

ANNUAL REPORT June 2006

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Chairman's Statement

Dear valued stakeholders of the Fund,

It is with pleasure and gratification that on behalf of the Board of Directors, I release to you the Annual Report and Audited Accounts of the Fund for the financial year ending 30th June 2006. I am delighted to report that the Fund, recorded an impressive performance in the collection of contributions, investment income, benefit payment and total assets.

During the year, the Fund obtained through an appointment by the Supervising Minister of Finance, Planning and Economic Development, the new Board of Directors. This put an end to the gap that existed at policy level, which then paved way for investment of social security funds as the powers and decisions to invest in projects that require significant amount of money lie with the Board of Directors.

The Fund continued to implement the Integrated Management Information System (IMIS) project, which had been embarked on earlier on in 2004. This system is the heart of the operations of the Fund, which is used in the payment of benefits to qualifying beneficiaries – one of the core functions of the Organisation; and was therefore the major task for the year 2006.

The Fund also continued with its aggressive initiatives of public awareness and sensitisation about the benefits and services provided by the organisation. These were largely to improve the public attitude and perception about the Fund following its history of scandals related to mismanagement of the workers money especially in investment projects.

Finally, on behalf of the Board, I wish to register my sincere gratitude to the Government in particular the Ministry of Finance, fellow Board Members, Management and staff of NSSF and other stakeholders for their continued support and contributions towards the achievement of positive growth registered during the year under review. I reiterate our continued efforts and dedication in providing good social security services to all our valued members.

Board Members



Claudius Olweny-Member



Dr Ijuka Kabumba- Member



Cornelius Mukiibi-Member



Edward Gaamuwa-Chairman BOD



Joyce Acigwa-Member



Stephen Bandusya- Member



**Martin Bandedire-
Ag. Managing Director**



Andrew A. N. Otengo Owiny-Member

Managing Director's Statement

I am pleased to present this report that highlights the Fund's accomplishments and challenges through out the financial year ending June 30, 2006. The report also contains an attachment of the Audited Accounts of the Fund for the same period for your review and information.

I have great pleasure to report that, the general financial and operational performance of the Fund continued to be good as reflected by the growth in all performance indicators as shown in subsequent sections of this report.

During the year, the supervising Minister of Finance Planning and Economic Development appointed members of the Board of Directors to fill up the gap after the Fund had been operating without the Board for over one year. This strengthened the management of the Fund at policy level but also helped to enhance the investments, the organisation is engaged in as they are sanctioned by this top body.

As regards the core business, positive results were recorded from various angles. The major achievements during the year ending June 2006 are outlined here below.

- Under its Integrated Management Information System, the Fund registered 221,709 members by the end of the period, up from 83,398 by the end of 30th June 2005. These were drawn from about 5619 employers.
- The Fund had a total staff strength of 406, handling all the business processes both in the branches and at the Head Office in Kampala.
- Contributions collections grew from 103.3 billion in 2005 to 125.9 billion in 2006, representing an annual increase of 22%
- Investment income increased from 42 billion in the previous year to 51.6 billion for the year ending 30 June 2006.
- An interest rate of 7% equivalent to 35.5 billion was declared on members contribution
- Amount of money paid as benefits to qualifying beneficiaries increased to 20.8 bn from 17.5bn, representing 16% growth. This was paid to 7139 claimants
- The Fund's Net current assets stood at UGX 659 billion (approx. US\$ 361 million)
- Management remains focused on risk management and diversification of investments to maximize the expected return in the long-run within the approved risk guidelines.

Despite the achievements, a number of challenges were registered that constrained full realisation of the objectives and targets for the year. These include; the improper functioning of the newly implemented Integrated Management Information System (IMIS) that continued to face breakdowns resulting into poor service delivery to our clients especially on benefit payment front. Non-compliance in terms of both employer and employee registrations as well as no / under declaration of employee remuneration by employers was another challenge. These identified challenges will be areas of main focus in the financial year 2006/2007, and there is optimism that they will be managed to a level where they can no longer affect in a significant manner the operations of the Fund.

On behalf of the Management and staff of NSSF, I would like to take this opportunity to thank the Government for the continuous support. In a specific way, we extend our gratitude to our supervising Ministry; the Ministry of Finance, Planning and Economic Development.

