefits	(55,253,246)	(46,630,298)
Exempted employee benefits	(14,682,681)	(19,324,449)
Invalidity benefits	(13,255,329)	(14,261,378)
Survivors benefits	(6,185,931)	(4,544,874)
Emigration grant benefits	<u>(29,701,151)</u>	<u>(23,655,753)</u>
Total benefits payments	<u>(186,609,416)</u>	<u>(165,926,552)</u>
At 30 June	<u>5,166,761,915</u>	<u>4,147,285,690</u>

** This represents interest payment to members as 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 2015, the Minister for Finance, Planning & Economic Development approved an interest rate of 13% (2014: 11.5%) to be calculated and added to the members' funds.

	2015 Ushs 000	2014 Ushs 000
Prior year over provision	4,191,833	-
Charged to Profit and Loss	<u>521,769,156</u>	<u>365,842,850</u>
Total provision for interest to members	<u>525,960,989</u>	<u>365,842,850</u>
Total Interest provision to members is allocated as below;		
Allocated to Members Funds	516,088,517	365,842,850
Allocated to Reserves (Note 32(b))	<u>9,872,472</u>	-
	<u>525,960,989</u>	<u>365,842,850</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

32. RESERVES

	Note	2015 Ushs 000	2014 Ushs 000
Special contributions, fines and penalties	(a)	36,851,150	25,556,942
Unallocated members contributions	(b)	<u>34,464,972</u>	<u>24,592,500</u>
		<u>71,316,122</u>	<u>50,149,442</u>

a) Special contributions, fines and penalties

	2015 Ushs 000	2014 Ushs 000
At 1 July	25,556,942	12,236,533
Special contributions received	8,634,140	6,229,507
Fines and penalties	4,562,110	7,090,902
Interest allocated to members arising from arrears recovered	(1,902,042)	-
At 30 June	<u>36,851,150</u>	<u>25,556,942</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. Fines and penalties recovered from employers that fail to remit members' funds in time are recognised through the income statement and then appropriated from the accumulated surplus/deficit to the reserve account.

b) Unallocated members' contributions

	2015 Ushs 000	2014 Ushs 000
Principal Contributions	24,592,500	24,592,500
Provision for interest on unallocated members' contributions	<u>9,872,472</u>	-
	<u>34,464,972</u>	<u>24,592,500</u>

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

	2015 Ushs 000	2014 Ushs 000
At 1 July	-	-
Charged to Profit and Loss	9,872,472	-
Transfer from accumulated members' funds	-	-
At 30 June	<u>9,872,472</u>	<u>-</u>

As at 30 June 2015, the Fund had unallocated members' contributions of Ushs 24.6 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 noted during the year.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

33. NET CASH USED IN OPERATING ACTIVITIES

	Note	2015 Ushs 000	2014 Ushs 000
Surplus from operations		738,216,174	530,713,953
Depreciation of property and equipment	26	1,859,644	1,216,408
Gain on disposal of property and equipment		(216,658)	(346,186)
Gain on disposal of equity investments held for trading		-	(111,437)
Loss on disposal of Investment properties		595,000	-
Amortization of intangible assets	25	1,724,404	1,686,790
Share of results from associates	21	(5,654,082)	(672,716)
Staff loan fair value adjustment		80,795	-
Unrealised foreign exchange (gains)/ losses on equity investments at fair value through profit or loss	18	(44,939,798)	1,580,224
Unrealised foreign exchange gains on held to maturity investments	17	(97,954,778)	(3,807,269)
Unrealised foreign exchange gains on held for trading investments	15	(1,350,124)	(1,086,962)
Unrealised foreign exchange gains on deposits with commercial Banks	14	(161,029)	(1,746,435)
Fair value gains on investment properties	24	(5,900,000)	(12,197,330)
Fair value loss on capital work in progress	23	7,000,000	(7,000,000)
Fair value gain on equity investments held for trading	15	(14,709,202)	(11,679,788)
Fair value gain on equity investments at fair value through profit or loss	18	(48,438,003)	(60,319,956)
Interest income on loans & advances	19	(8,089,217)	(8,454,159)
Interest income on held to maturity investments	17	(371,669,140)	(353,245,341)
Interest income on commercial bank deposits	14	(72,154,895)	(107,982,217)
Withholding tax on investments accrued for the year		(90,433,851)	(78,297,275)
Bonus equity investments received	18	(9,583,489)	-
Prior year interest to members over-provision		4,191,833	-
<u>Changes in working capital</u>			
Increase in provisions		2,432,707	180,495
Increase in provisions for bad loans		3,248,636	2,884,367
Decrease in inventories		2,057	1,715
Increase in trade and other receivables		(3,179,620)	(5,471,962)
Increase in tax deposit receivable		(25,323,522)	-
Increase in other payables		2,153,583	6,911,041
Increase in WHT payable		237,112	-
Net cash used in operating activities		<u>(38,015,463)</u>	<u>(107,244,040)</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015 and 2014, refer to Notes 13, 14, 17 and 19:

