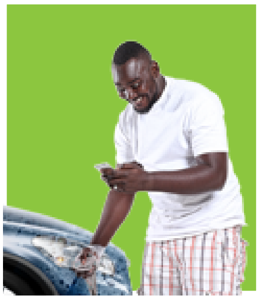
ANNUAL REPORT 2014

AT THE HEART OF UGANDA'S SOCIAL AND ECONOMIC TRANSFORMATION

NSSF
a better life

Contents



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
Finance Building, Apollo Kaggwa Road
P. O. Box 7083 Kampala

Delegated Auditor
Ernst & Young
Certified Public Accountants
18 Clement Hill Road
Shimoni Office Village
P. O. Box 7215 Kampala

Main 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

DFCU Bank Limited
Impala House
Plot 13 Kimathi Avenue
P. O. Box 70, Kampala, Uganda

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

Centenary Bank
Mapeera House. Plot 44–46 Kampala Road
and Plot 2 Burton Street.
P.O. Box 1892 Kampala, UGANDA

Ag. MD Geraldine Ssali, Minister for Finance in Cabinet. Matia Kasaija and Ivan Kyayonka hold a plaque at the interest rate declaration

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

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

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

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

Our Business

Who we are

National Social Security Fund (NSSF) is established by the 1985 Act of Parliament to provide for its membership, the payment of contributions to, and the payment of benefits out of, the Fund and for other purposes connected therewith.

The Ministry of Finance, Planning and Economic Development is responsible for the policy oversight of the Fund. Following Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011, NSSF will be forthwith regulated by URBRA.

Our Vision, Mission and Values

Our Vision
To be the Social Security Provider of choice.

Our Mission
To be a relevant partner to our members through continuous innovation in the provision of social security.

At NSSF, we aim at continuously improving our service delivery capabilities and our social security products. We remain relevant to our members' social security needs.

Our Values

Customer Centric
We do everything in the best interest of our customers and strive to exceed their expectations in respect to the products and services we offer.

Innovation
We believe in continuous implementation of value adding processes while serving our customers and search for products and services that meet their needs and expectations.

Integrity
We believe in and applaud people who are ethical, honest and professional in their conduct at all times and promote adherence to the behavior that is universally recognized and accepted to be correct and proper.

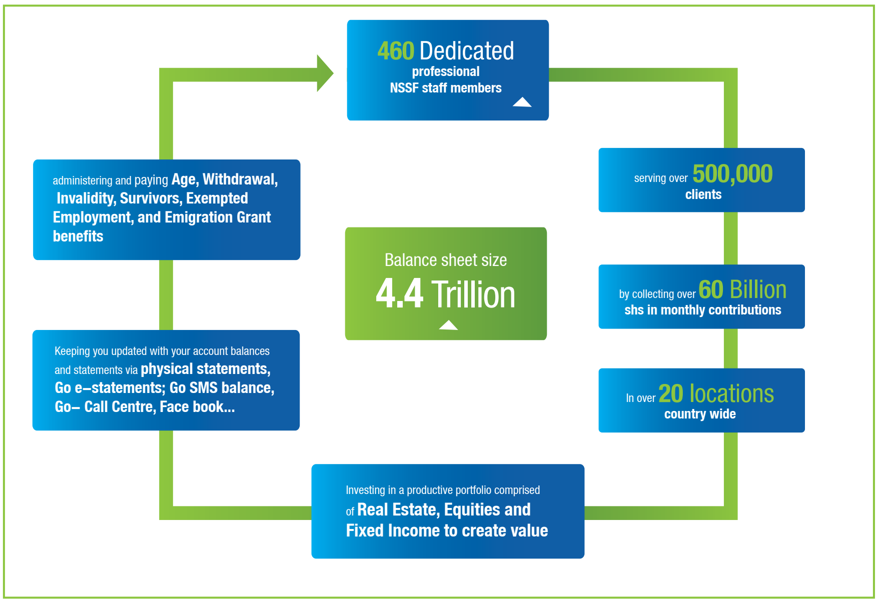
Team work
We believe in individuals working with a common interest, vision and passion to make a meaningful contribution to NSSF. We understand that a proper combination and guidance of different but relevantly skilled human resources effectively and efficiently yields more.

Efficiency
Without compromising quality, we aim for higher efficiency by;
Completing tasks in a timely manner;
Maximizing the usage of economic assets;
Rationalizing and prioritizing allocation of resources.

NSSF today

Why save with NSSF

We are the biggest financial institution in Uganda with centers in all regions of the Country manned by competent and energetic teams, availing you with the very best in social security. We continue to be innovative in our products and services collecting member contribution, investing prudently – creating value and paying it out at the right time to qualifying beneficiaries in the shortest time possible.



How we create Value

Our Customer is at the centre of all we do.

- We collect customer contributions through different trusted channels.
- We allocate funds in a prudent investiment portfolio to grow the savers' wealth.

Safety

- We are mandated by the NSSF Act to pay a minimum of 2.5 % per annum to our member however in the last 3 consecutive years a double digit interest figure has been paid out to members.

Commercial and Benefits

- We have business strategies and policies to grow the Fund, improve employer compliance and contributions arrears recoveries, timely benefits payouts to qualifying members and first class customer care.

Internal Force

- Administration
- Internal Audit
- Finance
- Human Resource
- Investments
- Information Technology
- Legal and Board Affairs
- Marketing and Communication
- Risk

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Dedicated staff members

Saving with NSSF pays

For example; assuming a member earns a monthly salary of UGX. 1,000,000. His NSSF contribution being UGX. 50,000 (5%) while the employer contributes UGX. 100,000 (10%) and average interest rate paid to members of 5%. Overtime, NSSF benefits payment portion of total benefits to the member exceeds either the employer or member contribution. For a period of;

10 years
The future value will be
Ushs. 23,292,342 comprising of
Ushs.6,000,000 (Member),
Ushs. 12,000,000 (Employer),
Ushs. 5,292,342 (NSSF)

Return on Savings
Ushs 5,292,342

20 years
The future value will be
Ushs. 61,655,050 comprising of
Ushs. 12,000,000 (Member),
Ushs. 24,000,000 (Employer),
Ushs. 25,655,050 (NSSF)

Return on Savings
Ushs 25,655,050

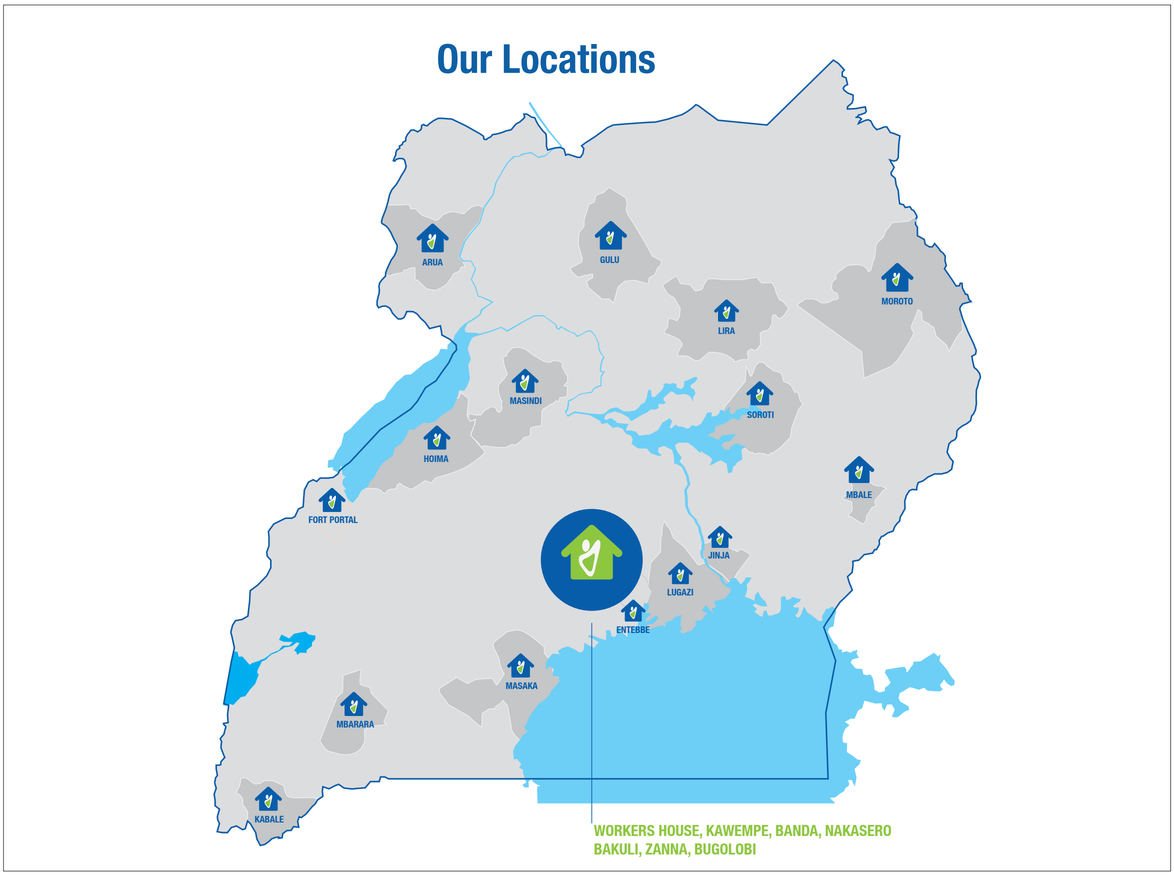
25 years
The future value will be
Ushs. 89,326,456 comprising of
Ushs. 15,000,000 (Member),
Ushs. 30,000,000 (Employer),
Ushs. 44,326,456 (NSSF)

Return on Savings
Ushs 44,326,456

Over the long term, NSSF and Employer contributions exceed 80% of total member benefits.

Coverage

NSSF caters for all employees in the private sector aged from 16 to 54 years, working in enterprises having five or more workers.



Financing

The Fund is a contributory scheme fully funded by contributions from employees and employers. The Employee and Employer contribute 5% and 10% respectively of the gross monthly wage to make a total monthly contribution of 15%.

Collection of members' savings

NSSF is mandated to register eligible employers and employees. Upon registration, an account with a unique number is kept for each registered member, into which contributions are posted and benefits are paid out when they are due. The Fund updates members of their account balances through account statements by use of various channels which include physical statements, Go e–statements; Go SMS balance, Go– Call Centre, Face book, Twitter etc.

Investment of and Interest on savings

In order to maintain value, members' contributions/savings are invested in productive activities within the economy. The Board and management are mandated by the NSSF Act to judiciously invest savings on behalf of NSSF members. Currently, the Fund's investment portfolio consists of Real Estate, Equities and Fixed Income. Every year, based on the performance of the investments and on recommendation of the Board, the Minister declares the interest payable to members. The interest rate varies from year to year. However, the act provides for a minimum interest rate guarantee of 2.5% per annum.

The Employee and Employer contribute 5% and 10% respectively of the gross monthly wage to make a total monthly contribution of 15%.

Pension towers

Lubowa housing project

Types of Benefits

NSSF administers and pays 6 types of benefits to contributing members in accordance with the provisions of the NSSF Act as follows;

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. In this case, a medical practitioner's report is required to ascertain the condition.

Survivors Benefit
Payable to the dependant(s)/Next of kin of a deceased member.

Exempted Employment Benefit
Payable to members who join employment that provides an alternative social security scheme recognized under existing law and exempted from contributing to NSSF. These include the Army, Police, and Prisons, Civil Service and members of any scheme that the Minister responsible for social security has formally exempted.

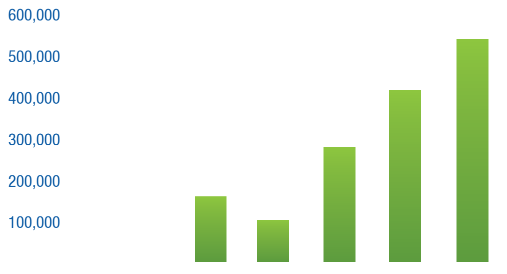
Emigration Grant
Payable to a member (Ugandan or Expatriate) who is leaving the country permanently.

Mode of Payment
The benefits are payable in lump sum, that is, the member's cumulative contributions and interest earned throughout the contributing period.

Financial and Operational Highlights

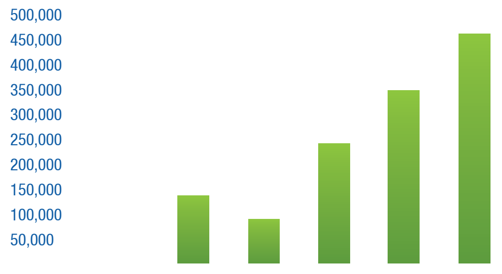
The five year performance review shows that the strategy we adopted is paying off. By all measures, the Fund's performance has significantly improved. The key performance indicators below show growth in all areas.

Profit before Income Tax (UShs'M)



	2010	2011	2012	2013	2014
Profit before Income Tax (UShs'M)	151,250	102,033	276,300	414,225	530,714

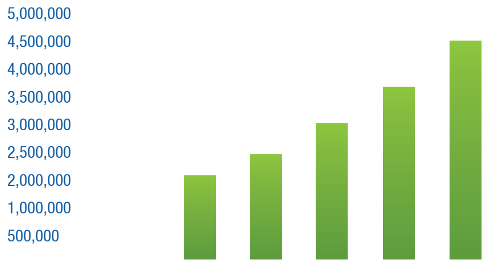
Profit after tax (UShs'M)



	2010	2011	2012	2013	2014
Profit for the Year (UShs'M)	132,202	83,854	238,837	344,609	452,417

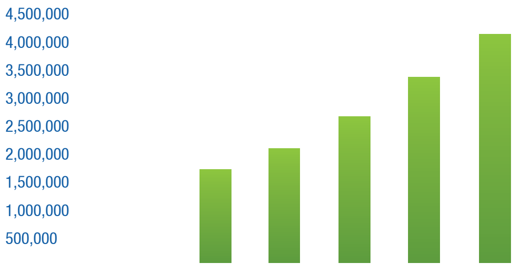
Our PBIT and PAT grew by 215% and 242% respectively during the period between 2010 and 2014.

Total Assets (UShs'M)



	2010	2011	2012	2013	2014
Total Assets (UShs'M)	1,703,911	2,128,943	2,742,964	3,479,592	4,404,197

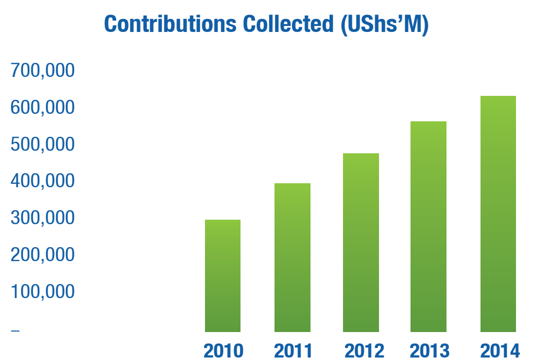
Accumulated Members' Funds (UShs'M)



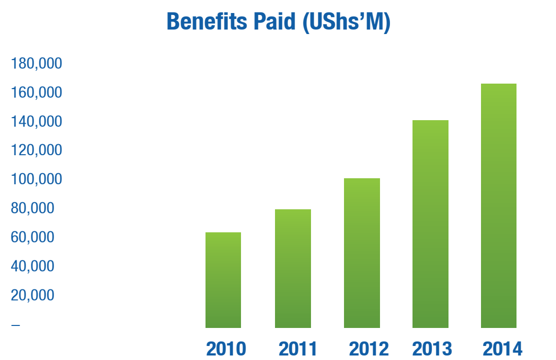
	2010	2011	2012	2013	2014
Accumulated Members' Funds (UShs'M)	1,659,794	2,071,024	2,621,223	3,322,576	4,147,286

The Fund has registered a consistent total asset and accumulated member fund growth year on year from 2010 to 2014. Total assets grew by 158% while accumulated member fund grew by 150% during the period to 2014 from 2010.

Financial and Operational Highlights



Annual Contributions (UShs'M)	294,163	388,125	472,861	552,684	622,354

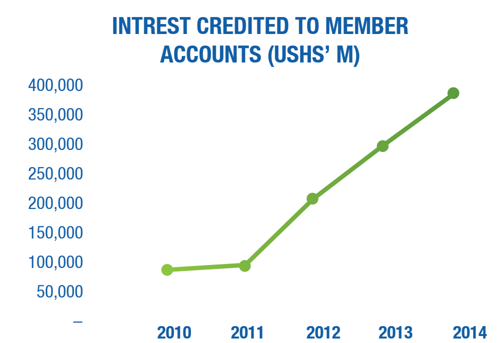


Benefits Paid (Ushs' M)	63,696	79,422	101,376	140,052	165,927

The Fund registered growth in contributions collected of 112% from 2010 to 2014 while benefits paid increased by 105% for the same period.

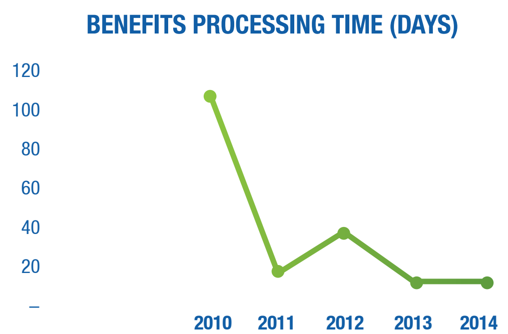
Return on member's fund (%)	7.0%	6.0%	10.0%	11.23%	11.5%

Return on member fund shows a better performance at 11.5% in 2014 compared to 7% in 2010



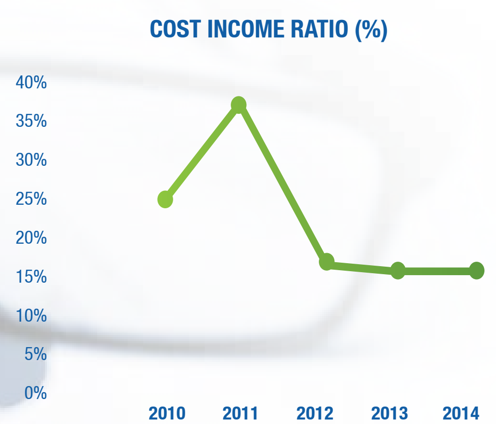
	2010	2011	2012	2013	2014
Intrest credited to member Accounts (Ushs' M)	89,158	94,844	196,965	281,397	365,843

The return on member's fund has grown from Ushs 89.1 million in 2010 to 365.8 million in 2014.

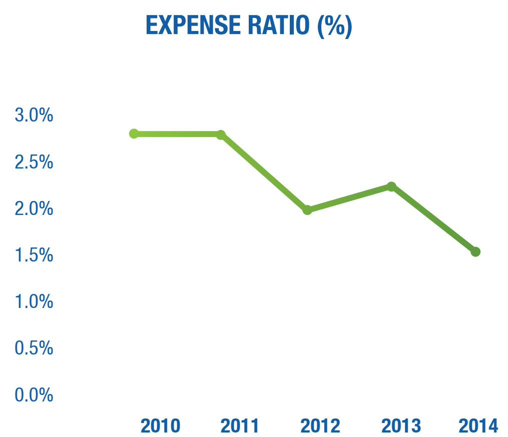


	2010	2011	2012	2013	2014
Benefits Processing time (Days)	108	16	36	10	10

The Fund has tremendously improved on its processes and the Turn Around Time (TAT) for benefits processing has improved from more than 16 days in 2010 to 10 days in 2014 the target for 2014 was 10 days and this was achieved.



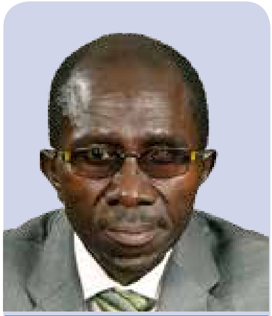
	2010	2011	2012	2013	2014
Cost Income Ratio (%)	23.9%	36.5%	16.3%	15.4%	15.3%



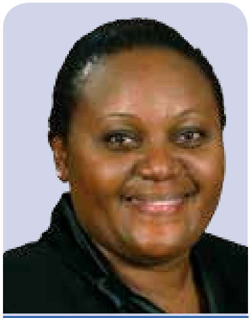
	2010	2011	2012	2013	2014
Expense Ratio (%)	2.8%	2.8%	2.0%	2.2%	1.5%

The Fund is in control of its costs. Cost to income ratio greatly improved from 23.9% in 2010 to 15.3% in 2014. The expense ratio improved to 1.5% in 2014 as compared to 2.8% in 2010. Cost of administration is better than most global funds of similar sizes

Board of Directors



Ivan Kyayonka
Chairman



Christine K. Guwatudde
PS, Ministry of Gender, Labour & Social Development
(Resigned on 30/09/13)

Christopher Kassami
PS, Ministry of Finance, Planning & Economic Develpopment
(Resigned on 30/11/13)

Patrick Ocailap
Deputy Secretary to the Treasury
Ministry of Finance, Planning & Economic Development
(Appointed 01/12/13)

Pious Bigirimana
PS, Ministry of Gender, Labour & Social Development
(Appointed 01/10/13)

Christopher Kahirita
Workers Representative, COFTU

Richard Bigirwa
Workers Representative, COFTU

Agnes Kunihira
Workers Representative, NOTU

Sarah Walusimbi
Employers Representative, FUE

Mukasa Okello
Workers Representative, NOTU

Henry Mukasa
Workers Representative, NOTU

Richard P. Byarugaba
Managing Director
(Resigned 31/12/13)

Geraldine S. Busuulwa
Ag. Managing Director
(Appointed 01/01/14)

Senior Management Team

Richard P. Byarugaba
Managing Director
(01/07/13 to 31/12/13)

Mrs. Geraldine S. Busuulwa
Ag. MD/Deputy MD
(01/01/14 to 30/06/14)

David Nambale
Corporation Secretary
(Resigned on 31/12/13)

Patrick Ayota
Chief Finance Officer

Stevens Mwanje
Head of Commercial

Barigye Geoffrey
Head of Internal Audit

Olive B. Lumonya
Head of Marketing & Communication

Francis Kajura
Head of Investment

Collin Babirukamu
Head of Information Technology

Eseza Byakika
Head of Human Resources

Edward Ssenyonjo
Ag. Head of Risk

Mark Obia
Ag. Corporation Secretary
(Appointed 01/01/14)

Executive Committee

Richard Byarugaba
Managing Director
FCCA, MBA, Edinburgh Business School
PGD. Management, Bsc. (MUK)
Joined the Fund in September 2010

Geraldine Ssali
Deputy Managing Director
Associate CIMA, UK, MBA (Finance),
University of Manchester, UK, Bsc. (MUK).
Joined the Fund in this position in February2011

David Nambale
Corporate Secretary
Masters of law, (University of Kent, UK)
Dip. LP (LDC), Cert. Development Lawyers
Course (International Law Institute, Italy), Cert. Commercial
Law and Practice (Crown Agents) LLB. Hons. (MUK),
Joined NSSF in June 2010 in this position

Patrick Ayota
Chief Finance Officer
Bsc– Liberty, University, Virginia
Masters of Business Administration –
University of South California, USA
Certified Public Accountant
Joined NSSF in July 2011 in this position

Francis Kajura
Head of Investment
Doctorate Candidate of Edinburgh Business School.
MBA in Edinburgh Business School, B.Com Hons
ACCA Fellow and Member of ICPAU,
Member of Global Association of Risk Professionals (GARP),
Member of Chartered Insurance Institute (CII)
Joined NSSF in May 2011

Collin Babirukamu
Head of In Information Technology
Microsoft Certified Professional
Business Continuity and Disaster Recovery –Specialist.
I.T Project Management Certificate (UNISA)
Post. Grad. Business Administration, (Leicester, UK)
CISCO Certified Network Associate B. Computing (MUST)
He joined NSSF in November 2007
Appointed to ExCo in July 2011

Godfrey Barigye
Head of Internal Audit
Member of Institute of Internal Auditors
MBA (MUK) B.Com (MUK)
Joined NSSF in April 2001
Appointed to ExCo in May 2008

Mark Obia
Acting Corporation Secretary
Dip LP (LDC), Cert Development Lawyers
LLB. Hons. (MUK),
Appointed Acting Corporation Secretary in January 2014

Olive Lumonya
Head Marketing and Communications
Member of the Chartered Institute of Marketing, UK
Master of Business Administration,
Post Graduate Diploma in Marketing –
Chartered Institute of Marketing, UK.
Bachelors of Mass Communication with Sociology, (MUK)
Joined the Fund in July 2004
Appointed to ExCo in May 2012

Edward Senyonjo
Ag. Head of Risk
ACCA (UK), CPA, Uganda, B Com (MUK)
Student member of GARP
(Global Association of Risk professionals), USA
Joined the Fund in September 2010

Stevens Mwanje
Head of Commercial
FCCA, PGD. Management, Leicester University, (UK)
PGD. Business Management, (MUK)
Certified Diploma in Accounting and Finance.
(ACCA. UK) BA. Hons. (MUK),
Joined NSSF in February 2010 in this position.

