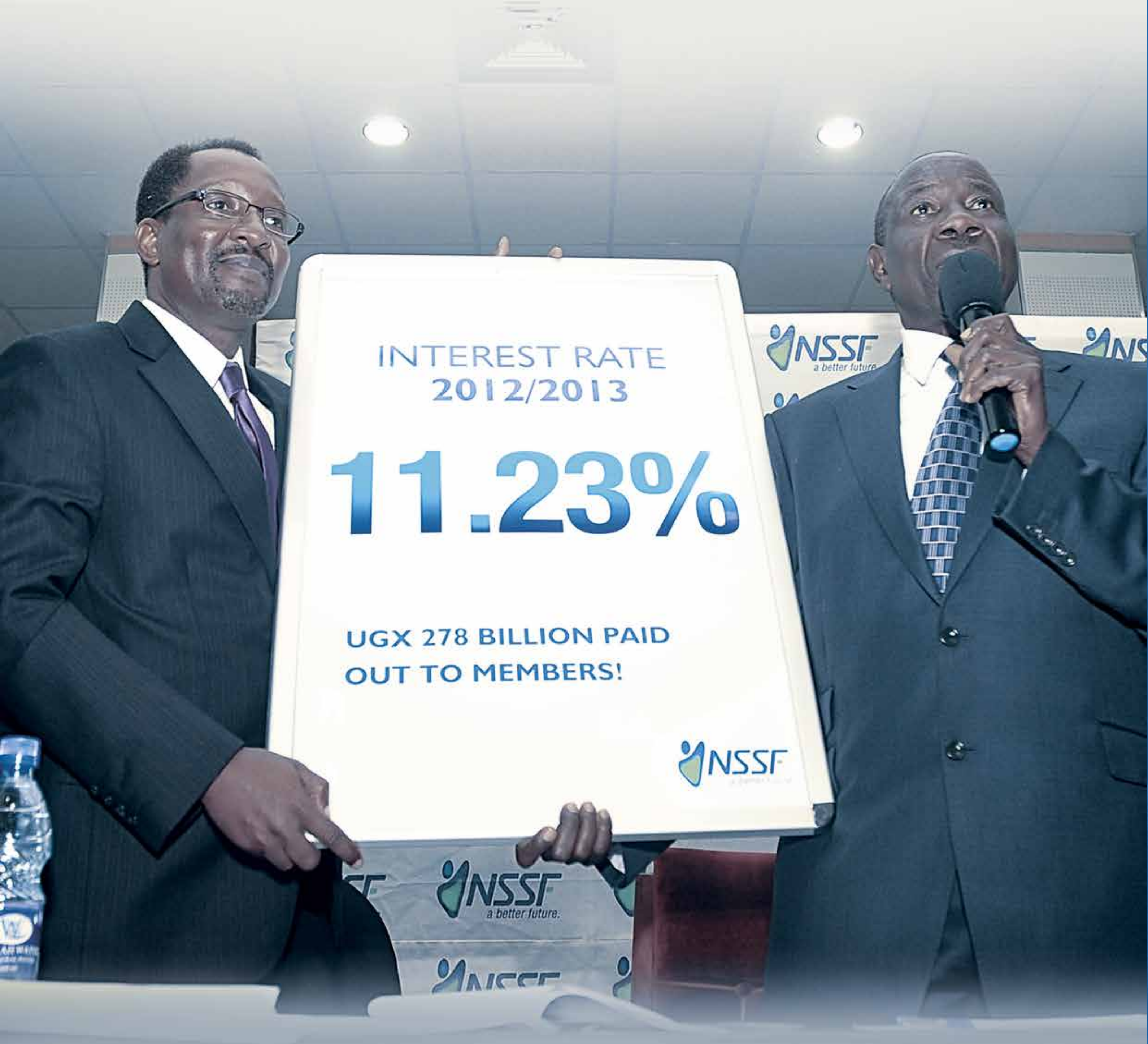
National Social Security Fund

Annual Report 2013

Stability. Growth. Prosperity

NSSF
a better future.



State Minister of Finance(Planning) Matia Kasaija (R) joins NSSF Managing Director Richard Byarugaba (L) to announce the 2013/14 interest rate on savings.

Contents

Umeme General Manager Sam Zimbe (R) hands over a dummy cheque to NSSF Managaing Director Richard Byarugaba (L).The cheque was for dividend payments from the purchase of IPO shares.

Vision
Mission
Values

Vision, Mission & Values

At NSSF everything we do is inspired by our vision, mission and values

Vision
To be the social security provider of choice

Mission
To secure a better life for our growing membership by;

- Providing quality products,
- Great customer service
- Offering competitive returns in a transparent and efficient environment

Values
Our core values are customer centricity, innovation, integrity, team work and efficiency.

Corporate Profile

Corporate Profile

National Social Security Fund (NSSF) was 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 Act made the Fund a statutory body. Currently, the Ministry of Finance, Planning and Economic Development is responsible for the policy oversight of the Fund. Following Uganda Retirement Bene–fits Regulatory Authority (URBRA) Act 2011, NSSF will be forthwith regulated by URBRA.

Coverage
NSSF caters to 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%.

NSSF Business

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, Facebook 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 invest–ment 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.

Payment of Benefits
NSSF administers and pays 6 types of benefits to contributing mem–bers 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 em–ployment. 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 recognised 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 cumu–lative contributions and interest earned throughout the contributing period.

Corporate Information

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 AUDITORS

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

BANKERS

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

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

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

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

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

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

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

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

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

Crane Bank Limited
Plot 8 Kampala Road
P. O. Box 22572
Kampala

ADVOCATES

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

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

Nangwala, Rezida & Co. Advocates
Plot 719 Buganda road next to Buganda Road Magistrates Courts Block B Suite B5/B6
P. O. Box 13004
Kampala

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

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

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

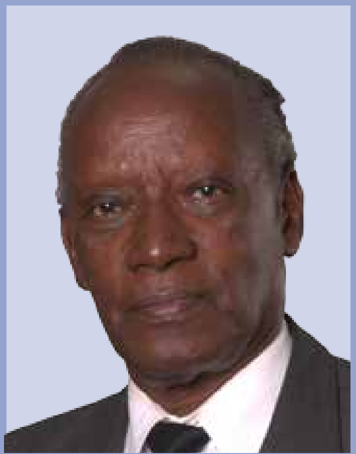
Ligomac Advocates
5th floor Western Wing,
Social Security House
P. O. Box 8230
Kampala

Board of Directors

Ivan Kyayonka
Chairman

Christine K. Guwatudde
PS, Ministry of Gender, Labour & Social Development

Christopher Kassami
PS, Ministry of Finance, Planning & Economic Develpopment



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

Senior Management Team

Richard P. Byarugaba
Managing Director

Mrs. Geraldine S. Busuulwa
Deputy Managing Director

David Nambale
Corporation Secretary

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

George Kyarikunda
Head of Administration

Edward Ssenyonjo
Ag. Head of Risk

Joyce Kasirye
Ag. Head of Human Resource

Executive Committee

Richard Byarugaba
Managing Director
FCCA
Bsc. (MUK)
Joined NSSF in September 2010 in this position

Geraldine Ssali
Deputy Managing Director
Associate CIMA, UK,
MBA (Finance),
University of Manchester, UK, Bsc (MUK).
Joined NSSF in February 2011 in this position

David Nambale
Corporate Secretary
Masters of Law, (University of Kent, UK)
Dip. LP (LDC), Cert. Development Lawyers
LLB. Hons. (MUK),
Joined NSSF in June 2010 in this position

Patrick Ayota
Chief Finance Officer
Bsc – Liberty, University, Virginia
MBA –University of South Califonia, 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.Coms Hons
ACCA Fellow and Member of ICPAU
Joined NSSF in May 2011 in this position

Stevens Mwanje
Head of Commercial
FCCA
PGD. Management, Leicester University, UK
BA. Hons. (MUK).
Joined NSSF in February 2010 in this position

NB: ExCO (Executive Committee)

Collin Babirukamu
Head of Information Technology
Microsoft Certified Professional
I.T Project Management Certificate (UNISA)
B. Computing (MUST)
Joined NSSF in November 2007 appointed to ExCo in July 2011

Geofrey Barigye
Head of Internal Audit
Member of Institure of Internal Auditors
MBA (MUK)
B.Com (MUK)
Joined NSSF in April 2001 and appointed to ExCo in May 2008

Olive B. Lumonya
Head of Markering and Communications
Chartered Marketer – Chartered Institute of Marketing UK.
Member of the Chartered Institute of Marketing, UK
Joined NSSF in July 2004 and appointed to ExCo in May 2012

George Kyarikunda
Head of Adminstration
MA. Development Studies (UMU)
BA (MUK)
Joined NSSF in May 1998 and appointed to ExCo in July 2007

Edward Senyonjo
Ag. Head of Risk
ACCA (UK)
B Com (MUK)
Joined NSSF in September 2010, Appointed Ag. Head of Risk in June 2012

Joyce Kigozi Kasirye
Ag. Head of Human Resources
BA Education (MUK)
MA Sociology (University of Nairobi)
Dip. Human Resource Management (Kenya Institute of Management)
Joined NSSF in October 2010 and appointed Ag. HHR in May 2010

Chairman`s Statement

Chairman's Statement

I am pleased to report that NSSF delivered a good performance during the financial year 2012–13.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 environment in which we operate determines the feasibility of the Fund and therefore, the Board keeps up–to–date of the key social and economic developments affecting business activity. During the year, Uganda's economy improved in the year with GDP at 5.8% up from 3.4% the year earlier. This recovery in economic activity was facilitated by a fiscal and monetary policy stance focused on containing inflationary pressures, while ensuring debt and exchange rate stability, thus providing an enabling macroeconomic environment for growth.

NSSF financial performance highlights

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

- Total comprehensive income net of tax increased 44% to UGX 344.7 billion up from 238.8 billion the previous year
- The total asset base increased 27% to UGX 3,481 billion from 2,743 billion
- Member contributions grew by 15.6% to UGX 555.9 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 38% increase to from UGX.101 billion in 2012 to UGX 140 billion in 2013. In volume the number increased 30% to 12,486 up from 9,598 benefit claims
- Interest to members was 11.23% up from 10%
  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;
- Conclude past litigation cases– Alcon, Nsimbe & Temangalo
- Support the harmonization of the enabling legislation to cater for the various stakeholder interests
- Comply 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

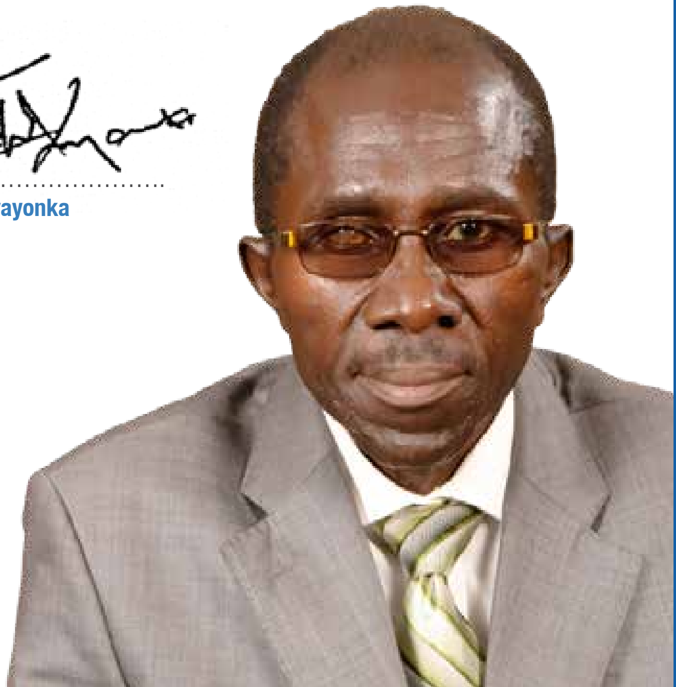
These committees meet regularly to ensure that the Fund achieves its strategic objectives. Over the year the board effectively met those objectives.

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 2013. We strive to serve you with the same level of commitment moving forward.

Mr. Ivan Kyayonka
Chairman



Managing Director's Report

Managing Director's Report

Managing Director's Report

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 customer satisfaction rating of 72% against a target of 60%. 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 12.4% against a target of 10.2% and the expense asset ratio was 2.2% against a target of 2.1%.

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 12.

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.
In compliance with the regulatory requirements, the Fund applied and obtained a provisional license from the Uganda Retirement Benefits Regulatory Authority (URBRA). We are course to meeting the conditions to obtain a full license by the timeline set by the URBRA.

Secondly, new member benefits are being developed these include voluntary contributions and home ownership. We await the framework from the regulator on how these should be structured. Financial literacy and Club 55 have also been identified as value added services for the NSSF members.

Five year Performance Review

The five year performance review show that the strategy we adopted is paying off. By all measures, Fund performance has significantly improved.

Five year Performance Review	2013	2012	2011	2010	2009	2012/2013 Variance
Income Statement (UShs'M)						
Profit before income tax	412,916	276,300	102,033	151,250	(5,142)	49%
Profit for the year	343,300	238,837	83,854	132,202	(19,779)	44%
Financial Position (Ushs' M)						
Total assets	3,481,170	2,742,964	2,128,948	1,703,911	1,336,743	27%
Investment in securities held to maturity	1,990,126	1,386,295	591,277	315,446	349,890	44%
Deposits with commercial banks	731,954	686,151	952,510	798,568	548,235	7%
Investment properties	169,905	385,583	317,467	303,007	250,548	–56%
Equity Investments	153,852	78,292	93,471	93,040	68,103	97%
Accumulated members' funds	3,322,576	2,621,223	2,071,024	1,659,794	1,339,653	27%
Financial Performance (%)						
Return on average investment	12.4%	12.3%	7.7%	12.4%	7.6%	1%
Cost Income Ratio	15.4%	16.3%	36.5%	23.9%	55.2%	–5%
Expense ratio	2.2%	2.0%	2.8%	2.8%	4.1%	11%
Member's Fund Statistics (Ushs' M)						
Contributions collected	555,892	472,861	388,125	294,163	262,998	18%
Benefits paid	140,052	101,376	79,422	63,696	41,057	38%
Return on member's Fund	281,397	196,965	94,844	89,158	31,360	43%
Return on member's Fund (%)	11.23%	10.0%	6.0%	7.0%	3.0%	12%
Compliance level (%)	72%	69%	49%	–	–	4%
Benefits processing time (days)	10	36	16	–	–	–72%
Customer Satisfaction Rate (%)						
Internal customers (staff)	65%	61%	60%	–	–	7%
External customers (members)	72%	49%	–	–	–	47%

Appreciation

I wish to acknowledge the contribution of the Board of Directors and staff 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."

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Mr. Richard Byarugaba
Managing Director (CEO)

Corporate Governance Statement

This corporate governance statement sets out the governance framework adopted by the Board of Directors of the Fund and highlights the key activities during the year.

In its approach to governance, the Board embraces best practice principles based on the understanding that sound governance practices are fundamental to earning the trust of her stakeholders. This is critical to sustaining the Fund's success and preserving member's value. In the year under review, the Fund complied with all applicable laws, rules, regulations and guidelines on corporate governance.

The Fund's governance framework enables the Board to fulfil its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and risk tolerance. It also provides the parameters for delegating its authority.

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 and is committed to complying with legislation, regulations, and codes of best practice 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 structure and composition

The Board is the Fund's highest decision–making body and is ultimately responsible for governance. It performs its functions in consultation with the Minister responsible for Social Security. Tripatism has been adopted in the composition of the Board with Employers, Employees and the Government represented on the Board. Employees are represented by the Workers Unions under their umbrella bodies of COFTU and NOTU, while the employers are represented by The Federation of Uganda Employers.

The Fund has a unitary Board structure and the roles of Chairman and Chief Executive are separate and distinct. The Chairman is an independent non–executive Director. There are 10 Board members, 9 of whom are non–Executive Directors. The sole Executive Director is the Managing Director. This is to ensure that the Board is independent of management. The Board at its discretion may acquire the services of an expert to advise them on some technical issues.