I record our thanks and appreciation to the Board of Directors for their cooperation and support during the period. We also thank all our stakeholders especially members and employers for their invaluable support and patience as we strived to provide better service. We invite them all for their continuous support in the coming years as we implement reforms and activities intended to improve service delivery

Bandebire Martin
AG. Managing Director

Management Team



Hope Bizimana (Mrs)
Human Resource Manager



Martin Bandebire
Ag. Managing Director /Corporation
Secretary



Joshua Karamagi
Chief Finance Officer



Charles K. Muhoozi
Marketing and
Communications Manager



Julius K. Ishungisa
Chief Internal Auditor



George Kyarikunda
Administration Coordinator



Joseph Ssemwogerere
Ag. Information Systems
Manager



Samuel Mpiima Lubuulwa
Chief Operations Officer

Our Business

The National Social Security Fund (“NSSF” / “the Fund”) was established by an Act of Parliament in 1985 ie “The NSSF Act. By virtue of this Act, NSSF was established with the main objective of being the Ugandan national provident scheme that would provide the only form of social security for private sector workers in the country. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life.

The scope of the Act is all employers and their employees, in the private sector, where the employer employs 5 or more employees. An individual may also voluntarily register and save with NSSF. NSSF is a fully funded contributory scheme financed entirely by employees who pay 5% of their total monthly wages; and their respective employers who top it up with 10% of earnings. Effectively, every member therefore saves 15% of their wages to the NSSF.

NSSF has a mandate to collect member contributions, invest them judiciously and pay commensurate benefits to qualifying members. Accordingly, the money collected monthly is maintained on individual member accounts, invested and earns a variable annual interest depending on the return on our investments.

NSSF pays five types of Lump sum benefits, three of which (Old age, Invalidity and Death) are among the nine (9) major contingencies contained in Convention 102 of 1952, set as the minimum standards of benefits.

Old age benefit is paid to members aged 55 and above and withdrawal benefits (following early retirement) to all members who have attained the age of 50 years but have been out of employment for at least a year.

Exempted employment benefits are also paid to members who join employment that provides alternative social protection schemes recognized under the existing law and exempted from contributing to NSSF. These include the Army, Police, Prisons, Civil Service & Government Teaching Service employees or members of any scheme who have received exemption from the Ministry responsible in writing.

Emigration grant is another benefit paid to a member (both Ugandan and expatriate) who is leaving the country permanently.

In the event that any of these contingencies occurs , a member or dependant survivors(in case of death) is paid a lump sum benefit – being the total contributions a member has on his/her account plus interest earned throughout the contributing period.

For the absence of doubt, the Fund is not a pension, but a provident fund, and no early withdrawals of member balances are currently made available by the Fund.

Vision, Mission and Values

As most of the organisation's activities are geared towards the fulfilment of its mission and vision and are guided by the corporate values, it is important to remind our stakeholders about these corporate statements.

Our vision

"To be the Region's leading social security provider, delivering a wide range of quality products and services and a real return to our members, while driving economic development and sustaining a competitive advantage in a free market."

Our mission

To provide social security benefits as prescribed by law, through the efficient and effective management of the Fund by:

- Prompt and accurate payment of benefit entitlement under the scheme in a "customer friendly" manner.
- Ensuring compliance with the contribution obligations of employers, employees and the self employed.
- The sound investment of funds.
- Keeping all contributors and current potential beneficiaries informed of their obligation and benefits under the scheme.
- Ensuring that the government of the day is well informed on all matters relating to the management of the fund and meeting the social security needs of the country.

In meeting this mission we will provide meaningful and rewarding careers for our staff, and will be perceived as one of the leading institutions in Uganda.

The above mission statement was however re-defined as below in the current NSSF 5-Year Strategic Plan of 2007 - 2012.

"We commit ourselves to;

- Providing meaningful retirement benefits to our **MEMBERS** both in terms of service, and real value;
- Providing an efficient and convenient system to **EMPLOYERS**, for the purposes of meeting their own and their employees' NSSF obligations;
- Contributing to Uganda's **ECONOMIC DEVELOPMENT** by effecting economically strategic investments; and
- Recruiting, training, developing and retaining the best and the brightest **STAFF**, in order to secure organizational excellence."