Eseza Byakika
Head of Human Resources
Member of Chartered Institute of Personnel
and Development (UK).
Master in Management Studies (UMI)
Joined the Fund in July 2013

Chairman's Statement

"The results are attributable to the funds strong position and continued focus on providing real returns and excellent customer service to our members."

I am pleased to report that NSSF delivered good performance during the financial year 2013–14.The results are attributable to the funds strong position and continued focus on providing real returns and excellent customer service to our members. We continue to be proactive and innovative; at the same time sensitive to changes in the external environment.

Operating environment

The Fund is impacted significantly by the environement in which it operates, the Board therefore keeps up–to–date of the key social and economic developments affecting business activity. Through the Financial Year 2013/14 (FY14), Uganda's economic growth improvd to 5.7% to 3.4%. However this was below the target of 6.2%. Despite not meeting target, the economy turned out better than average growth of 5.3% in the sub–Saharan non–oil producing economies. The growth is, however, far below the medium term target of 7% necessary to achieve socioeconomic transformation.

NSSF Financial performance Highlights

The Fund registered growth in key financial areas as indicated below:

- Total comprehensive income net of tax increased by 13% to UGX 452.4 billion up from 344.6 billion the previous year.
- The total asset base increased by 26% to UGX 4.404 trillion from UGX 3.480 Trillion.
- Member contributions grew by 14.86% to UGX 622.4 billion from UGX 552.7 billion, largely due to an effective customer relationship model.
- The volume and value of benefits paid out to qualifying members increased. In value, there was a 19% increase from UGX 140 billion in 2013 to UGX.165.9 billion in 2014. The number of eligible beneficiaries increased by 16% to 14,483 up from 12,486 benefit claims.
- Interest to members was 11.5% up from 11.23%

Other performance indicators and detail of performance results can be found in the subsequent pages of this report.

Strategic outlook

The Board recognizes that the Fund has a well–conceived, reliable and competitive strategy aimed at serving our members even better. In order to continue delivering sustainable member returns, we must balance prudent investment, operational effectiveness and vigilant cost management.

The board is currently working with management to meet both its short and long term objectives that include: –

- Unlocking stalled real estate investments– Pension Towers, & Temangalo;
- Concluding past litigation cases– Nsimbe, Temangalo and COMTEL;
- Supporting the harmonization of the enabling legislation to cater for the various stakeholder interests;

- Complying with New Regulatory Requirements– URBRA Act and Exploit the new opportunities offered by the new legislations.

Furthermore, for NSSF to deliver on its promise of a better future for the members, the board has developed mid and long term strategic goals that will make the Fund: –

- Remain a relevant player in Uganda's Socio– Economic Development, in a competitive environment;
- Offer competitive returns to members;
- Offer new value adding products for members;
- Increase Social Security coverage;
- Build a customer–centric organization and maintain the lead as performance–based organization;

In other words, we remain the social security provider of choice.

Governance

Good governance practices are critical for sustainability of the Fund value. Our governance practices and principles are guided by the relevant local laws and regulations.

The success of the Fund is dependent on the oversight and direction of the Board of Directors. The current Board was appointed in June 2012, with a tripartite representation comprising: Government– represented by Ministry of Finance and Ministry of Gender, Labor & Social development, Employers– represented by Federation of Uganda Employers and Employees– represented by the workers Unions.

Furthermore, Board effectiveness is augmented by the following sub committees:

- Audit & Risk Assurance Committee
- Finance Committee
- Investments & Project Monitoring Committee
- Staff, Administration & Corporate Affairs

These committees meet regularly to ensure that the Fund achieves its strategic objectives. Over the year the board effectively met those objectives.

During the year there were some changes to the composition of the Board. Mr Pius Bigirimana Mr Patrick Ocailap were appointed to the board as non–executive board members.

The following board members resigned during the year;

- Mr Richard Byarugaba
- Mr Christopher M Kassami
- Mrs Christine Guwatudde Kintu

I welcome the new directors to the Board and wish them the best in their deliberations. To those who left, thank you for your great contribution during the year.

Moving Forward

Our sector is growing rapidly. With new licensed players on board coupled with advanced technology, the Fund has to stay abreast with all these developments for its continued success ahead and on top of our game will be a key defining factor for our continued success. Continued adoption to the digital era will go a long way in keeping us ahead.

We are established market leaders in Uganda and the East African region at large. We have developed a strategy that emphisis our commitment to a better future for our members. I am more than confident that we have reached greater heights.

Appreciation

On behalf of the board, I wish to express our gratitude to the management and staff of NSSF for their efforts and commitment to further establish the Fund as the Social Security provider of Choice.

To all our members, whom we aspire to offer 'a better future', thank you for saving with us in 2014. We strive to serve you with the same level of commitment moving forward.

....

Mr. Ivan Kyayonka
Chairman

Managing Director's Statement

> "The objective of the charter is to communicate to our customers the service standards we have set as well as declare our total commitment to better service delivery and to empower our customers."

Introduction

The NSSF Act empowers the Board of Directors to operate and manage the Fund in order to ensure secure, profitable and effective financial management. The Board executes this mandate by providing a strategic direction to the Fund through a Corporate Strategic Plan. In 2012, a new 3 year strategic plan was developed and rolled out to drive the fund towards remaining the social security provider of choice.

The grand strategy has the following objectives:

- Increase customer satisfaction
- Increase profitability
- Improve productivity
- Prepare for liberalization

Increase Customer Satisfaction

Based on a survey conducted by an independent firm, we received a better customer satisfaction rating of 83.6% compared to 72% in 2013 and against a 2014 target of 80%. Customer satisfaction is based on the NSSF customer service charter. The objective of the charter is to communicate to our customers the service standards we have set as well as declare our total commitment to better service delivery and to empower our customers to demand timely and quality services at all touch points.

Increase Profitability

This is measured against the return on investment and the Expense to asset ratio among other indicators. The return on investment was 12.3% against a target of 12.78% and the expense asset ratio was 1.5% against a target of 1.7%.

Improve Productivity

The key result area here is the turnaround time (TAT) for benefit processing. The actual TAT was 10 days against a target of 10.

Preparation for Liberalization

Under the Regulatory framework, the Uganda Retirement Regulatory Authority (URBRA) Act was enacted by the Parliament of Uganda and took effect on the 26th September 2011. The objectives of the Act are to regulate the establishment, management and operation of the retirement benefit schemes in Uganda in both the private and public sectors. And in addition, the Retirement Benefits Sector Liberalization bill is being debated in parliament.

Regulatory Environment

The Liberalization Bill will most likely be passed in the near future. There is a high likelihood that some of the provisions in the original bill will be amended including: the repeal of the NSSF Act and elements relating to full liberalization. The final bill will have significant impact on the structure and operations of the Fund.

Internal Environment

There is an on–going process to recruit and fill a number of senior positions, including the managing director, and the corporation secretary which have been vacant since December 2013. The completion of the recruiting process should support the Fund strategy going forward.

Financial Results

The Chairman highlighted the financial results for the 2014 evidencing increase in income, asset base, member contribution, benefits payment and interest paid to members. This consistent level of high performance for the past four years has enabled us revive the fund and prepare for liberalization. We are committed to delivering a better future for our clients.

Funds registered growth in key financial areas as highlighted by the chairman and indicated below:

- Total comprehensive income net of tax increased by 13% to UGX 452.4 billion up from 344.6 billion the previous year.
- The total asset base increased by 26% to UGX 4.404 trillion from UGX 3.480 Trillion.
- Member contributions grew by 14.86% to UGX 622.4 billion from UGX 552.7 billion, largely due to an effective customer relationship model.
- The volume and value of benefits paid out to qualifying members increased. In value, there was a 19% increase from UGX 140 billion in 2013 to UGX.165.9 billion in 2014. In volume the number increased 16% to 14,483 up from 12,486 benefit claims.
- Interest to members was 11.5% up from 11.23%

Other performance indicators and detail of performance results can be found in the subsequent pages of this report.

Five year performance Review

		2010	2011	2012	2013	2014
Income Statement (UShs'M)	Profit before Income Tax (UShs'M)	151,250	102,033	276,300	414,225	530,714
	Profit for the Year (UShs'M)	132,202	83,854	238,837	344,609	452,417
Financial Position (Ushs' M)	Total Assets (UShs'M)	1,703,911	2,128,948	2,742,964	3,479,592	4,404,197
	Investment in securities Held to Maturity (UShs'M)	315,446	591,277	1,386,295	1,990,126	2,792,735
	Deposits with Commercial Banks (UShs'M)	798,568	952,510	686,151	731,954	682,071
	Investment properties (UShs'M)	303,007	317,467	385,583	169,905	193,711
	Equity Investments (UShs'M)	93,040	93,471	78,292	153,852	251,274
	Accumulated Members' Funds (UShs'M)	1,659,794	2,071,024	2,621,223	3,322,576	4,147,286
Financial Performance (%)	Return on average Investment (%)	12.4%	7.7%	12.3%	12.4%	10.0%
	Cost Income Ratio (%)	23.9%	36.5%	16.3%	15.4%	15.3%
	Expense Ratio (%)	2.8%	2.8%	2.0%	2.2%	1.5%
Member's Fund Statistics (Ushs' M)	Contributions Collected (Ushs' M)	294,163	388,125	472,861	552,684	622,354
	Benefits Paid (Ushs' M)	63,696	79,422	101,376	140,052	165,927
	Return on member's fund (Ushs' M)	89,158	94,844	196,965	281,397	365,843
	Return on member's fund (%)	7.0%	6.0%	10.0%	11.2%	12.3%
	Compliance level (%)	–	0.49	0.69	72%	77%
	Benefits Processing time (Days)	–	16.00	36.00	10	10
Customer Satisfaction Rate (%)	Internal Customers (Staff)	–	0.60	0.61	65%	77%
	External Customers (Members)	–	–	0.49	72%	84%

2015 Outlook

2014 was an incredible year for us and the performance was above target in all areas. We are very pleased with this performance. 2015 will have its own challenges but with our strong brand, dedicated staff, loyal customers, our biggest and growing asset base in the Uganda will help us deliver on our promise.

Appreciation

I wish to acknowledge the contribution of the board of directors and staff of NSSF for this outstanding performance. To our dear members, I thank you for your continuous commitment and for having the confidence in us as a Fund. With this kind of performance, we will continue "To be the Social Security Provider of Choice."

....

Mrs. Geraldine S. Busuulwa

Acting Managing Director

Sipi Falls, Kapchorwa. One of the most majestic sights in Uganda. Popular tourist destination.

The Crested Crane. (Balearica regulorum). National bird of Uganda. Symbol of beauty and serenity.

Governance and Risk Management

Risk Management and control

Introduction

Over the years, the Fund has significantly invested in improving its governance, risk management and internal controls. The risk management function has evolved to become a core area of business practises driven by the Board and embedded at every level of the organisation. The Fund has an elaborate risk management framework underpinned by appropriate structures, policies and procedures, systems and professionally qualified staff.

In accordance with international best practise, the Fund adopted the Committee of Sponsoring Organisations (COSO) enterprise risk management framework which provides a coherent framework for organisations to deal with risk in relation to the company's strategy and business objectives.

The core risk universe of the Fund is derived from its key processes which are:

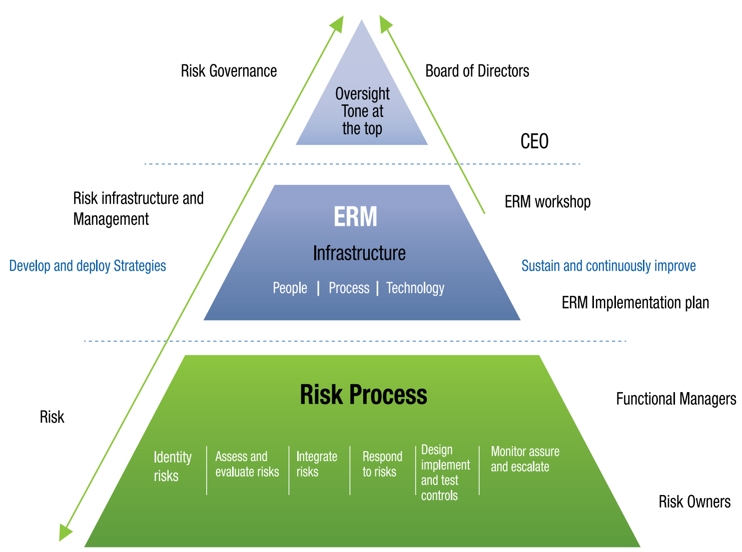
- Member collection,
- Investments and
- Benefits payment.

Due to its improved risk management and control environment, the Fund has progressively and consistently registered tremendous performance on all key indicators. The improved control environment has also seen the Fund improve its image and strengthen its brand, and this has resulted into the Fund winning a number of awards.

Risk and Control Framework

The Fund realises that the key determinant to success in Risk management is the need to ensure that a strong culture and awareness of risk permeates at every level of the organisation. To this end, the Fund's risk management policy is based on the COSO (Committee of Sponsoring Organizations) model, as explained below.

COSO Enterprise Risk Management Framework



Governance

The NSSF Board of Directors understands and appreciates the significance of good corporate governance, and the linkage between governance, risk management and internal controls. The Board is aware of its ultimate responsibility for managing risk; and has therefore established a risk management framework to ensure that the Fund's business is run within the acceptable risk appetite, that avoids overly exposing the Fund's assets.

Governance structures

Board of Directors and Board Committees

The Fund is directed and controlled by a board which sets the tone and its risk appetite. In order to ensure appropriate focus, efficiency and effectiveness, the Board of directors has established specialized committees, which include the Audit & Risk Assurance Committee, the Investment and Project Management Committee, Finance Committee and Staff Administration & Corporate Affairs; each with responsibility to handle certain specific matters and make recommendations to the Board for the final decision.

The Board is responsible for taking investment and other strategic decisions within the Fund's risk appetite. It is also the responsibility of the Board to ensure that the interests of the Fund's stakeholders are protected and accountability and transparency are enhanced and enforced.

Management

The Executive Committee (ExCo), comprising the Managing Director, the Deputy Managing Director, the Corporation Secretary, and the Heads of departments, is the highest decision–making and authoritative body at Management level. The management team is responsible and accountable for managing business activities within their departments, and have the primary responsibility of implementing the Board's risk management policy communicating, identifying and controlling risks inherent in their activities and processes.

Risk and Internal Audit functions

At the Fund, the Risk department and internal audit department are separate functions. The Risk department oversees the day–to–day management of risk across the Fund, whereas Internal Audit assess the internal controls and business strategy and provides assurance to the board on whether the internal controls are adequate and effective in mitigating the Fund's risk profile using a Risk based approach.

Independent External auditors

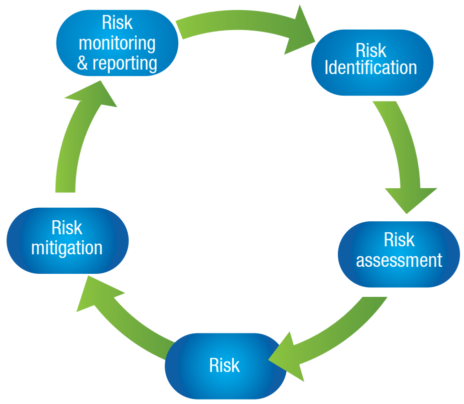
The Fund's financial reporting is subject to an independent external audit by the Auditor General who provides assurance to members of the Fund and other interested parties, on whether the Fund's financial statements represent fairly, in all material respects, the financial position and performance of the Fund.

Risk Management Process

The Fund looks at risk management as a process involving identification, assessment, and prioritization of risks. This is then followed by coordinated and economical application of resources to minimize the probability and/or impact of unfortunate events or maximize the realization of opportunities.

The risk management process in NSSF involves the following stages:

The Fund's risk management process



Risk management process

Stage		Activity carried out
Risk identification	•	This is about identifying what can prevent the Fund from achieving it corporate /strategic and operational objective. It involves reviewing all processes, systems and product/projects of the Fund, with a view of identifying all critical hindrances to achievement of the stated goals and objectives.
	•	Conducted through workshops, interviews, questionnaires and monitoring developments in the environment
Risk assessment	•	Involves analysing the likelihood and impact of crystallization of a given risk
	•	Both financial and non–financial impacts are considered.
	•	The analysis of likelihood and impact of risks enables proper categorizes of risks, either as High, Medium or Low, and allocation of resources appropriately
Risk treatment	•	This involves deciding whether to accept, transfer, avoid or reduce a risk, depending on the level of risk and the Fund's internal capacity regarding managing of that particular risk
Risk mitigation	•	For risks that have been rated as medium or high, the Fund puts in place controls measures to reduce them to acceptable level, or transfer (outsource) the management of such risks
	•	The risks that are considered as low, the Fund may put in place controls to address them
Risk monitoring & reporting	•	Structures and systems are in place to ensure monitoring of risk and reporting at all levels of the Fund, periodically and hoc to both management and board committees

Risk documentation

The risk management process described above, involves;

- Documentation of the identified risks.
- Their likelihood and impact of occurrence.
- The control measures and any other relevant information about the risks, in what is known as risk registers.

Each department and branch has a risk register, which is regularly updated, as and when the risk profile changes. Each Manager is responsible and accountable for ensuring that his/her risk register is up to date with the changes in his operational environment.

Risk category

In order to ensure appropriate focus on certain key types of risks, risks are categorized in the Fund as indicated below, and the different risk categories are managed at different levels:

Risk category	Level	Brief Description	How the risk is mitigated
Strategic risk	Strategic	Strategic risk is the current and prospective impact on earnings or assets arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry/ environmental changes	• Managed through periodic strategy reviews and involvement of board committees in strategic decisions. • Consistently communicating and applying strategic goals, objectives and corporate culture throughout the Fund. • Adopting management information systems that effectively support strategic initiatives and ensuring that strategic initiatives are supported by sound due diligence and strong risk management systems.
Reputation risk		Reputation risk is a risk of loss resulting from damages to a firm's reputation as a result of lost revenue, increased costs or destruction of shareholder value.	• Reputation risk emanates from crystallization of primary risks like non–compliance with regulations (compliance risk), undertaking wrong strategic decisions (strategic risk), significant or major breakdown in service delivery (operational risk) etc. Therefore, in trying to manage reputation risk, the Fund ensures that the primary risks, such as those described above, are effectively addressed.
Market risk	Tactical	Market risk arises from changes in market variables such as interest rate, equity price and foreign exchange rate	The Fund uses various models to monitor and assess the level of exposure to market risk and dealing with those exposures

Risk category	Level	Brief Description	How the risk is mitigated
Compliance risk		Compliance risk emanates from non–conformity to standards, guidelines, policies, procedures, regulations, laws etc. Non–compliance with laws or regulations may lead to severe repercussions e.g. sanctions or penalties; consequently affecting the image/reputation of an organization	A compliance management framework is in place that identifies potential compliance exposures, documents them and develops appropriate response strategies.
Cyber risk		Cyber risk can be defined as the risk connected to activity online, internet trading, electronic systems and technological networks, as well as storage of personal data	Strong security infrastructure is in place, that is monitored and tested on a regular basis to determine its resilience and robustness
Financial risk		This arises out of both investment and operational transactions, and they are due to negligence (errors), deliberate intention (fraud, theft, embezzlement).	• The Fund has put in place various policy and procedural mechanisms to address these vices.
Investment risk		• These are risks that arise from: • Adverse changes in economic, political and legal outlook. • Exchange rate fluctuations • Underperformance by investee companies. • Concentration risk	The Fund has: • Put in place an adequate investment procedures manual to address these risks. • Representation on investee company boards. • Been able to hire competent professionals in the investment department. • Progressively diversified its investments portfolio from fixed income portfolio to include equity and real estate.
Credit risk		Credit risk is a risk of financial loss resulting from the failure of an obligor /debtor to fully honour financial or contractual obligations to the lender. Although the Uganda Retirement Benefits Regulatory Authority (URBRA) Act bars the Fund from carrying out lending activities, the Fund considers potential failure by any financial institution which holds it funds in form of fixed deposits as credit risk	The Fund undertakes a detailed evaluation, based on the CAMEL (Capital adequacy, Asset quality, Management stability, Earnings and Liquidity) model, of each financial institution's performance, to establish its credit risk before making any deposit placement.

Risk category	Level	Brief Description	How the risk mitigated
Liquidity risk		Liquidity risk is the potential that the Fund will be unable to meet its commitments/ obligations as they fall due. The ability to meet all financial obligations as and when they fall due is an indicator of the Fund's strong financial position	The Fund always ensures that its liquidity position is strong by continuously monitoring its liquidity position and employing a number of liquidity risk models to predict future liquidity constraint so that appropriate contingent plans can be put in place to avert potential liquidity crisis or invest surplus cash to earn a return
Operational risk	Operational	Operational risk is the risk of failed or inadequate internal processes, systems, people or external events	• Approved and adequate policies and procedures that provide guidance on all processes and act as a system of internal controls are in place. • Additionally, a significant number of process flows has been automated to reduce risks associated with human errors and potential dishonest actions as well as enhancing operational efficiency. • An independent internal audit function.

Business Continuity Management Policy & Plan

The Fund's Business Continuity Management Policy (BCMP) and Plan (BCP) is concerned with improving the resilience and robustness of the Fund's infrastructure to withstand and/or respond effectively to any potentially disruptive event. It is a holistic management process that identifies potential threats and impacts to the Fund's business operations. It provides a framework for building the Fund's resilience, with the capability for an effective response that safeguards the interests of its stakeholders, reputation and the brand.

The triggers/invocation criteria, as well as the incident response mechanisms are well documented in the NSSF BCP, and in a nutshell include:

Stage of the incident	Response
Immediate	Focuses on: • Welfare of the people–saving lives, limiting injury, limiting anxiety/panic • Limiting damage to property/assets • Salvaging property/assets
Intermediate	Focuses on: • Restoration of urgent activities • Treatment of the injured • Communication
Aftermath	Focuses on: Repair/replacement Relocation Recovery of costs (from insurance) Learning points

The Fund has an elaborate crisis management committee, comprising the Managing Director, as the Chairman, the Head of Marketing and Communication, among others, with a clear and elaborate communication strategy.

Additionally, the Fund has a fully–fledged Disaster Recover Centre, situated more than 80 KM from the primary site at Workers House in Kampala.

In order to determine whether the BCP is effective, BCP exercise programs are regularly conducted.

Risk management standards

As stated under the risk management process, the Fund adopted the COSO model/ standard, which is an ERM (Enterprise Risk Management)/ integrated framework. However, the Fund makes use of other risk management standards including ISO 31000:2009 Risk management, ISO Guide 73: 2009 –Risk management– Vocabulary, ISO/IECO 31010: 2009, Risk management– Risk assessment techniques.

Murchison Falls, located between Lake Kyoga and Lake Albert on the White Nile.
Lends its name to the surrounding national park.

Corporate Governance

Introduction

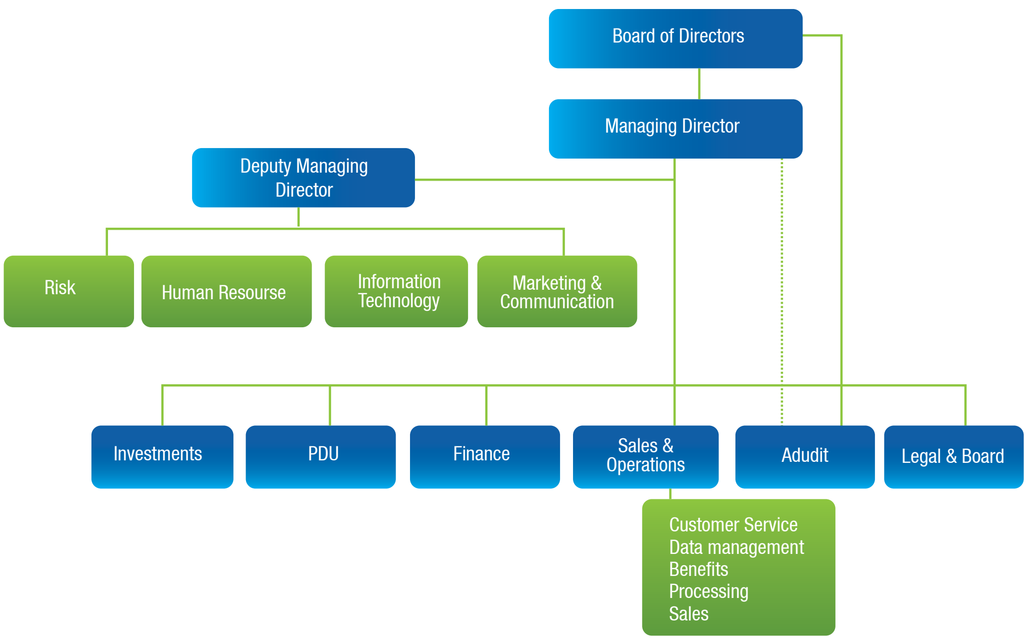
The National Social Security Fund's (The Fund) Corporate objective is to create long–term value through increased profitability, improved productivity and the provision of innovative customer and market focused solutions

In pursuing the Corporate Objective, the Board of Directors (the Board) is committed to the highest standards of corporate governance and strives to foster a culture that values and rewards exemplary ethical standards and both personal and corporate integrity. The board recognizes that governance is not just a matter for the Board; a good governance culture must be fostered throughout the organization.