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 Meetings

The Board meets on a monthly basis with additional meetings held when necessary. During the year 19 full board meeting were held and below is the attendance:

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 FULL BOARD

No.	Name Director	12–Jul–2012	13–Jul–2012	26–Jul–2012	3–Aug–2012	8–Aug–2012	18–Sep–2012	21–Sep–2012	28– Sep–2012	12–Oct–2012	18–Oct–2012	29–Nov–2012	18–Dec–2013	1–Feb–2013	26–Feb–2013	22–Mar–2013	28–Mar–2013	3–May–2013	20–Jun–2013	25–Jun–2013	Meetings attended out of 19 Meetings held
1	Mr. Ivan Kyayonka (Appointed 01/06/12) Chairman	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	19
2	Mr.Richard Bigirwa (Reappointed 01/06/12)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	19
3	Mr. Christopher Kahirita (Reappointed 01/06/12)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	19
4	Mr. Christopher Kassami (Reappointed 01/06/12)	X	X	X	A	A	A	A	X	X	X	X	X	A	X	X	A	X	X	A	7
5	Mrs. Christine G Kintu (Reappointed 01/06/12)	A	A	X	A	X	X	A	X	A	A	A	A	X	X	A	A	A	X	X	11
6	Mrs. Agnes Kunihira (Appointed 01/06/12)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	X	A	A	X	17
7	Mr. Henry Mukasa (Appointed 01/06/12)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	19
8	Mr. Musa Okello (Appointed 01/06/12)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	19
9	Mrs. Sarah Walusimbi (Appointed 01/06/12)	A	A	A	A	X	A	A	X	A	A	A	A	A	A	A	A	A	A	A	17

KEY
Attended   Not Attended with Apology   Not Yet Appointed

Board Performance and Effectiveness

During the year, the board delivered on the following

1. 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.
2. Resolved that unallocated members funds balances amounting to UGX.24.4 billion be transferred to the reserve account and be ring fenced until the owners are identified. This issue had been a long standing audit issue and caused the qualification of the financial statements in some years.
3. Approved NSSF participation in the UMEME IPO. We acquired an 8% stake at UGX.275 per share and by reporting date this had appreciated to UGX.359 per share.
4. Approved the development master plan for the 565 acres of land in Lubowa acquired in 2003.
5. Resolved to outsource the procurement function for supplies valued over USD 2.5 million. This decision was taken to enhance confidence in the procurement process.
6. Approved theTerms of Reference and reporting framework for NSSFs representatives in investee companies.
7. Approved revised approval thresholds for tactical trading in equities. The thresholds were lowered in order to streamline the investment process.
8. Approved the appointment of a Brand & Marketing Manager, Equity Investment Analyst and also extended the contracts of the Head of Operation and Head of Internal Audit.

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:

The Board attended the following trainings during the year

- A workshop with critical stakeholders, including Ministry of Finance, Planning and Economic Development, Workers Unions and the Uganda Retirement Benefits Authority on proposals to amend the NSSF Act and the Fund's roadmap to comply with URBRA
- A workshop on international trends in corporate governance and integrated reporting organized by the Institute of Internal Auditors Uganda.
- Study Tour of NSSF Kenya and the Fund Managers

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 con–trols, internal and external audit and regulatory compliance and governance.

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	9–Aug–2012	28–Aug–2012	13–Sep–2012	14–Nov–2012	20–Feb–2013	26–Jun–2013	Meetings attended out of 6 Meetings held
1 Mrs. Christine G Kintu (Reappointed 01/06/12)Chairperson							5
2 Mr.Richard Bigirwa (Reappointed 01/06/12)							6
3 Mr. Henry Mukasa (Appointed 01/06/12)							6
4 Mr. Musa Okello (Appointed 01/06/12)							6

KEY
Attended Not Attended with Apology Not Yet Appointed

DATE OF MEETINGS FOR THE STAFF AND CORPORATE AFFAIRS BOARD COMMITTEE

No. Name Director	14–Aug–2012	16–Aug–2012	4–Sep–2012	11–Aug–2012	4–Oct–2012	8–Jan–2013	25–Mar–2013	14–Apr–2013	17–Apr–2013	28–May–2013	7–Jun–2013	13–Jun–2013	Meetings attended out of 12 Meetings held
1 Mr. Christopher Kahirita (Reappointed 01/06/12)Chairperson													12
2 Mrs. Agnes Kunihira (Appointed 01/06/12)													11
3 Mr. Henry Mukasa (Appointed 01/06/12)													12
4 Mrs. Sarah Walusimbi (Appointed 01/06/12)													8

KEY
Attended Not Attended with Apology Not Yet Appointed

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:

1. Recommend an investment strategy, policies and guidelines to the Board for approval.
2. Review and recommend investment proposals to the Board.
3. Review and recommend project concepts, strategies and budgets to the Board.
4. Review and recommend to the Board a procurement strategy for each project.
5. Review and recommend design concepts and master plans to the Board, or changes thereto.
6. Review performance of real estate projects, equities and fixed income on a quarterly basis in line with the targets.
7. Receive presentations from Fund Managers on their performance at least twice a year.
8. Attend to such matters as may be assigned by the Board from time to time.
9. 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	30–Aug–2012	6–Dec–2012	21–Feb–2013	25–Feb–2013	24–May–2013				Meetings attended out of 5 Meetings held
1 Mr. Christopher Kassami (Reappointed 01/06/12)Chairperson									4
2 Mr. Christopher Kahirita									4
3 Mr. Musa Okello (Appointed 01/06/12)									5
4 Mr. Keith Kalyegira (Co–opted member of the IPMC)									3
5 Dr. Anania Mbabazi (Co–opted member of the IPMC)									4

KEY
Attended Not Attended with Apology Not Yet Appointed

FINANCE COMMITTEE OF THE BOARD

This committee was constituted at the beginning of this Financial Year (2012/2013).

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 con–ditions 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 transac–tions of the Fund;
(b) The assets and liabilities of the Fund;

Corporate Governance Statement

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.

1. Ensure effective financial management of the Fund
2. Ensure effective management of the Fund's assets
3. Oversee implementation of strategies and projects

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

1. 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
2. Consider budget estimates and ensure control measures are in place
3. Review and approve audited financial statements prepared by management
4. Review quarterly budget performance reports
5. Recommend interest rate to members for declaration depending on the Fund's realized income
6. Approve budget re–allocations and increments
7. Review and monitor implementation of the Commercial Operations Policy
8. Review and monitor implementation of the Information Technology Policy, systems and strategies
9. Commission actuarial reviews, valuations, research and other empirical studies to evaluate the Fund's performance
10. Perform such other functions as shall be determined by the Board from time to time
11. Review the Committee's performance annually

DATE OF MEETINGS FOR THE FINANCE COMMITTEE OF BOARD

No.	Name Director	13–Sep–2012	15–Oct–2012	13–Feb–2013	31–May–2013	Meetings attended out of 4 Meetings held
1	Mrs. Sarah Walusimbi (Appointed 01/06/12) Chairperson					4
2	Mrs. Agnes Kunihira (Appointed 01/06/12)					4
3	Mr.Richard Bigirwa (Reappointed 01/06/12)					4

KEY
Attended   Not Attended with Apology   Not Yet Appointed

CORPORATION SECRETARY
The role of the Company Secretary is to ensure the Board remains cognisant 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 on going training of Directors.

Going Concern
The Board of Directors have sufficient reason to believe that the Fund has adequate resources to continue as a going concern for the foreseeable future.

Relationship with Members
On going 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 first ever Annual Member Meeting (AMM) in March 2013. 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, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Ethics and Organisational integrity
The Fund's code of conduct guides employees to make effective decisions at all levels of the business according to defined ethical principles. 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.

Directors' remuneration
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.

Directors' fees (UShs)

Details	U Shs
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

*The above amounts are gross and are subject to the applicable taxes

Fees paid to Directors' in 2013*
The fees paid to Non–Executive Board Members during the year were;

SUMMARY OF 2012/2013 BOARD EMOLUMENTS

Category Of Directors	Board Retainers Fees Ushs	Board Sitting Allowances Ushs	Other Benefits Ushs	Pension Contributions Ushs	Total Ushs
Executive Directors*	0	0	0	0	0
Non Executive Directors	258,000,000	111,172,500	234,055,989	25,630,000	628,858,489
Totals	**258,000,000**	**111,172,500**	**234,055,989**	**25,630,000**	**628,858,489**

* The Executive Director does not receive any retainer or sitting allowance.

Sustainability Report

Sustainability Report

Beyond the core elements that any business must provide to its members or customers like increasing value, and effecient services, this sustainability report considers the broader economic, environmental and social impacts caused by the everyday activities that NSSF undertakes as it seeks to meet its mandate as provided by the NSSF Act: the provision of social security services to members of the private sector in Uganda. We aim to achieve long term profitability that is undergirded by ethical behavior, social justice and environmental care. This is the only way that we can ensure that the Fund will outlive the nearby and foreseeable future.

The following is the impact of NSSF activities on the broader economic, environmental and social frontiers:

Broader Economic Impact

Transforming the Nation

NSSF recognizes the central role it plays in the development of the country. In order to fulfill its obligation of offering a competitive return to members, the Fund invests member savings.

NSSF has an array of permissible investments covering almost all sectors of the economy. These include; real estate development, energy, water, educa–tion, health, mortgage finance (both primary and secondary) and SME devel–opments. To this end, the Fund makes significant investments in real estate, equities and fixed income including Government securities. The Funds total assets of UGX 3.3 trillion is equivalent to 5.6% of GDP. It holds UGX 326 billion or 14% of USE traded securities, thereby providing critical investment needs to the still nascent capital market. It has invested UGX 1.9 Trillion in Government securities, thus financing about 30% of Government of Uganda domestic debt which support the stabilization of macroeconomics policies. It has placed UGX. 732Bn as fixed deposits with local banks (30%) of bank deposits and thereby providing the liquidity that the financial sector needs. and UGX 405Bn in Real estate investment properties. These investments promote social economic development for example through development of infrastructure and providing Government financing to stimulate economic growth. Real estate investments include the Lubowa and Temangalo housing projects that will provide affordable housing solutions to Ugandans as well as Pension Towers which, when completed, will be the tallest building in the country. NSSF plays a significant role in the economy.

Adherence to public procurement guidelines in our supply chain man–agement

The Fund is committed to the principles of fair competition and value for money in our supply chain management process.
The Fund therefore promotes responsible procurement and adheres to the public procurement guidelines and works closely with the Public Pro–curement Disposal of Public Assets Authority (PPDA) to ensure that all our procurement activities are within the provision of the laws of Uganda.
The Fund operates a strict procurement process that ensures that small Ugandan businesses and suppliers benefit from the Fund's procurement spend.

Our procurement spend and corporate social investment also promotes so–cial development. To sustain our business performance, we must be respon–sive to the different needs of our customers and provide relevant products and services. To this end we seek to maintain robust governance and risk management frameworks to facilitate our activities such as customer service, payment of benefits, access to information and personal informa–tion security. 98% of our operating spend is within the local economy. This translates to over 55bn a year.

Corporate Social Responsibility (Transforming the Lives in our Community)

Our Corporate Social Responsibility Policy is geared towards making a difference in the lives of the communities in which we do business. Our approach to CSR is a community–based development approach, mainly three fold:

- **Good corporate citizenship** – we have a role to play in the sustainable development and well–being of the community in which we operate by being responsible in our actions. We are committed to operating respon–sibly, making decisions that take account of the impact on those around us. This approach is part of everything we do – from our day–to–day operations, and dealing with our customers, to the way we invest our funds, help develop our local communities and pay our taxes.

- **Building partnerships** – we build partnerships and collaborate with lo–cal institutions and communities to be responsive to the needs of people in our communities especially the needy and vulnerable.

- **Corporate philanthropy** – from time to time, we give back to the com–munity in form of donations and aid that meet specific targets.

During the year 2013, our CSR investment supported;

NSSF Torch Awards

In line with its CSR agenda, in October 2012, NSSF launched the 2nd Torch Awards, an initiative through which the Fund recognizes and supports projects run by institutions or individuals that have transformed communities and made a difference through projects carried on. Over Ugx 100 million was invested in local communities that changed lives.

NSSF Torch Award (Rewarding those who reach out to our community), 24th October 2013

The Winners were;
1. Youth category was won by YOUTH AND WOMEN EMPOWERMENT [YAWE] FOUNDATION
2. Education category was won by KISOZI ORPHAN SUPPORT CEN–TER–MADDU, GOMBA
3. Health sector was won by MBALE MATERNITY HEALTH PROJECT
4. The Disadvantage category was won by CHILDREN OF UGANDA–VSLA–NAMA, GGOMA, Mukono.

The overall winner award went to YOUTH AND WOMEN EMPOWERMENT [YAWE] FOUNDATION

Mulago Dental Camp

The Fund in partnership with the Rotary Club of Kampala North supports an annual "Dental Camp" at Mulago Dental School. The overall objective of the camp is to provide free quality dental care and oral health promo–tion services to the disadvantaged peri–urban communities of Kampala at the modern Mulago Dental School facilities. The free services provided are screening, filling, tooth decay extraction, oral education among others. Our Ugx 10m annual support has made this the most comprehensive charitable intervention in the area of dental care and treatment in Uganda. This year, over 1,000 disadvantaged members of the community around Kampala received free dental treatment, oral education and were encouraged to become agents of good oral hygiene in their communities.

Support to community empowerment

The Fund is involved in support of the community initiatives aimed at restoring the vitality of Ugandans. To this end, the Fund extended financial support of Ugx 10m to the Nnabagereka Development Foundation (NDF), a charity organization that undertakes programs in the areas of health, edu–cation, economic empowerment and institutional development.

During the year, the Fund also extended financial assistance of Ugx 10m towards Younger Achievers' Award (YAA), whose objective is rewarding in–novation and excellence of the Ugandan Youth. The awards are held annually to inspire the young generation to work harder and be innovative.

Our Corporate Social Respon–sibility Policy is geared towards making a difference in the lives of the communities

Mulago Dental Camp Sponsored by NSSF Annually

Blood donation drives

Every year, the Fund, in partnership with Ministry of Health and Uganda Blood Transfusion Services organizes blood donation drives in response to the annual blood donation appeals by the Government. This year, the Fund organized one drive in which over 750 units of safe blood was collected. Participants in the donation drives include NSSF staff and members of the community in and around Kampala. Annually, the Fund investments over Ugx. 5m, towards this campaign.

NSSF Sponsoring Blood Donation campaign during the year 2013.

Support to development of sports

The Fund has been involved in a Ugx. 25m sponsorship of the NSSF KAVC international volleyball tournament since 2008. The tournament brings together premier clubs all over East Africa and attracts participation from as far as Zimbabwe. The tournament offers an opportunity to various groups, including the disabled and the youth to participate in the game. The sponsorship enables NSSF to contribute to the development of the game and develop youth talent. The Fund also partners with KAVC to implement some community projects. This year, the Fund partnered with KAVC to undertake clean up exercises at Mulago Hospital.

Staff social responsibility

Our staff pride themselves on taking hands on approach when it comes to giving back to the community in which they work and serve. During the year, over 85% of our staff volunteered and participated in various CSR activities and gave over 200 hours of service. During the year, NSSF staff donated incubators to various hospitals in addition to cleaning those hospitals during the customer connect week.

17th Edition of the NSSF KAVC International Tournament was held in Kampala, 10th – 11th August 2012

NSSF Lira staff donates Incubators to Lira Referral Hospital during the customer connect week

Team NSSF at 2013 MTN Marathon

NSSF Kabale staff cleaning the Regional Referral Hospital during the customer connect week.

During the same year, the Fund also donated Ugx 10m to Ugandan Olympics and Commonwealth champion Stephen Kiprotich in partnership with the Vision Group.

The Fund also extended financial support of over Ugx 4m by participating in the MTN marathon named "Run for Water" to aid the victims of Bududa land slide.