Our Corporate Values

- Quality.***
- Integrity.***
- Teamwork.***
- Efficiency.***
- Commitment.***
- Innovation.***
- Accountability.***

"QITE CIA"

Performance details

The assessment and evaluation of NSSF's performance for the period ending June 2006, takes stock of the achievements of the Fund in various key operational areas. A trend analysis of the performance of the organisation over the period 1999/2000 to 2005/2006 is also done in some aspects, in order to enable our key stakeholders and the entire general public get a full understanding of the organisation's performance over the years. This is one of the ways by which National Social Security Fund (NSSF) discloses to its members and other stakeholders and public how it has performed and been managed.

The core functions of NSSF are to register members, collect their contributions, judiciously invest the Funds and pay benefits due to members. In line with the mission of the organisation NSSF employs high calibre staff and facilitates them to expedite the NSSF mission in a professional and customer friendly manner. The details of the activities performed during the year under review are presented in the sections that follow.

Membership

According to the NSSF Act, Cap 222, section 5, subsection (1) "any employee of or above the age of sixteen and below the age of fifty-five years except, an employee employed in exempted employment, a non resident employee, an employee not employed in Uganda, who is declared by the Minister to be such employee and any farmer or artisan who is a member of a co-operative society, shall, for the purposes of this Act, be deemed to be an eligible employee. Any class or description of such employees shall be registered as members of the Fund. It is the duty of a registered employee to produce evidence of his registration and membership to his employer.

According to the scope of the Act, all employers in the private sector, employing 5 or more employees are required to register with NSSF. An individual may also voluntarily register and save with NSSF. As at 30 June 2006, cumulatively NSSF had a total of 221,709 members and 5619 employers were successfully re-registered under the new Integrated Management Information System.

Contributions

Years	Contributions in UGX ('000')	Monthly Average ('000')	Growth rate (%)
1999/00	37,871,984	3,155,999	-
2000/01	46,999,094	3,916,591	24.1
2001/02	58,225,605	4,852,134	23.9
2002/03	67,329,562	5,610,797	15.6
2003/04	84,471,736	7,039,311	25.5
2004/05	103,342,709	8,611,892	22.3
2005/06	125,875,652	10,489,638	21.8

By the close of the financial year, a total of UGX 125.8 billion had been collected indicating an increase of 22% in comparison to the previous year of 2005 where 103.3 billion was collected. Note that the amounts indicated include penalties, fines on late payments. From the graphical representation below, it is clear that there is a continuous positive increase in contributions and a lot of potential in this area is still untapped. Regular inspections and enforcements in the coming year are expected to increase the collections further.