The term "corporate Governance" encompasses the entirety of all principles, structures, processes and practices at the Fund aiming at guaranteeing both transparency and a healthy balance of management and control. During the period under review, the Board has given highest priority to the corporate governance framework by proactively and continuously implementing and improving best corporate governance standards

The Fund complied with all applicable principles, rules, regulations and guidelines on corporate governance for the period under review.
The following report describes the Fund's Corporate Governance practices and the governance framework adopted by the Board during the year ended 30th June 2014.

Organizational Structure



Compliance with Laws and Regulations

Complying with all applicable legislation, regulations, standards and codes is an essential characteristic of the Fund's culture. As a licensed retirements benefits scheme, the Fund operates in a regulated industry regulated by the Uganda Retirement Benefits Regulatory Authority (URBRA) and is committed to complying with legislation, regulations, and codes of best practice governing the retirement benefits sector and seeks to maintain the highest standards of governance, including transparency and accountability.

The Board monitors compliance by means of management reports, which include information on any significant interaction with key stakeholders, including regulators. Whilst the Fund continues to nurture a strong culture of governance and responsible risk management in line with its risk appetite and governance framework, it is constantly monitoring its practices to ensure that they are best fit for it and serve to enhance business and community objectives.

Board of Directors

Board composition and director's independence

The Board is responsible for governance at the Fund. It performs its functions in consultation with the Minister responsible for Social Security.

The Fund has a unitary Board structure with division of responsibilities between the Chairman and the Chief Executive. The Chairman is an independent non–executive Director and is responsible for leading the Board and for its effectiveness.

The Fund is directed and controlled by a board of ten directors, nine of whom are non–Executive directors. Cognizant of the key stakeholder groups, that is, the members, the employers and government, the Board is structured on a tripartite arrangement, with each of the stakeholder groups represented on the Board.

Board Strategy

The Board is responsible for the overall Fund strategy and meets with the senior management team on an annual basis to consider and approve the Fund's strategy for the year ahead.

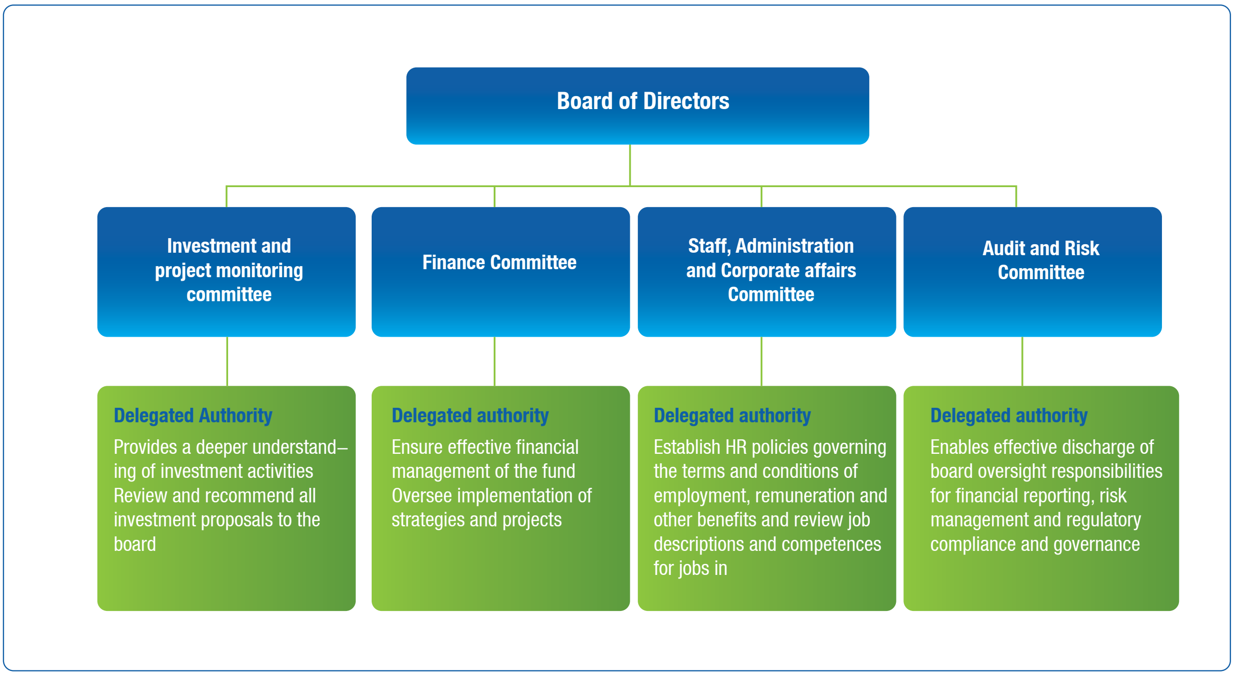
The Board ensures that the strategy takes account of the risks and is aligned with the Fund's vision and values. The Board monitors performance against the agreed objectives on an on–going basis. Financial performance is monitored through quarterly reports from management, and governance and risk are monitored by the relevant risk committees, and reviewed by the Board.

Delegation of Authority

The overall responsibility for the management of the Fund rests with the Board. The Board retains effective control through a well–developed governance structure that provides the framework for delegation. Board committees facilitate the discharge of the Board's responsibilities by providing in–depth focus on specific areas of Board responsibility. The committees each have a mandate that is regularly reviewed and approved by the Board.

The Board delegates authority to the Managing Director to manage the business and affairs of the Fund. The Executive Committee assists the Managing Director in the execution of his mandate. The Managing Director is tasked with the implementation of Board decisions and there is a clear flow of information between management and the Board, which facilitates both the qualitative and quantitative evaluation of the Fund's performance. The Corporation Secretary's office monitors Board–delegated authorities.

Board governance Structure



Role of the Board

The primary function of the Board is to set the strategic objectives of the Fund, determine investment policies, agree on performance criteria and delegate to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters.

The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting

In addition, the principal duties of the board set out in the terms of reference include;

Ensuring good governance of the fund by;

- Setting responsibilities and performance targets for the Managing Director and other key staff and evaluate management performance
- Appraise the business plan and constructively challenge and help develop proposals on strategy for its execution
- Inform themselves on the risks which the fund could face and ensure that there are strategies and procedures to eliminate and/or manage certain risks
- Ensure proper maintenance of books of accounts and records as provided under section 32(1) of the NSSF Act and approve the final accounts of the Fund
- Recruit senior manager managers, monitor and evaluate management performance and effectiveness.
- Approve and monitor major contracts, acquisitions and disposals

Board Appointments and Resignations

The appointment of directors is governed by the National Social Security Fund Act and is subject to a "fit and proper persons test" under the provisions of the Uganda Retirement Benefits Regulatory Authority and in line with the applicable legislation and regulations.

Directors are appointed by the Minister responsible for Social Security, currently the Minister for Finance, Planning & Economic Development for a three year term which is renewable

Under section 3(4) of the NSSF Act, a Director may, by writing in his or her hand a letter addressed to the Minister of finance resign his or her office.

Independent Judgment

All directors exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Fund.

Going concern

The directors have reviewed the current and projected financial position of the Fund, making reasonable assumptions about future performance and valuation projections.

On the basis of this review, the directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, management continue to adopt the going concern basis in preparing the Annual Report and accounts

Access to information and training

The board and its committees are supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities.

All directors have access to the advice of the Company Secretary who is responsible for advising the board, through the Chairman, on matters of corporate governance.

Independent professional advice is also available to directors in appropriate circumstances, at the Fund's expense, and the committees have also been provided with sufficient resources to undertake their duties.

To ensure that the Board is properly informed about the performance of and current issues facing the different sections of the Fund, the Board and its committees may;

Co–opt members of management or invite any of the following to attend a meeting of the committee

- Internal Auditor
- External Auditor
- Any other Non–Executive Director or employee of the fund.

Board Training and Induction

On–going Board education remains a priority. The Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Fund's business.

The following trainings were undertaken during the year:

- "Good governance is good business" training with the institute of corporate governance of Uganda. This was aimed to align corporate governance and business strategy
- Balance Scorecard training
- Board and Strategic leadership training with the institute of directors of Kenya
- Risk based internal auditing Training

Succession Planning

The Board understands the value of continuity of experience and has put in place a succession plan for all the key positions in the Fund. During the year, the contracts of the managing director and 5 senior managers expired. The transition was however successfully managed with the Deputy managing director Mrs. Geraldine Ssali filling the position of managing director in an acting capacity and selected individuals from the current pool of talent within the fund filling the vacant managerial positions to effectively avoid the inevitable leadership vacuum.

Governance of Risk

The Board understands and appreciates the significance of good corporate governance, and the linkage between governance, risk management and internal controls. The Board is aware of its ultimate responsibility for managing risk; and, therefore, defines the Fund's risk appetite and establishes a risk management framework to ensure that the Fund's business is run within the acceptable risk appetite, to avoid overly exposing the Fund's assets, which could lead to loss of value for its members. Consequently, the Board has set up appropriate governance structures, policies, systems and people, to ensure that the Fund's business is properly and effectively controlled and directed to maximize benefits to its stakeholders

Board Meetings

Board meetings are held in an atmosphere of intellectual honesty of purpose, integrity and mutual respect, with direct, robust and constructive challenge and debate among board and committee members.

The Fund is committed to maintaining a strong representation of independent non–executives on the Board and this is demonstrated by the make–up of the Board. All of the Non–executive Directors are considered to be independent.

The non–executive directors, all of whom the board has determined are independent, are experienced and influential individuals from a range of industries. Their mix of skills and business experience is a major contribution to the proper functioning of the board and its committees, ensuring that matters are fully debated and that no individual or group dominates the board's decision making processes.

The Board meetings and attendance during the year are set out below;

Date of meetings for the full board

No.	Name Director	16–Jul–2013	31–Jul–2013	30–Sep–2013	7–Nov–2013	20–Dec–2013	8–Jan–2014	15–Jan–2014	6–Feb–2014	28–Feb–2014	30–May–2014	18–Jun–2014	25–Jun–2014	Meetings attended out of 12 Meetings held
1	Mr. Ivan Kyayonka Chairman	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	12/12
2	Mr.Richard Bigirwa	Attended	Not Attended with Apology	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended with Apology	12/12
3	Mr. Christopher Kahirita	Not Attended with Apology	Attended	Not Attended with Apology	Attended	Not Attended with Apology	Attended	Attended	Attended	Attended	Attended	Attended	Attended	9/12
4	Mr. Patrick Ocailap	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended with Apology	6/12
5	Mr. Pius Bigirimana	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Not Attended with Apology	Attended	Attended	Attended	Not Attended with Apology	Attended	Attended	Attended	Attended	7/12
6	Mrs. Agnes Kunihira	Attended	Not Attended with Apology	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended with Apology	10/12
7	Mrs. Sarah Walusimbi	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended with Apology	Attended	Attended	Attended	11/12
8	Mr. Henry Mukasa	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	12/12
9	Mr. Musa Okello	Attended	Attended	Attended	Not Attended with Apology	Attended	Attended	Attended	Attended	Not Attended with Apology	Attended	Attended	Attended	10/12
10	Mr. Richard Byarugaba	Attended	Not Attended with Apology	Attended	Attended	Not Attended with Apology	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	3/12
11	Mr. Christopher Kassami	Attended	Not Attended with Apology	Not Attended with Apology	Not Attended with Apology	Not Attended with Apology	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	1/12
12	Mrs. Christine G Kintu	Not Attended with Apology	Not Attended with Apology	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned	0/12
13	Mrs. Geraldine Busuulwa	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Not Yet Appointed	Attended	Attended	Attended	Attended	Attended	Not Attended with Apology	Attended	6/12

KEY
Attended
Not Attended with Apology
Not Yet Appointed
Resigned

Conflict of interest management

The Board terms of reference provide that a leader shall not put him or herself in a position in which his or her personal interests conflicts with his or her duties and responsibilities

To manage any possible conflict of interest, the board secretary circulates a conflict of interest form to any person attending the meeting

The chairperson shall require any person who has conflict of interest to recuse himself from the deliberations or decision on the specific agenda item

Board Performance and Evaluation

The Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and as in previous years, the evaluation covered the areas of;

Fund performance, Strategy and performance objectives, Decision making process, Relational integrity, information flows, Board meetings and Board committees.

The objective of the evaluation is to review past performance and develop future performance by recognizing the areas that need improvement and providing the necessary training.

The evaluation took the form of detailed questionnaires which were completed and feedback discussed by the board.

The evaluation concluded that the board operates well and that the board committees operate effectively.

During the year, the board delivered on the following

- Approved the annual performance targets for the Managing Director and Corporation Secretary. These targets are cascaded downwards to all staff through a balanced score card system.

- Approved NSSF participation in the UMEME IPO. We acquired 100 million shares and a 14% stake
- Approved the Terms of Reference and reporting framework for NSSFs representatives in investee companies.
- Approved revised approval thresholds for tactical trading in equities. The thresholds were lowered in order to streamline the investment process.

Board Committees

As indicated, Board committees operate on Terms of Reference that are reviewed and approved by the Board on an annual basis. The Terms of Reference sets out the role, responsibilities, scope of authority, composition and procedures for reporting to the Board, to be followed by the relevant Board committee. All Board committees' Terms of Reference are annually reviewed to take into account changes to relevant legislation and other pertinent changes in the operating environment.

The following are the committees;

1. Audit and Risk Assurance Committee
2. Staff and Corporate Affairs Committee
3. Investments and Projects Management Committee
4. Finance Committee

Audit and risk assurance committee of the board

The role of this committee is to assist the Board to effectively discharge its oversight responsibilities for financial reporting, risk management, internal controls, internal and external audit and regulatory compliance and governance.

External Auditors Independence

The Audit Committee has an established policy aimed at safeguarding and supporting the external auditors' independence and objectivity. Pursuant to this policy, the Audit committee assesses the external auditors to ensure that neither their independence nor their objectivity is put at risk, and takes steps to ensure that they do not audit their own work. The board having satisfied itself as to the qualification, expertise, resources and independence and the effectiveness of the audit process can confirm that the objectivity, independence and integrity of the external auditors was not in any way impaired in the year under review

The Audit and Risk Committee of the Board complied with its mandate for the year under review. The scheduled meetings were held.

Date of meetings for the audit & risk committee of board

No.	Name Director	3–Sep–2013	12–Dec–2013	7–Mar–2014	Meetings attended out of 3 Meetings held
1	Mr.Richard Bigirwa	Attended	Attended	Attended	3/3
2	Musa Okello	Attended	Attended	Attended	3/3
3	Mr. Henry Mukasa	Attended	Not attended with Apology	Attended	3/3
4	Mrs. Christine G Kintu	Attended	Resigned	Resigned	1/3

KEY

Attended
Not attended with Apology
Not Yet Appointed
Resigned

Staff and Corporate affairs committe of the board

Date of meetings for the staff and corporate affairs board committee

No.	Name Director	9–Aug–2013	31–Jul–2013	30–Sep–2013	7–Nov–2013	Meetings attended out of 4 Meetings held
1	Mr. Christopher Kahirita	Attended	Attended	Attended	Attended	4/4
2	Mrs. Agnes Kunihira	Attended	Attended	Attended	Attended	4/4
3	Mr. Henry Mukasa	Attended	Attended	Attended	Attended	4/4
4	Mrs. Sarah Walusimbi	Attended	Attended	Attended	Attended	4/4

KEY
Attended
Not Attended with Apology
Not Yet Appointed
Resigned

Investments and projects committee of the board

The Committee undertakes the following responsibilities and other matters within its terms of reference that may warrant its attention:

- Recommend an investment strategy, policies and guidelines to the Board for approval.
- Review and recommend investment proposals to the Board.
- Review and recommend project concepts, strategies and budgets to the Board.
- Review and recommend to the Board a procurement strategy for each project.
- Review and recommend design concepts and master plans to the Board, or changes thereto.
- Review performance of real estate projects, equities and fixed income on a quarterly basis in line with the targets.
- Receive presentations from Fund Managers on their performance at least twice a year.
- Attend to such matters as may be assigned by the Board from time to time.
- Evaluate the Committee's performance at least once a year.

Investment and Projects Committee of the Board complied with its mandate for the year under review. The scheduled meetings were held.

Date of meetings for the investment and projects monitoring committee of board

No. Name Director	21–Aug–2013	18–Dec–2013	31–Mar–2013	8–May–2014	14–May–2014	Meetings attended out of 5 Meetings held
1. Mr. Christopher Kassami (chairperson)	Attended	Resigned	Resigned	Resigned	Resigned	1/5
2. Mr. Christopher Kahirita	Attended	Attended	Not Attended with Apology	Attended	Attended	4/5
4. Mr. Musa Okello	Attended	Attended	Attended	Attended	Attended	5/5
5. Mr. Richard Byarugaba	Attended	Attended	Resigned	Resigned	Resigned	2/5
6. Dr Anania Mbabazi	Not Attended with Apology	Attended	Attended	Attended	Attended	4/5
7. Mr. Keith Kalyegira	Attended	Resigned	Resigned	Resigned	Resigned	1/5
8. Mrs. Geraldine Busuulwa	Not Yet Appointed	Not Yet Appointed	Attended	Attended	Attended	3/5
9. Mr Patrick Ocailap	Not Yet Appointed	Not Yet Appointed	Attended	Attended	Attended	3/5

KEY
Attended
Not Attended with Apology
Not Yet Appointed
Resigned

Finance committee of the board

The objectives of the Committee are:
To assist the Board in fulfilling its oversight responsibility as provided under the following sections of the NSSF Act, which state:

Section 29: Annual and Supplementary Budget

The Board shall, within such period before the end of each financial year as the Minister shall determine, make and submit to the Minister for approval estimates of its income and its capital recurrent and other expenditure likely to be incurred by the Board for the next ensuing year.

Section 31: Power to Borrow

The Board may, subject to prior approval of the Minister, borrow money by way of loan or overdraft for the purpose of its obligations or discharging any of its functions under this Act, upon such security and such terms and conditions relating to the repayment of the principal and the payment of interest as the Board deems fit.

Section 32: Accounts and Audit

The Board shall cause to be provided and kept proper books of account and records with respect to:
(a) The receipt and expenditure of monies by, and other financial transactions of the Fund;
(b) The assets and liabilities of the Fund;
And shall cause to be made out for every financial year a balance sheet and a statement showing details of the income and expenditure of the Fund and all its assets and liabilities.

- Ensure effective financial management of the Fund
- Ensure effective management of the Fund's assets
- Oversee implementation of strategies and projects

The following are the responsibilities of the Finance Committee of the Board;

- Review the Fund's accounting policies and principles and assess the appropriateness of those policies to ensure that they conform to the internationally accepted accounting and reporting standards

- Consider budget estimates and ensure control measures are in place
- Review and approve audited financial statements prepared by management
- Review quarterly budget performance reports
- Recommend interest rate to members for declaration depending on the Fund's realized income
- Approve budget re–allocations and increments
- Review and monitor implementation of the Commercial Operations Policy
- Review and monitor implementation of the Information Technology Policy, systems and strategies
- Commission actuarial reviews, valuations, research and other empirical studies to evaluate the Fund's performance
- Perform such other functions as shall be determined by the Board from time to time
- Review the Committee's performance annually

Date of meetings for the finance committee of board

No.	Name Director	20–Sep–2013	31–Jan–2013	2–May–2014	17–Jun–2014	Meetings attended out of 4 Meetings held
1	Mrs. Sarah Walusimbi	Attended	Attended	Attended	Attended	4/4
2	Mrs. Agnes Kunihira	Attended	Attended	Attended	Attended	4/4
3	Mr.Richard Bigirwa	Attended	Attended	Attended	Attended	4/4
4	Mr Richard Byarugaba	Attended	Resigned	Resigned	Resigned	1/4
5	Mrs Geraldine Busuulwa	Not yet Appointed	Attended	Attended	Attended	3/4

KEY
Attended
Not attended with apology
Not yet Appointed
Resigned

Corporation Secretary

The role of the Company Secretary is to ensure the Board remains cognizant of its duties and responsibilities. In addition to guiding the Board on discharging its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and corporate governance best practices.

The Company Secretary oversees the induction of new Directors as well as the ongoing training of Directors.

Relationship with Members

Ongoing and effective communication with our members and customers is part of the Fund's fundamental responsibility to create and enhance value for our members.

In addition to the on–going employer road show presentations, the Board Chairman and management held the Annual Member Meeting (AMM) 28th October 2014. During the meeting, the Fund got the opportunity to interact and receive feedback from its members and stakeholders.

Connecting with stakeholders

We continually engage with all our stakeholders. These include the Government, the public, members, and suppliers such as bankers, custodians, administrators and Fund Managers. We seek to continually build strategic partnership and maintain relationships with our stakeholders. This helps us to manage the expectations of society, minimize reputational risk and form strong partnerships, which all underpin business sustainability. Relationships with suppliers, employees and the community are further discussed in the sustainability report.

Related party transactions

Other than disclosures given in Note 34 to the "Financial Statements", there were no transactions or proposed transactions that were material to either the Company or any related party. There were no other transactions with any related party that were unusual in their nature or conditions.

Ethics and Organizational integrity

The Fund's code of conduct outlines the ethical standards that guide directors, employees and other stakeholders who interact with the Fund to make effective decisions and adhere to when conducting the affairs of the Fund. Additionally as an institution holding our members savings in trust, it also aims to ensure adherence to the highest standards of responsible business practice.

The code of conduct incorporates and articulates the Fund values in greater detail and provides value–based decision making principles to guide our conduct. It is aligned with other policies and procedures, and supports the relevant industry regulations and laws.

The Managing Director is the formal custodian of the code of ethics and is ultimately responsible for its implementation. Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department and business unit ethics officers. Reported incidents include fraud and human resources–related issues.

The Independence Monument, Speke Road roundabout, Kampala. One of the most important pieces of Uganda's heritage.

Remuneration Report

Overview

The Fund's policy on remuneration is an integral role of the Staff and Corporate Affairs Committee of the Board. The Board Committee's key responsibility is to establish human resource policies governing the terms and conditions of employment including remuneration. The Committees' compensation decisions are thus guided by the Fund's remuneration policy as well as the social, legal and economic context of the country.

To determine the remuneration of employees, the Fund conducts annual salary surveys to obtain market information and also considers the Fund's performance against set objectives. This is aimed at attracting, motivating and retaining high calibre staff needed to deliver on the Fund's objectives.

Remuneration Structure:

The Fund's pay structure may include any or all of the following; fixed pay, performance based increment and variable pay.

Fixed pay:

The Fund has developed a fixed pay range that is linked to an approved grading system. This is aimed at ensuring that the pay is fair and there is internal equity and consistency within the Fund. The pay is competitive compared to entities of similar nature.

Performance Based Increments

Performance–Based Increment (PBI) is a method of remuneration used by the Fund to ensure appropriate reward for performance. It links pay progression to an assessment of individual performance usually measured against pre–agreed objectives. Pay increases awarded through PBI are normally consolidated into basic pay. The increments are based on the appraisal results for the year, and are based on the rates below;

	Category	Marks	Increment
A+	Exceptional Performer	80% and above	15%
A	Very Good Performer	70–79%	10%
B	Good Performer	60–69%	5%
C	Fair Performer	50–59%	0%
D	Unacceptable	Below 50%	0%

Variable Pay:

The Fund has also got annual incentives in form of bonuses paid to qualifying staff. Bonus pay is a onetime lump–sum payment and the objective is to recognize and reward employee's contributions, retain exceptional and very good performers, motivate staff and also increase productivity.

Individual employee bonus awards are based on agreed and reviewed performance and the overall contribution to the Funds' results for the year in question.

Benefits:

The Fund provides benefits in line with the market practice and the regulatory requirements. The Fund provides medical insurance cover and death benefits to all Fund employees and their dependents.

In addition, a retirement benefit scheme "Staff Provident Fund" is provided to all the Non–Executive Staff as well as a "Gratuity Scheme" for the Executive Staff (EXCO). This is aimed at attracting and retaining our key talent.