Transforming the environment

Environmental issues continue to grow in importance for the corporate performance of companies, and their value as investments are increasingly affected by environmental factors. Carbon emission continue to build and affect the livelihood of all citizens whether in Uganda or elsewhere. The adverse changing climatic conditions in Uganda and indeed globally, is a testament of the effect of the global carbon emission problems. To reduce its carbon footprint, the Fund launched the "Green Agenda" where every day activities are designed to support the Green Agenda. Specifically the fund is doing the following:

- Rationalizing power usage by enforcing a lights out policy by 10pm, change to energy savings bulbs (125 watt halogen bulbs to 18 watts gas bulbs: Savings average UGX 11m per month)
- Deliberate acquisition of smaller fuel engine (2500cc) compared to 3000cc vehicles. Less fuel usage. Diesel cost savings UGX 7m per month.
- Recycling of paper and double printing: Savings average UGX 2m per month. And less trees cut.

The Fund is further considering converting power source at the branch level to solar power.

Risk Review

Risk Review

Management and the Board clearly understand that success in business is not only about how many opportunities you identify and exploit but how effective you are in managing the associated risks. Consequently, the Fund has built a strong culture of risk awareness and control across all its business and support units. The control framework is supported by a Risk Management function as well as an independent Audit unit that reports directly to the Board through the Audit and Risk Assurance Committee. Risk Management remains the responsibility of the Board of Directors, Management and the entire staff.

2.0 Risk management process and standards
The Fund follows an elaborate risk management process based on the COSO (Committee of Sponsoring Organizations) model. One of the key attribute of the COSO model is that it aligns the risk management strategy with the business strategy.

3.0 Risk profile
Using various tools and risk models, the Fund is able to identify and reasonably assess the probability and likely impact of potential risks, as well as establishment of the Value at Risk (VaR) and Earnings at Risk (EaR). In order to be able to systematically and effectively manage existing and emerging risks, the Fund identifies, documents and categorizes its risks, to ensure proper ownership and monitoring.

NSSF Risk Profile:

4.0 Risk appetite
The Fund's risk appetite, which can be defined as the amount of risk that the Fund is willing to accept or take on, is defined by the Fund's Board of Directors; with clear boundaries, indicating the nature and amount risk acceptable. Management is required to make decisions within the approved risk appetite.

5.0 Business Continuity Plan (BCP)
In addition to the robust systems and processes in place to provide an effective control mechanism, the Fund developed a comprehensive Business Continuity Plan. The BCP is tested annually to establish its effectiveness.

A fully–fledged Disaster Recovery Centre (DRC) was established in 2013. The DRC location ensures that any disruptions within the Kampala Central Business District would not affect the operations at the DRC. The DRC replicates data from the primary servers at Workers House on a real time basis; meaning that even if the primary servers at Workers House were destroyed by any disaster, no data would be lost.

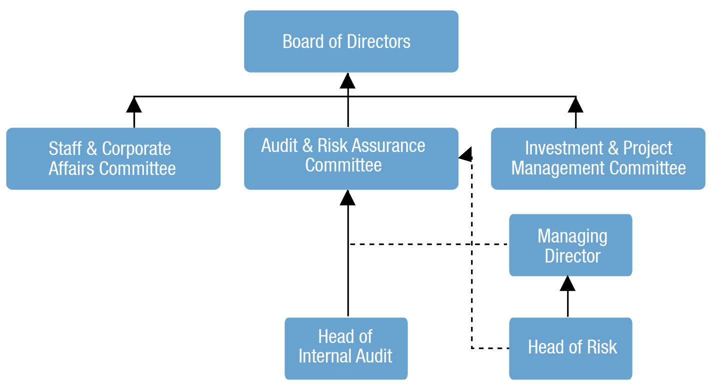
6.0 Incident management and whistleblowing
The Fund considers occurrence of a risk incident as an indicator of control inadequacy and/or ineffectiveness. Therefore, occurrence of an incident prompts a review of the relevant control measures to identify the gaps which could have led to the occurrence the event. The Fund has put in place a policy to guide staff on incident management

The Fund is also cognizant of the fact that, in some circumstances, staff may not report certain incidents for fear of victimization; it has therefore, put in place an alternative reporting channel– the Whistle blower policy, which provides guidelines on how protect the identity of the incident reporter, without victimization.

undertakes risk awareness and control programs on a regular basis. Internal controls are subject to regular review by the Internal Audit unit, which is independent.

9.0 Independent/external audit
The Fund re–appointed Ernst & Young as its external auditors; who provide assurances on an annual basis; on whether the Fund's financial statements are presented fairly. Like for the financial years 2010/11 and 2011/12, the Fund obtained unqualified audit report for the financial year 2012/13. This is proof that the control environment is now strong.

7.0 Risk management structure



8.0 Risk awareness, assessment and control
Awareness is a key component of the Fund's risk management framework. In order to ensure that risk management is fully embedded in all decision making processes, the Fund undertakes risk awareness and control programs on a regular basis. Internal controls are subject to regular review by the Internal Audit unit, which is independent.

Operating and Financial Review

Operating and Financial Review

Operating and Financial Review

During the year, the domestic economy began to recover from the slump of the previous year. GDP growth was at 5.8% up from 3.4% and headline inflation declined to 5.8% from 23.5%.

Summary of Achievement:
The Fund registered a pre–tax profit of UGX.412.9 billion for the financial year 2012/13, up 49.4% from UGX. 276.3 billion the previous year. After tax profits for the year amounted to UGX. 343.3 billion, 43.7% better than UGX. 238.8 billion, made in FY 2011/12. The Fund size (Total Assets) grew by 27% to UGX. 3.5 trillion as at 30th June 2013.

Interest Income Highlights:
Leveraging on high increase in interest rates brought about by soaring inflation, gross interest income for the year increased by 41% to UGX.373.8 billion up from UGX. 264.4 billion in 2012. Net interest income increased 34% to Ugx.304 billion, up from UGX. 226.7 billion in 2012.

Non–Interest Income Highlights:
Rental income declined marginally by 0.2% to UGX. 8.3 billion. Dividend income earned in the financial year went up by 118% to UGX.7.9 billion.

Operating Expenses Highlights:
Total operating costs for the year increased 41% to UGX.75.4 billion from UGX.53.6 billion in 2012. This was mainly attributable to a bad debt provision of UGX.17.5 billion made towards a loan advanced to Uganda Clays Limited.

Return on Investments and Expense Ratio:
The return on Fund investments increased to 14% up from 12% in 2012. This was driven by the rise in other income earned. The expense ratio was maintained at 2%.

Interest Provision for Alcon vs. NSSF Case:
Following a favorable court ruling made February 2013 on this case, no provision was made this year. A provision of Ugx.2.5 billion had been made in 2012.

Statement of Financial Position:
Fund size (Total Assets) grew by 27% to Ugx.3.5 trillion. NSSF Members' Fund which is our sole source of Funding also grew by 27% during the same period to UGX.3.3 trillion.

Investments held to maturity grew by 43.6% to UGX.2 trillion. The value in investment properties during the year declined by 56% to UGX.169.9 billion due to reclassification of UGX. 223 billion to capital work in progress in respect planned development on lubowa land.

Overall investment in equities increased 96.5% to UGX.153.9 billion from 78.2 billion in 2012. This was attributable to the investment in Umeme shares valued at UGX.47.3 billion.

Contributors/Membership
NSSF Act empowers the Fund to register any employee between 16 and 55 years of age.

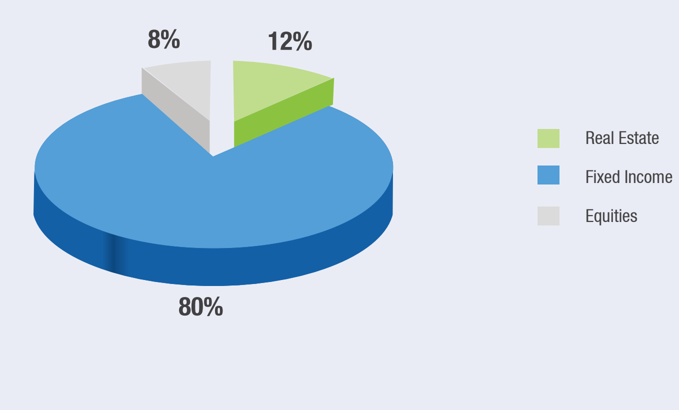
During the year 102,548 new employees were registered bringing the total number of active members to 366,576.

Contribution Collections
Collecting and receiving of contributions from workers is one of the main functions of the Fund. During the year, annual contributions grew from UGX.472 billion in 2012 to UGX.556 billion, representing 18% growth. This growth is largely attributed to an effective Customer Relationship Management Model introduced by the Fund in 2010. Under this model the Fund allocated a Relationship Manager to a group of employers to attend to and resolve social security issues within those organizations. The introduction of these personnel has significantly improved the working relationships between the Fund and its members and the results are visible.

Compliance levels are now at 72% up from 69% in 2012, and the average monthly contributions increased 15% to 46 billion.

Growing Investments
The Fund is expected under the NSSF Act to invest members' savings in productive areas of the economy in order to preserve and enhance their value. 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 always in line with changing circumstances in the economy and takes advantage of emerging opportunities.

Investments asset allocation



Fixed Income Investments
Fixed income investments account for the biggest portion of the Fund's investments. The risk exposure of fixed investment is low and the returns on investments are low compared to other types of investment. The lower the risks the lower the returns and vice versa. However, due to high inflation and interest regime, the Fund leveraged the portfolio to deliver significantly high returns.

The following constitute fixed income investments:
a) Fixed deposits in commercial banks;
b) Treasury bills and bonds in the Central Bank.

Over the years, a large proportion of the Fund's investments have been in fixed income investments. As at 30th June 2013, 80% of Fund investments were in fixed income of which 72% were investments in Government Bonds while the 28% were fixed deposits with commercial banks.

Equity
The equity portfolio constitutes 8% of the entire investment portfolio for the Fund and consists of: – private equity; domestic public holding; and foreign holding.

Private Holding
NSSF owns 50% stake in Housing Finance Bank Ltd. In order to safe guard its interests in that Bank; NSSF is represented by 3 members on the Board of Directors of the Bank.
The Fund also has a 20% stake in TPSU Ltd (Kampala Serena Hotel).

Domestic Public Holding
The Fund has been at the forefront in developing the capital market in the country. During the year under review, the Fund acquired a 8% stake in Umeme valued at UGX. 47.3 billion. NSSF`s stock holding on the Uganda Stock Exchange stood as follows as at 30th June 2013 ;

	Share %	Value Ushs`000
Umeme	8.12	47,288,475
Stanbic Bank (U) Ltd	1.72	24,703,504
DFCU Ltd	5.93	15,186,144
New Vision PPC Ltd	19.6	9,075,000
Bank of Baroda (U) Ltd	2.00	5,994,750
Uganda Clays	32.3%	13,000,00

Foreign Public Holding
In 2012, the Fund had two foreign public holdings with Kenyan companies Safaricom and Centum investments as indicated below.

	Share %	Value Ushs`000
Safaricom Kenya PCL	0.60	48,818,507
Centum Investments Ltd	0.73	2,785,200

Other holdings
Other Holdings of the Fund include a 20% holding with the two Fund managers Pine Bridge and Stanlib.

Real Estate

Commercial Developments
In 2009, NSSF started the construction of Pension Towers which, when completed, will be the tallest building in the country. Pension Towers will have three (3) towers: one of 27 floors in the middle and 2 short towers of 8 floors by the side. Construction of phase one has been completed and the Fund is now in the process of obtaining a contractor for the second phase. The Fund is planning to build 5000 affordable residential houses in Temangalo. In addition, NSSF will also construct 3000 houses in Lubowa (See below aerial view of plan). This will change the investment mix towards real estate and will make a significant contribution towards the housing stock in Kampala and the surrounding area.

Artistic aerial impression of the planned Lubowa Housing Project

Asset Mix Re–balancing
As mentioned earlier, the investment portfolio mix of the Fund currently consists of fixed income (80%), real estate (12%) and equities (8%).

As part of the strategy to increase investment returns, the Fund aims at re–balancing its portfolio mix.

In this regard, our aim is to achieve the following asset allocation as provid–ed for in the Investment Policy.
a) Fixed Income (Government paper, corporate bonds/loans, fixed deposit): 65%
b) Real estate: 20%
c) Equities: 15%

The desired range is within +–5% of midpoint. However, the ideal asset mix may take a longer time to be achieved because of the depth of the equity market in the country.

Investment Decisions
It has already been stated that the power to invest the Fund's money lies with the Board. However, the Act requires that these investments be made in consultation with the Minister. These decisions are made in strict adher–ence 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.

Management Investment Committee (MIC)
This committee consists of the relevant Heads of Departments and is chaired by the Managing Director. The committee studies and analyses the proposals, associated risks, sets and agrees on the minimum returns. The committee then sanctions the investments and recommends to the Execu–tive Committee for ratification.

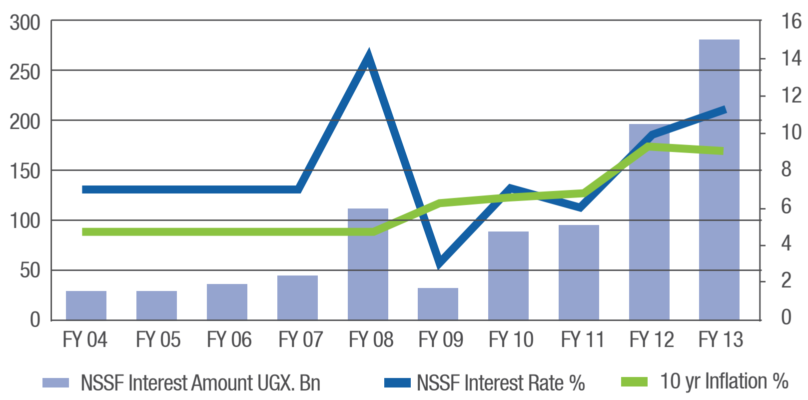
The Board
The Board Investment Committee and the Board itself approve and recom–mend the investment proposals in consultation with the Minister. Needless to say our decisions are arrived at after a rigorous process which guarantees transparency and probity.

Interest Declared
We take the issue of interest payable to workers every year seriously so as to maintain the value of their savings. The annual rate of interest paid to workers depends on the Fund's financial performance for a given year. Our investment mix is planned to ensure that the Fund earns good return in order to pay workers a better interest rate. There is a delicate balance between risk and return that the Fund has to maintain. In general, the higher the return on investment, the more risky the investment tends to be. We have therefore adopted a more prudent approach which ensures that the safety and security of workers' savings come first.

The Fund has faced criticisms in the past that we do not match interest rate with the rate of inflation. It is important to note that NSSF investments are long term and it would be a mismatch to peg the interest from long term investments to short term variables such as annual inflation. Our aim is to pay interest rates that are above the 10 year moving average inflation rather than annual inflation rate. The average interest rate paid to members over the last ten years is higher than the average rate of inflation. Therefore, NSSF preserves the value of member's Funds. For the year 2013, 11.23% interest was declared and credited to member's accounts, compared to 10% in the previous year. In monetary terms, 11.23% translates into UGX. 281.4 billion.

The graph below shows that, NSSF interest exceeded the 10 year inflation rate

Interest to Members vs Inflation

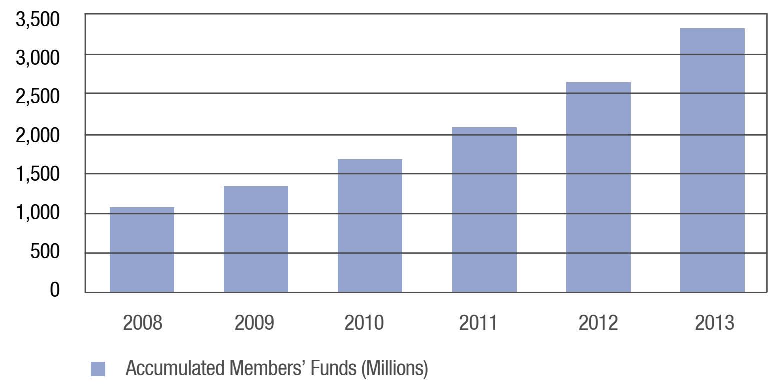


Operating and Financial Review

Growth of Members
The NSSF Members' Fund is made up of total cumulative member savings and compounded interest credited to members' accounts. As at 30th June 2013, the total Members' Fund stood at UGX. 3.3 trillion, compared to UGX. 2.6 trillion In 2012. This represents growth of 27%.