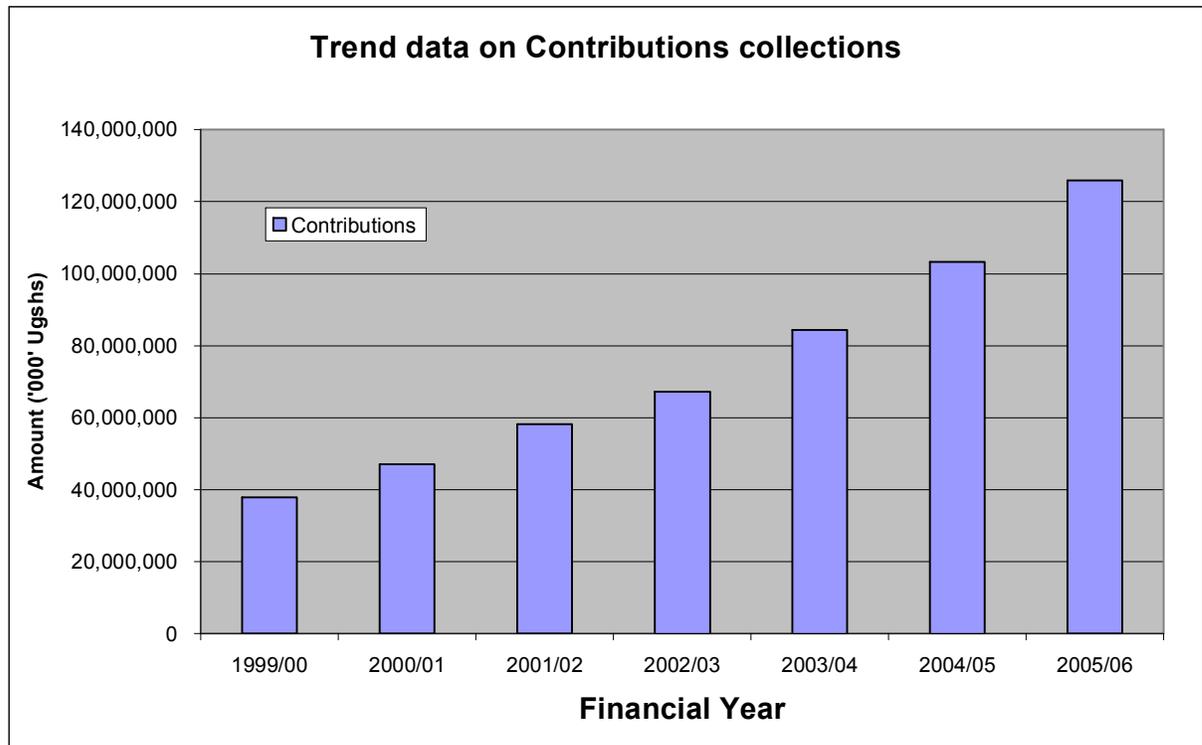


Chart 1

This continuous increase in collections is attributable to improvements in the economy which in turn led to better wages on which contributions are made and the increase in membership. The growth in contributions has enabled us to invest more and earn better returns for members.

Payment of benefits:

The security in social security lies in the value of benefits paid to members. As the fund grows, there has been a consistent growth in the value of benefits. During the year, NSSF paid Ug Shs 20.8 billion to 7139 members in various benefits as Chart 2 shows.

Years	Benefits in UGX	Monthly Average	Growth rate (%)
1999/00	4,695,930	391,328	-
2000/01	5,729,249	477,437	22.0
2001/02	9,822,824	818,569	71.5
2002/03	12,230,404	1,019,200	24.5
2003/04	15,430,381	1,285,865	26.2
2004/05	17,471,708	1,455,976	13.2
2005/06	20,832,323	1,693,662	16.3