Performance–Based Increment (PBI) is a method of remuneration used by the Fund to ensure appropriate reward for performance.

Recognition Policy:

The Fund recognizes and rewards individuals and groups of staff who make exceptional (sustained or one–off) contribution that furthers the aims and objectives of the Fund, or meets exceptional shorter–term operational challenge. The award (s) can be given to a "Group" or an "Individual" and are both financial and non–financial.

Long Service Incentive:

Although service may not necessarily contribute to performance automatically, the Fund does value the commitment and loyalty of long serving employees, and want to recognize this. This is done in the form of a long service award. These awards recognize service in 5–year bands, starting with the service from 10 years' service and then continuing with awards every 5 years.

Directors' Remuneration

Remuneration of Statutory Appointees

The remuneration package and long term incentive for the Managing Director, Deputy Managing Director and Company Secretary are determined on the same basis and using the same qualifying criteria as for other employees. The appointee's remuneration is subject to an annual performance review process conducted by the Board. This package is approved by the appointing authority, who is the minister.

Directors' fees (Ushs)

Board Chairman	
Annual retainer	30,000,000
Fee per sitting	500,000
Director	
Annual retainer	24,000,000
Fee per sitting	450,000
Board committee	
Chairman (Fee per sitting)	450,000
Member (Fee per sitting)	450,000

Summary of 2013/2014 Board Emoluments

Category of Directors	Board Retainers Fees Ushs	Board sitting Allowance Ushs	Other benefits Ushs	Pension Con–tributions Ushs	Total Ushs
Executive Directors*					
Non–Executive Directors	252,800,000	107,600,000	376,124,808	31,100,000	767,624,808
Totals	252,800,000	107,600,000	376,124,808	31,100,000	767,624,808

*The executive Director does not receive any retainer or sitting allowance

Non–executive directors' remuneration and terms of engagement

Terms of service

All non–executive directors are provided with a letter of appointment setting out the terms of engagement. Directors are appointed by the Minister for a three year term which is renewable.

Fees

Non–executive directors receive a retainer for their service on the Board and a meeting attendance fee for Board and Board Committee meetings. Fees are paid monthly in arrears. There are no contractual arrangements for compensation for loss of office. Executive director(s) do not receive any retainer or meeting attendance fee.

In determining the remuneration of non–executive directors, the Board considers the extent and nature of their responsibilities, and comparative remuneration offered by other major entities of a similar nature.

Operating and Financial Review

The macro environment was generally stable throughout the year. Stable market rates enabled the Fund to grow its asset base and improve profitability as reflected in the financial statements.

Summary of Achievement:

The Fund registered pre–tax profits of Ushs.530.7 billion in FY14, up 28% from UGX. 414.2 billion in FY13. After tax profits for the year amounted to Ushs. 452.4 billion, 12% better than Ushs. 344.6 billion in FY13. The Fund`s Asset base grew 27% from last year to Ushs. 4.4 trillion as at 30th June 2014.

Income Statement highlights:

Cost Income ratio for the year was 13.5% versus 19% last year, and in comparison the cost income ratio for financial institutions trends at 70%. This shows exemplary cost efficiency.

Revenue:

The Funds revenue streams are Interest income, rental and dividend income. Interest income is derived from our investments in Debt Securities (fixed deposits, Treasury Bills/Bonds and Loans) Total Income for the year is Ushs 494 billion which is a growth of 26% from last year. Interest income constitutes 95% of this. This growth is attributed to additional funds invested in debt securities. Dividends income grew 62% from Ushs. 7.9 bn last year to Ushs.12.9 billion. Majorly due to Ushs. 4.9 billion received from UMEME.

Expenditure:

Total Expenditure decreased 14% from Ushs. 77.5 to 66.6 bn. This is attributed to a one off bad debt provision of Ushs.17.5 billion made in FY13 towards a loan advanced to Uganda Clays limited.

Statement of Financial Position Highlights:

The Members' Fund which is our sole source of Funding grew by 25% from Ushs. 3.3 trillion in FY13 to Ushs. 4.1 trillion as at 30 June 2014. (Members fund comprises cumulative contributions plus interest thereon less benefits paid). Conversely the total asset base grew by 27% from Ushs. 3.5 to Ushs. 4.4 trillion.

As mandated by the NSSF Act, the Fund`s business is to collect contributions from members, invest the funds and pay qualifying members their principal plus interest. Collections for the year ended June 2014 totaled Ushs. 622.3 billion which translates to about Ushs. 52 billion monthly.

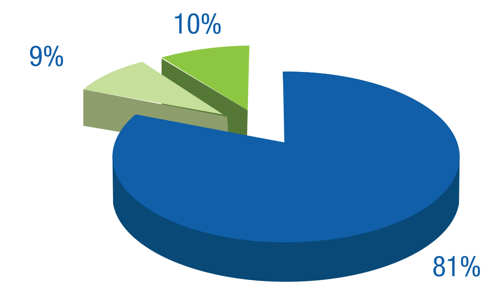
Growing Investments

The Fund is obligated to invest collections in profitable ventures in order to add value to members' fund. The Fund investment decisions are made in strict adherence to its investment policy. The Fund has an investment policy which is periodically reviewed and is responsive to changes in the market.

Investments Portfolio

Currently the Fund`s investment portfolio mix is 81:10:9 for Fixed income, Real Estate and Equities respectively. This is a prudent investment mix which ensures safety and security of worker's savings. However the long term ideal mix is 65:20:15 in order to improve investment returns. In general, the higher the return on investment, the more risky the investment tends to be.

Investment Portfolio



As at 30 June 2014, Investments in Fixed income valued at Ushs. 3.5 trillion constitute 81% of the total Fund's investments. There is a low risk exposure on fixed income and similarly return on this relatively low. The values for Real Estate and Equities are Ushs. 444 billion and Ushs. 396 billion respectively.

The Fund`s equity portfolio consists of Private equity, Domestic Public and Foreign Public holding as below. Currently NSSF has the largest holding on the Uganda stock exchange so we are trying to diversify by investing in foreign stocks.

Equity holdings as at 30th June 2014

COMPANY	% HOLDING	VALUE (UGX`BN)
A Domestic Public Holding (USE)		
Umeme	14.3	88.1
Stanbic Bank (U) Limited	2.1	31.4
DFCU Limited	5.9	18.0
New Vision PPCL	19.6	9.0
Bank of Baroda (U) Limited	2.0	5.7
Centum Investments Limited	0.7	5.2
Uganda Clays Limited	32.52	11.9
Fund Managers Portfolio		9.9
B Foreign Public Holding		
Safaricom Kenya Plc	0.6	89.7
Equity Bank Kenya	0.0	2.8
Kenya Commercial Bank	0.1	1.3
Nairobi Stock Exchange Portfolio		54.0
Tanzania Stock Exchange Portfolio		9.4
C Private Holding		
Housing Finance Bank Limited	50.00	53.6
TPS Uganda Limited	13.99	5.9
TOTAL (A+B+C)		**396.1**

On the Real estate front, NSSF has invested over Ushs. 400bn in Developed and undeveloped land. Developed properties include the iconic Workers House which is valued at Ushs. 54.5 bn, Social security House opposite Uganda Railways and Pension Towers on Lumumba Avenue which is still under construction.

Developments in the pipeline include 5000 residential houses in Temangalo, Wakiso District and 3000 upscale in Lubowa. The valuations of the various properties are as below.

Investment Properties	Size (Acres)	Value (Ushs'BN)
1. Workers House	0.52	54.50
2. Social Security House	0.87	26.00
3. Land on Yusuf Lule Road	3.31	19.00
4. Plot 5 Mvule Rd Naguru	0.67	1.80
5. Independence Ave Arua	0.39	0.15
6. Land in Kisugu	0.25	0.20
7.Land in Kabale	0.23	0.23
8. Land in Jinja	0.63	0.56
9. Land in Tororo	0.72	0.19
10. Lumumbs venue	1.8	62.39
11. Mbuya Property M65	0.5	3.10
12. Land in Mbuya	0.19	1.80
13. Land in Busiro Temangalo	490.52	15.60
14. Plot 16 Nakasero Rd	0.812	8.20
Total		**193.71**
Capital Work in Progress		
1. Lubowa	560.27	249.65
2. Other		0.60
Total		**250.24**

Investment Decisions

It has already been stated that the power to invest the Fund's money lies with the Board. However, all investment proposals and decisions must be cleared by the minister. These decisions are made in strict adherence to the Fund's Investment Policy and the following participate in the investment process:

- The Investment Department;
- Management Investment Committee (MIC);
- The Executive Committee (Exco);
- The Board;
- The Minister.

Investment Department

The Department identifies investment opportunities, evaluates and submits them to Management Investment Committee for further scrutiny.

Working to ensure a better life for all Ugandans.

Director's Report and Financial Statement

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 30 June 2014 which disclose the state of affairs of the National Social Security Fund ('the Fund'), in accordance with section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

Principal activities

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.

Results from operations

The results of the Fund for the year ended 30 June 2014 are set out on page 57.

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 2014 was 11.5% (2013: 11.23%).

Reserves and accumulated members' fund

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

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.

Insurance

The Fund insures its Directors' and top Executives' public liability.

Directors

The directors who held office during the year and to the date of this report are set out below.

Mr. Ivan Kyayonka	Chairman
Mr. Richard Bigirwa	Member
Mr. Christopher M. Kassami (Resigned on 30/11/13)	Member
Mrs. Christine Guwatudde Kintu (Resigned on 30/08/13)	Member
Mr. Pius Bigirimana (Appointed on 05/09/13)	Member
Mr. Christopher Kahirita	Member
Mrs. Agnes Kunihira	Member
Mr. Henry Mukasa	Member
Mr. Musa Okello	Member
Mrs. Sarah Walusimbi	Member
Mr. Patrick Ocailap (Appointed on 11/12/13)	Member
Mr. Richard Byarugaba (Resigned on 31/12/13)	Managing Director.
Mrs. Geraldine Ssali Busuulwa (Appointed on 1/1/14)	Ag. Managing Director.

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 2014, M/s Ernst & Young Certified Public Accountants were appointed to act on behalf of the Auditor General.

Events after the balance sheet

There were no material events that occured between the reporting date and the date of this report.

Approval of the financial statements

The financial statements were approved at the meeting of the directors held on **22nd Sept 2014**
By order of the board,

Mark Obia
Acting Corporation Secretary

Statement of Directors' responsibility

The National Social Security Fund Act (Cap 222) of Uganda requires the directors of the Fund to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Fund as at the end of the financial year and its operating results for that year. It also requires the directors to ensure that the Fund keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The directors are ultimately responsible for the internal control of the Fund. The directors delegate the responsibility for the internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Fund's assets. Appropriate accounting policies supported by reasonable and prudent judgments and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the National Social Security Fund Act (Cap 222) of Uganda. 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 results for the year ended 30 June 2014. 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 pension sector is currently undergoing policy reforms as indicated in Note 1 to the financial statements. Despite these policy reforms, nothing has come to the attention of the directors to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on **22nd Sept 2014** and signed on its behalf by:

Mr. Ivan Kyayonka
Chairman

Mrs. Geraldine Ssali Busuulwa
Acting Managing Director

Mrs. Sarah Walusimbi
Director

Mr. Mark Obia
Acting Corporation Secretary

Report and opinion of the Auditor general on the Financial Statements for the year ended 30th June, 2014

The Rt. Hon. Speaker of Parliament

I have audited the Financial Statements of National Social Security Fund which comprise the Statement of Financial Position as at 30th June 2014, the Statement of Comprehensive Income, Statement of Changes in Reserves, the Statement of Cash flows for the year then ended, and a summary of significant Accounting Policies and other explanatory information as set out on pages 14 to 80.

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 the requirements of the Ugandan National Social Security Fund Act (Cap.222), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the Auditor's judgment, including the assessment of the risks of material misstatements of financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Part "A" of this report sets out my opinion on the financial statements. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30th June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the National Social Security Fund Act (Cap 222).

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 35(b) to the Financial Statements.

• Notice of Assessment for Corporation Tax

The Fund received a notice of assessment for Corporation tax from Uganda Revenue Authority amounting to UGX 84.4 billion. The Fund objected to the assessment on grounds that the Tax Authority computations wrongly disallowed expenses that are considered deductible for tax purposes. The Fund has initiated legal proceedings against URA from which a favourable outcome is expected and as such no provision has been made in the Financial Statements.

Report on other Legal Requirements

As required by the Public Finance and Accountability Act and the National Social Security Fund Act, I report to you, based on my audit, that;

i. Sufficient and appropriate evidence which was necessary for the purposes of the audit was obtained.
ii. Proper books of account have been kept by the Fund, so far as appears from my examination of those books, and account.
iii. The Fund's balance sheet and income statement are in agreement with the books of account

John F.S. Muwanga
Auditor General
24th October, 2014

Financial Statements

The Financial Statements and Notes to the Financial Statements are presented on pages 57 to 118

Statement of comprehensive income for the year ended 30th June 2014

	Note	2014 Ushs'000	2013 Ushs'000 Restated*
Revenue			
Interest income	5	469,728,521	373,847,806
Rental income	6	11,701,610	11,402,665
Dividend income	7	12,898,276	7,974,425
Total revenue		**494,328,407**	**393,224,896**
Other income			
Other operating income	8	42,027,939	57,219,215
Fair value gains from equity investments	18	60,319,956	33,725,285
Net interest income		**102,347,895**	**90,944,500**
Expenditure			
Administrative expenses	9	(45,873,657)	(43,502,897)
Other operating expenses	10	(17,858,210)	(30,472,438)
Amortisation of intangible assets	26	(1,686,790)	(1,666,223)
Depreciation of property and equipment	27	(1,216,408)	(1,939,966)
Total expenditure		**(66,635,065)**	**(77,581,524)**
Share of results from Associates	22	672,716	7,637,357
Surplus from operations		**530,713,953**	**414,225,229**
Surplus before tax	11	530,713,953	414,225,229
Income tax expense (withholding tax as final tax)	12(a)	(78,297,276)	(69,616,573)
Surplus for the year		**452,416,677**	**344,608,656**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		–	–
Items not to be reclassified to profit or loss in subsequent periods:		–	–
		–	–
Total comprehensive income for the year, net of tax		**452,416,677**	**344,608,656**

* Certain amounts here do not correspond to the 2013 financial statements and reflect adjustments made, refer to note 41.

Statement of financial position as at 30th June 2014

	Note	2014 Ushs'000	2013 Ushs'000 Restated*
ASSETS			
Cash and bank balances	13	14,634,466	15,376,672
Deposits with commercial banks	14	682,070,805	731,954,095
Trade and other receivables	16	21,716,377	16,244,417
Equity securities held–for–trading	15	73,318,553	35,313,327
Equity investments at fair value through profit or loss	18	251,274,475	153,851,580
Investments in securities held–to–maturity	17	2,792,735,207	1,990,125,710
Loans and advances	19	41,326,952	45,299,537
Inventories	20	2,910	4,625
Non–current assets held for sale	21	–	256,290
Capital work–in–progress	24	250,241,953	235,676,401
Investment properties	25	193,710,608	169,905,326
Intangible assets	26	7,312,122	8,414,853
Property and equipment	27	4,356,884	4,026,153
Investments in associates	22	71,495,208	73,143,202
Other investments		–	–
TOTAL ASSETS		**4,404,196,520**	**3,479,592,188**
LIABILITIES			
Withholding tax payable	28	971,228	1,043,919
Other payables	29	26,108,745	19,125,013
Provisions for litigation	30	9,420,196	9,239,702
		36,500,169	29,408,634
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	31	4,147,285,690	3,322,576,227
Reserve account	32	50,149,442	36,829,033
Accumulated surplus		170,261,219	90,778,294
		4,367,696,351	**3,450,183,554**
TOTAL MEMBERS' FUNDS, RESERVES AND LIABILITIES		**4,404,196,520**	**3,479,592,188**

* Certain amounts here do not correspond to the 2013 financial statements and reflect adjustments made, refer to note 41.

The financial statements were approved for issue by the Board of Directors on ………...............…2014 and signed on its behalf by:

Mr. Ivan Kyayonka
Chairman:

Mrs. Geraldine Ssali Busuulwa
Acting Managing Director

Mrs. Sarah Walusimbi
Director

Mr. Mark Obia
Ag. Corporation Secretary

Statement of changes in members' Fund and reserves as at 30th June 2014

	Reserve Account Ushs 000	Accumulated Members' Fund Ushs 000	Accumulated Surplus Ushs 000	Total
At 1 July 2012	**34,328,993**	**2,621,222,866**	**27,566,881**	**2,683,118,740**
Surplus for the year (restated)	–	–	344,608,656	344,608,656
Special contributions (Note 32 (a))	2,500,040	–	–	2,500,040
Members' contributions received (Note 31)	–	552,683,614	–	552,683,614
Benefits paid to members (Note 31)	–	(140,051,845)	–	(140,051,845)
Interest recovered on arrears (Note 31)	–	7,324,349	–	7,324,349
Interest paid to members (Note 31)	–	281,397,243	(281,397,243)	–
At 30 June 2013 (restated)	36,829,033	3,322,576,227	90,778,294	3,450,183,554
At 1 July 2013	**36,829,033**	**3,322,576,227**	**90,778,294**	**3,450,183,554**
Surplus for the year	–	–	452,416,677	452,416,677
Special contributions (Note 32 (a))	6,229,507	–	–	6,229,507
Transfer of 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 recovered on arrears (Note 31)	–	2,439,419	–	2,439,419
Interest paid to members (Note 31)	–	365,842,850	(365,842,850)	–
At 30 June 2014	**50,149,442**	**4,147,285,690**	**170,261,219**	**4,367,696,351**

Statement of cash flows for the year ended 30th June 2014

	Note	2014 Ushs '000	2013 Ushs '000
Net cash used in operating activities	**33**	**(463,918,969)**	**(423,233,611)**
Investing activities			
Purchase of property and equipment	27	(1,294,263)	(1,530,207)
Purchase of intangible asset	26	(518,982)	(12,266)
Proceeds from disposal of property and equipment		349,600	650,000
Net cash flows used in investing activities		**(1,463,645)**	**(892,473)**
Financing activities			
Benefits paid out to members	31	(165,926,552)	(140,051,845)
Contributions received from members	31	622,353,746	552,683,614
Interest recovered on arrears	31	2,439,419	7,324,349
Special contributions	32	6,229,507	2,500,040
Net cash flows from financing activities		**465,096,120**	**422,456,158**
Decrease in cash and cash equivalents		(286,494)	(1,669,926)
Unrealised exchange loss on bank balances		(455,713)	(367,413)
Cash and cash equivalents at 1 July		15,376,672	17,414,010
Cash and cash equivalents at 30 June	**13**	**14,634,466**	**15,376,672**

Notes to the financial statements

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 2014, 12,898 beneficiaries were paid (2013: 11,707).

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 Authority [RBA] 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 2015.

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.

2. Basis of Preparation

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

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 when 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 converted 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:

(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.

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.

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.

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– Notes 4.
- Quantitative disclosures of fair value measurement hierarchy–Note 38
- Financial instruments (including those carried at amortised cost)–Note 15,17,18,19, 29

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.

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.

(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, and inventories 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.

3. Summary of significant accounting policies (continued)

(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.

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.

(o) Income tax (continued)

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.

(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

(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.

3. Summary of significant accounting policies (continued)

(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) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for fair value disclosures. 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 except for some additional disclosure requirements under IFRS 13 Fair Value Measurements and the changes arising from amendments to IAS 1.

IFRS 13 was effective 1 January 2013 and provides guidance on how to measure fair value of financial and non–financial assets and liabilities when fair value measurement is required or permitted by IFRS. Financial and non–financial assets that require fair value measurement have been measured using IFRS 13 guidance. IFRS 13 had no impact on the Fund's financial position or performance as the Fund did not need to change the valuation techniques used for determining the fair value of its assets measured at fair value. However, the additional disclosure requirements regarding fair value disclosures had an impact on the financial statements and have been implemented.

IAS 1 Presentation of Financial Statements: The amendment clarifies that:

- Comparative information in respect of the previous period (the required comparative information) forms part of a complete set of financial statements
- The required comparative information includes comparatives for all amounts presented in the current period
- An entity may present additional comparative information for periods before the required comparative period, as long as it is prepared in accordance with IFRS. All accompanying notes and disclosures must be provided.
- The opening financial position should be presented as of the beginning of the required comparative period, if the effect of a prior year restatement is material.
- Relief is provided in that no "related notes" need accompany that opening statement of financial position.
- Disclosures required by IAS 8.41–44 about the prior year restatement must however be provided.

3. Summary of significant accounting policies (continued)

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

Standards and interpretations issued or revised and effective for the current reporting period

Standard	Subject	Effective date
IFRS 7	Disclosures – offsetting financial assets and financial liabilities	1 January 2013
IAS 27	Separate Financial Statements	
IAS 28	Investments in Associates and Joint Ventures	
IFRS 10	Consolidated Financial Statements	
IFRS 11	Joint Arrangements	
IFRS 12	Disclosures of Interests in Other Entities	
IAS 19	Employee Benefits	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	
IFRS 1	First–time Adoption of International Financial Reporting Standards	

Standards amended and effective for the current reporting period

Standard	Subject	Effective date
IFRS 10	Transition guidance Amendments	1 January 2013
IFRS 10	Investment entities final amendment – exception to consolidation	
IFRS11 and IFRS 12	Transition guidance Amendments	
IFRS 11	Interests in joint ventures and joint operations	

Improvement projects

Standard	Effective Date
IFRS 1 – First–time Adoption of International Financial Reporting Standards – repeat application of IFRS 1	Issued in May 2012 and effective 1 January 2013
IFRS 1 – First–time Adoption of International Financial Reporting Standards – borrowing costs	
IAS 16 Property, Plant and Equipment	
IAS 32 Financial Instruments: Presentation	
IAS 34 Interim Financial Reporting	

3. Summary of significant accounting policies (continued)

As a result of the issue of IFRS 11 Joint Arrangements, IAS 28 Investments in Associates has been renamed to IAS 28 Investments in Associates and Joint Ventures. Joint ventures will be equity accounted in terms of IAS 28 requirements. The Fund does not have joint ventures while investments in associates were already accounted for using the equity method.

IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity. The Fund does not currently control other entities.

IFRS 11 and IFRS 12 Transition guidance Amendments: The IASB has amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief, as follows:

–To limit the requirement to provide adjusted comparative information to the immediately preceding period only. Nevertheless, this information may be provided for earlier periods if the entity so chooses. If earlier comparative information is not restated, this should be made clear on the face of the financial statements.

–For the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. The Fund has no unconsolidated structured entities.

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are described below.

Standards and interpretations that the Fund reasonably expects not to be applicable at a future date

Issued or revised standards and interpretations
- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2016)
- IFRS 14: Regulatory Deferral Accounts (Effective 1 January 2016)
- IAS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRIC 21: Levies (Effective 1 January 2014)

Amended accounting standards
- IAS 19: Defined Benefit Plans: Employee Contributions (Effective 1 July 2014)
- IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (Effective 1 January 2014)
- IAS 19: Defined Benefit Plans: Employee Contributions (Effective 1 July 2014)

Improvement projects
- IFRS 2 – Share–based Payment (Effective 1 July 2014)
- IFRS 3 – Business Combinations (Effective 1 July 2014)
- IFRS 3 – Business Combinations (Effective 1 July 2014
- IAS 16 – Property, plant and equipment and IAS 38 Intangible Assets (Effective 1 July 2014)
- IFRS 8 – Operating Segments (Effective 1 July 2014)

Standards and interpretations that the Fund reasonably expects to be applicable at a future date
The description below includes standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date. The Fund intends to adopt those standards when they become effective. The Fund expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Fund's financial position or performance in the period of initial application but additional disclosures will be required. The Fund is still assessing the possible impact.

3. Summary of significant accounting policies (continued)

Standard	Subject	Effective date	Date issued	Effect
Issued or revised standards and interpretations				
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amorti–sation	1 January 2016	May 2014	The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohib–iting the use of revenue–based depreciation methods for fixed assets and limiting the use of revenue–based amortisation methods for intangible assets. The amendments are effective prospectively.
IFRS 9	Financial instruments	1 January 2018	November 2009	IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, as well as hedge accounting. IFRS 9 does not yet have a mandatory effective date, but early adoption is allowed. A mandatory effective date will be set when the IASB completes the im–pairment phase of the project. At its February 2014 meeting, the IASB tentatively decided that the manda–tory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018.