Members' Fund has been growing steadily over the years as shown below.

Accumulated Members' Funds



Payment of Benefits
The turnaround time for processing benefits was an average of 10 working days. A total of the 12,486 claims worth UGX 140.05Bn were paid during the year compared to the previous year's UGX 101.38Bn for 9,598 beneficiaries.

The table below shows the composition of benefits paid

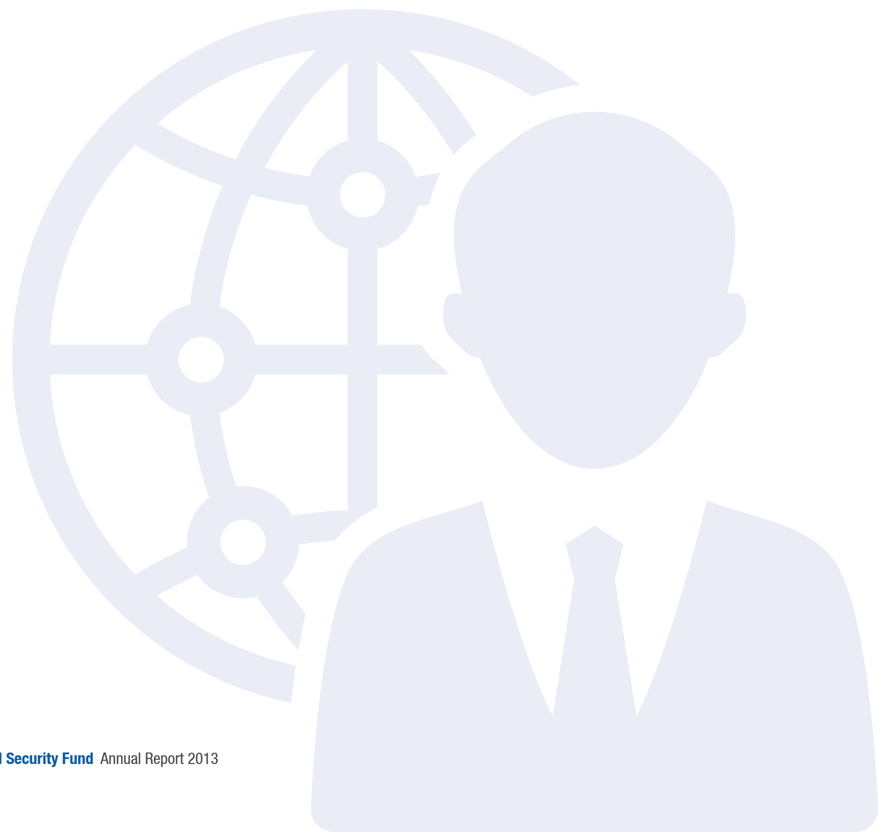
	Claims Paid (No.)				Claims Paid (Amount '000,000)			
Benefit Type	**FY 2012/13**	**Composition**	**FY 2011/12**	**Composition**	**FY 2012/13**	**Composition**	**FY 2011/12**	**Composition**
Age Benefits	3,838	31%	2,831	29%	47,739	34%	38,709	38%
Withdrawal Benefits	1,098	9%	1,927	20%	35,329	25%	24,164	24%
Emigration Grant	780	6%	530	6%	15,896	11%	15,457	15%
Exempted Employment	2,405	19%	2,419	25%	11,475	8%	7,568	7%
Invalidity Benefit	1,432	11%	1,145	12%	6,242	4%	3,039	3%
Survivors Benefit	2,933	23%	737	8%	23,371	17%	12,441	12%
Total	**12,486**		**9,598**		**140,052**		**101,376**	

Compliance

Employer Audits
According to the NSSF Act, all employers who employ five and more workers are required to remit contributions to NSSF. This requirement does not apply to employers who operate schemes that are exempted by the Minister re–sponsible for Social Security. However, the compliance rate is less than sat–isfactory. Our research has revealed that some employers and employees do not appreciate the value of keeping money for the old age. Failure to register with NSSF makes employees lose 10% contribution by the employer. The Fund has stepped up efforts to sensitize and educate the population about the need to save part of one's income for the old age. This is done through employer visits and road show presentations.

Whistleblowers Campaign
In a bid to reduce the defaulting rate on registration of employers and em–ployees, the Fund is undertaking a whistle blower campaign.

In the whistleblower campaign which the Fund started in 2011, we asked the workers and other members of public who had information about em–ployers who had deliberately refused to register with the Fund to provide it. We undertook to ensure utmost confidentiality and to protect the identities of the whistleblowers. In addition, each whistleblower who provided correct information was paid UGX. 100,000.



Value Added Statement

The statement shows the total wealth created and how it was distributed among the key stakeholders. The stakeholders are the members (employees saving with the Fund), the Government, the NSSF employees, the Fund (amount retained and re–invested for the future growth and operations).

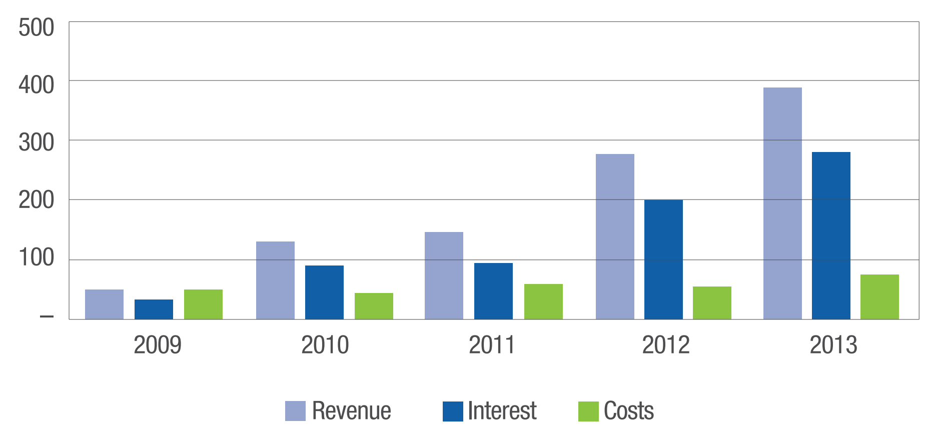
NSSF runs a scheme in trust of the owners, the members. As such, the members get the biggest share of the wealth created as depicted in table below. For 2012, for every 100 shillings made, 64 went to members. This has been the practice over the years save for 2007 when the higher proportion (49%) was reserved in retained earnings to make up for the deficit in 2004 provision of UGX. 15 billion for the contingency arising from Alcon litigation case against the Fund.

VALUE ADDED STATEMENT (UGX '000)

Year Ended 30 June	2013	2012	2011	2010	2009
Investment Income	390,082,182	276,396,119	147,117,983	136,642,562	102,095,274
Other Income (loss)	57,219,215	5,942,111	(182,838)	(1,908,159)	(25,829,961)
Net increase in value of Investments	40,984,723	47,587,347	11,218,144	63,953,061	(27,230,703)
Less Expenses (Excluding staff costs & Depreciation)	(42,811,764)	(21,196,473)	(30,313,723)	(18,328,845)	(27,497,054)
Wealth Created	**445,476,369**	**308,729,104**	**127,839,566**	**180,358,619**	**21,537,556**
Distribution of wealth created to stake holders (Amounts)					
Members (Interest credited to accounts)	281,951,693	196,964,777	94,843,924	89,157,922	31,359,541
Employee Salaries, Wages and Other benefits including	28,951,693	25,421,993	24,315,576	23,581,719	21,492,989
Government Direct Tax	69,616,573	37,462,230	18,179,113	20,117,646	14,636,928
Retained Earning for Future growth	61,904,672	41,887,172	(13,861,449)	41,974,294	(51,138,047)
Provision for Depreciation	3,606,188	6,992,932	4,362,402	5,527,038	5,195,145
Distribution of wealth created to stakeholders (Percentage)					
Members (Interest credited to accounts	63%	64%	74%	49%	146%
Employee Salaries, Wages and other benefits including	6%	8%	19%	13%	100%
Government Direct Tax	16%	12%	14%	11%	68%
Retained Earning for Future growth	14%	14%	–11%	23%	–237%
Provision for Depreciation	1%	2%	3%	3%	24%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

A chart showing the returns (Interest) to members, cost and revenue for the past four years is shown below;

Revenue, Costs & Interest to Members 2009 – 2013 (UGX. Billions)



Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 30 June 2012 which disclose the state of affairs of the National Social Security Fund ('the Fund'), in accordance with section 32 (Cap. 222) of NSSF Act.

Principal activities
The principal activity of the Fund is to collect contributions from members, invest them and pay benefits to its members. The Fund is financed by 15% of all eligible 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 2013 are set out on page 59.

Interest to members
Interest is computed based on the opening balances of the members' funds less benefits paid during the year. The rate used during the year ended 30 June 2013 was 11.23% (2012: 10%).

Reserves and accumulated members' fund
The reserves of the Fund and the accumulated members' fund are set out on page 65.

Unallocated members' funds
These are contributions received from employers in respect of employees who have not registered with the fund, or have inadequate partic–ulars, and have not yet been allocated to individual member accounts due to missing details of the members. Management has put in place a programme to identify these members in order to credit the individual member accounts.

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

Mr. Ivan Kyayonka	–	Chairman (Appointed 01/06/12)
Mr. Richard Bigirwa	–	Member (Reappointed 01/06/2012)
Mr. Christopher M. Kassami	–	Member (Reappointed 01/06/2012)
Mrs. Christine Guwatudde Kintu	–	Member (Reappointed 01/06/2012)
Mr. Christopher Kahirita	–	Member (Reappointed 01/06/2012)
Mrs. Agnes Kunihira	–	Member (Appointed 01/06/12)
Mr. Henry Mukasa	–	Member (Appointed 01/06/12)
Mr. Musa Okello	–	Member (Appointed 01/06/12)
Mrs. Sarah Walusimbi	–	Member (Appointed 01/06/12)
Mr. Richard Byarugaba	–	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 or her. For the year ended 30 June 2013, M/s Ernst & Young Certified Public Accountants were appointed to act on behalf of the Auditor General.

Approval of the financial statements
The financial statements were approved at the meeting of the directors held on December 2013.

By order of the Board,

Mr. David Nambale
Corporation Secretary

Directors' responsibility statement

The National Social Security Fund Act (Cap 222) 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). 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 2013. 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 retirement benefits 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 20th December 2013

and signed on its behalf by:

…………………………….

Mr. Ivan Kyayonka
Chairman

…………………………………….

Mr. Richard Byarugaba
Managing Director

…………………………….

Mr. David Nambale
Corporation Secretary

…………………………………….

Mrs. Sarah Walusimbi
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of National Social Security Fund which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in reserves, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set on pages 7 to 62.

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 control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 misstatement of the 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 the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30 June 2013, 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 our opinion, we draw attention to Note 35 (b) to the financial statements which indicates that the Company received a notice of assessment for corporation tax from Uganda Revenue Authority (URA) amounting to Ushs 49.7 billion. The liability results from expenses that URA claims were wrongly disallowed by the Fund. The Fund objected to the assessment and responded to the matters raised by URA. URA has not responded with the final outcome. No provision has therefore been made in the financial statements since URA has not informed the Fund of the outcome.

John F.S. Muwanga
AUDITOR GENERAL

Kampala
31st January 2014

Winners of the inaugural Best Employer Awards pose with their Awards

Financial Statements

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Ushs 000	2012 Ushs 000
Revenue			
Interest income	5	373,847,806	264,457,635
Rental income	6	8,259,951	8,276,064
Dividend income	7	7,974,425	3,662,420
Total revenue		**390,082,182**	**276,396,119**
Other income/(loss)			
Other operating income	8	57,219,215	5,942,111
Fair value gains/(losses) from equity investments	18	33,725,285	(17,078,324)
		90,944,500	**(11,136,213)**
Expenditure			
Administrative expenses	9	(43,502,898)	(35,269,737)
Other operating expenses	10	(28,260,559)	(8,862,356)
Amortisation of prepaid land lease rentals		–	(14,576)
Amortisation of intangible assets	26	(1,666,223)	(1,497,087)
Depreciation of property and equipment	27	(1,939,965)	(5,495,845)
Interest payable on Alcon provision	30	–	(2,486,373)
Total expenditure		**(75,369,645)**	**(53,625,974)**
Share of results from Associates	22	7,259,438	6,714,531
Surplus from operations		412,916,475	218,348,463
Fair value gains on investment properties	25	–	57,951,140
Surplus before tax	11	412,916,475	276,299,603
Income tax expense	12(a)	(69,616,573)	(37,462,230)
Surplus for the year		**343,299,902**	**238,837,373**
Other comprehensive income, net of tax			
Share of results from Associates	22	1,955,430	–
Income tax effect		(586,629)	–
		1,368,801	–
Total comprehensive income, net of tax		**344,668,703**	**238,837,373**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 Ushs 000	2012 Ushs 000
ASSETS			
Cash and bank balances	13	15,376,671	17,414,010
Deposits with commercial banks	14	731,954,095	686,151,323
Equity securities held–for–trading	15	35,313,327	20,870,429
Trade and other receivables	16	16,244,417	22,592,219
Investments in securities held–to–maturity	17	1,990,125,710	1,386,294,688
Equity investments at fair value through profit or loss	18	153,851,580	78,291,687
Loans and advances	19	45,299,537	62,044,823
Inventories	20	4,626	7,692
Non–current assets held for sale	21	256,290	256,290
Investments in associates	22	74,720,713	68,237,191
Other investments	23	–	10,300
Capital work–in–progress	24	235,676,401	–
Investment properties	25	169,905,326	385,582,588
Intangible assets	26	8,414,853	10,068,810
Property and equipment	27	4,026,152	5,142,081
Total Assets		**3,481,169,698**	**2,742,964,131**
LIABILITIES			
Withholding tax payable	28	901,895	901,895
Other payables	29	20,197,871	17,353,026
Provisions for litigation	30	9,239,702	41,590,470
		30,339,468	**59,845,391**
MEMBERS' FUNDS AND RESERVES			
Accumulated members' funds	31	3,322,576,227	2,621,222,866
Reserve account	32	36,829,033	34,328,993
Accumulated surplus/(deficit)		90,056,169	27,566,881
Share of associates revaluation reserve		1,368,801	–
		3,450,830,230	2,683,118,740
Total members' funds, reserves and liabilities		**3,481,169,698**	**2,742,964,131**

The financial statements were approved for issue by the Board of Directors on 20th December 2013 and signed on its behalf by:

Mr. Ivan Kyayonka
Chairman:

Mr. Richard Byarugaba
Managing Director:

Mrs. Sarah Walusimbi
Director

Mr. David Nambale
Corporation Secretary:

Financial Statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Ushs 000	2012 Ushs 000
Net cash used in operating activities	**33**	**(466,081,095)**	**(264,760,693)**
Investing activities			
Purchase of property and equipment		(1,530,206)	(1,851,403)
Purchase of intangible asset		(12,266)	(1,467,811)
Additions to investment properties		(17,159,139)	(13,001,558)
Purchase of equity investments		(37,620,100)	(1,346,846)
Purchase of held–for–trading equity securities		(14,442,898)	(20,870,429)
Bonus shares issued		(3,596,850)	(19,249,336)
Proceeds from disposal of property and equipment		650,000	1,720,825
Proceeds from disposal of investment property		–	3,421,500
Payment for capital work–in–progress		–	–
Increase/(Decrease) in loans and advances		16,745,286	(3,146,617)
Net cash flows used in investing activities		**(56,966,173)**	**(55,791,675)**
Financing activities			
Dividends received		244,088	1,660,696
Benefits paid out to members		(140,051,845)	(101,376,498)
Contributions received from members		552,683,614	472,861,120
Interest recovered on arrears		7,324,349	6,341,693
Special contributions and fines & penalties		2,500,040	1,625,282
Net cash flows from financing activities		**429,700,246**	**381,112,293**
(Decrease)/Increase in cash and cash equivalents		(100,347,022)	60,559,925
Cash and cash equivalents at 1 July		446,199,959	385,640,034
Cash and cash equivalents at 30 June	**39**	**345,852,937**	**446,199,959**

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2013

	Reserve account Ushs 000	Accumulated members' funds Ushs 000	Accumulated (deficit)/ Surplus Ushs 000	Share of Associates Reserve Ushs 000	Total Ushs 000
At 1 July 2011	**7,843,650**	**2,071,024,274**	**(14,038,154)**	**–**	**2,064,829,770**
Total comprehensive income for the year	–	–	238,837,373	–	238,837,373
Special contributions, fines and penalties received (Note 33 (a))	1,892,843	–	(267,561)	–	1,625,282
Members' contributions received (Note 32)	–	472,861,120	–	–	472,861,120
Benefits paid to members (Note 32)	–	(101,376,498)	–	–	(101,376,498)
Interest recovered on arrears (Note 33 (b))	–	6,341,693	–	–	6,341,693
Transfer of unallocated members' contributions	24,592,500	(24,592,500)	–	–	–
Interest paid to members (Note 32)	–	196,964,777	(196,964,777)	–	–
At 30 June 2012	**34,328,993**	**2,621,222,866**	**27,566,881**	**–**	**2,683,118,740**
Total comprehensive income for the year	–	–	343,299,902	–	343,299,902
Share of Associates' results	–	–	586,629	1,368,801	1,955,430
Special contributions, fines and penalties received (Note 33 (a))	2,500,040	–	–	–	2,500,040
Members' contributions received (Note 32)	–	552,683,614	–	–	552,683,614
Benefits paid to members (Note 32)	–	(140,051,845)	–	–	(140,051,845)
Interest recovered on arrears (Note 33 (b)	–	7,324,349	–	–	7,324,349
Interest paid to members (Note 32)	–	281,397,243	(281,397,243)	–	–
At 30 June 2013	**36,829,033**	**3,322,576,227**	**90,056,169**	**1,368,801**	**3,450,830,230**

Notes to Financial Statements

NOTES TO 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).