	2015	2014
	Ushs	Ushs
Bank balances		
Housing Finance Bank Limited	<u>22,816</u>	<u>614,616</u>
Loans and Advances		
Housing Finance Bank Limited	33,333,333	37,019,686
Uganda Clays	21,352,771	18,104,135
Staff loans to key management staff	<u>488,902</u>	<u>506,476</u>
	<u>55,175,006</u>	<u>55,630,297</u>
Corporate Bonds		
Housing Finance Bank Limited	<u>7,418,417</u>	<u>9,018,971</u>
Fixed deposits		
Housing Finance Bank Limited	<u>-</u>	<u>66,666,176</u>
Treasury Bonds		
Government of Uganda	<u>3,061,585,099</u>	<u>2,000,975,228</u>
Dividends receivable (Associate Companies)		
Housing Finance Bank Limited	5,657,123	4,380,101
TPS (U) Limited	-	327,074
Uganda Clays	<u>111,192</u>	<u>111,192</u>
	<u>5,768,315</u>	<u>4,818,367</u>
Other related party transactions during the year:		
	2015	2014
	Ushs	Ushs
Housing Finance Bank Limited		
Interest income on loans and advances	4,532,569,912	5,169,710,527
Interest income on corporate bonds	973,533,657	1,238,887,361
Interest income on term deposits	<u>4,370,936,801</u>	<u>3,989,584,813</u>
	<u>9,877,040,370</u>	<u>10,398,182,701</u>
Dividend Income		
TPS (U) Limited	979,478	384,793
Housing Finance	<u>1,277,022</u>	<u>1,935,917</u>
	<u>2,256,500</u>	<u>2,320,710</u>

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

34. RELATED PARTY DISCLOSURES (CONTINUED)

Uganda Clays		
Interest income on loans and advances	3,248,636	2,884,367
Government of Uganda		
Withholding tax expense for the year	90,433,851	78,297,276
Interest income on treasury bonds	337,021,078	277,904,218

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. There were no fixed deposits outstanding with the bank as at 30 June 2015.

Corporate bond - Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 5 billion at a rate of 13.5% and Ushs 5 billion of 13.75% respectively. These bonds are repayable over a period of 10 years and they mature on 12 January 2018 and 31 July 2018 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.

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.

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. For the year ended 30 June 2015, the Fund has recorded an impairment of receivables relating to amounts owed by related parties of Ushs 3.25 billion (2014: Ushs 2.88 billion). 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 2015**

34. RELATED PARTY DISCLOSURES (CONTINUED)

f) Compensation for key management personnel and directors emoluments

	2015	2014
	Ushs 000	Ushs 000
Non-executive directors' emoluments:		
Directors' allowances	505,745	391,500
Key management remuneration:		
Salaries and allowances	2,349,359	2,645,999
Gratuity	<u>512,697</u>	<u>511,844</u>
	<u>2,862,056</u>	<u>3,157,843</u>
Total compensation for key management personnel	<u>3,367,801</u>	<u>3,549,343</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 majorly relate to breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.

- b) The Fund received a notice of assessment for corporation tax from Uganda Revenue Authority (URA) amounting to Ushs 84.4 billion during the year ended 30 June 2013.