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

Standards issued but not yet effective (continued)

Standards and interpretations that the Fund reasonably expects to be applicable at a future date (continued)

Standard	Subject	Effective date	Effect
Amended accounting standards			

IAS 32	Offsetting Fi–nancial Assets and Financial Liabilities	1 January 2014	The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set–off:
			
			• must not be contingent on a future event; and
			• must be legally enforceable in all of the following circumstances:
			  • the normal course of business;
			  • the event of default; and
			  • the event of insolvency or bankruptcy of the entity and all of the counterparties

IAS 36	Disclosure re–quirements for the recoverable amount of impaired assets	1 January 2014	The IASB has issued amendments to IAS 36 – Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.
Improvement projects			
IAS 24 –	Related Parties	1 July 2014	The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
IFRS 13 –	Fair Value Measurement	1 July 2014	Scope paragraph 52 (portfolio exception) – The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts.
IAS 40 –	Investment Property	1 July 2014	The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner–occu–pied property.

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.

5. Interest income

	2014 Ushs 000	2013 Ushs 000
Interest income on short term deposits with banks	107,982,217	118,284,715
Interest income on government bonds: held–to–maturity	338,784,799	239,535,558
Interest income on call deposits made by fund managers	46,804	17,233
Interest income on corporate bonds: held–to–maturity	14,460,542	7,707,376
Interest income on loans measured at amortized cost	8,454,159	8,302,924
	469,728,521	**373,847,806**

6. Rental income

	2014 Ushs 000	2013 Ushs 000
Workers House	6,031,647	5,955,584
Social Security House	2,251,584	2,097,564
Service charge	3,418,379	3,349,517
	11,701,610	**11,402,665**

This relates to rental income earned from investment properties (refer to Note 25) 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

	2014 Ushs 000	2013 Ushs 000
Stanbic Bank Uganda Limited	1,600,732	1,308,717
Bank of Baroda (Uganda) Limited	131,675	99,913
New Vision Printing and Publishing Company Limited	525,000	525,000
DFCU Limited	525,912	546,996
Safaricom Kenya Public Limited Company	3,361,017	2,376,547
Umeme Limited	4,946,725	1,975,841
Equity Bank Kenya Limited	90,771	–
Kenya Commercial Bank (KCB)	52,237	–
Other dividend income earned from Fund Managers	1,664,207	1,141,411
	12,898,276	**7,974,425**

8. Other operating income

	2014 Ushs 000	2013 Ushs 000
Gain/(loss) on disposal of property and equipment	346,186	(56,170)
Clearance fees	11,075	10,412
Miscellaneous income	375,900	1,054,610
Fair value gain on equity investments held for trading	11,679,788	7,856,720
Gain on disposal of equity investments held for trading	111,437	927,354
Accruals for legal and related costs no longer required	448,539	4,907,690
Litigation provisions no longer required	–	41,590,470
Notional income on staff loan	70,001	–
Fines and penalties from defaulting employers (note 32)	7,090,902	–
Fair value gain on investment property	19,197,330	–
Foreign exchange gains	2,696,781	928,130
	42,027,939	**57,219,215**

Miscellaneous income is majorly made up of fees from sale of bid documents and insurance claims.

9. Administrative expenses

	2014 Ushs 000	2013 Ushs 000
Staff costs (Note 9a)	29,559,137	28,951,693
Staff medical insurance	855,426	839,623
General staff and training expenses	1,588,925	1,130,788
Advertising and promotion	3,564,482	3,024,555
Auditors' remuneration	171,080	140,400
Bank charges and commission	140,947	8,216
Board expenses	376,125	234,056
Cleaning expenses	254,798	232,435
IT connectivity and internet	513,459	584,221
Directors' allowances	391,500	394,803
Professional fees	1,224,703	490,518
Legal fees	1,573,432	3,700,884
Motor vehicle fuel costs, maintenance & repairs	795,753	628,281
Printing and stationery	492,798	454,814
Subscriptions	218,716	245,200
Telephone, fax, telex and post	427,196	428,079
Travel and subsistence costs	1,844,035	1,504,111
Commission and brokerage fees	580,990	231,357
Uganda Retirement Benefits Regulatory Authority annual levy	1,150,000	237,500
Other administrative expenses	150,155	41,363
	45,873,657	**43,502,897**

9. Administrative expenses (continued)

a) Staff costs	2014 Ushs 000	2013 Ushs 000
Leave pay	399,137	351,232
Overtime expenses	51,723	23,465
Salaries and wages	24,155,480	23,675,535
Social security contributions	2,632,265	2,574,414
Contributions to the staff provident fund	1,808,688	1,797,097
Gratuity	511,844	529,950
	29,559,137	**28,951,693**

10. Other operating expenses

	2014 Ushs 000	2013 Ushs 000
Rent and rates	3,769,936	3,820,215
Electricity and water	1,665,337	1,350,322
Repairs and maintenance	6,589,616	6,226,313
Insurance	893,266	812,173
Security expenses	637,398	589,576
Research and library expenses	163,318	132,855
Provision for bad debts	4,139,339	17,540,984
	17,858,210	**30,472,438**
a) Provision for bad debts		
Uganda Clays Limited (Note 19)	2,884,367	15,219,768
Rent receivable (Note 16)	1,254,972	2,321,216
	4,139,339	17,540,984

11. Surplus before tax

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

	2014 Ushs 000	2013 Ushs 000
Amortisation of intangible assets (Note 26)	1,686,790	1,666,223
Depreciation of property and equipment (Note 27)	1,216,409	1,939,965
Gain/(loss) on disposal of property and equipment	346,186	(56,170)
Auditors' remuneration	171,080	140,400
Directors' emoluments	391,500	394,803
Unrealised foreign exchange gains/(losses)	4,210,390	(13,489,586)
Provision for bad and doubtful debts	4,139,771	17,540,984
Fair value gains from equity instruments	(60,319,956)	(33,725,285)
Fair value gains on investment property	(19,197,330)	–
Decrease in provision for legal costs	–	(46,498,160)

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. No other income tax is charged because the Fund had accumulated current income tax losses amounting to Ushs 158 billion as at 30 June 2014 (2013: Ushs 94 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:

	2014 Ushs 000	2013 Ushs 000
Surplus before tax	**530,713,953**	**413,847,310**
Tax calculated at 30%	159,214,186	124,154,193
Effect of expenses related to income taxed at source	44,151,541	38,396,825
Effect of interest expense transferred to members' funds	(107,843,972)	(84,419,173)
Effect of income taxed at source	(127,487,129)	(96,634,478)

	2014 Ushs 000	2013 Ushs 000
Effect of non– taxable income	(3,274,862)	(2,177,831)
Effect of other non–deductible expenses	98,136	164,577
Deferred tax prior year (over)/under provision	(9,801,951)	10,711,603
Unrecognised deferred tax credit	44,944,050	9,804,284
Unrecoverable withholding tax deducted at source	78,297,276	69,616,573
Statement of comprehensive income tax charge	**78,297,276**	**69,616,573**

12. Tax (continued)

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% (2013: 30%).

	At 1 July 2013 Ushs 000	Movement for the year Ushs 000	At 30 June 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	(93,890,060)	(60,210,590)	(154,100,650)
	(105,503,180)	(65,022,765)	(170,525,945)
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	2,774,665	(209,614)	2,565,051
	95,698,896	29,882,998	125,581,894
Net income deferred tax asset	**(9,804,284)**	**(35,139,767)**	**(44,944,051)**

	At 1 July 2012 Ushs 000	Movement for the year Ushs 000	At 30 June 2013 Ushs 000
Deferred tax assets			
Unrealized foreign exchange losses	(1,682,517)	(3,437,656)	(5,120,173)
Provision for impairment loss on trade and other receivables	(1,230,652)	(5,262,295)	(6,492,947)
Tax Losses carried forward	(94,832,651)	942,591	(93,890,060)
	(97,745,820)	(7,757,360)	(105,503,180)
Deferred tax liabilities			
Fair value gains on investment properties	63,994,378	–	63,994,378
Fair value changes on equity instruments	18,812,268	10,117,585	28,929,853
Accelerated depreciation	3,177,861	(403,196)	2,774,665
	85,984,507	9,714,389	95,698,896
Net income deferred tax asset	**(11,761,313)**	**1,957,029**	**(9,804,284)**

12. Tax (continued)

b) Deferred income tax asset (Continued)

The net income deferred tax asset of Ushs 45 billion (2013: Ushs 9.8 billion) has not been recognised in these financial statements due to the uncertainty regarding whether the Fund will have sufficient taxable profits against which the deferred income tax can be utilised. Despite the Fund making surplus earnings, 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.

However, as disclosed in Note 35(b), the Fund received an assessment for tax of Ushs 84.4 billion from Uganda Revenue Authority (URA) in which the interest paid to members was disallowed as a deductible tax expense, among others. The Fund objected to the assessment on the grounds that URA's tax computations contained expenses that were wrongly disallowed. The Fund initiated legal proceedings against URA and expects to prevail basing on the advice of its tax consultants and legal team. As such, the Fund continues to treat interest paid to members as deductible for tax purposes until decided otherwise in the ongoing legal proceedings.

13. Cash and bank balances

	2014 Ushs 000	2013 Ushs 000
Barclays Bank of Uganda Limited	732,604	691,005
Citibank Uganda Limited	299,578	1,695,422
Housing Finance Uganda Limited (Note 34)	614,616	119,085
Stanbic Bank Uganda Limited	3,247,590	2,529,700
Standard Chartered Bank Uganda Limited	8,541,938	9,160,840
Imperial Bank Limited	–	16,979
Ecobank Uganda Limited	225,212	71,647
Bank of Africa	205,424	189,705
Crane Bank Limited	2,483	36,074
Centenary Bank	476,937	146,607
DFCU Bank Limited	45,194	200,988
United Bank for Africa	30,401	84,892
Orient Bank Limited	2,087	198,667
Global Trust Bank	6,578	61,763
Tropical Bank –collection account	18,453	10,370
Bank of Baroda Uganda Limited–collection account	124,801	136,756
Cash at hand	60,570	26,172
	14,634,466	**15,376,672**

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 pays interest at the rate 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.

14. Deposits with commercial banks

	2014 Ushs 000	2013 Ushs 000
ABC Bank Limited	–	6,237,304
Bank of Baroda Uganda Limited	160,045,554	135,223,543
Bank of India	–	1,074,625
Cairo International Bank Limited	9,614,746	10,937,923
Global Trust Bank Limited	17,599,110	–
Crane Bank Limited	195,598,634	225,291,785
DFCU Bank Limited	67,806,535	99,605,010
Diamond Trust Bank Uganda Limited	10,740,189	18,782,031
Housing Finance Bank Limited (Note 34)	66,666,176	39,122,698
Orient Bank Limited	53,645,140	63,935,735
Standard Chartered Bank Uganda Limited	29,794,221	31,721,471
Tropical Bank Limited	5,501,442	22,886,833
United Bank for Africa	–	12,639,210
Equity Bank Uganda Limited	5,202,137	16,623,132
Deposit with Banks by Fund Managers	404,481	–
Imperial Bank Limited	13,589,405	9,761,977
KCB Bank Uganda Limited	36,620,230	38,110,818
Uganda Finance Trust Limited	9,239,805	–
	682,070,805	**731,954,095**

The deposits with commercial banks are analysed as follows:

	2014 Ushs 000	2013 Ushs 000
Amounts due within three (3) months	93,545,656	220,860,570
Amounts due after three (3) months	588,525,149	511,093,525
	682,070,805	**731,954,095**

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

	2014 Ushs 000	2013 Ushs 000
At 1 July	**731,954,095**	**686,151,323**
Purchases	1,048,961,370	1,104,727,247
Maturities	(1,089,488,400)	(1,067,957,904)
Interest Accrued	107,982,217	118,284,715
Interest Received	(119,084,912)	(109,967,332)
Foreign exchange gains/(losses)	1,746,435	716,046
At 30 June	**682,070,805**	**731,954,095**

The deposits are at amortised cost. The deposits are made for varying periods of between one day 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 2014 was 16.45% (2013:17%).

15. Equity securities held–for–trading

	2014 Ushs 000	2013 Ushs 000
Uganda Securities Exchange	9,916,262	6,094,008
Nairobi Stock Exchange	53,990,329	25,965,249
Dar es Salaam Stock Exchange	9,411,962	3,254,070
Total	**73,318,553**	**35,313,327**

15. Equity securities held–for–trading (continued)

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.

	Number of shares held		Market Value	
	2014	2013	2014 Ushs'000	2013 Ushs'000
Uganda Securities Exchange				
Stanbic Bank (U) Ltd	94,758,530	60,671,040	2,842,756	1,516,777
DFCU Bank	2,717,790	1,299,980	3,315,704	1,338,979
New Vision Group	2,185,857	1,398,888	1,311,514	846,327
UMEME Ltd	2,143,164	1,569,800	814,402	563,558
Uganda Clays	9,575,568	9,575,568	191,511	287,267
Bank of Baroda (Uganda)	12,525,000	12,525,000	1,440,375	1,503,000
BAT Uganda Limited	–	15,000	–	38,100
			9,916,262	**6,094,008**

	Number of shares held		Market Value	
	2014	2013	2014 Ushs'000	2013 Ushs'000
Nairobi Stock Exchange				
BAT Kenya Ltd	283,700	95,800	5,570,940	1,587,100
Safaricom	13,000,000	–	4,897,079	–
Kenya Commercial Bank	2,650,974	2,447,274	4,090,723	2,758,258
East African Breweries Ltd	719,466	248,211	6,160,573	2,506,067
Bamburi Cement ltd	460,745	217,745	2,425,684	1,425,269
Equity Bank Limited	2,852,042	2,414,042	3,969,522	2,288,866
NIC Bank Limited	1,644,128	690,495	2,860,407	1,113,901
Barclays Bank Kenya	3,005,800	1,680,800	1,518,801	802,722
Athi River Mining	994,025	964,025	2,406,089	1,875,081
Nation Media Group	310,712	263,412	2,914,366	2,406,825
Diamond Trust Bank	775,887	604,387	5,634,224	3,108,268
Standard Chartered Bank	148,317	117,817	1,386,672	1,031,641
Centum Investments (ICDC)	720,690	395,690	899,491	262,575
Kenya Power & lighting	2,550,750	2,550,750	1,026,465	1,124,119
Scan group ltd	457,100	457,100	632,742	841,690
Diamond Trust Bank Rights	57,456	–	57,803	–
Co–operative Bank	2,615,386	1,557,960	1,527,276	721,552
CFC Stanbic Holdings	773,000	620,000	3,017,127	1,187,868
Britam	1,550,000	–	933,274	–
I&M Holdings Ltd	299,400	–	1,250,130	–
Kenya Airways	1,428,000	1,428,000	447,194	428,701
TPS Serena Ltd	247,013	247,013	257,848	342,831
Kenol Kobil Ltd	400,000	400,000	105,899	106,205
Housing Finance Company Ltd	–	60,000	–	45,710
			53,990,329	**25,965,249**

15. Equity securities held–for–trading (continued)

Dar es Salaam Stock Exchange

	Number of shares held		Market Value	
	2014	2013	2014	2013
			Ushs'000	Ushs'000
Tanzania Breweries Ltd	460,000	460,000	7,039,251	2,360,892
CRDB Bank Plc	4,700,000	2,000,000	2,372,711	893,178
			9,411,962	**3,254,070**

The change in Held–for–trading investments during the year were as follows;

	2014	2013
	Ushs 000	Ushs 000
As at 1 July	**35,313,327**	**20,870,429**
Purchases	25,512,569	9,558,921
Disposals	(274,093)	(1,241,817)
Fair value gain	11,679,788	7,856,720
Foreign exchange gain/(loss)	1,086,962	(1,730,926)
As at 30 June	**73,318,553**	**35,313,327**

The trading prices at the last date of trading for the years ended 30 June 2014 and 2013 were as follows:

	2014			2013		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Ltd	30.00	–	–	25.00	–	–
DFCU Bank	1,220.00	–	–	1,030.00	–	–
New Vision Group	600.00	–	–	605.00	–	–
UMEME Ltd	380.00	–	–	359.00	–	–
Uganda Clays	20.00	–	–	30.00	–	–
Bank of Baroda (Uganda)	115.00	–	–	120.00	–	–
British American Tobacco Uganda	6,515.00	–	–	2,540.00	–	–
BAT Kenya Ltd	19,636.73	649.00	–	16,463.69	543.00	–
Safaricom	376.70	12.45	–	198.60	6.55	–
Kenya Commercial Bank	1,543.10	51.00	–	1,121.84	37.00	–
East African Breweries Ltd	8,562.70	283.00	–	10,096.52	333.00	–
Bamburi Cement ltd	5,264.70	174.00	–	6,518.77	215.00	–
Equity Bank Limited	1,391.82	46.00	–	947.50	31.25	–
NIC Bank Limited	1,739.77	57.50	–	1,606.95	53.00	–
Barclays Bank Kenya	505.29	16.70	–	476.02	15.70	–
Athi River Mining	2,420.55	80.00	–	1,940.47	64.00	–
Nation Media Group	9,379.64	310.00	–	9,126.28	301.00	–
Diamond Trust Bank	7,261.66	240.00	–	5,154.38	170.00	–
Standard Chartered Bank	9,349.38	309.00	–	8,701.81	287.00	–
Centum Investments (ICDC)	1,248.10	41.25	–	659.46	21.75	–
Kenya Power & lighting	402.42	13.30	–	439.64	14.50	–
Scan group ltd	1,384.25	45.75	–	1,834.35	60.50	–
Diamond Trust Bank Rights	1,006.04	33.25	–	–	–	–
Co–operative Bank	583.96	19.30	–	465.41	15.35	–
CFC Stanbic Holdings	3,903.14	129.00	–	1,925.31	63.50	–
Britam	602.11	19.90	–	242.56	8.00	–
I&M Holdings Ltd	4,175.45	138.00	–	2,910.71	96.00	–

15. Equity securities held–for–trading (continued)

	2014			2013		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Kenya Airways	313.16	10.35	–	301.68	9.95	–
TPS Serena Ltd	1,043.86	34.50	–	1,394.71	46.00	–
Kenol Kobil Ltd	264.75	8.75	–	266.81	8.80	–
Housing Finance Company Ltd	1,293.48	42.75	–	765.58	25.25	–
Tanzania Breweries Ltd	15,302.72		9,700	5,135.78	–	3,220
CRDB Bank Plc	504.83		320	446.59	–	280

16. Trade and other receivables

	2014 Ushs 000	2013 Ushs 000
Prepayments	1,562,788	878,853
Staff advances	681,851	838,930
Trade receivables	8,117,311	7,926,082
Contributions receivable	1,021,943	1,021,943
Rent receivable	3,149,352	2,765,223
VAT recoverable	1,110,052	1,099,556
Cash advances to Fund Managers	915,224	1,735,733
Dividends receivable	12,825,639	6,390,908
Provisions for impairment loss	(7,667,783)	(6,412,811)
	21,716,377	**16,244,417**

The staff advances are interest free and repayable in a one month period 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	**4,102,173**
Charge for the year	2,321,216
Utilised	(10,578)
Unused amounts reversed	–
Discount rate adjustment	–
At 30 June 2013	**6,412,811**
Charge for the year	1,254,972
Utilised	–
Unused amounts reversed	–
Discount rate adjustment	–
At 30 June 2014	**7,667,783**

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.

17. Investments in securities held–to–maturity

	2014 Ushs 000	2013 Ushs 000
Treasury bonds	2,649,550,032	1,922,181,862
Corporate bonds	143,185,175	67,943,848
	2,792,735,207	**1,990,125,710**
The investments are analysed as follows:		
Maturing within 3 months	205,756,417	109,615,696
Maturing after 3 months but within 1 year	276,283,330	353,308,202
Maturing after 1 year	2,310,695,460	1,527,201,812
	2,792,735,207	**1,990,125,710**

17. Investments in securities held–to–maturity (continued)

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

	2014 Ushs 000	2013 Ushs 000
As at 01 July	**1,990,125,710**	**1,386,294,688**
Purchases	1,198,171,798	761,470,065
Maturities	(425,858,902)	(205,318,996)
Interest Accrued	353,245,341	247,242,934
Interest Received	(326,756,009)	(200,937,127)
Foreign exchange gains	3,807,269	1,374,146
As at 30 June	**2,792,735,207**	**1,990,125,710**

The yield rates on the treasury bonds ranged from 10.25% to 14.35% (2013: 9.25% to 14.5%) and the treasury bonds mature in 1 to 21 years. The interest rates for corporate bonds ranged from 11.03% to 17% (2013: 11.5% to 17%) and the corporate bonds mature in 1 to 9 years.

18. Equity investments at fair value through profit or loss

	2014 % Held	2013 % Held	2014 Ushs 000	2013 Ushs 000
Bank of Baroda (Uganda) Limited	2.00	2.00	5,744,969	5,994,750
DFCU Limited	5.93	5.93	17,987,471	15,186,144
Centum Investments Limited	0.73	0.73	5,187,600	2,785,200
Stanbic Bank Uganda Limited	2.05	1.72	31,444,062	24,703,504
New Vision Printing and Publishing Company Limited	19.61	19.60	9,000,000	9,075,000
Umeme	14.27	8.12	88,054,653	47,288,475
Safaricom Kenya Public Co. Ltd	0.60	0.60	89,729,583	48,818,507
Equity Bank Kenya	0.03	–	2,783,639	–
Kenya Commercial Bank	0.05	–	1,342,498	–
			251,274,475	**153,851,580**

All the above equity investments are traded on the Uganda Security Exchange (USE) except for Safaricom, KCB, and Equity Bank which are traded on the Nairobi Stock Exchange (NSE). The trading prices at the last date of trading for the years ended 30 June 2014 and 2013 were as follows:

	2014 Ushs	2014 Kshs	2013 Ushs	2013 Kshs
Bank of Baroda (Uganda) Limited	115.00	–	120.00	–
DFCU Limited	1,220.00	–	1,030.00	–
Centum Investments Limited	1,179.00	–	633.00	–
Stanbic Bank Uganda Limited	30.00	–	25.00	–
New Vision Printing and Publishing Company Limited	600.00	–	605.00	–
Umeme	380.00	–	359.00	–
Safaricom Kenya Public Co. Ltd	376.70	12.45	198.60	6.55
Equity Bank Kenya	1,543.10	51.00	–	–
Kenya Commercial Bank	1,391.82	46.00	–	–

18. Equity investments at fair value through profit or loss (continued)

During the year, the Fund purchased the following shares;

	Currency	Shares	Share price	Rate	Cost Ushs 000
Stanbic Bank Uganda Limited	Ushs	59,995,248	30	1.00	1,799,857
Umeme	Ushs	100,000,000	340	1.00	34,000,000
Equity Bank Kenya	Kshs	1,000,000	32	29.37	939,840
Equity Bank Kenya	Kshs	1,000,000	31.99	29.42	941,146
Kenya Commercial Bank	Kshs	870,000	37	31.14	1,002,320
					38,683,163

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

	2014 Ushs 000	2013 Ushs 000
At 1 July	153,851,580	78,291,687
Acquisition of new shares	38,683,163	37,620,100
Bonus issue	–	3,596,850
Change in fair value	60,319,956	33,725,285
Foreign exchange (losses)/gains	(1,580,224)	617,658
At 30 June	**251,274,475**	**153,851,580**

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.

19. Loans and advances

	2014 Ushs 000	2013 Ushs 000
DFCU Limited	519,352	1,500,000
Uganda Clays Limited (Note 34)	18,104,135	15,219,768
Housing Finance Bank Limited (Note 34)	37,019,686	40,727,357
Staff loans	3,787,914	3,072,180
	59,431,087	60,519,305
Provision for Uganda Clays Limited loan	(18,104,135)	(15,219,768)
	41,326,952	**45,299,537**

The provision for Uganda Clays Limited loan is analysed as follows;	Ushs 000
At 1 July 2013	**–**
Charge for the year	15,219,768
Utilised	–
Unused amounts reversed	–
Discount rate adjustment	–
At 30 June 2013	**15,219,768**
Charge for the year	2,884,367
Utilised	–
Unused amounts reversed	–
Discount rate adjustment	–
At 30 June 2014	**18,104,135**

19. Loans and advances (continued)

	2014 Ushs 000	2013 Ushs 000
At 1 July	45,299,537	62,044,823
Placements/(disbursements)	–	–
Maturities (proceeds from maturing loans)	(9,542,376)	(9,828,442)
Interest Accrued	8,454,158	8,302,924
Provisions for Bad Debts	(2,884,367)	(15,219,768)
At 30 June	**41,326,952**	**45,299,537**

The loan to DFCU Limited is unsecured and attracts an interest rate equivalent to the 182–day treasury bill weighted average rate plus 2% per annum currently at 17% (2013: 17%) subject to an automatic review where the treasury bill rates rise above 20% or fall below 5%. The principal and interest are repayable semi–annually.