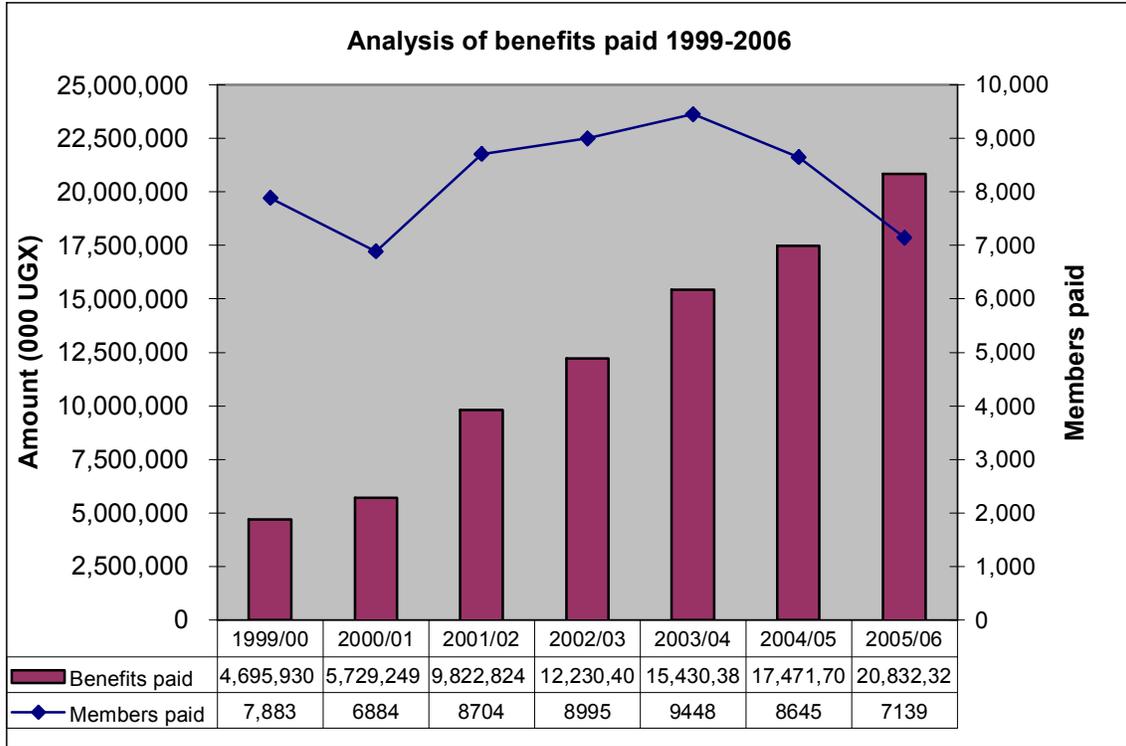


Chart 2

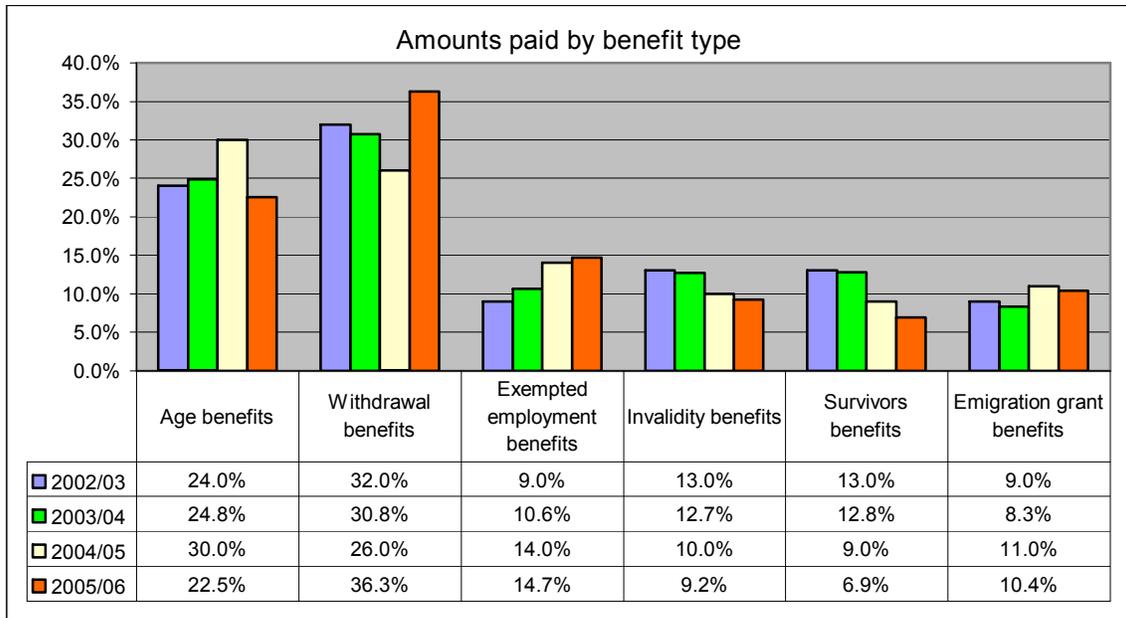


Chart 3

According to the statistics presented in chart 3 above it is clear that over time there has been a shift from payment of invalidity and survivors benefits to more payment of exempted employment, emigration benefits as well an increase in age benefit ('age' combined to 'withdrawal' benefits). This is attributable to the increased public / member

awareness about the products offered and the qualifying conditions, thereby attracting more qualifying beneficiaries to claim their savings. This trend is expected to increase in terms of both the numbers and the equivalent amount paid.