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 establishes the Retirement Benefits Authority (RBA) whose function is to regulate all retirement schemes including NSSF, and grants a grace period of one year within which the Fund must obtain a licence from RBA.

Government has also tabled the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament whose objective among others, is to repeal the National Social Security Fund Act. There is a Task Force that was created to review the Bill. The Task Force is recommending among an amendment to, rather than a repeal of the NSSF Act. There are other recommendations that will ensure that NSSF continues as a viable entity. Nevertheless, management is drawing a strategic road map to enable the Fund transit from a statutory corporation created by the NSSF Act to a trust registered and licensed by RBA and competing in a liberalised environment.

The Fund shall abide by the licensing and minimum capital thresholds of the RBA when communicated. 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 the Government will underwrite the capital requirements for licensing set by the regulator. In the alternative, the Fund shall mobilise sufficient funds to ensure its continued existence 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 and 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 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 and Joint Ventures

The Fund's investments in its associates and joint ventures 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. Joint ventures are those entities over whose activities the Fund has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Under the equity method, the investment in the associates and joint venture 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.

NOTES TO FINANCIAL STATEMENTS

(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.

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.

De recognition
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.

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 carry–ing 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. Inter–est 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 re–corded 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.

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 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4 and 18.

NOTES TO FINANCIAL STATEMENTS

(g) Property and equipment, and intangible assets

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

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

The cost of replacing part of an item of property and equipment is rec–ognized 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–recognized. The cost of day to day servicing of the property and equip–ment 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, and intangible assets are also on straight line basis. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows: –

	Percentage
Buildings	5%
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment	25%
Intangible assets (Software)	10%

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.

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition crite–ria 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 annually by an accredited external, independent valuer.

Investment properties are derecognised when either they have been dis–posed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differ–ence 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 reval–uation is recognized through the surplus or deficit.

(i) Inventories

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

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

(j) Impairment of non–financial assets

The carrying amounts of the Fund's non–financial assets other than in–vestment 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–gen–erating 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.

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee benefits

(i) Short–term benefits
Short term employee benefit obligations are measured on an un–discounted basis and are expensed as the related service is performed. A liability is rec–ognized for an amount expected to be paid under short term bonus or profit sharing plans, if the Fund has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation by the employee and the obligations can be estimated reliably.

(ii) Defined contribution plan

Employees of the Fund contribute to the defined contribution pension plan. 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 con–tributes to the plan on behalf of the employees. Contributions to the plan and NSSF are charged to surplus or deficit when incurred.

(l) Provisions

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

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

(m) Income tax

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in 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, associates and interests in joint ventures, 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 loss–es 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 compre–hensive income or equity. In this case the tax is also recognized in other comprehensive income or equity.

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

- where the value added tax incurred on a purchase of assets or render–ing 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.

(n) Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the reporting date and include cash and balances with banks, treasury bills and other eligible bills net of bank overdrafts.

(o) Capital work–in–progress

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

(p) Members' funds

NOTES TO FINANCIAL STATEMENTS

(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 finan–cial 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 member's 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 as approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act.

(q) Reserve account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non–eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognised through the statement of 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.

(r) Operating leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Operating lease payments are recognised as an expense in the surplus or deficit on a straight line basis over the lease term.

(s) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previ–ous financial year. Amendments resulting from changes in standards and interpretations and improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or perfor–mance of the Fund except for the amendments in IAS 24 which were early adopted by the Fund in 2011.

- IFRS 1 First–time Adoption of International Financial Reporting Stan–dards (Amendment) – 1 July 2011
- IAS 24 Related party disclosures (Amendment) – 1 January 2011
- IFRS 7 Financial Instruments: Disclosures (Amendment) – 1 July 2011
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment) – 1 January 2011
- Improvements to IFRSs (issued in 2011)

Amendments resulting from Improvements to IFRSs to the following stan–dards did not have any impact on the accounting policies, financial position or performance of the fund.

- IAS 1 Financial statement presentation (Amendment) – 1 January 2012
- IAS 12 Income taxes (Amendment) – 1 January 2012
- Improvements to IFRSs (issued in 2011)

The adoption of the standards or interpretations is described below:

IAS 1 Financial statement presentation (Amendment)
The amendment is effective for annual periods beginning on or after 1 January 2012 and requires that items of other comprehensive income be grouped in items that would be reclassified to profit or loss at a future point (for example, upon derecognition or settlement) and items that will never be reclassified. This amendment only effects the presentation in the financial statements and had no impact on the Fund's financial position or perfor–mance

IAS 12 Income taxes (Amendment)
The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the invest–ment property will be consumed in the business. If consumed a use basis should be adopted. Furthermore, it introduces the requirement that deferred tax on non–depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment will have no impact on the Fund after initial application.

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 listed below. This listing is of standards and interpretations issued, which the Fund reasonably expects to be appli–cable 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. In cases where it will have an impact the Fund is still assessing the possible impact.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 19 Post employee benefits (Amendment)
The amendments are effective for annual periods beginning on or after 1 January 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re–wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses are recognised in OCI with no subsequent recycling to profit or loss
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- The distinction between short–term and other long–term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Fund does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation – Offsetting Financial A ssets and Financial Liabilities
The amendments clarify the meaning of 'currently has a legally enforceable right of set–off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments clarify that rights of set–off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set–off must not be contingent on a future event. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

IFRS 1 time Adoption of international Financial Reporting Standards (Amendment) – Government Loans
The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first–time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

The exception will give first–time adopters relief from retrospective measurement of government loans with a below market rate of interest. As a result of not applying IFRS 9 (or IAS 39, as applicable) and IAS 20 retrospectively, first–time adopters will not have to recognise the corresponding benefit of a below–market rate government loan as a government grant.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS7
The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights of set–off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

IFRS 9 for financial assets was first published in November 2009 and was updated in October 2010 to include financial liabilities.
These pronouncements initially required the adoption of the standard for annual periods on or after 1 January 2013. Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 from 1 January 2013 to 1 January 2015.

IFRS 9 is being developed in phases with a view to replacing IAS 39 in its entirety.

Phase 1 of IFRS 9 addressed the classification and measurement of financial assets. All financial assets are measured at fair value at initial recognition.

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortised cost if:

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

NOTES TO FINANCIAL STATEMENTS

All other debt instruments are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognising changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Phase 2 of IFRS 9 addressed the classification and measurement of financial liabilities. All financial assets are measured at fair value at initial recognition.

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Board's work on the other phases is ongoing, and includes impairment of financial instruments and hedge accounting,

The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Fund is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Fund at the date of adoption, it is not practical to quantify the effect.

IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new and broader definition of control that applies to all entities. It does not change consolidation procedures but rather whether an entity is consolidated. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group.

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non–monetary Contributions by Ventures. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as extensive qualitative and quantitative new disclosures. The new disclosure requirements are to help the users of financial statements understand:

- The effects of an entity's interests in other entities on its financial position, financial performance and cash flows;
- The nature of, and the risks associated with, the entity's interest in other entities; and
- An entity is now required to disclose the judgements made to determine whether it controls another entity.

The Fund will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Fund 1 July 2013.

IFRS 10 Consolidated Financial Statements; IFRS 12 Disclosure of Interest in Other Entities; IAS 27 Separate Financial Statements – Investment entities (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2014. The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.

The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures).

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single framework for all fair value measurement (financial and non–financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an 'exit price'). New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The Fund will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Fund from 1 July 2013.

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
This new interpretation provides guidance on how to account for stripping cost in the development phase of a surface mine. If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non–current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and depreciated on a unit of production basis unless another method is more appropriate.

After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortisation and less impairment losses, The interpretation is effective for annual periods beginning on or after 1 January 2013.

IFRIC 21, Levies
This new interpretation clarifies the accounting for levies imposed by governments by the entity that is paying the levy. The scope of the interpretation is broad and covers all levies, except outflows that are in the scope of IAS 12 and penalties for breaches of legislation.

The amendment is effective for annual periods beginning on or after 1 January 2014.

Improvements to IFRSs – 2009 – 2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)

- IFRS 1 First–time Adoption of International Financial Reporting Standards (Amendments):
- Repeated application of IFRS 1 – clarifies that an entity that has stopped applying IFRS may choose to either:

(i) Re–apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or
(ii) Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. If the entity re–applies IFRS 1 or applies IAS 8, it must disclose the reasons why it previously stopped applying IFRS and subsequently resumed reporting in accordance with IFRS.

- Borrowing costs – clarifies that, upon adoption of IFRS, an entity that capitalised borrowing costs in accordance with its previous GAAP, may carry forward, without adjustment, the amount previously capitalised in its opening statement of financial position at the date of transition. Once an entity adopts IFRS, borrowing costs are recognised in accordance with IAS 23, including those incurred on qualifying assets under construction.

- IAS 1 Presentation of Financial Statements (Amendments). The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

- IAS 16 Property, Plant and Equipment (Amendment). The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 Financial Instruments: Presentation. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

- IAS 34 Interim Financial Reporting The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Implementation project
In addition to the major IFRS projects, the IASB also has a number of items on its work plan dealing with implementation issues. These include narrow scope amendments and interpretations. Below is a listing of the current implementation projects based on the IASB's work plan as at 21 June 2013, as well as those that have been completed since the March 2013 edition of the pocketbook guide.

IAS 36 Recoverable Amount Disclosures for Non–Financial Assets (Amendments)
The amendments relate to the disclosure in respect of fair value less costs of disposal. The amendments are intended to clarify the IASB's original intentions when amendments were made to IAS 36 as a result of the issuance of IFRS 13 Fair Value Measurement.

The amendments also require additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and the discount rates that have been used when the recoverable amount.

The amendment is effective for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
The IASB amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Novation indicates that parties to a contract agree to replace their original counterparty with a new one.
The amendment is effective for annual periods beginning on or after 1 January 2014.

NOTES TO FINANCIAL STATEMENTS

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 three years (previously on an annual basis). The fair values are based on the market conditions being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and seller at an arm's length transaction. 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.

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

5. INTEREST INCOME	2013 Ushs 000	2012 Ushs 000
Interest income on short term deposits with banks	118,284,715	109,119,230
Interest income on government bonds: held–to–maturity	239,535,558	139,375,496
Interest income on treasury bills: held–to–maturity	–	451,089
Interest income on call deposits made by fund managers	17,233	196,416
Interest income on corporate bonds: held–to–maturity	7,707,376	6,832,600
Interest income on loans measured at amortized cost	8,302,924	8,482,804
	373,847,806	264,457,635
6. RENTAL INCOME		
Workers' House	5,955,584	5,826,421
Social Security House	2,097,564	2,306,081
Others	206,803	143,562
	8,259,951	8,276,064

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 an agreed rental charge as specified in the tenancy agreements.

7. DIVIDEND INCOME	2013 Ushs 000	2012 Ushs 000
_Stanbic Bank Uganda Limited	1,308,716	931,891
Bank of Baroda (Uganda) Limited	99,913	79,930
New Vision Printing and Publishing Company Limited	525,000	450,000
DFCU Limited	546,996	546,996
Safaricom Kenya Public Limited Company	2,376,547	1,624,844
Umeme Limited	1,975,842	–
Other dividend income earned from fund managers	1,141,411	28,759
	7,974,425	3,662,420
8. OTHER OPERATING INCOME		
(Loss)/Gain on disposal of property and equipment	(56,170)	1,346,305
Gain on disposal of investment property	–	511,500
Clearance fees	10,412	10,810
Miscellaneous income	1,054,610	294,258
Gains in investments with fund managers	8,784,073	–
Decrease in provision for bad and doubtful debts	–	4,112,259
Litigation provisions no longer required	46,498,160	2,506,340
Fines and penalties	–	267,561
Foreign exchange gain/(loss)	928,130	(3,106,922)
	57,219,215	5,942,111

NOTES TO FINANCIAL STATEMENTS

9. ADMINISTRATIVE EXPENSES	2013 Ushs 000	2012 Ushs 000
Staff costs (note 9 a)	28,951,693	25,421,993
Staff medical insurance	839,623	875,804
General staff and training expenses	1,130,788	947,174
Advertising & promotion	3,024,555	1,224,378
Audit expenses	140,400	156,355
Bank charges and commission	8,216	29,073
Board expenses	234,056	61,792
Cleaning expenses	232,435	316,910
IT connectivity & internet	584,221	496,024
Directors' allowances	394,803	275,350
Professional fees	490,518	622,287
Legal fees	3,700,885	779,365
Motor vehicle fuel costs, maintenance & repairs	628,281	578,193
Printing & stationery	454,814	320,998
Subscriptions	245,200	256,092
Telephone, fax, telex & post	428,079	401,862
Travel and subsistence costs	1,504,111	1,983,577
Commission & brokerage fees	231,357	–
URBAA Annual levy	237,500	–
Other administrative expenses	41,363	522,510
	43,502,898	35,269,737
a) Staff costs		
Leave pay	351,232	397,246
Overtime expenses	23,465	237,675
Salaries and wages	23,675,535	19,415,439
Social security contributions	2,574,414	3,046,669
Defined contribution plan pension cost	1,797,097	1,785,513
Terminal/retirement benefits	529,950	539,451
	28,951,693	25,421,993
10. OTHER OPERATING EXPENSES		
Rent and rates	3,820,215	3,399,425
Electricity and water	1,350,322	618,944
Repairs and maintenance	4,014,433	3,229,379
Insurance	812,173	871,619
Security expenses	589,576	615,584
Research and library expenses	132,855	127,405
Provision for bad debts	17,540,985	–
	28,260,559	8,862,356

NOTES TO FINANCIAL STATEMENTS

11. SURPLUS BEFORE TAX

The following items have been charged/(credited) in arriving at the surplus before tax:

	2013 Ushs 000	2012 Ushs 000
Depreciation of property and equipment (note 27)	1,939,865	5,495,845
Amortization of intangible assets (note 26)	1,666,223	1,497,087
(Loss)/Gain on disposal of property and equipment	(56,170)	1,346,305
Gain on disposal of investment property	–	511,500
Auditors' remuneration	140,400	113,565
Directors' emoluments	394,803	275,350
Decrease in provision for legal costs	46,498,160	2,506,340
Provision for interest on Alcon International case	–	2,486,373
Fair value gains/(losses) from equity instruments	33,725,285	(17,078,324)
Fair value gains on investment property	–	57,951,140
Provision for bad and doubtful debts	17,540,985	–
Unrealised foreign exchange losses	(13,489,586)	7,333,949
Reversal of impairment loss on trade receivables	–	(4,112,259)

12. TAX

a) Income tax expense

Withholding tax on interest income	**69,616,573**	**37,462,230**

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

	2013 Ushs 000	2011 Ushs 000
Surplus for the year before tax	412,916,475	276,299,603
Tax calculated at 30%	123,874,943	82,889,881
Tax effect of expenses not deductible for tax purposes	27,480,506	10,622,768
Tax effect of allowable expenses	(12,122,302)	(18,588,189)
Withholding tax deducted at source	(69,616,573)	(37,462,230)
	69,616,573	**37,462,230**

NOTES TO FINANCIAL STATEMENTS

12. TAX (CONTINUED)

b) Deferred tax asset

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30% (2012: 30%).