The loan to Uganda Clays Limited 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 2014, Uganda Clays Limited made a loss of Ushs 3.417 billion and the current liabilities exceeded the current assets by Ushs 2.872 billion as at 30 June 2014. The Company has experienced financial problems since the loan was disbursed and no loan repayment has been received as at 30 June 2014. The loan has therefore been fully impaired.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 25 billion at a rate of 11.5% and Ushs 22.5 billion of 15.5% (2013: 15.5%) 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% (2013: 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 2014, the average market rate for mortgages was 17.1% resulting into notional interest of Ushs 1.25 billion (2013: Ushs 1.36 billion). As at 30 June 2014, the market value of staff loans was Ushs 3.79 billion (2013: Ushs 3.07 billion).

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 2014 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

	2014 Ushs 000	2013 Ushs 000
Consumables and stationery	2,910	4,626

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

21. Non–current assets held for sale

	2014 Ushs 000	2013 Ushs 000
Property	–	256,290

The non–current assets held for sale related to Leasehold land held in Gulu, Hoima, Masaka and Mbarara that had been acquired for use by the Fund for which the directors resolved to dispose of. As at 30 June 2014, the Fund had suspended actively marketing the properties. As such, the assets were reclassified to property and equipment since the classification criteria under IFRS 5 was no longer met.

22. 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 2012	**49,145,683**	**10,675,826**	**3,361,847**	**63,183,356**
Share of profit	4,632,767	341,348	1,740,416	6,714,531
Less: Dividends	(1,660,696)	–	–	(1,660,696)
At 30 June 2012	**52,117,754**	**11,017,174**	**5,102,263**	**68,237,191**
Share of profit – restated	4,307,583	2,721,863	607,911	7,637,357
Less: Dividends	(2,444,184)	–	(287,162)	(2,731,346)
At 30 June 2013 restated	**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)	–	(384,794)	(2,320,710)
At 30 June 2014	**53,638,060**	**11,938,895**	**5,918,253**	**71,495,208**

As at 30 June 2014, 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 shareholding of TPS Uganda Limited was diluted from 20% to 13.99% during the year following the conversion to equity of a loan due to one of the shareholders without calling for additional capital from the other shareholders. The Fund retained representation on the Board of Directors of TPS thus retaining significant influence. As such, the investment in TPS Uganda Limited continues to be accounted for as an investment in 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.

22. 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 share price for DFCU Bank has been used to determine the fair value of the investment.	Ushs 20 per share	Not listed, the share price of TPS (Kenya) Limited has been used to deter–mine the fair value of the investment.

	Number of Shares Held 2014	2013	Price per Share 2014	2013	Fair Value 2014	2013
			Ushs	Ushs	Ushs 000	Ushs 000
Housing Finance Bank	3,050,000	3,050,000	1,220	1030	3,721,000	3,141,500
TPS (Uganda) Limited	19,500	19,500	1,043.86	1394.71	20,355	27,197
Uganda Clays Limited	292,640,000	292,640,000	20	30	5,852,800	8,779,200
					9,594,155	**11,947,897**

The summary of the financial information for the investments in associates is as follows:
Housing Finance Bank LimitedUganda Clays LimitedTPS (Uganda) Limited

	2014 Ushs 000	2013 Ushs 000	2014 Ushs 000	2013 Ushs 000	2014 Ushs 000	2013 Ushs 000
Current assets.	161,193,631	134,534,551	10,720,615	13,990,756	13,612,809	12,068,730
Non–current assets.	457,748,541	421,836,230	56,328,094	61,349,904	61,394,246	63,328,078
Current liabilities.	353,487,528	286,820,990	13,593,191	9,881,696	7,139,327	9,907,556
Non–current liabilities.	157,972,275	160,371,353	23,887,892	27,862,833	3,430,480	4,808,387
Revenue	91,121,673	47,873,203	20,766,935	17,684,768	44,814,777	19,979,946
Profit or loss from continuing operations	–	–	–	–	–	–
Post–tax profit or loss from discontinued operations	–	–	–	–	–	–
Other comprehensive income	–	–	–	6,013,006	–	–
Total comprehensive income	3,185,647	8,615,166	6,697,605	13,220,707	6,777,633	3,039,555
Percentage held	50%	50%	32.52%	32.52%	13.99%	20%

23. 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.

24. Capital work–in–progress (CWIP)

	Arua Ushs 000	Lubowa Ushs 000	Other Ushs 000	Total Ushs 000
Cost				
At 01 July 2012	2,330,000	–	–	2,330,000
Additions	–	12,611,325	65,076	12,676,401
Transfer from investment properties	–	223,000,000	–	223,000,000
At 30 June 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	–	7,000,000	–	7,000,000
At 30 June 2014	2,330,000	249,645,543	596,410	252,571,953
Provision for impairment				
At 1 July 2013/30 June 2014	(2,330,000)	–	–	(2,330,000)
Net carrying amount				
At 30 June 2014	**–**	**249,645,543**	**596,410**	**250,241,953**
At 30 June 2013	**–**	**235,611,325**	**65,076**	**235,676,401**

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 Golf Club with a view of finalizing the joint venture arrangements. During the year, the Fund commenced development of the Lubowa land into a housing project (Lubowa Housing Project) and contracted Soleh Boneh International (SBI) Holdings AG Uganda as the project designer and supervisor for the project. Consequently, the land previously recognised under investment property was reclassified to capital work–in–progress. The housing units constructed will be presented as inventory on completion.

25. Investment properties

	Valuation at 30 June 12 Ushs 000	Additions Ushs 000	Re–classification from CWIP Ushs 000	Disposal Ushs 000	Change in Fair value Ushs 000	Valuation at 30 June 13 Ushs 000	Additions Ushs 000	Disposal Ushs 000	Change in Fair value Ushs 000	Valuation at 30 June 14 Ushs 000
Workers House	52,900,000	–	–	–	–	52,900,000	5,270	–	1,594,730	54,500,000
Plot 5 Mvule Rd Naguru	1,620,000	–	–	–	–	1,620,000	–	–	180,000	1,800,000
Land on Yusuf Lule Road	17,622,000	–	–	–	–	17,622,000	–	–	1,378,000	19,000,000
Independence Ave Arua	135,000	–	–	–	–	135,000	–	–	15,000	150,000
Land in Kisugu	185,000	–	–	–	–	185,000	–	–	10,000	195,000
Land in Kabale	225,000	–	–	–	–	225,000	–	–	5,000	230,000
Land in Jinja	535,000	–	–	–	–	535,000	–	–	25,000	560,000
Land in Tororo	125,000	–	–	–	–	125,000	–	–	65,000	190,000
Lumumba Avenue	54,435,588	4,482,738	–	–	–	58,918,326	3,467,282	–	–	62,385,608
Social Security House	21,015,000	–	–	–	–	21,015,000	42,150	–	4,942,850	26,000,000
Mbuya Property M65	–	–	2,840,000	–	–	2,840,000	–	–	260,000	3,100,000
Land in Mbuya	1,620,000	–	–	–	–	1,620,000	–	–	180,000	1,800,000
Land in Lubowa	223,000,000	–	(223,000,000)	–	–	–	–	–	–	–
Land in Busiro Temangalo	12,165,000	–	–	–	–	12,165,000	–	–	3,435,000	15,600,000
Plot 16 Nakasero Rd (FRV 304)	–	–	–	– –	–	8,093,250	–	106,750	8,200,000	
Total	**385,582,588**	**4,482,738**	**(220,160,000)**	**–**	**–**	**169,905,326**	**11,607,952**	**–**	**12,197,330**	**193,710,608**

Investment properties comprise of land and buildings held to earn rentals and/or capital appreciation. Property under construction is recognised as investment property and carried at cost until either its fair value becomes reliably determinable or construction is completed, whichever is earlier. As at 30 June 2014, the property under construction presented under investment properties related to the Pension Towers project on Lumumba Avenue. The fair value of this property under construction is not reliably determinable and the Fund expects that this will continue to be the case until completion.

With exception of property under construction, the fair values as at 30 June 2014 are based on the valuation done by Katuramu and Company, certified professional valuer. In determining the fair values of investment properties, the valuer used 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 an approach 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.

25. Investment properties (continued)

The impact of revaluing investment properties on profit for the year is Ushs 12.2 billion (2013: Nil) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates

	Significant unobservable inputs	Range (weighted average) 2014	2013
Office properties	Estimated rental value per square meter per monthRent growth per annumLong–term vacancy rateDiscount rate	Ushs 31,300 – Ushs 39,000 (Ushs 35,000) 2% – 3% (2.5%) 10% – 16% (13%) 11%	No material change in fair value as assessed by the Fund's independent valuer
Land & buildings	Price per square meter	Ushs 1,000,000 – Ushs 3,000,000	
Valuation techniques for investment properties:			
Land	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.		
Buildings	Buildings, structures and services were valued at current replacement costs taking into account their depreciation		

For the purpose of the fair value hierarchy, valuation of investment properties is categorised under level 3

25. Investment properties (continued)

The Fund generated rental income from its investment properties for the period that ended 30 June 2014 as below:

	2014 Ushs 000	2013 Ushs 000
Workers House	6,031,647	5,955,584
Social Security House	2,251,584	2,097,564
Service charge (Workers House and Social Security House)	3,418,379	3,349,517
	11,701,610	**11,402,665**

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

	2014 Workers House Ushs 000	Social Security House Ushs 000	Total 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 Service	162,000	67,200	229,200
Electricity	835,657	363,159	1,198,816
Water	294,914	67,067	361,981
Total	**4,186,189**	**1,617,011**	**5,803,200**

	2013 Workers House Ushs 000	Social Security House Ushs 000	Total Ushs 000
Maintenance & Repairs	1,899,430	594,493	2,493,923
Ground & Property rent	167,851	128,680	296,531
Cleaning Services	165,631	48,001	213,632
Security Service	162,000	67,200	229,200
Electricity	580,333	343,226	923,559
Water	252,388	67,085	319,473
Total	**3,227,633**	**1,248,685**	**4,476,318**

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

	2014 Land in Lubowa Ushs 000	Land in Busiro Temangalo Ushs 000	Land in Mbuya Ushs 000	Total Ushs 000
Security expenses	25,488	25,488	31,860	2,836
Demolition expenses	2,000	–	–	2,000
Cleaning expenses	–	–	8,408	18,408
Total	27,488	25,488	50,268	103,244

25. Investment properties (continued)

	2013 Land in Lubowa Ushs 000	Temangalo Ushs 000	Land in Mbuya Ushs 000	Total Ushs 000
Security expenses	25,488	25,488	31,860	2,836
Demolition expenses	–	–	–	–
Cleaning expenses	–	–	18,408	18,408
Total	**25,488**	**25,488**	**50,268**	**101,244**

There was no sale of investment properties during the year and in the previous year. As at 30 June 2014, 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.

26 Intangible assets

	2014 Ushs 000	2013 Ushs 000
Cost		
At 1 July	18,584,571	18,572,573
Transfers from capital work in progress	65,076	–
Additions	518,982	12,266
At 30 June	**19,168,629**	**18,584,839**
Amortisation		
At 1 July	10,169,717	8,503,763
Charge for the year	1,686,790	1,666,223
At 30 June	**11,856,507**	**10,169,986**
Net carrying amount	**7,312,122**	**8,414,853**

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 2014 is four years.

27. 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 2012	1,106,170	1,453,130	3,592,955	3,091,281	9,313,070	18,556,606
Additions	–	166,902	–	48,400	1,314,905	1,530,207
Disposals	(706,170)	–	–	–	–	(706,170)
At 30 June 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
Reclassification from assets 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
Depreciation						
At 1 July 2012	–	962,632	3,035,110	1,361,299	8,055,483	13,414,524
Charge for the year	–	251,092	417,374	307,495	964,005	1,939,966
At 30 June 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
Net carrying amount						
At 30 June 2014	**656,290**	**422,816**	**3,414**	**1,969,785**	**1,304,579**	**4,356,884**
At 30 June 2013	**400,000**	**406,308**	**140,471**	**1,470,887**	**1,608,487**	**4,026,153**

28. Withholding tax payable

	2014 Ushs 000	2013 Ushs 000
Withholding tax payable	971,228	1,043,919

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

29. Other payables

	2014 Ushs 000	2013 Ushs 000
Accounts and other payables	17,099,529	11,108,499
Accrual for legal costs	7,277,857	6,810,744
Alcon retention payable	1,202,310	1,202,310
Deferred income	529,049	3,460
	26,108,745	19,125,013

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:

	2014 Ushs 000	2013 Ushs 000
At 1 July	6,810,744	11,937,811
Payments made during the year	(1,004,887)	(219,377)
Increase/(decrease) in accrual during the year	1,472,000	(4,907,690)
At 30 June	**7,277,857**	**6,810,744**

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

30. Provisions for litigation

	2014 Ushs 000	2013 Ushs 000
Alcon International Limited		
At 1 July	9,239,702	41,590,470
Foreign exchange losses	180,494	–
Reversal of provision	–	(41,590,470)
Additional provision	–	9,239,702
At 30 June	**9,420,196**	**9,239,702**

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.

30. Provisions for litigation (continued)

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. 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 previous year, 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 the 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 was accordingly reversed. However, a provision of USD 3,553,731 as at 30 June 2013 was made in the financial statements for works performed by Alcon that had not been settled by the Fund.

In a related development, the East African Court of Justice has also dismissed Alcon's suit against Standard Chartered Bank seeking to enforce the bank guarantee that NSSF had deposited with court as security for the arbitration award.

31. Accumulated members' funds

	2014 Ushs 000	2013 Ushs 000
At 1 July	3,322,576,227	2,621,222,866
Contributions received during the year	622,353,746	552,683,614
Interest received on arrears	2,439,419	7,324,349
11.5% interest (2013: 11.23%) **	365,842,850	281,397,243
Members fund liability before benefit payments	4,313,212,242	3,462,628,072
Benefits paid during the year		
Age benefits	(57,509,800)	(47,738,802)
Withdrawal benefits	(46,630,298)	(35,328,891)
Exempted employee benefits	(19,324,449)	(15,895,893)
Invalidity benefits	(14,261,378)	(11,475,425)
Survivors benefits	(4,544,874)	(6,241,868)
Emigration grant benefits	(23,655,753)	(23,370,966)
Total benefits payments	(165,926,552)	(140,051,845)
At 30 June	**4,147,285,690**	**3,322,576,227**

** 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 2014, the Minister for Finance, Planning & Economic Development approved an interest rate of 11.5% (2013: 11.23%) to be calculated and added to the members' funds.

Included in the contributions received during the year is Ushs 14 billion, whose schedules had not been received by 30 June 2014.The amount will be allocated to members' accounts when schedules are received from the employers.

32. Reserves

	Note	2014 Ushs 000	2013 Ushs 000
Special contributions, fines and penalties	(a)	25,556,942	12,236,533
Unallocated members contributions	(b)	24,592,500	24,592,500
		50,149,442	**36,829,033**

a) Special contributions, fines and penalties

	2014 Ushs 000	2013 Ushs 000
At 1 July	12,236,533	9,736,493
Special contributions received	6,229,507	2,500,040
Fines and penalties	7,090,902	–
At 30 June	**25,556,942**	**12,236,533**

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 are recognised through the income statement and then appropriated from the accumulated surplus/deficit to the reserve account.

b) Unallocated members' contributions

	2014 Ushs 000	2013 Ushs 000
At 1 July	24,592,500	24,592,500
Transfer from accumulated members' funds	–	–
At 30 June	**24,592,500**	**24,592,500**

As at 30 June 2014, 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.

33. Net cash used in operating activities

	Note	2014 Ushs 000	2013 Ushs 000
Surplus before tax		530,713,953	414,225,229
Depreciation of property and equipment	27	1,216,408	1,939,966
(Gain)/loss on disposal of property and equipment		(346,186)	56,170
Gain on disposal of equity investments held for trading		(111,437)	(927,354)
Amortization of intangible assets	26	1,686,790	1,666,223
Share of results from associates	22	(672,716)	(7,637,357)
Unrealised foreign exchange losses/(gains) on equity investments at fair value through profit or loss	18	1,580,224	(617,658)
Unrealised foreign exchange gains on held to maturity investments	17	(3,807,269)	(1,374,146)
Unrealised foreign exchange (gains)/losses on held for trading investments	15	(1,086,962)	1,730,926
Unrealised foreign exchange gains on deposits with commercial Banks	14	(1,746,435)	(716,046)
Withholding tax at source in accrued income		(31,217,520)	(25,895,506)
Unrealised exchange loss on bank balances		455,713	367,413
Fair value gains on investment properties & CWIP	25&24	(19,197,330)	–
Fair value gain on equity investments held for trading	15	(11,679,788)	(7,856,720)
Fair value gain on equity investments at fair value through profit or loss	18	(60,319,956)	(33,725,285)
Increase/(Decrease) in provisions		180,494	(32,693,310)
Increase in provisions for bad loans		2,884,367	15,219,768
Bonus equity investments received	18	–	(3,596,850)
Decrease in inventories		1,715	3,066
Decrease/(Increase) in trade and other receivables		(5,471,962)	6,347,902
Increase in other payables		6,911,041	1,914,011
Additions to investment properties	25	(11,607,952)	(4,482,738)
Purchase of equity investments at fair value through profit or loss	18	(38,683,163)	(37,620,100)
Purchase of equity investments held for trading	15	(25,512,569)	(9,558,921)
Proceeds from disposal of equity investments held for trading		385,530	2,169,171
Purchase of held to maturity investments	17	(1,198,171,798)	(761,470,065)
Maturities of held to maturity investments	17	425,858,902	205,318,996
Purchase of deposits with commercial banks	14	(1,048,961,370)	(1,104,727,247)
Maturities of deposits with commercial banks	14	1,089,488,400	1,067,957,904
Maturities of loans and advances	19	9,542,376	9,828,442
Payment for capital work–in–progress	24	(7,630,628)	(12,676,401)
Dividends received		2,320,710	244,088
Interest income on loans & Advances	19	(8,454,159)	(8,302,924)
Interest income on held to maturity investments	17	(353,245,341)	(247,242,934)
Interest income on commercial bank deposits	14	(107,982,217)	(118,284,715)
Interest received from held to maturity investments	17	326,756,009	200,937,127
Interest received from commercial bank deposits	14	119,084,912	109,967,332
Income tax (withholding tax) paid		(47,079,755)	(43,721,068)
Net cash used in operating activities		**(463,918,969)**	**(423,233,611)**

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 2014 and 2013, refer to Notes 13, 14, 17 and 19:

	2014 Ushs'000	2013 Ushs'000
Housing Finance Bank Limited		
Cash balances as at 30 June	614,616	119,085
Fixed deposits		
As at 01 July	39,122,699	29,500,000
Placements	126,803,147	52,139,676
Maturities	(103,787,036)	(44,500,000)
Interest Accrued	4,527,366	1,983,023
As at 30 June	**66,666,176**	**39,122,699**
Housing Finance Bank Limited		
Corporate bonds		
As at 01 July	10,612,207	10,602,301
Placements	–	–
Maturities	(2,832,123)	(602,301)
Interest Accrued	1,238,887	612,207
As at 30 June	**9,018,971**	**10,612,207**
Loans and Advances		
As at 01 July	40,727,357	43,515,733
Placements	–	–
Maturities	(7,741,755)	(7,781,179)
Interest Accrued	4,034,084	4,992,803
As at 30 June	**37,019,686**	**40,727,357**
Uganda Clays Limited		
Loans and Advances		
As at 01 July	15,219,768	14,349,274
Placements	–	–
Maturities	–	99,649
Interest Accrued	2,884,367	770,845
As at 30 June	**18,104,135**	**15,219,768**
Dividends Receivable (Associate Companies)		
Housing Finance Bank Limited	4,380,101	2,444,185
TPS (Uganda) Limited	327,074	–
Uganda Clays Limited	111,192	111,192
	4,818,367	**2,555,377**

34. Related party disclosures (continued)

	2014 Ushs'000	2013 Ushs'000
Government of Uganda		
Government bonds		
As at 01 July	1,764,245,253	1,334,690,056
Placements	667,075,265	527,316,087
Maturities	(681,535,357)	(288,935,548)
Interest Accrued	251,190,067	191,174,658
As at 30 June	**2,000,975,228**	**1,764,245,253**
Withholding tax expense for the year	**78,297,276**	**69,616,573**
Key management personnel		
Staff loans		
As at 01 July	849,713	1,010,715
Advances	–	–
Repayments	(343,237)	(161,002)
Accrued interest	–	–
As at 30 June	**506,476**	**849,713**

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 and with interest rates ranging from 16.5% to 21.2%.

Corporate bond – The corporate bond is for a period of 10 years with an interest rate of 13.5% and matures on 12 January 2018.

Loans – Loans to the bank are at interest rates ranging between 12.5% 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 facilities.

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 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.

34. Related party disclosures (continued)

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 2014, the Fund has recorded an impairment of receivables relating to amounts owed by related parties of Ushs 2.88 billion (2013: Ushs 15.22 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.

f) Compensation for key management personnel and directors emoluments

	2014 Ushs 000	2013 Ushs 000
Non–executive directors' emoluments:		
Directors' allowances	391,500	394,803
Key management remuneration:		
Salaries and allowances	2,645,999	3,071,467
Gratuity	511,844	335,112
	3,157,843	3,406,579
Total compensation for key management personnel	**3,549,343**	**3,801,382**

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

35. Contingent liabilties

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. The Fund objected to the assessment on the grounds that URA's tax computations wrongly disallowed expenses that are actually deductible for tax purposes. The Fund has initiated legal proceedings against URA and expects to prevail. No provision has therefore been made in the financial statements.

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 has 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.

37. Use of estimates and judgements (continued)

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.

(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 25 and 38.

(iii) Provisions and contingencies – A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgements in determining the provisions presented in Note 30.

(iv) 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 31 December 2014. 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 25.

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 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 risk.

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 commodity 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.

Share price risk

The Fund is exposed to equity securities price risk through its investments in quoted shares classified as investments held at fair value through profit or loss and investments held for trading subsequently measured at fair value with the gains/ (losses) are credited/ (debited) to fair value reserves in the shareholders' equity. 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 company are either quoted or traded on the Uganda, Dar–es–salaam 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 2014;

Stock Exchange Market	Change in share price %	Effect on surplus before tax
		Ushs 000
Uganda Securities Exchange	+/– 8.25%	+/– 13,805,139
Nairobi Stock Exchange	+/– 28.61%	+/– 42,298,755
Dar es Salaam Stock Exchange	+/– 20.29%	+/– 1,909,687

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.

38. Financial risk management (continued)

Currency risk (continued)

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	20,825,967	21,716,379
Investments in securities held–to–maturity	–	647,062,696	–	2,145,672,511	2,792,735,207
Equity investments at fair value through profit or loss	–	93,855,720	–	157,418,755	251,274,475
Loans and advances	–	–	–	41,326,952	41,326,952
Total Assets	**41,821,357**	**796,203,649**	**9,412,104**	**3,029,639,727**	**3,877,076,837**
Financial liabilities					
Withholding tax payable	–	–	–	901,895	901,895
Other payables	645,562	–	–	25,532,516	26,178,078
Provision for litigation	9,420,195	–	–	–	9,420,195
	10,065,757	–	–	26,434,411	38,500,168
Currency gap					
At 30 June 2014	**31,755,600**	**796,203,649**	**9,412,104**	**3,003,205,316**	**3,838,576,669**

The Fund had the following currency positions as at 30 June 2013. All balances are in Ushs 000.

	USD	Kshs	Tshs	Ushs	Total
Financial assets					
Cash and bank balances	322,137	2,411,929	–	12,642,606	15,376,672
Deposits with commercial banks	42,017,631	–	–	689,936,464	731,954,095
Equity securities held–for–trading	–	25,965,249	3,254,070	6,094,008	35,313,327
Trade and other receivables	–	–	–	16,244,417	16,244,417
Investments in securities held–to–maturity	–	154,441,351	–	1,835,684,359	1,990,125,710
Equity investments at fair value through profit or loss	–	48,818,508	–	105,033,072	153,851,580
Loans and advances	–	–	–	45,299,537	45,299,537
Total Assets	**42,339,768**	**231,637,037**	**3,254,070**	**2,710,934,463**	**2,988,165,338**
Financial liabilities					
Withholding tax payable	–	–	–	901,895	901,895
Other payables	143,848	–	–	19,123,189	19,267,037
Provision for litigation	9,239,702	–	–	–	9,239,702
	9,383,550	–	–	20,025,084	29,408,634
Currency gap					
At 30 June 2013	**32,956,218**	**231,637,037**	**3,254,070**	**2,690,909,379**	**2,958,756,704**

38. Financial risk management (contintuned)

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 US Dollar and Kenya 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 US Dollar and Kenya Shilling would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in % 2014	Effect on profit before tax 2014	Effect on accumulated surplus 2014	Change in currency rate in % 2013	Effect on profit before tax 2013	Effect on accumulated surplus 2014
		Ushs '000	Ushs '000		Ushs '000	Ushs '000
USD	+/–0.9%	+/–285,800	+/–1,525,548	+/–0.9%	+/–296,606	+/–813,603
KES	+/–3.5%	+/–27,867,128	+/–5,932,688	+/–3.5%	+/–8,107,296	+/–3,164,013
TZS	+/– 0.3%	+/–28,236	+/–508,516	+/– 0.3%	+/–9,762	+/–271,201

The following exchange rates applied during the year:

	Average rate 2014 Ushs	Average rate 2013 Ushs	Reporting date spot rate 2014 Ushs	Reporting date spot rate 2013 Ushs
KES	30.19	31.28	30.26	31.28
USD	2,578.62	2,601.20	2,650.79	2,639.06
TZS	1.5776	1.5821	1.5691	1.5950

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.The financial assets held at variable interest rates relate to the corporate bonds for East African Development Bank (EADB). 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.