The Fund objected to the assessment on the grounds that URA's tax computations wrongly disallowed expenses that are actually 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 and it has been audited like that as well.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment and the case is still under mediation. The Fund's legal advisors have indicated that this 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 under 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 matters are disclosed as a contingent liability as the Fund currently has a possible obligation and the existence of any obligation to URA will be confirmed only by the decision of the court.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

36. NSIMBE HOLDINGS LIMITED

Through its wholly owned subsidiary, Premier Developments Limited (PDL), the Fund entered into a joint venture arrangement with Mugoya Estates Limited in which the latter held a 51% share of the joint venture entity, Nsimbe Holdings Limited. Subsequent to the formation, the Fund's investment in Nsimbe Holdings Limited was investigated by the Inspector General of Government (IGG) who declared the Fund's investment illegal and one done in bad faith. As a result of this investigation, Nsimbe Holdings Limited challenged the IGG's findings in the Constitutional Court. The Constitutional Court subsequently declared the agreement leading to the formation of Nsimbe Holdings Limited unconstitutional and therefore the company did not exist in law i.e. a non-entity which cannot sue or be sued. PDL was later dissolved by the Constitutional Court and the Board of Directors of the Fund resolved that the joint venture is formally liquidated and both parties share the joint venture assets in proportion to their shareholding. This investment was written off in 2010 but the Fund has taken legal action to recover its investment. The matter was been referred by court to arbitration.

37. 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 assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

The Fund makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The 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 Note 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.

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

37. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(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) *Investment property*- The Fund carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Fund engaged an independent valuation specialist to assess fair value as at 30 June 2015. 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 and sensitivity analyses are provided in note 24.

38. 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 2015**

38. 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 2015;

Type of Investment	Change in share price % Ushs 000	Effect on surplus before tax Ushs 000
Equity securities held-for-trading	+/-5%	+/- 4,506,709
Equity investments at fair value through profit or loss	+/-5%	+/- 36,713,507

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 2015;

	Change in property price % Ushs 000	Effect on surplus before tax Ushs 000
Investment property	+/-5%	+/- 6,793,684

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 comprehensive income. 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 Audit and Risk 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.

NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

The Fund had the following currency positions as at 30 June 2015. All balances are in Ushs 000.

	USD	Kshs	Tshs	Ushs	Rwf	Total
Financial assets						
Cash and bank balances	762,960	3,208,090	-	10,093,287	-	14,064,337
Deposits with commercial banks	-	-	-	251,067,909	-	251,067,909
Equity securities held-for-trading	-	64,023,329	13,961,506	12,149,336	-	90,134,171
Trade and other receivables	340,278	1,432,311	142	25,151,187	-	26,923,918
Investments in securities held-to-maturity	-	824,840,461	-	3,020,630,647	13,929,224	3,859,400,332
Equity investments at fair value through profit or loss	-	399,821,918	-	334,448,215	-	734,270,133
Loans and advances	-	-	-	34,464,037	-	34,464,037
Total Assets	1,103,238	1,293,326,109	13,961,648	3,688,004,618	13,929,224	5,010,324,837
Financial liabilities						
Withholding tax payable	-	-	-	1,208,340	-	1,208,340
Other payables	645,562	-	-	26,366,321	-	27,011,883
	645,562	-	-	27,574,661	-	28,220,223
Currency gap						
At 30 June 2015	457,676	1,293,326,109	13,961,648	3,660,429,957	13,929,224	4,982,104,614

The Fund had the following currency positions as at 30 June 2014. All balances are in Ushs 000.