	At 1 July 2012 Ushs 000	Movement for the year Ushs 000	At 30 June 2013 Ushs 000
Accelerated tax allowances	3,177,861	(403,196)	2,774,665
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)
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
Tax losses carried forward	(94,832,651)	942,591	(93,890,060)
Net deferred tax asset	**(11,761,313)**	**1,957,029**	**(9,804,284)**

The net deferred tax asset of Ushs 9.8 billion (2011: Ushs 11 billion) has not been recognised in these financial statements due to the uncertainty in recovery of the asset. 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. However, as disclosed in Note 35 (b), the Fund received a notice of assessment for corporation tax of Ushs 49.7 billion from Uganda Revenue Authority in which the interest paid to members was disallowed. The Fund objected to the assessment and is yet to receive feedback from URA following its response to the assessment raised. As such, the Fund has maintained its earlier treatment in interest paid to members on the basis of the 2001 communication received from URA until such a time a resolution is reached on the assessment raised by URA.

13. CASH AND BANK BALANCES	2013 Ushs 000	2012 Ushs 000
Barclays Bank of Uganda Limited	691,005	491,344
Citibank Uganda Limited	1,695,422	7,293,830
Housing Finance Uganda Limited (Note 34)	119,085	772,805
Stanbic Bank Uganda Limited	2,529,700	5,657,056
Standard Chartered Bank Uganda Limited	9,160,840	2,599,919
Imperial Bank	16,979	–
Eco Bank	71,647	
Bank of Africa	189,705	–
Crane Bank	36,074	–
Centenary Bank	146,607	–
DFCU Bank	200,988	–
United Bank of Africa	84,892	–
Orient Bank	198,667	–
Global Trust Bank	61,763	–
Tropical Bank	10,370	–
Bank of Baroda	136,756	–
Cash at hand	26,171	599,056
	15,376,671	**17,414,010**

Notes to Financial Statements

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14. DEPOSITS WITH COMMERCIAL BANKS	2013 Ushs 000	2012 Ushs 000
ABC bank	6,237,304	–
Bank of Africa	–	19,794,297
Barclays Bank of Uganda Limited	–	36,007,240
Bank of Baroda Uganda Limited	135,223,543	81,877,348
Bank of India	1,074,625	–
Cairo International Bank Limited	10,937,923	2,032,477
Global Trust Bank Limited	–	7,903,300
Crane Bank Limited	225,291,785	217,085,558
DFCU Bank Limited	99,605,010	44,449,523
Diamond Trust Bank Uganda Limited	18,782,031	41,197,447
Housing Finance Bank Limited (Note 34)	39,122,698	31,908,779
Orient Bank Uganda Limited	63,935,735	39,731,995
Stanbic Bank Uganda Limited	–	3,036,678
Standard Chartered Bank Uganda Limited	31,721,471	52,272,160
Tropical Bank Limited	22,886,833	17,321,491
United Bank of Africa	12,639,210	10,041,164
Equity Bank Uganda Limited	16,623132	34,994,687
FinaBank Uganda Limited	–	9,264,364
EcoBank Uganda Limited	–	10,130,690
Imperial Bank Limited	9,761,977	5,079,865
KCB Bank Uganda Limited	38,110,818	22,022,260
	731,954,095	**686,151,323**
The above is analysed as follows:		
Amounts due within three (3) months	220,860,570	329,552,951
Amounts due after three (3) months	511,093,525	356,598,372
	731,954,095	**686,151,323**

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 2013 was 17% (2012:10%)

15. EQUITY SECURITIES HELD–FOR–TRADING	2013 Ushs 000	2012 Ushs 000
Uganda Securities Exchange	6,094,008	4,409,018
Nairobi Stock Exchange	25,965,249	15,170,547
Dar es Salaam Stock Exchange	3,254,070	1,290,864
	35,313,327	**20,870,429**

The investments in securities held–for–trading are equity investments managed by the Fund's investment managers, Stanlib and Pinebridge Investments. The investment managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

NOTES TO FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES	2013 Ushs 000	2012 Ushs 000
Prepayments	878,853	1,102,658
Staff advances	838,930	952,733
Withholding tax recoverable	–	3,425,512
Trade receivables	7,926,082	12,956,877
Contributions receivable	1,021,943	1,021,943
Rent receivable	2,765,223	1,780,596
VAT recoverable	1,099,556	3,611,728
Cash advances to investment managers	1,735,733	1,842,345
Dividends receivable	6,390,908	–
Provisions for impairment loss	(6,412,811)	(4,102,173)
	16,244,417	**22,592,219**
Provisions for impairment loss is analysed as follows:–		
As at 1 July	**4,102,173**	**8,214,432**
Provisions created during the year	2,310,638	–
Provisions no longer required	–	(4,112,259)
As at 30 June	**6,412,811**	**4,102,173**
Charge/(Credit) to the statement of comprehensive income:		
Net increase/(decrease) in provision for impairment loss	2,310,638	(4,112,259))

17. INVESTMENTS IN SECURITIES HELD–TO–MATURITY	Ushs 2013	Ushs 2012
Treasury bonds	1,922,181,862	1,334,690,056
Corporate bonds	67,943,848	51,604,632
	1,990,125,710	**1,386,294,688**
The investments are analysed as follows:		
Maturing within 3 months	109,615,696	99,232,998
Maturing after 3 months but within 1 year	353,308,202	146,890,072
Maturing after 1 year	1,527,201,812	1,140,171,618
	1,990,125,710	**1,386,294,688**

The yield rates on the treasury bonds ranged from 9.25% to 14.50% (2012: 10% to 11%) and the treasury bonds mature in 2 to 20 years. The interest rates for corporate bonds ranged from 11.5% to 17% (2012: 11.5% to 17%) and the corporate bonds mature in 1 to 9 years.

NOTES TO FINANCIAL STATEMENTS

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	% held	2013 Ushs 000	2012 Ushs 000
Bank of Baroda (Uganda) Limited	2.00	5,994,750	3,896,588
DFCU Limited	5.93	15,186,144	14,743,829
Safaricom Kenya Public Co. Ltd	0.60	48,818,507	25,095,900
Centum Investments Limited	0.73	2,785,200	1,685,200
Stanbic Bank Uganda Limited	1.72	24,703,504	23,870,170
New Vision Printing and Publishing Company Limited	19.6	9,075,000	9,000,000
Umeme	8.12	47,288,475	–
		153,851,580	**78,291,687**

All the above equity investments are traded on the Uganda Security Exchange (USE) except for Safaricom which is traded on the Nairobi Stock Exchange (NSE). The trading prices at the last date of trading for the years ended 30 June 2013 and 2012 was as follows:

	Currency	2013	2012
Bank of Baroda (Uganda) Limited	Ushs	120	195
DFCU Limited	Ushs	1,030	1,000
Safaricom Kenya PCL	Kshs	6.55	3.45
Stanbic Bank Uganda Limited	Ushs	25	25
Centum Investments Limited	Ushs	633	383
New Vision Printing and Publishing Company Limited	Ushs	605	600
UMEME	Ushs	359	–

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

	2013 Ushs 000	2012 Ushs 000
At 1 July	78,291,687	93,470,739
Acquisition of new shares	37,620,100	1,346,846
Bonus issue	3,596,850	19,249,336
Disposal of shares	–	–
Change in fair value	33,725,285	(17,078,324)
Foreign exchange losses	617,658	(18,696,910)
At 30 June	**153,851,580**	**78,291,687**

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 percent of the voting rights of the investee companies.

19. LOANS AND ADVANCES	2013 Ushs 000	2012 Ushs 000
DFCU Limited	1,500,000	2,500,000
Uganda Clays Limited (Note 34)	15,219,768	12,316,773
Housing Finance Bank Limited (Note 34)	40,727,357	43,560,238
Staff loans	3,072,180	3,667,812
	60,519,305	62,044,823
Provision for Uganda Clays Ltd loan	(15,219,768)	–
	45,299,537	**62,044,823**

NOTES TO FINANCIAL STATEMENTS

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% (2012: 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%.

Housing Finance Bank Limited 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% (2012: 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 pay–able. 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 30 June 2013.

The staff loans are loans issued by the Fund to its employees at a discount–ed interest rate of 6.5% (2012: 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. The gross staff loans at the discounted interest rate of 5% are Ushs 3.7 billion. As at 30 June 2013, the impact on the gross amounts of the loans were advanced at prevailing market rates of interest for similar instruments with similar credit ratings was equivalent to Ushs 1.36 billion (2012: Ushs 2.6 billion). The fair value of the staff loans at prevailing market rates of interest for similar instruments at 30 June 2013 was equivalent to Ushs 1.71 billion (2012: Ushs 1.1 billion).

All the above loans and advances are measured at amortised cost. Man–agement assessed all loans outstanding as at 30 June 2013 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 loan which has been fully provided for.

20. INVENTORIES	2013 Ushs 000	2012 Ushs 000
Inventories	**4,626**	**7,692**

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

21. NON–CURRENT ASSETS HELD FOR SALE	2013 Ushs 000	2012 Ushs 000
At 30 June	256,290	256,290

Leasehold land held in Gulu, Hoima, Masaka and Mbarara was transferred from prepaid operating land lease rentals to non–current assets held for sale following a Board decision to dispose of the properties.

NOTES TO FINANCIAL STATEMENTS

22. INVESTMENTS IN ASSOCIATES

	2013				2012			
	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Total Ushs 000	Housing Finance Bank Limited Ushs 000	Uganda Clays Limited Ushs 000	TPS Uganda Limited Ushs 000	Total Ushs 000
As at 1 July	52,117,754	11,017,174	5,102,263	68,237,191	49,145,683	10,675,826	3,361,847	63,183,356
Share of profit/(loss)	4,307,583	2,343,944	607,911	7,259,438	4,632,767	341,348	1,740,416	6,714,531
Share of other comprehensive income	–	1,955,430	–	1,955,430	–	–	–	–
Less: dividends	(2,444,184)	–	(287,162)	(2,731,346)	(1,660,696)	–	–	(1,660,696)
As at 30 June	**53,981,153**	**15,316,548**	**5,423,012**	**74,720,713**	**52,117,754**	**11,017,174**	**5,102,263**	**68,237,191**

As at 30 June 2013, the Fund had a shareholding of 50%, 32.52% and 20% 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 summary of the financial information for the investments in associates is as follows:

Year ended 30 June 2013	% held	Total assets Ushs 000	Total liabilities Ushs 000	Revenue Ushs 000	Expenses Ushs 000	Profit/ (loss) Ushs 000
Housing Finance Bank Limited	50.00%	556,251,033	447,124,898	47,873,203	39,258,037	8,615,166
Uganda Clays Limited	32.52%	75,340,660	37,744,529	17,684,768	10,477,069	7,207,699
TPS Uganda Limited	20.00%	75,396,808	14,689,750	19,979,946	16,940,391	3,039,555
Year ended 30 June 2012						
Housing Finance Bank Limited	50.00%	470,530,881	370,070,135	66,314,428	57,048,895	9,265,533
Uganda Clays Limited	32.52%	58,164,624	36,145,442	24,999,762	23,950,107	1,049,655
TPS Uganda Limited	20.00%	74,722,587	16,967,067	37,814,791	29,112,709	8,702,082

NOTES TO FINANCIAL STATEMENTS

23. OTHER INVESTMENTS

	2013 Ushs 000	2012 Ushs 000
Victoria Properties Development Limited	–	10,300

Victoria Properties Development Limited (VPDL) was incorporated in 2004 to develop the Fund's property at Lubowa for sale to the public. NSSF holds 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. VPDL delivered an account as to how the loan was utilised, and the Board of Directors authorised a write off of the said loan. A VPDL company Annual General Meeting held in July 2008 approved the annual reports and financial statements for the years 2005–2007, audited by PKF. 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 winding up/dissolution agreements and arm's length design/supervision contract have been signed.

24. CAPITAL WORK–IN–PROGRESS (CWIP)

Cost	Arua Ushs 000	Lubowa Ushs 000	Other Ushs 000	Total Ushs 000
At 30 June 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**
Provision for impairment				
At 1 July 2012/30 June 2013	(2,330,000)	–	–	(2,330,000)
Net carrying amount				
At 30 June 2013	**–**	**235,611,325**	**65,076**	**235,676,401**
At 30 June 2012	**–**	**–**	**–**	**–**

The Arua capital work–in–progress relates to costs incurred in creation of a joint venture with the trustees of Arua Golf Club in order to construct 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 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. Management is currently negotiating with the trustees of golf club with a view of finalizing the joint venture. However management is not certain when the final documentation creating the joint venture will be finalized. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired and recognised in the statement of comprehensive income in 2008.

During the year, the Fund commenced development of the Lubowa land and has contracted Soleh Boneh International (SBI) Holdings AG Uganda as project designer and supervisor for the Lubowa Housing Project. Consequently, all land previously recognised as investment property has been reclassified as capital work in progress. The housing units will be reclassified to inventory on completion.

NOTES TO FINANCIAL STATEMENTS

25. INVESTMENT PROPERTIES

	Value at 30 June 2011 Ushs 000	Additions Ushs 000	Transfer from Prepaid operating Ushs 000	Change in fair value Ushs 000	Disposal	Value at 30 June 2012	Additions Ushs 000	Reclassifica–tions Ushs 000	Value at 30 June 2013 Ushs 000
Workers' House	40,413,684	–	–	12,486,316	–	52,900,000	–	–	52,900,000
Plot 5 Mvule Rd Naguru	1,200,000	–	–	420,000	–	1,620,000	–	–	1,620,000
Land on Yusuf Lule Road	11,870,892	–	–	5,751,108	–	17,622,000	–	–	17,622,000
Independence Avenue Arua	45,000	–	–	90,000	–	135,000	–	–	135,000
Land in Kisugu	–	–	–	185,000	–	185,000	–	–	185,000
Land in Kabale	–	–	4,411	220,589	–	225,000	–	–	225,000
Land in Jinja	–	–	13,746	521,254	–	535,000	–	–	535,000
Land in Tororo	–	–	39,789	85,211	–	125,000	–	–	125,000
Lumumba Avenue	43,210,273	11,225,315	–	–	–	54,435,588	4,482,738	–	58,918,326
Social Security House	16,000,000	–	–	5,015,000	–	21,015,000	–	–	21,015,000
Mbuya Property M65	2,238,889	156,243	–	514,868	(2,910,000)	–	–	2,840,000	2,840,000
Land in Mbuya	–	1,620,000	–	–	–	1,620,000	–	–	1,620,000
Land in Lubowa	186,487,950	–	15,256	36,496,794	–	223,000,000		(223,000,000)	–
Land in Busiro Temangalo	16,000,000	–	–	(3,835,000)	–	12,165,000	–	–	12,165,000
Total	**317,466,688**	**13,001,558**	**73,202**	**57,951,140**	**(2,910,000)**	**385,582,588**	**4,482,738**	**(220,160,000)**	**169,905,326**

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. The fair value of property under construction is not reliably determinable and the Fund expects that this will continue to be the case until completion. As at 30 June 2013, property under construction related to the Pension Towers project on Lumumba Avenue.