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	–	–	–	20,801,155	21,716,379
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	–	–	–	41,326,952	–	41,326,952
Total Assets	**915,224**	**299,302,073**	**864,808,479**	**2,352,022,412**	**360,028,649**	**3,877,076,837**
Liabilities						
Withholding tax payable	–	–	–	–	901,895	901,895
Trade and other payables	–	–	–	–	26,178,078	26,178,078
Total Liabilities	–	–	–	–	27,079,973	27,079,973
Gap as at 30 June 2014	**915,224**	**299,302,073**	**864,808,479**	**2,352,022,412**	**332,948,676**	**3,849,996,864**

38. Financial risk management (continued)

Assets	Matured	<3 months	3–12 months	> 1 year	Non–Interest bearing	Total
Cash and bank balances		–	–	–	15,376,672	15,376,672
Deposits with commercial banks	–	220,860,570	511,093,525	–	–	731,954,095
Equity securities held–for–trading	–	–	–	–	35,313,327	35,313,327
Trade and other receivables	1,735,733	–	–	–	14,508,684	16,244,417
Investments in securities held–to–maturity	–	109,615,696	353,308,202	1,527,201,812	–	1,990,125,710
Equity investments at fair value through profit or loss	–	–	–	–	153,851,580	153,851,580
Loans and advances				45,299,537		45,299,537
Total Assets	**1,735,733**	**330,476,266**	**864,401,727**	**1,572,501,349**	**219,050,263**	**2,988,165,338**
Liabilities						
Withholding tax payable	–	–	–	–	901,895	901,895
Trade and other payables	–	–	–	–	19,267,037	19,267,037
Total Liabilities	–	–	–	–	20,168,932	20,168,932
Gap as at 30 June 2013	**1,735,733**	**330,476,266**	**864,401,727**	**1,572,501,349**	**198,881,331**	**2,967,996,406**

38. Financial risk management (cont'd)

Fair value versus carrying amounts

The management assessed that the 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 2014		30 June 2013	
	Carrying amount Ushs '000	Fair Value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Investment securities held to maturity	2,792,735,207	2,819,527,806	1,990,125,710	2,016,918,309

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.

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:

			Fair value measurement using		
	Date of valuation	Total Ushs '000	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–14	251,274,475	251,274,475	–	–
Quoted equities–held for trading (Note 15)	30–Jun–14	73,318,554	73,318,554	–	–
Assets for which fair values are disclosed					
Investment securities held to maturity	30–Jun–14	2,819,527,806	–	2,819,527,806	–

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)	
			2014	2013
Held to maturity investments	Market approach	Market interest rate for similar bonds	10.25% – 14.35% (12%)	9.25% – 14.5% (11.8%)

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 2014 to the contractual maturity date. All balances are in Ushs 000.

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	–	20,801,155	–	–	21,716,379
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	37,838,403	19,637,519	66,634,034
Total financial assets	**15,549,690**	**301,502,448**	**892,567,370**	**1,196,179,872**	**1,496,584,538**	**3,902,383,919**
Financial liabilities						
Other payables	–	26,178,078	–	–	–	26,178,078
Financial liabilities	–	26,178,078	–	–	–	26,178,078
Gap as at 30 June 2014	**15,549,690**	**275,324,370**	**892,567,370**	**1,196,179,872**	**1,496,584,538**	**3,876,205,841**

38. Financial risk management (continued)

At 30 June 2013	Matured	<3 months	3–12 months	1–5 years	> 5 years	Total
Financial assets						
Cash and bank balances	15,376,672	–	–	–	–	15,376,672
Deposits with commercial banks	–	220,860,570	511,093,525	–	–	731,954,095
Equity securities held–for–trading	–	–	–	35,313,327	–	35,313,327
Trade and other receivables	1,735,733	–	14,508,684	–	–	16,244,417
Investments in securities held–to–maturity	–	109,615,696	353,308,202	1,027,017,205	500,184,607	1,990,125,710
Equity investments at fair value through profit or loss	–	–	–	153,851,580	–	153,851,580
Loans and advances	–	2,398,409	7,583,933	41,243,860	21,404,895	72,631,097
Total financial assets	17,112,405	332,874,675	886,494,344	1,257,425,972	521,589,502	3,015,496,898
Financial liabilities						
Other payables	–	19,267,037	–	–		19,267,037
Financial liabilities	–	19,267,037	–	–	–	19,267,037
Gap as at 30 June 2013	**17,112,405**	**313,607,638**	**886,494,344**	**1,257,425,972**	**521,589,502**	**2,996,229,861**

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:

38. Financial risk management (continued)

	Note	2014 Ushs 000	2013 Ushs 000
Bank balances		14,573,896	15,350,500
Deposits due from banks	14	682,070,805	731,954,095
Trade and other receivables		27,821,374	21,778,375
Investment securities held–to–maturity	17	2,792,735,207	1,990,125,710
Loans and advances	19	59,431,087	60,519,305
		3,576,632,369	**2,819,727,985**

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

	2014 Ushs 000	2013 Ushs 000
DFCU Bank Limited: Loan for mortgage financing	519,352	1,500,000
Housing Finance Bank Limited	37,019,686	40,727,357
Uganda Clays Limited	18,104,135	15,219,768
Staff loans	3,787,914	3,072,180
	59,431,087	**60,519,305**

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

	Gross Ushs 000	30 June 2014 Impairment Ushs 000	Gross Ushs 000	30 June 2013 Impairment Ushs 000
Not past due nor impaired	41,326,952	–	45,299,537	–
Past due 30–60 days	–	–	–	–
Past due 31–120 days	–	–	–	–
Past due 120–360 days	18,104,135	(18,104,135)	15,219,768	(15,219,768)
More than a year	–	–	–	–
	59,431,087	**(18,104,135)**	**60,519,305**	**(15,219,768)**

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:

38. Financial risk management (continued)

	2014 Ushs 000	2013 Ushs 000
Staff advances	681,851	838,930
Trade receivables	8,117,311	7,926,082
Contributions receivable	1,021,943	1,021,943
Rent receivable	3,149,352	2,765,223
VAT recoverable	1,110,054	1,099,556
Cash advances to investment managers	915,224	1,735,733
Dividends receivable	12,825,639	6,390,908
Total	**27,821,374**	**21,778,375**

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

	30–Jun–14 Gross Ushs 000	Impairment Ushs 000	30–Jun–13 Gross Ushs 000	Impairment Ushs 000
Not past due nor impaired	16,201,916	–	11,087,070	–
Past due 30–60 days	–	–	26,632	–
Past due 31–120 days	3,951,675	–	3,281	(1,641)
Past due 120–360 days	7,667,783	(7,667,783)	10,661,392	(6,411,170)
	27,821,374	**(7,667,783)**	**21,778,375**	**(6,412,811)**

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.

38. Financial risk management (continued)

	2014 Ushs 000	2013 Ushs 000
FINANCIAL ASSETS		
Held–for–trading		
Investment securities held–for–trading	73,318,553	35,313,327
Financial assets at fair value through profit or loss		
Equity investments	251,274,475	153,851,580
Held–to–maturity Investments		
Deposits with commercial banks	682,070,805	731,954,095
Investments in securities held–to–maturity	2,792,735,207	1,990,125,710
Total	3,474,806,012	2,722,079,805
Financial Assets at amortised cost		
Cash and bank balances	14,634,466	15,376,671
Trade and other receivables	21,716,379	16,244,417
Loans and advances	41,326,953	45,299,752
	77,677,798	76,920,840
Total financial assets	**3,877,076,838**	**2,988,165,552**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Other payables	26,178,078	19,267,037

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.

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 11.5% was declared for the year 2014 (2013: 11.23%).

39. Establishment

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

40. Subsequent events

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

41. Prior year adjustments and reclassifications

(i) Service fees from tenants

The Fund bills tenants for service fees on a monthly basis as part of the rental agreement for maintenance on the properties. The maintenance is performed by a property manager, who then bills the Fund for the expenses incurred. Therefore, the property manager acts as a contractor to maintain the properties. The service fee billed to the tenants should be recognised as income in the Fund's financial statements, and the fee paid to the property manager should be recognised as operating expenses. However, during the year ended 30 June 2013, the service fee charged to the tenants and the fee paid to the property manager amounting to Ushs 3,142.714 million and UShs 2,211.879 million, respectively, were recognised in other payables instead of the statement of comprehensive income.

(ii) Share of associate's profit or loss and other comprehensive income

One of the Fund's associates, Uganda Clays Limited, uses the revaluation model as its accounting policy for accounting for property, plant and equipment while the Fund uses the cost model. Therefore, before recognising its share of profit or loss in the associate, the Fund needs to adjust the associate's financial results and position to be in line with the Fund's accounting policy.

The associate's property, plant and equipment were revalued during the year ended 30 June 2013. However, in preparing the financial statements for the year ended 30 June 2013, the fund did not adjust the associate's financial statements to be in line with its accounting policy. Instead, it recognised Ushs 1,955.43 million as its share of the associate's revaluation surplus. Ushs 1,308.753 million was recognised in a reserve in equity (Share of associate's reserves) through other comprehensive income while Ushs 586.629 million was credited directly to accumulated surplus. In addition, it did not adjust the associate's profit for the year ended 30 June 2013 for the impact of the revaluation on the depreciation charge for the year. Therefore, its share of profit in the associate was understated by Ushs 377.918 million.

(iii) Reclassification of withholding tax payable

An amount of UShs 142.024 million, being withholding tax payable as at 30 June 2013 which was classified as other payables in the financial statements for the year then ended, has been reclassified to withholding tax payable in the statement of financial position.

The misstatements have been corrected by restating/reclassifying each of the affted financial statements line items for the year ended 30 June 2013 as follows:

41. Prior year adjustments and reclassifications (continued)

	Note	As previously stated Ushs '000	Adjustment Ushs '000	As restated Ushs '000
Impact on the statement of comprehensive income				
Rental income	A	8,259,951	3,142,714	11,402,665
Share of results from Associates	B	7,259,438	377,918	7,637,356
Other operating expenses	A	(28,260,559)	(2,211,879)	(30,472,438)
Impact on the statement of financial position				
Investment in associates	C	74,720,713	(1,577,511)	73,143,202
Withholding tax payable	D	901,895	142,024	1,043,919
Other payables	E	20,197,871	(1,072,858)	19,125,013
Accumulated surplus	F	90,056,169	722,125	90,778,294
Share of associate's reserves	G	1,368,801	(1,368,801)	–

a) Recognition of rental revenue and the related expenses regarding service charges that are recovered by the Fund from tenants and paid to property managers.

b) This adjustment relates to de–recognition of the depreciation charge on the revaluation surplus to ensure that the Fund's share of the results of the associate exclude the impact of the revaluation.

c) Relates to de–recognition of the share of the revaluation surplus of Ushs 1,955.43 million net of the depreciation charge in b) above.

d) Reclassification of withholding tax liabilities from other payables.

e) De–recognition of difference between the rental revenue and fee paid to the property managers of Ushs 930.834 million and reclassification of withholding tax of Ushs 142.024 million to the withholding tax payable line.

f) Made up of the net effect of the adjustments to the statement of comprehensive income of Ushs 1,308.753 million and the de–recognition of the amount credited directly to accumulated surplus of Ushs 586.629 million relating to the share of the associate's revaluation surplus.

g) De–recognition of the share of associate's revaluation surplus as explained in b).

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Sustainability Report

Sustainability Highlights

Annual Members Meeting
Our Second Annual Members Meeting (AMM) which brought together over **1,000** NSSF Members

Customer Satisfaction
We achieved high customer satisfaction rating of **83%** compared to 81% in 2013

Interactive Customer Engagement and Communication
Our media positive coverage increased to **81%**

Promoting Employee Equality
Our staff complement is diverse with all major regions of Uganda represented.

Support of local suppliers
Spend on local Suppliers in the year; **Ushs 37 billion**

Health, Safety and well–being
The reported accidents decreased by **28%** from 14 in 2013 to 10 in 2014.

Personal Development and training
Our investment in training increased by **13%**

Graduate Programs
The number of interns in the year increased by **20%** from 50 in 2013 to 60 in 2014.

Economic Contribution
65% of total revenue was distributed to our members as a return on their savings.

65%

Charitable giving
Our total investment in Uganda communities in 2013–2014 was **Ushs 936 million**

Energy and Water usage
We saved **30%** in water and electricity budget costs in the year.

Taxes
Taxes paid to government increased to 78 billion from 69 billion in 2013

UGX 78 billion

Introduction

The National Social Security Fund (NSSF) views sustainability as the development of a culture that promotes an enduring positive connection between our social activities, the communities within which we operate and our pursuit to create tangible wealth for our members. Building and sustaining long–term reciprocal relationships with stakeholders is therefore a key area of focus at NSSF.

In the year 2013–2014, the fund adopted Global reporting initiative G3/G3.1 reporting framework with an effort to measure, disclose and be accountable to internal and external stakeholders.

This report intends to touch upon all significant environmental, economic and social impacts resulting from our activities in the financial year and as such will be structured under three broad headings: Delivering Value to our Stakeholders, Protecting the Environment and Social Responsibility. In this regard, the report covers our most material sustainability issues.

Delivering Stakeholder Value

As a purpose led business, our members, customers, staff and suppliers are central to all that we do and key to our success.

We aim to deliver value to stakeholders in a socially and environmentally sustainable way. We have a programme of regular proactive engagement with our key stakeholders to make sure we listen to and understand their views. This feedback informs our services and procedures. We are building an inclusive, safe and supportive work environment for colleagues; fostering customer loyalty and satisfaction through our customer service; and working with our suppliers to develop mutually beneficial relationships that deliver improved economic, social and environment benefits.

Members

NSSF is mandated by the NSSF Act to provide social security benefits to members of the private sector in Uganda. Our members include employers whom we regard as primary customers and employees who are our secondary customers. The basis for this distinction is that the critical interface for delivering our social security benefits is the employer, without whose cooperation the employees may be denied their benefits. As a public institution charged with collection and investment of members' savings over the long term, we have a responsibility to preserve our members savings and consistently provide them competitive returns for their retirement and/or other social security benefits.

Our approach in 2013–2014

Meeting the needs of our customers is a key aim of our business and our strategic approach is focused on achieving high levels of customer satisfaction and addressing complaints satisfactorily. We track customer satisfaction across our business, and use customer satisfaction scores as one of our five business key performance indicators where each staff member is evaluated. We are reflecting on what we have learned from recent engagement with customers and using this to continuously reinforce our purpose and strategy. What follows are key interventions and indicators with respect to our efforts to enhance sustainability in the delivery of value to our customers.

Annual Members Meeting

At NSSF we put customers (employers and employees) at the forefront of our business. During the year 2013–2014 we held our Second Annual Members Meeting (AMM) which brought together over 1000 NSSF contributors, employers, and workers unions' representatives, government representatives and members of the public. The AMM provided a transparent platform for the Board of Directors to report on the performance of the fund, to communicate plans for the future and to receive feedback in an interactive forum.

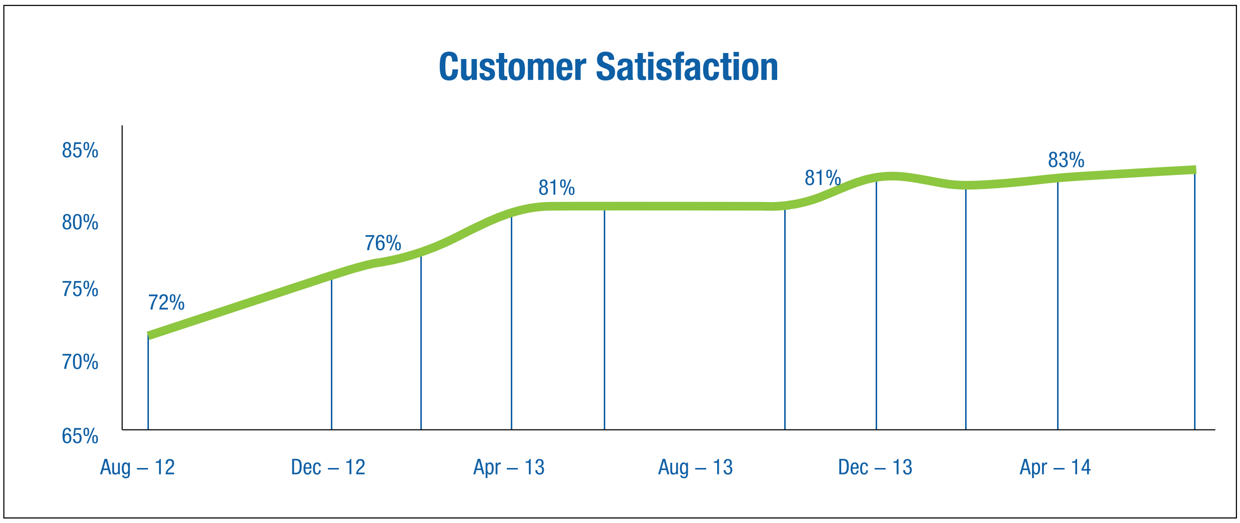
The Board Chairman, Mr Ivan Kyayonka and NSSF Managing Director, Richard Byarugaba pose with the winners of the complaince Awards.

Member Rewards

We recognize that compliance of employers in paying their employees' contributions is a critical input in sustaining our business and preserving the value of our members' savings. Rewarding compliant employers therefore formed part of our key activity in our overall effort to deliver value to our stakeholders. This year the top award for compliance went to Centenary Bank. We remain committed to rewarding our members for their compliance in a way that is sustainable for our business and provides value to members.

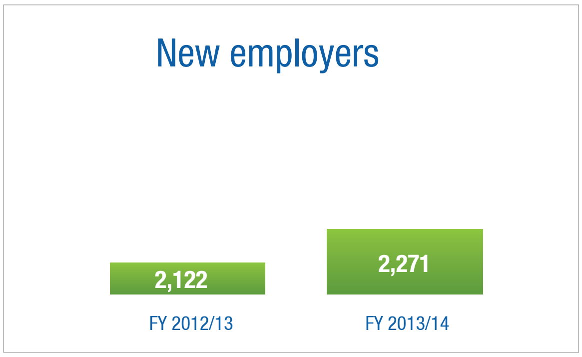
Customer Satisfaction

In today's fast changing environment, we appreciate that achieving and sustaining high levels of customer satisfaction will require greater innovations in our product offering and a higher level of empowerment to the customer in investment decisions – all of which are embedded in our long–term strategic objectives. In any event, the increase in customer satisfaction ratings demonstrates improved sustainability in delivering value.



Trend in Customer Satisfaction Rating, NSSF

Our Customer satisfaction rating improved to 83% in April 2014 from 72% in July 2012. This is attributed to a number of factors including improved turn–around–time in payment of members' benefits, competitive interest rates paid to members and improved quality and consistency in service delivery. The improved results are also attributed to our continued emphasis on training of our customer service officers.



Employer and Employee growth over the past year

We have maintained a healthy growth trajectory in the number of new employers registered with NSSF for 2013–2014 compared to the 2012–2013 financial year. Registration of new employees has also gone up steadily by more than 3% in this financial year.

The growth in our customer base is vital in terms of enabling us to generate the funds that we invest which we eventually return to our members as interest on their savings. Although NSSF may be described as a monopoly, we apply a commercial model for customer growth which is based on developing and building client relationships with employers and driven by our relationship managers. Our relationship managers to relationship manager to employers' ratio has improved from 1:1:220 in 2012–2013 to 1:1:100 in 2013–2014 supported by a network of 20 branches across the country. Supporting the branches are various outreach centres spread throughout the country which increased from 52 in 2013 to 132 in 2014.The outreach centres help us to stay in touch with our customers and increase overall accessibility to our stakeholders.

Interactive Customer Engagement and Communication

Social Media has also proved to be a powerful learning tool for us because it offers real time feedback on our customer demands allowing us to respond with innovative solutions. During the year 2014 our media positive coverage increased to 81% from 68% in 2013.

We have significantly enhanced our social media footprint which we employ to help us address customer complaints and make our members feel genuine stakeholders in the affairs of our business. We now carry out a significant number of our customer satisfaction surveys online and through social media as this way it is easier to encourage them to get involved in issues that concern them and our own marketing campaigns related to social security. In our efforts to become more responsive to our customer demands, we have retrained frontline teams to ensure that they are better equipped at finding the correct solutions for our customer needs.

In addition to the 20 dedicated branches country wide with associated outreach centre, the Fund, over the five years, has introduced additional Interactive electronic service delivery channels that enable you track your savings anytime, anywhere.

NSSF GO

easy | instant

Track your savings instantly

So easy, you'll always want to know

Go Mobile App
Download the **NSSF Go** App

Go e–Statement
www.nssfug.org

Go *254#
Dail *254#

*To get started, request for a PIN or password by sending an sms to 6773 or email to customerservice@nssfug.org

NSSF
a better life

Customers Connect Week

During the year 2013–2014 we invested Ushs 368,269,740 in our third annual Customer Connect Week (CCW) with a theme of "making a difference". It is a week dedicated exclusively to engaging with our customers the contributors (members) and is characterized by creativity, generosity, professionalism and humour. The idea is to help non–frontline customer service staff (such as several senior managers and technical staff) to become well acquainted with the issues the NSSF customers' service team face daily in dealing with real customers and real cases. The objectives of holding the customer connect week include:

- Demonstrating commitment to provide great customer service and quality products to customers
- Demonstrating our appreciation for the business the customers are providing us
- To build emotive loyalty among existing customers and attract new customers
- To recognize staff as internal customers and appreciate their contribution to make external customers happy

Customer service team pose with Mr. and Mrs Fred Katumba after winning a bicycle during the Customer Connect Week.

Our Employees

Workplace satisfaction and productivity can be enhanced when individuals feel they are part of an inclusive environment, where their contributions are recognized and valued, and where they feel supported and motivated to do their best. Not only are highly engaged staff more likely to find satisfaction and enjoyment in their work, but they are also likely to act as advocates for their employer and deliver higher levels of customer service.

Our approach in 2013–2014

We aim to be an exemplary employer, as measured through our employee engagement score, one of our key performance indicators. Our Vision to be the social security provider of choice is only achievable if we reach our aspiration to be the employer of choice as well. A work place that provides excellent opportunities for career progression, a culture that recognizes individual needs and encourages accountability and team work are key to achieving this goal.

Promoting Employee Equality

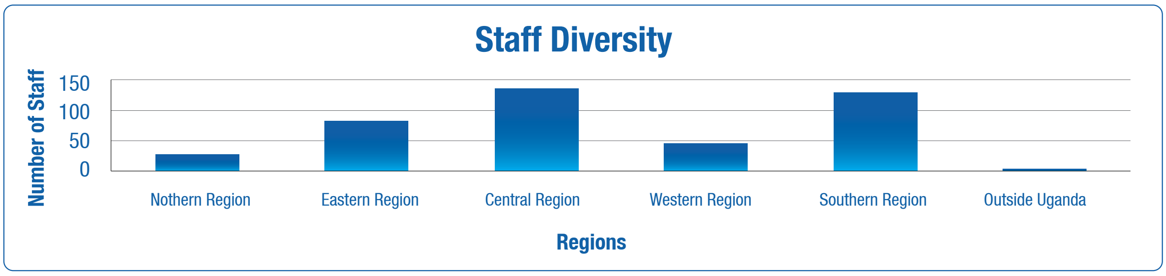
We aim to serve as many communities as possible by establishing a physical presence throughout the country. Guided by our employee, board and membership diversity policies, we aim to build a diverse work force that represents as many communities as possible.

Our efforts in delivering value to our customers have been recognized as shown by the various awards we received.

Acting MD Geraldine Ssali (with the trophy) and a team from NSSF, Finance Minister Maria Kiwanuka, Vice President Edward Ssekandi and the Superbrands East Africa Project Director Jawad Jaffer at the Superbrands East Africa Tribute Event, June 19, 2014.