	USD	Kshs	Tshs	Ushs	Total
Financial assets					
Cash and bank balances	42,540	153	-	14,591,773	14,634,466
Deposits with commercial banks	41,778,817	404,481	-	639,887,507	682,070,805
Equity securities held-for-trading	-	53,990,329	9,411,962	9,916,262	73,318,553
Trade and other receivables	-	890,270	142	21,576,864	22,467,276
Investments in securities held-to-maturity	-	647,062,696	-	2,145,672,511	2,792,735,207
Equity investments at FVTPL	-	93,855,720	-	157,418,755	251,274,475
Loans and advances	-	-	-	39,325,612	39,325,612
Total Assets	41,821,357	796,203,649	9,412,104	3,028,389,284	3,875,826,394
Financial liabilities					
Withholding tax payable	-	-	-	971,228	971,228
Other payables	645,562	-	-	24,212,742	24,858,304
	645,562	-	-	25,183,970	25,829,532
Currency gap					
At 30 June 2014	457,676	1,293,326,109	13,961,648	3,688,144,170	3,849,996,862

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. 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 calculates 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 comprehensive income (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 statement of comprehensive income 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 %	Effect on	Change in currency	Effect on profit
		profit before tax	rate in %	before tax
	2015	2015	2014	2014
		Ushs '000		Ushs '000
USD	+/-5%	+/-569,761	+/-0.9%	+/-285,800
KES	+/-5%	+/-64,666,305	+/-3.5%	+/-27,867,128
TZS	+/-5%	+/-698,082	+/- 0.3%	+/-28,236
RWS	+/-5%	+/-696,461	-	-

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
	Ushs	Ushs	Ushs	Ushs
KES	31.83	30.19	34.29	30.26
USD	2,886.38	2,578.62	3,335.34	2,650.79
TZS	1.5564	1.5776	1.6272	1.5691
RWS	4.264	-	4.6112	-

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 statement of financial position 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 comprehensive income.

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 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Assets	Matured	<3 months	3-12 months	> 1 year	Non-Interest bearing	Total
Cash and bank balances	-	-	-	-	14,064,337	14,064,337
Deposits with commercial banks	-	35,047,004	216,020,905	-	-	251,067,909
Equity securities held-for-trading	-	-	-	-	90,134,171	90,134,171
Trade and other receivables	-	-	-	-	26,923,918	26,923,918
Investments in securities held-to-maturity	-	64,998,988	162,131,426	3,632,269,918	-	3,859,400,332
Equity investments at fair value through profit or loss	-	-	-	-	734,270,133	734,270,133
Loans and advances	-	-	-	34,464,037	-	34,464,037
Total Assets	-	100,045,992	378,152,331	3,666,733,955	865,392,559	5,010,324,837
Liabilities						
Withholding tax payable	-	-	-	-	1,208,340	1,208,340
Trade and other payables	-	-	-	-	27,011,883	27,011,883
Total Liabilities	-	-	-	-	28,220,223	28,220,223
Gap as at 30 June 2015	-	100,045,992	378,152,331	3,666,733,955	837,172,336	4,982,104,614

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Assets	Matured	<3 months	3-12 months	> 1 year	Non Interest bearing	Total
Cash and bank balances	-	-	-	-	14,634,466	14,634,466
Deposits with commercial banks	-	93,545,656	588,525,149	-	-	682,070,805
Equity securities held-for-trading	-	-	-	-	73,318,553	73,318,553
Trade and other receivables	915,224	-	-	-	21,552,052	22,467,276
Investments in securities held-to-maturity	-	205,756,417	276,283,330	2,310,695,460	-	2,792,735,207
Equity investments at fair value through profit or loss	-	-	-	-	251,274,475	251,274,475
Loans and advances	-	-	-	39,325,612	-	39,325,612
Total Assets	915,224	299,302,073	864,808,479	2,350,021,072	346,145,080	3,875,826,394
Liabilities						
Withholding tax payable	-	-	-	-	971,228	971,228
Trade and other payables	-	-	-	-	24,858,304	24,858,304
Total Liabilities	-	-	-	-	25,829,532	25,829,532
Gap as at 30 June 2014	915,224	299,302,073	864,808,479	2,350,021,072	320,315,548	3,849,996,862

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value versus carrying amounts

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 to 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 value as shown in the statement of financial position are analysed as follows:

	30 June 2015		30 June 2014	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Investment securities held to maturity	3,859,400,332	3,626,822,419	2,792,735,207	2,819,527,806

Valuation hierarchy

IFRS 13 requires a three tiered disclosure for all financial assets and financial liabilities that are carried in the books of entities at fair value. This fair value disclosure is divided into three levels as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities e.g. quoted equity securities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (e.g. prices) or indirectly (e.g. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data. These items are not Level 1 products and contain at least one significant input parameter which could not be price tested from any of the methods described for Level 2 products. Examples are products where correlation is a significant input parameter and products where there is severe illiquidity in the markets for a prolonged period of time.

NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurement hierarchy

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:

	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
Financial instruments measured at fair value					
Quoted equities- at fair value through profit or loss (Note 18)	30-Jun-15	734,270,133	734,270,133	-	-
Quoted equities-held for trading (Note 15)	30-Jun-15	90,134,171	90,134,171	-	-
Investment Properties (Note 24)	30-Jun-15	135,873,682	-	-	135,873,682
Capital work in progress - Lubowa (Note 23)	30-Jun-15	243,920,660	-	-	243,920,660
Assets for which fair values are disclosed					
Investment securities held to maturity	30-Jun-15	3,626,822,419	-	3,626,822,419	-

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

Description of valuation techniques used and key inputs to valuation of held to maturity investments:

Valuation technique	Significant observable inputs	Range (weighted average)
Held to maturity investments	Market approach	Uganda Treasury Bonds 14.07% - 17.52% (15.795%) Kenya Treasury bonds 11.6% - 13.15% (12.375%)
	Market interest rate for similar bonds	

Shown below are the fair value changes arising from level 3 investments that have been recognised through profit and loss during the year ended 30 June 2015.

	2015	2014
Investment Properties (Note 24)	Ushs '000	Ushs '000
Capital work in progress - Lubowa (Note 23)	5,900,000	12,197,330
	(7,000,000)	7,000,000

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations on 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 2015 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 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2015	Matured	<3 months	3-12 months	1-5 years	> 5 years	Total
Financial assets						
Cash and bank balances	14,064,337	-	-	-	-	14,064,337
Deposits with commercial banks	-	35,047,004	216,020,905	-	-	251,067,909
Equity securities held-for-trading	-	-	-	90,134,171	-	90,134,171
Trade and other receivables	-	-	26,923,918	-	-	26,923,918
Investments in securities held-to-maturity	-	48,208,231	157,668,060	1,244,977,276	2,408,546,765	3,859,400,332
Equity investments at fair value through profit or loss	-	-	-	734,270,133	-	734,270,133
Loans and advances	-	-	-	34,464,037	-	34,464,037
Total financial assets	14,064,337	83,255,235	400,612,883	2,103,845,617	2,408,546,765	5,010,324,837
Financial liabilities						
Withholding tax payable	-	1,208,340	-	-	-	1,208,340
Other payables	-	27,011,883	-	-	-	27,011,883
Financial liabilities	-	28,220,223	-	-	-	28,220,223
Gap as at 30 June 2015	14,064,337	55,035,012	400,612,883	2,103,845,617	2,408,546,765	4,982,104,614

NATIONAL SOCIAL SECURITY FUND
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2014	Matured	<3 months	3-12 months	1-5 years	> 5 years	Total
Financial assets						
Cash and bank balances	14,634,466	-	-	-	-	14,634,466
Deposits with commercial banks	-	93,545,656	588,525,149	-	-	682,070,805
Equity securities held-for-trading	-	-	-	73,318,553	-	73,318,553
Trade and other receivables	915,224	-	21,552,052	-	-	22,467,276
Investments in securities held-to-maturity	-	205,756,417	276,283,330	833,748,441	1,476,947,019	2,792,735,207
Equity investments at fair value through profit or loss	-	-	-	251,274,475	-	251,274,475
Loans and advances	-	2,200,375	6,957,736	10,529,982	19,637,519	39,325,612
Total financial assets	15,549,690	301,502,448	893,318,267	1,168,871,451	1,496,584,538	3,875,826,394
Financial liabilities						
Withholding tax payable	-	971,228	-	-	-	971,228
Other payables	-	24,858,304	-	-	-	24,858,304
Financial liabilities	-	25,829,532	-	-	-	25,829,532
Gap as at 30 June 2014	15,549,690	275,672,916	893,318,267	1,168,871,451	1,496,584,538	3,849,996,862