With exception of property under construction, the fair values as at 30 June 2013 are based on the reassessment of valuation of 30 June 2012 done by SM Cathan, a certified professional valuer. In determining the above 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 depreci–ating them accordingly.

26. INTANGIBLE ASSETS

	2013 Ushs 000	2012 Ushs 000
Cost		
At 1 July	18,572,573	14,508,297
Additions	12,266	1,467,811
Transfer from capital work–in–progress	–	1,057,326
Reclassification from computer equipment and fittings	–	1,539,139
At 30 June	**18,584,839**	**18,572,573**
Amortisation		
At 1 July	8,503,763	6,339,867
Reclassification from computer equipment and fittings	–	666,809
Charge for the year	1,666,223	1,497,087
At 30 June	10,169,986	8,503,763
Net carrying amount	**8,414,853**	**10,068,810**

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

NOTES TO FINANCIAL STATEMENTS

27. PROPERTY AND EQUIPMENT

	Land Ushs 000	Property & machinery Ushs 000	Motor vehicles Ushs 000	Furniture and fittings Ushs 000	Computer equipment Ushs 000	Total Ushs 000
Cost						
At 1 July 2011	**1,106,170**	**1,104,988**	**7,925,277**	**2,174,690**	**11,708,602**	**24,019,727**
Additions	–	365,400	–	1,065,319	420,684	1,851,403
Reclassification to intangibles	–	–	–	(35,371)	(1,503,768)	(1,539,139)
Disposals	–	(17,259)	(4,332,322)	(115,317)	(1,310,425)	(5,775,323)
At 30 June 2012	**1,106,170**	**1,453,129**	**3,592,955**	**3,089,321**	**9,315,093**	**18,556,668**
Additions	–	166,901	–	48,400	1,314,905	1,530,206
Disposals	(706,170)	–	–	–	–	(706,170)
At 30 June 2013	**400,000**	**1,620,030**	**3,592,955**	**3,137,721**	**10,629,998**	**19,380,704**
Depreciation						
At 1 July 2011	–	632,772	6,245,555	1,212,335	5,895,690	13,986,352
Charge for the year	–	341,090	768,529	274,005	4,112,221	5,495,845
Reclassification	–	–	–	(14,069)	(652,740)	(666,809)
Disposals	–	(11,231)	(3,979,110)	(113,216)	(1,297,244)	(5,400,801)
At 30 June 2012	**–**	**962,631**	**3,034,974**	**1,359,055**	**8,057,927**	**13,414,587**
Charge for the year	–	251,091	417,374	307,495	964,005	1,939,965
At 30 June 2013	**–**	**1,213,722**	**3,452,348**	**1,666,550**	**9,021,932**	**15,354,552**
Net carrying amount						
At 30 June 2013	**400,000**	**406,308**	**140,607**	**1,471,171**	**1,608,066**	**4,026,152**
At 30 June 2012	**1,106,170**	**490,498**	**557,981**	**1,730,266**	**1,257,166**	**5,142,081**

28. WITHHOLDING TAX PAYABLE

	2013 Ushs 000	2012 Ushs 000
Withholding tax payable	901,895	901,895

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

29. OTHER PAYABLES

	2013 Ushs 000	2012 Ushs 000
Accounts payable	12,181,357	3,800,290
Accrual for legal costs	6,810,744	11,937,811
Alcon retention payable	1,202,310	1,202,310
Deferred income	3,460	18,298
Other payables	–	394,317
	20,197,871	**17,353,026**

The accrual for legal costs is analysed as follows:

	2013 Ushs 000	2012 Ushs 000
At 1 July	11,937,811	14,746,140
Payments made during the year	(219,377)	(301,989)
Decrease in accrual during the year	(4,907,690)	(2,506,340)
At 30 June	**6,810,744**	**11,937,811**

NOTES TO FINANCIAL STATEMENTS

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

30. PROVISIONS FOR LITIGATION

Alcon International Limited		
At 1 July	41,590,470	41,877,198
Interest payable	–	2,486,373
Foreign exchange losses/(gains)	–	(2,773,101)
Reversal of provision	(41,590,470)	–
Provision	9,239,702	–
At 30 June	**9,239,702**	**41,590,470**

On 21st July 1994 National Social Security Fund (NSSF) 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 8th 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 15th May 1998 due to breaches by Alcon. Consequently, on 30th 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 29th March 2001, the arbitrator awarded Alcon USD 8,858,470 and interest at 6% per annum. NSSF were 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 30th 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 25th 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 landmark 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 30th 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.

NOTES TO FINANCIAL STATEMENTS

31. ACCUMULATED MEMBERS' FUNDS

	2013 Ushs 000	2012 Ushs 000
At 1 July	2,621,222,866	2,071,024,274
Contributions received during the year	552,683,614	472,861,120
Transfer to reserve account (Note 33 (b))	–	(24,592,500)
Interest received on arrears	7,324,349	6,341,693
11.23% interest (2012: 10%) **	281,397,243	196,964,777
Members fund liability before benefit payments	**3,462,628,072**	**2,722,599,364**
Benefits paid during the year		
Age benefits	(47,738,802)	(38,709,099)
Withdrawal benefits	(35,328,891)	(24,163,544)
Exempted employee benefits	(15,895,893)	(15,456,556)
Invalidity benefits	(11,475,425)	(7,567,905)
Survivors benefits	(6,241,868)	(3,038,822)
Emigration grant benefits	(23,370,966)	(12,440,572)
Total benefits payments	**(140,051,845)**	**(101,376,498)**
At 30 June	**3,322,576,227**	**2,621,222,866**

31. ACCUMULATED MEMBERS' FUNDS (CONTINUED)

** 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 2013, the Minister for Finance, Planning & Economic Development approved an interest rate of 11.23% (2012: 10%) to be calculated and added to the members' funds.

b) Unallocated members' contributions	2013 Ushs 000	2012 Ushs 000
At 1 July	24,592,500	–
Transfer from accumulated members' funds	–	24,592,500
At 30 June	**24,592,500**	**24,592,500**

As at 30 June 2013, 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.

32. RESERVES

a) Special contributions, fines and penalties

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 and fines and penalties recovered from employers that fail to remit members funds as stipulated in the Act are credited to a reserve account. During the year, management recovered Ushs 2,500 million (2012: Ushs 1,892 million) in special contributions and fines and penalties and credited it to the reserve account. The fines and penalties are recognised in the statement of comprehensive income and then appropriated from the accumulated surplus/(deficit) to the reserve account.

NOTES TO FINANCIAL STATEMENTS

33. NET CASH USED IN OPERATING ACTIVITIES

	2013 Ushs 000	2012 Ushs 000
Surplus before tax	412,916,475	276,299,605
Depreciation of property and equipment	1,939,965	5,495,845
Loss/(Gain) on disposal of property and equipment	56,170	(1,346,305)
Gain on disposal of investment properties	–	(511,500)
Amortization of intangible assets	1,666,223	1,497,087
Prepaid operating land lease amortization	–	14,576
Share of results from associates	(7,259,438)	(6,714,531)
Provision for capital work–in–progress	–	9,136
Unrealised foreign exchange (gains)/losses on equity investments	(617,658)	18,696,910
Fair value gains on investment properties	–	(57,951,140)
Fair value (gain)/loss on equity investments	(33,725,285)	17,078,324
	374,976,452	**252,568,007**
Decrease in inventories	3,066	8,079
Decrease/(Increase) in trade and other receivables	6,347,902	(8,841,438)
Decrease in other payables and provisions	(29,848,465)	(4,272,721)
(Increase)/Decrease in deposits with commercial banks due after 3 months	(154,495,153)	249,341,302
Increase in investments in securities held–to–maturity maturing after 3 months	(593,448,324)	(716,101,692)
Income tax (withholding tax) paid	(69,616,573)	(37,462,230)
Net cash flows used in operating activities	**(466,081,095)**	**(264,760,693)**

34. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties. For information regarding the outstanding balances at 30 June 2013 and 2012, refer to Note 13, 14 and 17:

Housing Finance Bank		Placements/ Payments/ bal/b fwd Ushs 000	Maturities/ Receipts Ushs 000	Interest accrued Ushs 000	Amounts owed by Related parties Ushs 000
Cash balances	2013	–	–	–	119,085
	2012	–	–	–	772,805
Fixed deposits	2013	25,000000	(29,500,000)	1,983,023	39,122,699
	2012	29,500,000	(72,500,000)	2,408,779	31,908,779
Corporate bonds	2013	10,000,000	–	612,207	10,612,207
	2012	10,000,000	–	602,301	10,602,301
Loans & advances	2013	40,666,666	(2,428,965)	14,965	40,727,357
	2012	**43,500,000**	**(1,500,000)**	**15,733**	**43,560,238**

NOTES TO FINANCIAL STATEMENTS

34. RELATED PARTIES (CONTINUED)

		Placements/ Payments Ushs 000	Maturities/ Receipts Ushs 000	Interest accrued Ushs 000	Amounts owed by Related parties Ushs 000
Uganda Clays Limited					
Loan	**2013**	–	(99,649)	496,013	15,219,768
	2012	10,286,552		2,030,220	12,316,772
Government of Uganda					
Treasury bills	**2013**	–	–	–	–
	2012	–	(26,210,174)	–	–
Government Bonds	**2013**	1,816,819,639	(184,465,056)	104,292,871	1,922,181,862
	2012	1,275,098,036	(14,275,262)	59,591,632	1,334,690,056
Withholding tax paid	**2013**	69,616,573	–	–	–
	2012	37,462,230	–	–	–
Key management personnel					
Advances	**2013**	849,713	(96,107)	–	849,713
	2012	**1,010,715**	**(70,202)**	**–**	**1,010,715**

a) Housing Finance Bank

The Fund has a 50% shareholding in Housing Finance Bank.

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

Fixed deposits – The Fund has fixed deposit placements with the bank maturing within a period of 365 day 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 Housing Finance 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 a 32.5% shareholding in Uganda Clays Limited. Refer to Note 19 for the terms and conditions of the facilities.

c) Government of Uganda

The Government has 100% control in the Fund. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay as–You–Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from govern–ment ministries that occupy the Fund's properties.

34. RELATED PARTIES (CONTINUED)

d) Terms and conditions

Other than the terms disclosed above, there have been no guarantees pro–vided or received for any of the above related party receivables. For the year ended 30 June 2013, the Fund has recorded an impairment of receivables relating to amounts owed by related parties of Ushs 15.22 million (2011: Nil). 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.

NOTES TO FINANCIAL STATEMENTS

e) Compensation for key management personnel and Directors emoluments

	2013 Ushs 000	2012 Ushs 000
Non–Executive Directors' emoluments:		
Salaries and allowances	394,803	275,350
Key management remuneration:		
Salaries and allowances	3,071,467	2,701,168
Terminal benefits	335,112	525,429
	3,801,382	3,501,947

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 other 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 49.7 billion. The Fund objected to the assessment on the grounds that URA's tax computations contained expenses that were wrongly disallowed. The Fund, through its tax consultants formally responded to the issues raised by URA. As at the date of this report, URA had not responded to the Fund's submission. No provision has therefore been made in the financial statements since URA has not communicated to the Fund its position on the matter.

36. NSIMBE HOLDINGS LIMITED

Through its wholly owned subsidiary, Premier Developments Limited, 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. 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. Accordingly, the Fund entered into negotiations with Eng. James Isabirye, the proprietor of Mugoya Estates Limited but the negotiations had collapsed by the time of issuing these financial statements. The Fund intends to take legal action to recover its investment. The recoverability of this amount can't be determined at this time, and therefore the investment remains fully impaired in these financial statements.

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 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.

Management identifies all significant accounting policies and those that involve high judgement and in particular the significant areas of estimation and uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

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

NOTES TO FINANCIAL STATEMENTS

37. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Determining fair values – The determination of fair value for financial assets and liabilities 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.

(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. For the provisions included in the financial statements see note 30.

38. FINANCIAL RISK MANAGEMENT

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

- Market risk,
- Liquidity risk, and
- Credit 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. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rate 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.

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.

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. The Fund held no significant foreign currency exposure as at 30 June as shown below:

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (continued)

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

Assets	USD	Kshs	Ushs	Total
Cash and bank balances	322,137	2,411,929	12,642,605	15,376,671
Deposits with commercial banks	42,017,631	–	689,936,464	731,954,095
Equity securities held–for–trading	–	29,219,319	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
Inventories	–	–	4,626	7,692
Non–current assets held for sale	–	–	256,290	256,290
Investments in Associates	–	–	74,720,713	74,720,713
Capital work–in–progress	–	–	235,676,401	235,676,401
Investment properties	–	–	169,905,326	169,905,326
Intangible assets	–	–	8,414,853	8,414,853
Property and equipment	–	–	4,026,152	4,026,152
Total Assets	**42,339,768**	**234,891,107**	**3,203,938,823**	**3,481,169,698**
Liabilities				
Withholding tax payable	–	–	901,895	901,895
Other payables	143,848	–	20,054,023	20,197,871
Provisions for litigation	9,239,702	–	–	9,239,702
	9,383,550	–	20,955,918	30,339,468
Members' Funds and Reserves				
Accumulated members' funds	–	–	3,322,576,227	3,322,576,227
Reserve accounts	–	–	38,197,834	38,197,834
Accumulated surplus	–	–	90,056,169	90,056,169
	–	–	3,450,830,230	3,450,830,230
Total Members' fund, reserves & liabilities	**9,383,550**	**–**	**3,471,786,148**	**3,481,169,698**
Currency gap				
As at 30 June 2013	**32,956,218**	**234,891,107**	**(267,847,325)**	**–**

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (continued)

The Fund had the following significant currency positions as at 30 June 2012. All balances are in Ushs 000.

USD	Kshs	Ushs	Total	Assets
Cash and bank balances	4,625,430	–	12,788,580	17,414,010
Deposits with commercial banks	66,685,549	–	619,465,774	686,151,323
Investment in securities held–for–trading	–	16,461,036	4,409,393	20,870,429
Trade and other receivables	–	–	22,592,219	22,592,219
Investments in securities held–to–maturity	–	–	1,386,294,688	1,386,294,688
Equity investments at fair value through profit or loss	–	25,095,916	53,195,771	78,291,687
Loans and advances	–	–	62,044,823	62,044,823
Inventories	–	–	7,692	7,692
Prepaid operating lease	–	–	256,290	256,290
Investments in Associates	–	–	68,237,191	68,237,191
Other investments	–	–	10,300	10,300
Investment properties	–	–	385,582,588	385,582,588
Intangible assets	–	–	10,068,810	10,068,810
Property and equipment	–	–	5,142,081	5,142,081
Total Assets	**71,310,979**	**41,556,952**	**2,630,096,200**	**2,742,964,131**
Liabilities				
Withholding tax payable	–	–	901,895	901,895
Other payables	–	–	17,353,026	17,353,026
Provisions for litigation	41,590,470	–	–	
41,590,470				
		41,590,470	–	18,254,921
59,845,391				
Members' Funds and Reserves				
Accumulated members' funds	–	–	2,621,222,866	2,621,222,866
Reserve account	–	–	34,328,993	34,328,993
Accumulated surplus	–	–	27,566,881	27,566,881
	–	–	2,683,118,740	2,683,118,740
Total Members' fund, reserves & liabilities	41,590,472	–	2,701,373,661	2,742,964,131
Currency gap				
As at 30 June 2012	**(29,720,507)**	**(41,556,952)**	**71,277,461**	**–**

38. FINANCIAL RISK MANAGEMENT (CONT'D)

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 % 2013	Effect on profit before tax 2013 Ushs '000	Change in currency rate in % 2012	Effect on profit before tax 2012 Ushs '000
USD	+/–10%	+/–4,216,320	+/–10%	+/–2,972,051
KES	+5%	+/–11,282,570	+5%	+/–1,254,796

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

The following exchange rates applied during the year:

		Average rate		Reporting date spot rate	
		2013 Ushs	2012 Ushs	2013 Ushs	2012 Ushs
Kenya	KES	31.28	29	31.28	30
U.S.A	USD	2,601.20	2,450	2,639.06	2,512

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 risk, the Fund has a policy whereby the approved investment com–mitments are matched to member's funds.