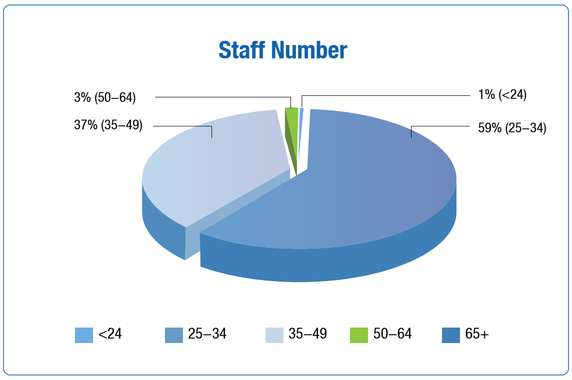
The Awards recieved were:

Super Brand Award 2014
Digital Impact Award – Best Corporate website
International Social Security Association 2014 – Good Practice Award
Financial Reporting Awards 2014 – First runner up Public Sector



Staff Representation by region

Our staff complement is diverse with all major regions of Uganda represented. NSSF has a strict policy that shuns any form of discrimination including on the basis of sex, tribe and/or religion.



Staff representation by age

Majority of our employees are between the age 25–34 years. Having such a large number of young talented individuals provides a more energetic and dynamic work force to our business.

Staff Engagement

Employee engagement is a broad measure of staff commitment and motivation at work. High levels of engagement help us attract and retain talent, deliver our goals and objectives, and help colleagues feel involved in the things that matter to them at work. In 2013–2014 we worked with an external partner to establish a baseline score for employee engagement and satisfaction. The survey indicated that the Overall satisfaction towards performance management stood at 68%, a benchmark against which we are aiming to increase customer engagement and satisfaction in the long–term.

In any case, the high response rate of 93% showed that our staff are interested in their welfare and work environment and get involved in setting performance targets that are aligned to the organization's strategic goals. This is further a demonstration that NSSF is committed to providing an excellent working environment for its employees.

Employee Communications

Maintaining open channels of communication amongst members of staff is an ingrained part of the NSSF culture. NSSF has established several communication platforms to encourage employees to "speak", including online, Conference calls, print and face–to–face communication. The intranet is the focal point of our communications with daily updates on what is happening across NSSF in Uganda and in the region.

Staff Relations

Effective relationships with the recognized trade unions who represent our employees play an important part in our approach to improving employee relations. Through consultations, trade unions help us to support staff affected by organizational changes and to ensure that change programmes are managed fairly and consistently During 2013–2014 we paid Ushs 11,857,519 as union dues for our staff. We encourage employees to become members of any recognized trade unions. The right of employees not to join a trade union is also respected.

Employee Reward

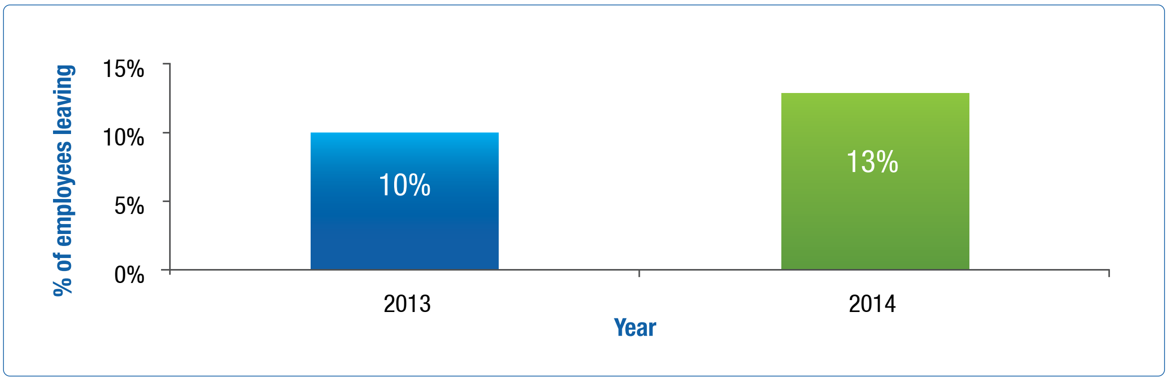
The fund provides benefits in line with the market practice and regulatory requirements. We provide medical insurance cover and death benefits to all fund employees and their dependents. In addition, a retirement benefit scheme "staff Provident Fund" is provided to all the non–executive staff as well as a "Gratuity Scheme" for the executive staff (EXCO). The reward structure at NSSF also includes a performance bonus scheme and is designed with the important objective of attracting and retaining talent.

Retention of high performing employees is our major concern to encourage a culture of excellence within the fund. The organization allocates allowances to employees who have stayed with the organization for more than 10 years in form of awards to appreciate their loyalty. The organization furthermore gives outstanding achiever awards to recognize exceptional employee performance and achievement.

Controllable employee turnover

The costs associated with high levels of employee turnover can be significant, not only in monetary terms but also in terms of loss of skills and knowledge, consequent reduction in productivity as well as the cost of recruitment, all of which impact negatively on our strategic objectives. We therefore try to keep employee turnover level at an absolute minimum. The increase in turnover that we witnessed in 2013/14 was largely occasioned by events outside the control of the organization and the matters pertaining have been effectively addressed.

Employee Long Service Incentive



Change in Employee Turnover

Employee Succession Planning

Our performance culture reiterates the importance of succession planning and internal promotion. The NSSF People Development and Succession Planning Framework for senior management staff has been implemented since 2012. In view of our rapid development and increasing complexity of business requirements, we aim to help strengthen and develop the strategic leadership skills of senior management. In 2014 two members of executive management were nominated to attend the CEO apprenticeship programme in Nairobi.

Corporation secretary Mark Obia in the Centre receiving a certificate for completing CEO apprehentiship.

Employee Performance Management

Our performance management process aims to ensure that all employees know what they have to do, how to do it, what development and support they will get and how they will be rewarded and recognized for their achievements. NSSF has taken the important step of automating performance management by introducing a system that tracks organization and employee performance in real time. Through the system, alignment of individual and corporate objectives is achieved.

Health, Safety and well–being

We strongly believe a safe and healthy work place is a precondition for sound mentality of employees in order to deliver desired services to valued customers. The fund is therefore committed to ensure modern, healthy and safe work place for its employees. All our branches and every department of the corporate office is benefiting from a healthy ambience characterized by air conditioning, provision of security and hygienic environment.

In 2013–2014 we continued to provide medical insurance, group insurance and travel insurance to our staff members. In addition to the 60 working days maternity leave for all mothers, the fund also provides a breast feeding hour every working day for the six months after a mother resumes work after child birth.

During the year the reported accidents decreased from 14 in 2013 to 10 in 2014.The Fund also introduced external counselling services for our staff. Staff can now access face to face counselling in appropriate cases from Case hospital and SAS medical clinic.

A fire evacuation drill was conducted during the year through the efforts of our Security Manager in partnership with Uganda police to prepare employees for contingencies involving fire.

Personal Development and training

Our success has been and will continue to be highly dependent on the performance and accountability of our youthful team. During the year 2013–2014 we intensified the training provided to our employees so as to equip them with relevant skills and knowledge to adapt to ongoing changes within the Fund.

We provide our staff with training and development opportunities including professional courses and non–professional courses. During the year 2013–2014 our investment in training increased by 13% from Ushs 845,245,232 in 2012–2013 to Ushs 955,127,112 in 2013–2014.

Graduate Programmes

NSSF's policy of developing the employee capacity of the youth continued and was executed through a vibrant and competitive internship programme, which helps us to tap into talent emerging from tertiary institutions. During 2013–2014, we took on 60 interns compared to 50 in 2012–2013. Our aim is to boost their employability by giving them real life experience of the work place. Our internship policy ensures that all functional units of the Fund are covered thereby ensuring both depth and breadth in the profile of interns we take on. The interns are also given tasks and assignments that enhance their future career development.

New Interns undergoing induction

Our Economic Contribution

NSSF continues to make an immense contribution and impact on Uganda's economic frontier. The Fund is the largest investor in Uganda's bond and equity markets and has a large footprint in the real estate market. These investments, and the returns they generate, additionally contribute to Uganda's fiscal revenue by way of various taxes paid, not to mention interest paid to members, salaries of our employees, and payment to suppliers of goods and services provided to the Fund.

Year Ended 30 June 2014	2014 Ushs'000'	2013 Ushs'000'	2012 Ushs'000'	2011 Ushs'000'	2010 Ushs'000'
Investment Income	494,328,407	393,224,896	276,396,119	147,117,983	136,642,562
Other Income (Loss)	42,027,939	57,219,215	5,942,111	(182,838)	(1,908,159)
Net Increase in Value of Investments	60,992,672	41,362,642	47,587,347	11,218,144	63,953,061
Less Expenses (Excluding staff costs & Depreciation)	(34,172,730)	(42,811,764)	(23,527,993)	(30,313,723)	(18,328,845)
Wealth Created	563,176,288	448,994,989	306,397,584	127,839,566	180,358,619
Distribution of wealth created to stakeholders (Amounts)					
Members (Interest credited to accounts)	365,842,850	281,397,243	196,964,777	94,843,924	89,157,922
Employee Salaries, Wages and Other benefits including	29,559,137	28,951,693	27,186,409	24,315,576	23,581,719
Government Direct Tax	78,297,276	69,616,573	37,462,230	18,179,113	20,117,646
Retained Earning for Future growth	86,573,828	63,211,413	37,791,236	(13,410,622)	41,974,294
Distribution of wealth created to stakeholders (Percentage)					
Members (Interest credited to accounts)	65.0%	63%	64%	74%	49%
Employee Salaries, Wages and Other benefits including	5%	6%	9%	19%	13%
Government Direct Tax	14%	16%	12%	14%	11%
Retained Earning for Future growth	15%	14%	12%	–10%	23%

NSSF Value–added Statement

Our value added statement shows, at a high level, the wealth created by the Fund and how it was distributed among the key stakeholders. The stakeholders include the members, government, and NSSF employees. The fund retains some funds to re–invest for the future growth and operation;

Ushs 365 billion was distributed to our members as a return on their savings in 2014 compared to Ushs 281 billion in 2013.

Ushs 29 billion was paid as salaries and wages to our staff in 2014 compared to Ushs 28 billion in 2013.

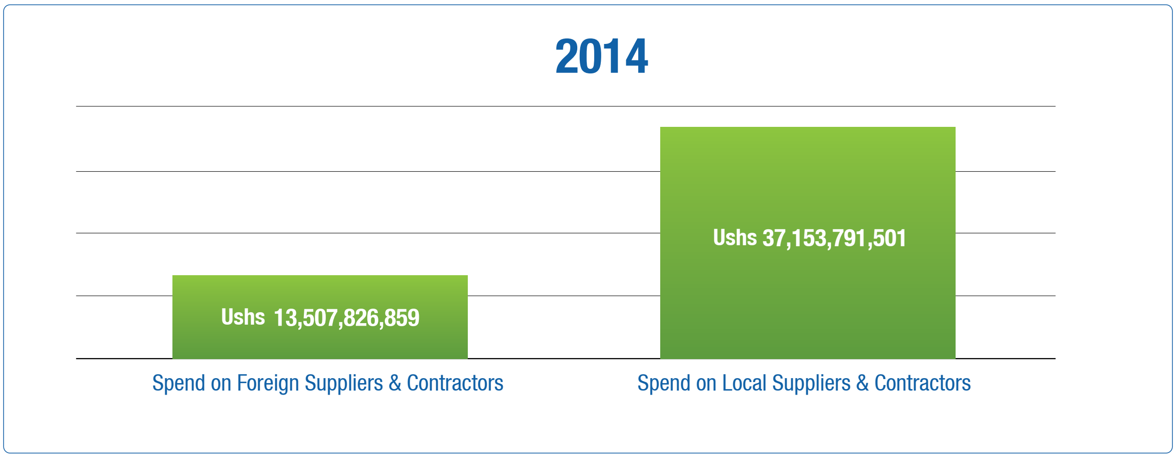
Ushs 78 billion was paid to government as tax in 2014 compared to Ushs 69 billion in 2013.

Our Suppliers and contractors

Suppliers are a key stakeholder for any sustainable business providing both services and products. Through our purchasing procedures we aim to treat our suppliers fairly and we require staff to comply with our conduct manual to ensure our activities are unbiased and responsible.

Support of local suppliers

During the year 2013–2014, our procurement of goods and services was more favorable to local suppliers than foreign ones. Our aim is to support the business in the community in which we do business.



Payments to suppliers compared, local vs foreign

Responsible Purchasing

We require all staff negotiating with suppliers to abide by our code of Conduct with respect to supplier relationships, which includes the need to be professional and unbiased in all dealings, to avoid conflict of interest and maintain confidentiality of information.

Responsible Payment

We aim to pay our suppliers in line with agreed payment terms and our standard terms are 30 days. NSSF is a stakeholder in the PPDA act which encourages the organization to; Pay suppliers on time, give clear guidance to suppliers on payment procedures and encourage suppliers to adopt good practice with regard to their supplier payments.

Our suppliers and Ethics

The process for supplier selection and authorization includes checking the ongoing suitability of existing suppliers including their compliance with statutory regulations such as paying Taxes and NSSF contributions on behalf of their employees. We strictly adhere to the principles of fairness and transparency when evaluating and awarding bids to suppliers of goods and services.

Engagement with Government and Regulators

Compliance of regulatory requirements within our environment is embedded in our organizational strategy under the objective “Enhance Control Environment”. Under this objective, we have key performance indicators that determine and measure how we are performing with respect to regulatory matters. Our performance during the year was rated “satisfactory” with no material regulatory breaches being identified. In spite of this rating, we proactively engage stakeholders to pre–emptively address public perceptions that threaten our status as a law–abiding corporate citizen. During 2014 we had several interactions with Parliament, Ministry of Labour and Gender, PPDA and URBRA on issues including licensing, Investments, procurement and matters concerning the Liberalization bill that was being debated in Parliament.

An important highlight of the year was the securing of a license to continue operations as a retirement benefits scheme, in accordance with the Uganda Retirement Benefits Regulatory Authority Act of 2011.The license is reaffirmation to our customers of our sustainability and also a demonstration of the confidence the regulator has in the fund’s governance.

Our approach towards compliance also includes proactively engaging with our stakeholders about new products and services that we intend to bring to market in anticipation of the passing of the liberalization bill, which is designed in part to introduce more pension products and widen coverage of social security in Uganda.

In all we aim to be open and to become trusted partners with policy makers to find solutions to past failures and current challenges ;and harness future opportunities .We hope to see the government and more importantly the workers as a whole, unite to offer gainful contribution to the upcoming liberalization bill.

Protecting the environment

We are committed to environment best practice as we do our business. Our sustainable approach involves minimizing wastage of resources across our business.

Explosion crater, Queen Elizabeth National Park. Remnant of volcanic activity.

Our approach in 2013–2014

In 2014 NEMA conducted an Environmental impact assessment of our proposed Lubowa Housing estate at Lubowa, Wakiso district. This was in compliance with Regulation 37 of the environmental assessment regulations, Statutory instrument No.13 of 1998. Our environmental objectives for 2014 included; Identifying, evaluating environmental and social risks and impacts of our projects, ensuring that grievances from affected communities and external and communications from other stakeholders are responded to and managed appropriately

We also aim to identify and implement environmentally responsible management practices and operational procedures in order to reduce the overall negative environmental impact of the business.

Energy Usage

In 2014 we re–designed our corporate office, to ensure maximum usage of natural lights, which reduces energy consumption substantially compared to other conventional buildings. We have in place Capacitor power Banks which store energy. During the year we replaced all GI (metallic pipes) with PVC (plastic pipes) in order to prevent leakages. As a result we saved 30% in water and electricity costs compared to budget.

The following initiatives were undertaken during the year to save on energy;

- Replacing the halogen lamps with energy saver lamps
- Upgrading to LED lighting system
- Installing motion sensors
- Alternating switching on/off of Air conditioning plants as a way of minimizing energy
- Sensitizing staff to switch off lights after work

Paper Usage

Our paper usage in 2014 was 268,720 grams which has remained constant from 2010.

Our use of the electronic mail system has substantially reduced paper consumption thereby addressing the adverse effects of deforestation.

We aim to minimize usage of paper my encouraging our staff to print on both sides of the page. We fur–ther more encourage them to use emails as a way of sharing information.

Compliance with applicable laws and regulations

During 2014, NSSF has not faced any penalties for non–compliance with applicable laws and regulations concerning the impact of its operations on the communities and environment.

Social responsibility

Social responsibility lies at the heart of NSSF’s approach to business. We have both a responsibility and an opportunity to have a positive social impact. This is why we are investing in and supporting communities across Uganda

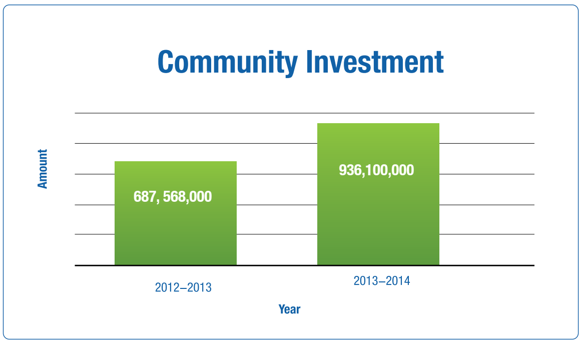
Building Our Community

The Fund’s Purpose goes beyond success in business. Our various social initiatives in education, livelihood activities, environmental and infrastructure development in the region forms part of our commitment to promote community engagement.

Our approach in 2013–2014

During the year we have reached out to thousands of community members all over the country. These include hospitals, schools, and different youth projects.

The CEO New Vision Group, Mr. Robert Kabushenga handing over sewing machines to Kireka School of Disabled during the Customer Connect Week



Spend on Community Investment

Awarding Children of Uganda at the Torch awards

Our total investment in Uganda communities in 2013–2014 was Ushs 936,100,000. This included investment throughout Uganda targeting education, health and youth development programmes.

Torch Awards

NSSF Torch Awards is an annual Corporate Social Responsibility (CSR) initiative that was launched by the Fund in 2012 to recognize individuals and institutions that are transforming lives and communities in the areas of Education, Youth, Health and disadvantaged groups in our communities.

Corporate Relationships

NSSF KAVC International

During the year 2013–2014 we held our sixth KAVC tournament. The tournament hosted international teams across East Africa that Included; Burundi, south Sudan, Rwanda and Kenya. The tournament offers the youth an opportunity to play an international tournament. Our sponsorship is in line with the Fund's corporate social responsibility policy to contribute to the betterment of the society in which we do business. This support is premised on the notion that when these teams participate in international competitions, they are representing the country. It is therefore in order that we make a contribution to make our teams better so that they can fly the Ugandan flag high.

NSSF a lead sponsor of the KAVC Tourney

Richard Byarugaba, the Managing Director, taking part in the blood donation drive of NSSF

A Patient recieving treatment during the NSSF annual sponsored dental camp.

NSSF Blood drive in partnership with Uganda Blood Transfusion Services and Ministry of Health

In an effort to bridge the current shortage of blood and save lives, NSSF partnered with Uganda Blood Transfusion services under the Ministry of Health during the year.

The fund believes in contributing to the wellbeing of the society for a better future. In 2014, we held our sixth annual blood donation week in which our staff donated over 2,370 units of blood. The drive aimed to ensure that our people are aided to live productive lives by supporting their health.

Mulago Dental School and Rotary Club of Kampala

During the year we partnered with Mulago dental school to run our third annual dental Camp in which we targeted 1,500 patients from Kampala and the surrounding areas. A team of 12 doctors and nurses were on hand to examine, treat and sensitize the patients. Our aim was to improve the lives of Ugandans.

Uganda Revenue Authority

During the year NSSF partnered with Uganda revenue authority in collecting tax by being a withholding agent. We withheld Ushs 2,072,449,607 from our suppliers.

NSSF Career Expo

The fund partnered with Bridgehead during the year 2013–2014 to conduct our second annual career week. As part of our corporate social responsibility to University students from whom we recruit our Interns. In order to empower them with much needed skills that they will use at the workplace. To give career guidance to the students in readiness for the Labour market and to also identify, sensitize and register future members of NSSF about the benefits of social security, so that as soon as they get employed, they can begin to save for their retirement.

The theme during the career fair was to "Discover the dynamics of employment". The universities that participated included; Makerere University, Kyambogo University, Nkumba University, Uganda Christian University Mukono and Makerere Business School.

...To give career guidance to the students in readiness for the Labour market...

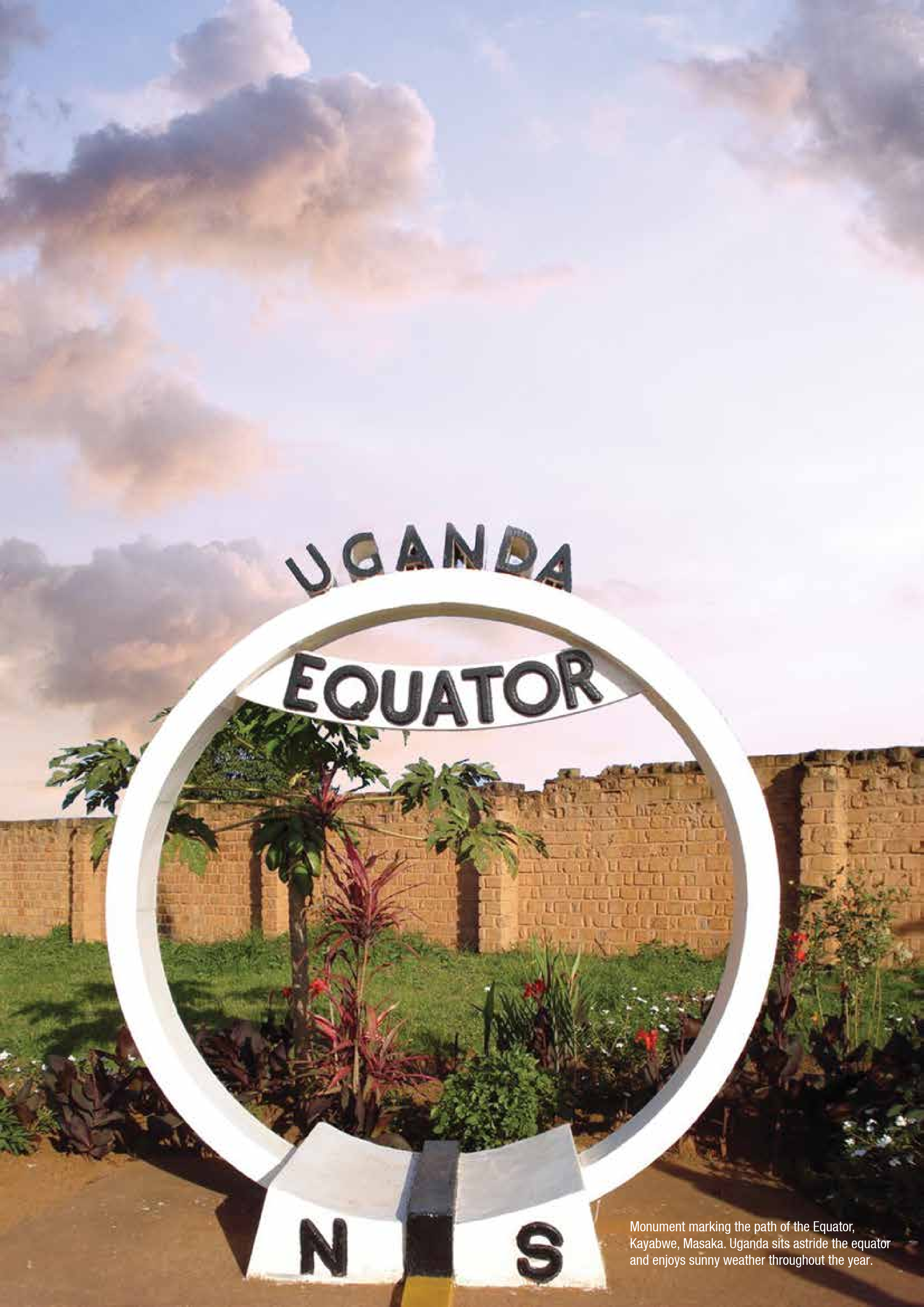
A series of soft skills and professional development workshops were run during the week, preparing students for the work environment and also giving them an opportunity to know about the different companies.

Kampala Capital City Authority

During the year National social security fund partnered with Kampala Capital City Authority to commemorate the international women's day for 2014 under a theme of "partnership with men and boys for empowerment of women and girls". This was done with the objective of engaging a wide spectrum of members of the public and promoting our brand.

Federation of Uganda Employers

We partnered with federation of Uganda employers to hold employer of the year 2013 awards dinner. This partnership is one of our key stakeholder engagement initiatives and helps us to reach the unregistered employers. The awards are meant to recognize employers that have excelled in various human resource practices and bring together over 200 employers.



Monument marking the path of the Equator, Kayabwe, Masaka. Uganda sits astride the equator and enjoys sunny weather throughout the year.

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