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. 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 amount of financial assets represents the maximum credit exposure. The maximum credit exposure as at the statement of financial position date was:

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Note	2015 Ushs 000	2014 Ushs 000
Bank balances		13,992,490	14,573,896
Deposits due from banks	14	251,067,909	682,070,805
Trade and other receivables	16	30,762,763	27,821,374
Investment securities held-to-maturity	17	3,859,400,332	2,792,735,207
Loans and advances	19	57,148,194	58,680,189
		<u>4,212,371,688</u>	<u>3,575,881,471</u>

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

	2015 Ushs 000	2014 Ushs 000
DFCU Bank Limited: Loan for mortgage financing	-	519,352
Housing Finance Bank Limited	33,333,333	37,019,686
Uganda Clays Limited	21,352,771	18,104,135
Staff loans	<u>2,462,090</u>	<u>3,037,016</u>
	<u>57,148,194</u>	<u>58,680,189</u>

The ageing of loans at amortized cost as at the statement of financial position date was as follows:

	30 June 2015		30 June 2014	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	35,795,423	-	40,576,054	-
Past due 30-60 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 120-360 days	21,352,771	(21,352,771)	18,104,135	(18,104,135)
More than a year	-	-	-	-
	<u>57,148,194</u>	<u>(21,352,771)</u>	<u>58,680,189</u>	<u>(18,104,135)</u>

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

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

**NATIONAL SOCIAL SECURITY FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2015**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015 Ushs 000	2014 Ushs 000
Staff advances	195,483	182,308
Trade receivables	8,973,910	8,117,311
Contributions receivable	889,095	1,021,943
Rent receivable	2,181,118	3,149,352
VAT recoverable	(420,194)	1,110,054
Cash advances to investment managers	2,088,201	915,224
Dividends receivable	16,855,150	12,825,639
Total	<u>30,762,763</u>	<u>27,821,374</u>

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

	30-Jun-15		30-Jun-14	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	23,008,855	-	16,201,916	-
Past due 30-60 days	-	-	-	-
Past due 31-120 days	5,854	(19,698)	3,951,675	-
Past due 120-360 days	999,690	(899,721)	-	-
Past due 360 days	6,748,364	(6,748,364)	7,667,783	(7,667,783)
	<u>30,762,763</u>	<u>(7,667,783)</u>	<u>27,821,374</u>	<u>(7,667,783)</u>

Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due by 90 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 2015**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Categories of financial assets and financial liabilities

The fair values of financial assets and liabilities together with the carrying value shown in the balance sheet are analysed as follows

	Carrying Amount		Fair value	
	2015	2014	2015	2014
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
FINANCIAL ASSETS				
Held-for-trading				
Investment securities held-for-trading	90,134,171	73,318,553	90,134,171	73,318,553
Financial assets at fair value through profit or loss				
Equity investments	734,270,133	251,274,475	734,270,133	251,274,475
Held-to-maturity Investments				
Deposits with commercial banks	251,067,909	682,070,805	251,067,909	682,070,805
Investments in securities held-to-maturity	3,859,400,332	2,792,735,207	3,626,822,419	2,792,735,207
	4,110,468,241	3,474,806,012	3,877,890,328	3,474,806,012
Financial assets at amortised cost				
Cash and bank balances	14,064,337	14,634,466	14,064,337	14,634,466
Trade and other receivables	26,923,918	21,716,379	52,247,440	21,716,379
Loans and advances	34,464,037	41,326,953	34,464,037	41,326,953
□	<u>75,452,292</u>	<u>77,677,798</u>	<u>100,775,814</u>	<u>77,677,798</u>
Total financial assets	<u>5,010,324,837</u>	<u>3,877,076,838</u>	<u>4,803,070,446</u>	<u>3,877,076,838</u>
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Other payables	<u>27,011,883</u>	<u>24,858,304</u>	<u>27,011,883</u>	<u>24,858,304</u>

e) Capital management risk

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.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Capital management risk (continued)

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 13% was declared for the year 2015 (2014: 11.5%).

39. ESTABLISHMENT

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

40. 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.