Fair value and cash flow sensitivity analysis

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 surplus or deficit.

The financial assets held at variable rate 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. In–cluded 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.

	Matured	<3 months	3–12 months	1–5 years	Non–interest bearing	Total
ASSETS						
Cash and bank balances	15,376,671	–	–	–	–	15,376,671
Deposits with commercial banks	–	220,860,570	511,093,525	–	–	731,954,095
Investments in securities held–to–maturity	–	109,615,696	353,308,202	1,527,201,812	–	1,990,125,710
Trade and other receivables	1,735,733	–	–	–	14,508,684	16,244,417
Equity investments at fair value through profit or loss	–	–	–	–	153,851,580	153,851,580
Loans and advances	–	–	–	45,299,537	–	45,299,537
Inventories	–	–	–	–	4,626	4,626
Investments in Associates	–	–	–	–	74,720,713	74,720,713
Capital work in progress	–	–	–	–	235,676,401	235,676,401
Investment properties	–	–	–	–	169,905,326	169,905,326
Non–current assets held for sale	–	–	–	–	256,290	256,290
Equity securities held–for–trading	–	–	–	–	35,313,327	35,313,327
Intangible assets	–	–	–	–	8,414,853	8,414,853
Property and equipment	–	–	–	–	4,026,152	4,026,152
Total assets	**17,112,404**	**330,476,266**	**864,401,727**	**1,572,501,349**	**696,677,952**	**3,481,169,698**
LIABILITIES, MEMBERS' FUNDS AND RESERVES						
Withholding tax payable	–	–	–	–	901,895	901,895
Trade and other payables	–	–	–	–	20,197,871	20,197,871
Provisions for litigation	–	–	–	–	9,239,702	9,239,702
Accumulated members' funds	–	–	–	–	3,322,576,227	3,322,576,227
Reserves	–	–	–	–	38,197,834	38,197,834
Accumulated surplus	–	–	–	–	90,056,169	90,056,169
Total members' funds, reserves and liabilities	–	–	–	–	3,481,169,698	3,481,169,698
Gap as at 30 June 2013	**17,112,404**	**330,476,266**	**864,401,727**	**1,572,501,349**	**(2,784,491,746)**	**–**

NOTES TO FINANCIAL STATEMENTS

ASSETS	Matured1	up to 3 months	3 to 12 months	1 to 5 years	Non–interest bearing	Total
Cash and bank balances	17,414,010	–	–	–	–	17,414,010
Deposits with commercial banks	–	329,552,951	356,598,372	–	–	686,151,323
Investments in securities held–to–maturity	–	99,232,998	146,890,072	1,140,171,618	–	1,386,294,688
Trade and other receivables	–	–	–	–	22,592,219	22,592,219
Equity investments at fair value through profit or loss	–	–	–	–	78,291,687	78,291,687
Loans & advances	–	–	–	62,044,823	–	62,044,823
Inventories	–	–	–	–	7,692	7,692
Investments in Associates	–	–	–	–	68,237,191	68,237,191
Other investments	–	–	–	–	10,300	10,300
Capital work–in–progress	–	–	–	–	385,582,588	385,582,588
Investment properties	–	–	–	–	256,290	256,290
Prepaid operating lease rentals	–	–	–	–	20,870,429	20,870,429
Intangible assets	–	–	–	–	10,068,810	10,068,810
Property and equipment	–	–	–	–	5,142,081	5,142,081
Total assets	**17,414,010**	**428,785,949**	**503,488,444**	**1,202,216,441**	**591,059,287**	**2,742,964,131**
LIABILITIES AND MEMBERS' FUNDS AND RESERVES						
Withholding tax payable	–	–	–	–	901,895	901,895
Trade and other payables	–	–	–	–	17,353,026	17,353,026
Provisions for litigation	–	–	–	41,590,470	–	41,590,470
Accumulated members' funds	–	–	–	–	2,621,222,866	2,621,222,866
Reserve account	–	–	–	–	34,328,993	34,328,993
Accumulated deficit	–	–	–	–	27,566,881	27,566,881
Total members' funds, reserves and liabilities	**–**	**–**	**–**	**41,590,470**	**2,701,373,661**	**2,742,964,131**
Gap as at 30 June 2012	**17,414,010**	**428,785,949**	**503,488,444**	**1,160,625,971**	**(2,110,314,374)**	**–**

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value versus carrying amounts

The fair values of financial assets and liabilities together with the carrying value shown in the statement of financial position are analysed as follows. The fair value of the financial assets and liabilities approximates to their respective carrying amounts:

	30 June 2013		30 June 2012	
	Carrying amount Ushs '000	Fair value Ushs '000	Carrying amount Ushs '000	Fair Value Ushs '000
Loans and advances	45,299,537	45,299,752	62,044,823	62,044,823
Investment securities	1,990,125,710	1,990,125,710	1,386,294,688	1,386,294,688
Equity investments at fair value through profit or loss	153,851,580	153,851,580	78,291,687	78,291,687
Other investment	–	–	10,300	10,300
Deposits due from commercial banks	731,954,095	731,954,095	686,151,323	686,151,323
Trade and other receivables	16,244,417	16,244,417	22,592,219	22,592,219
Cash and bank balances	15,376,671	15,376,671	17,414,010	17,414,010
Investment securities held for trading	35,313,326	35,313,326	20,870,429	20,870,429
Other payables	(20,197,871)	(20,197,871)	(17,353,026)	(17,353,026)
	2,967,967,465	**2,967,967,465**	**2,256,316,453**	**2,256,316,453**

Valuation hierarchy

IFRS 7: Financial Instruments–Disclosures ("IFRS 7") 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 observ–able 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 (CONT'D)

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below for the year ended 30 June:

	2013 Level 1 Ushs 000	2012 Level 1 Ushs 000
Equity investments at fair value through profit or loss	153,851,580	78,291,687
Investment securities held–for–trading	35,313,326	20,870,429
	189,164,906	**99,162,116**

NOTES TO FINANCIAL STATEMENTS

b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting ob–ligations 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 assets and liabilities into relevant maturity groupings based on the remaining period at 30 June 2013 to the contractual maturity date. All balances are in Ushs 000.

AS AT 30 JUNE 2013	Matured	<3 months	3–12 months	1 to 5 years	>5 years	Total
FINANCIAL ASSETS						
Cash and bank balances	15,376,671	–	–	–	–	15,376,671
Deposits with commercial banks	–	220,860,570	511,093,525	–	–	731,954,095
Investments in securities held–to–maturity	–	109,615,696	353,308,202	1,027,017,204	500,184,607	1,990,125,710
Trade and other receivables	1,735,733	–	14,508,684	–	–	16,244,417
Equity investments at fair value through profit or loss	–	–	–	153,851,580	–	153,851,580
Loans and advances	–	–	–	45,299,752	–	45,299,752
Investment securities held–for–trading	–	–	–	–	35,313,326	35,313,326
TOTAL FINANCIAL ASSETS	**17,112,404**	**330,476,266**	**878,910,411**	**1,226,168,536**	**535,497,933**	**2,988,165,550**
FINANCIAL LIABILITIES						
Other payables	–	20,197,871	–	–	–	20,197,871
TOTAL FINANCIAL LIABILITIES	**–**	**20,197,871**		**–**	**–**	**20,197,871**
GAP AS AT 30 JUNE 2013	**17,112,404**	**310,278,395**	**878,910,411**	**1,226,168,536**	**535,497,933**	**2,967,967,679**

NOTES TO FINANCIAL STATEMENTS

AS AT 30 JUNE 2012	Matured	<3 months	3–12 months	1 to 5 years	>5 years	Total
FINANCIAL ASSETS						
Cash and bank balances	17,414,010	–	–	–	–	17,414,010
Deposits with banks	–	329,552,951	356,598,372	–	–	686,151,323
Investments in securities held–to–maturity	–	99,232,998	–	1,287,061,691	–	1,386,294,689
Trade and other receivables	–	22,592,219	–	–	–	22,592,219
Equity investments at fair value through profit or loss	–	–	–	–	78,291,687	78,291,687
Investment securities held–for–trading	–	–	–	–	20,870,429	20,870,429
Loans and advances	–	–	–	62,044,823	–	62,044,823
TOTAL FINANCIAL ASSETS	**17,414,010**	**451,378,168**	**356,598,372**	**1,349,106,514**	**99,162,116**	**2,273,659,180**
FINANCIAL LIABILITIES						
Trade and other payables	–	17,353,026	–	–	–	17,353,026
TOTAL FINANCIAL LIABILITIES	**–**	**17,353,026**		**–**	**–**	**17,353,026**
GAP AS AT 30 JUNE 2012	**17,414,010**	**434,025,142**	**356,598,372**	**1,349,106,514**	**99,162,116**	**2,256,306,154**

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counter–party to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund loans and advances, trade and other re–ceivables, deposits with commercial banks and investments in government and corporate bonds. For risk management 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 man–agement 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 moni–toring 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 process–es 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:

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT (CONT'D)

	Note	2013 Ushs 000	2012 Ushs 000
Cash and bank balances	13	15,376,671	17,414,010
Deposits due from banks	14	731,954,095	686,151,323
Trade and other receivables	16	16,244,417	22,592,219
Investment securities held–to–maturity	17	1,990,125,710	1,386,294,688
Loans and advances	19	45,299,752	62,044,823
		2,799,000,645	**2,174,497,063**

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

	2013 Ushs 000	2012 Ushs 000
DFCU Bank Limited: Loan for mortgage financing	1,500,000	2,500,000
Housing Finance Bank Limited	40,727,357	43,560,238
Uganda Clays Limited	15,219,768	12,316,773
Staff loans	3,072,180	3,667,812
	60,519,305	**62,044,823**

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

	30 June 2013		30 June 2012	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Not past due nor impaired	45,299,537	–	62,044,823	–
Past due 30–60 days	–	–	–	–
Past due 31–120 days	–	–	–	–
Past due 120–360 days 15,219,768	(15,219,769)	–	–	
More than a year	–	–	–	–
	60,519,305	**(15,219,769)**	**62,044,823**	**–**

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

NOTES TO FINANCIAL STATEMENTS

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

	2013 Ushs 000	2012 Ushs 000
Rent receivable	2,765,223	1,780,596
Contributions receivable	1,021,943	1,021,943
Withholding tax claim refund	–	3,425,512
Staff debtors	838,930	952,733
Trade debtors	16,052,723	14,799,222
VAT recoverable	1,099,556	3,611,728
Prepayments	878,853	1,102,658
	22,657,228	**26,694,392**

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

	30 June 2013		30 June 2012	
	Gross Ushs 000	Impairment Ushs 000	Gross Ushs 000	Impairment Ushs 000
Neither past due nor impaired	11,965,923	–	16,297,951	–
Past due 0–30 days	26,632	–	1,333,137	–
Past due 31–120 days	3,281	1,641	1,552,946	–
Past due more than 120 days	10,661,392	(6,411,170)	7,510,358	(4,102,173)
	22,657,228	**(6,412,811)**	**26,694,392**	**(4,102,173)**

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.

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT (CONT'D)

d) Categories of financial assets and financial liabilities	2013 Ushs 000	2012 Ushs 000
FINANCIAL ASSETS		
Held–for–trading		
Investment securities held–for–trading	**35,313,327**	**20,870,429**
Financial assets at fair value through profit or loss		
Equity investments	153,851,580	78,291,687
Held–to–maturity investments		
Deposits with commercial banks	731,954,095	686,151,323
Investments in securities held–to–maturity	1,990,125,710	1,386,294,688
	2,722,079,805	**2,072,446,011**
Financial assets at amortised cost		
Cash and bank balances	15,376,671	17,414,010
Trade and other receivables	16,244,417	14,452,321
Loans and advances	45,299,752	62,044,823
	76,920,840	93,911,154
Total financial assets	**2,988,165,552**	**2,265,519,281**
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Other payables	**5,396,917**	**6,375,107**

39. CASH AND CASH EQUIVALENTS

	Note	2012 Ushs 000	2013 Ushs 000
Cash and bank balances	13	15,376,671	17,414,010
Deposits due from banks within 3 months	14	220,860,570	329,552,951
Investments in securities held–to–maturity maturing within 3 months	17	109,615,696	99,232,998
		345,852,937	**446,199,959**

40. ESTABLISHMENT

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

41. SUBSEQUENT EVENTS

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

NSSF Offices and Contacts

Working Hours
Our branch offices are open from 9:00 AM to 3:00 PM, Monday – Friday. Our Call Centre is open from 7:00AM to 9:00 PM Monday – Friday and 9:00 AM to 2:00 PM on Saturdays.

We observe all national public holidays and any other as may be declared by the Government of the Republic of Uganda.

HEAD OFFICE
Floor 14, Workers House
Plot 1 Pilkington Road
P. O. Box 7140 Kampala
Tel: 256 417 330777/888
Fax: 256 414 258646
Email: nssf@nssfug.org
Customer Service Centre
Ground Floor, Workers House
P. O. Box 7140 Kampala
Tel: 256 414 331755
Fax: 256 414 258646

KAMPALA BRANCHES:

BAKULI
Plot 341, Hoima Road, (Opp. GAPCO Fuel Station)
P. O. Box 7140 Kampala
Tel: 256 414 346166/9/ 0417– 331800

BUGOLOBI
1st Floor, Millennium Building (Above Payless Supermarket)
Tel: 256 414 223581/ 223534/ 0417– 331700

NAKASERO
Plot 5 George Street. 1st Floor, Amamu House, Next to YWCA.
P. O. Box 7140 Kampala
Tel: 0417 331610, 0417 331608

BANDA
Plot No. 108 Jinja Road, Kireka Trading Centre; Opposite Namugongo Road Junction.
Tel: 0417 331830/29/28/26.

KAWEMPE
Plot No. 157 Bombo Road (After Kawempe Police Station)
P. O. Box 7140 Kampala
Tel: 0414 344671/568720.

ENTEBBE
LRV2885 FOLIO 16, PLOT 190
Kampala Road –Entebbe
P. O. Box 7140 Kampala
Tel: 0417 331775/81/82.

UPCOUNTRY BRANCHES

ARUA
Plot 59 Weatherhead Parklane
P. O. Box 418 Arua
Tel: 0476 202 215/0417–332100.

FORT PORTAL
Plot 5A/B, Ruhiinda Street
P. O. Box 250, Fortportal
Tel: 0485 230030/0417 332175

GULU
Plot 23, Adrea Olol
P. O. Box 730, Gulu
Tel: 0471 432107/0417 332125

HOIMA
Plot 54, Main Street, Hoima
P. O .Box 96, Hoima
Tel: 0465 440004/0417 332025

JINJA
General Post Office Building
Plot 2, Main Street,
P. O. Box 877, Jinja
Tel: 0434 212586/0417 331850

KABALE
Plot 91–95, Mbarara Road
P. O. Box 203, Kabale
Tel: 256 0486 422176/417 332300

LIRA
Plot 43, Bazar Road, Lira
P. O. Box 406 Lira
Tel: 256 0473 420104/417 332075

LUGAZI
Plot 102B, Kampala–Jinja Road
P. O. Box 7140, Kampala
Tel: 0414 448003/0417 331900

MASAKA
Plot 21, Edward Avenue
P. O. Box 1290, Masaka
Tel: 256 048 120449/ 417 332325

MASINDI
Plot 54, Port Road
P. O. Box 199, Masindi
Tel: 256 0465 420055/ 417 332050

MBALE
Plot 31, Naboa Road.
P. O. Box 1574, Mbale
Tel: 0454 433347/ 417 331950

MBARARA
Plot 7/9, Mbarara High Street
P. O. Box 719, Mbarara
Tel: 256 0486 420114/417 332250

MOROTO
Plot 31 Lira Road, Moroto
P. O. Box, Moroto
Tel: 256 454 470001/417 332000

SOROTI
Plot 58A, Main Street, Soroti Municipality
P. O. Box, Soroto
Tel: 256 45 461390/417 331975

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Customer Service
Tel: 080028773 (Toll free), +256 417 331755 or +256 417 331252
Email: customerservice@nssfug.org

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