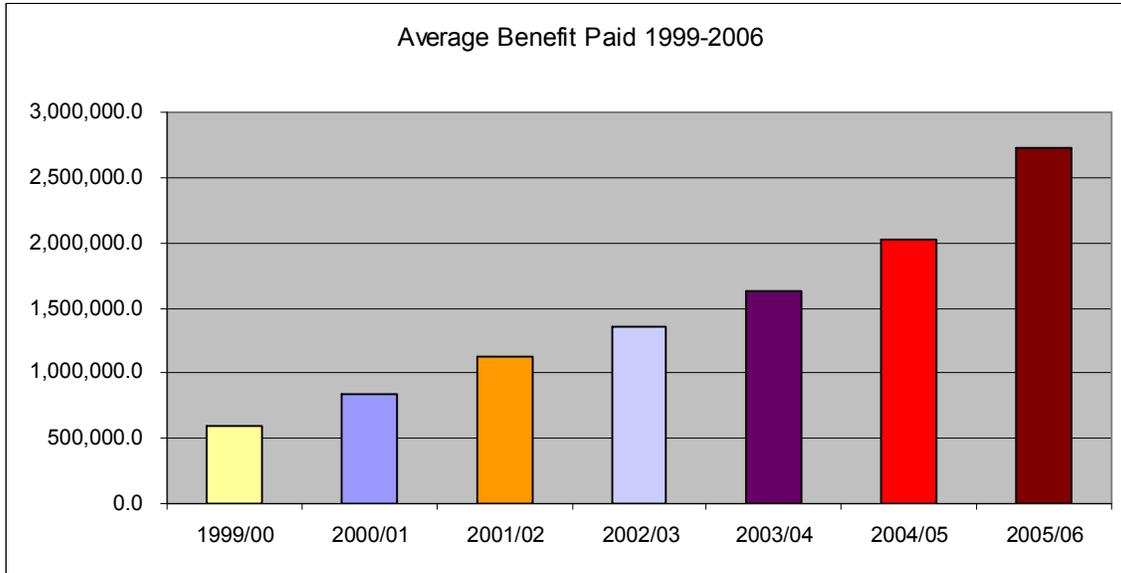


Chart 4

The average benefit paid to each claimant has risen from 550,000 in 1999 to 2,700,000 in 2006. During the roll-out to the IMIS, our benefit processing lead-time increased temporarily as we re-organised our data processing systems. With the full installation of the new IMIS, there has been an improvement in service quality to our members, and benefit processing time is expected to decrease more significantly.

Contributions Vs Benefits

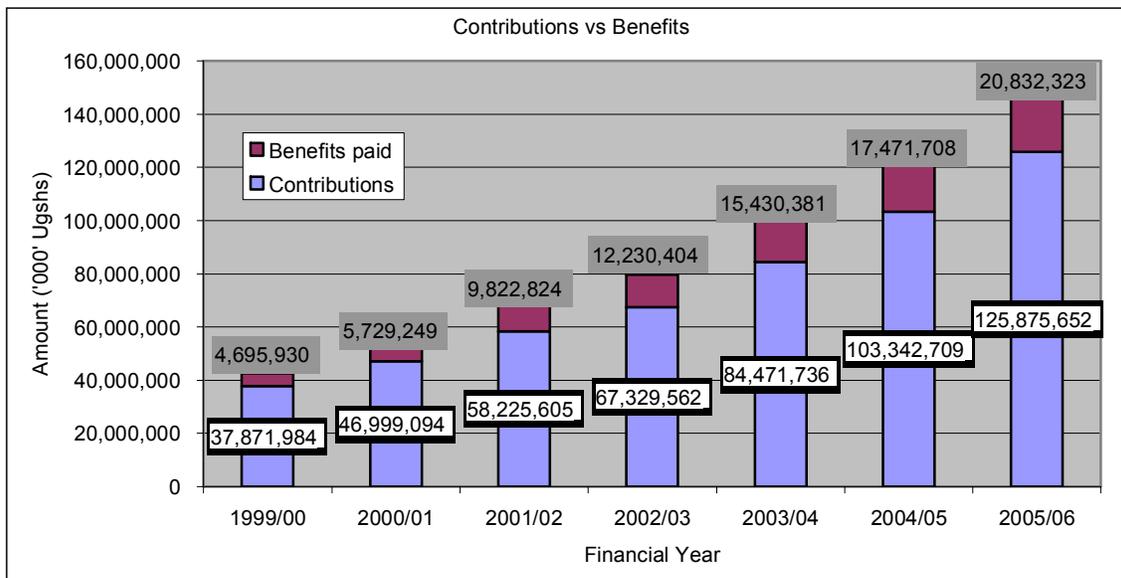


Chart 5

Comparison of contributions collections and benefits payment shows continuous growth in both over the period and specifically for the financial year 2005/2006. The ratio of benefits to contributions is 1: 6, which is good for the scheme because the contributions can pay off the benefits and remain with a balance that can be invested.

Customer Service

The Fund continued to improve upon its performance during this financial year compared to the previous years. The organisation continued to strengthen its customer care initiatives as a paramount objective of providing excellent customer care and value to all its stakeholders.



The receptionist attending to call-in clients



A member being served at Customer Service Centre

The customer service centre concept rolled out during the previous year was further strengthened to handle customer inquiries and complaints. Training and re-training of our employees to serve members in a more professional, efficient and friendly manner was undertaken. The plan is to provide the same quality and standard of service at all our offices country wide.

In order to understand our members' needs and serve them better, we introduced suggestion boxes at all our area offices in the country and we also conduct client exit surveys bi-annually. This way we are able to obtain feedback from our clients on things that require improvement.

Integrated Management Information System

During the financial year, implementation of an Integrated Management Information System (IMIS) to facilitate the efficient management of organisation's core business processes continued and obtained full management support. All processes from registration, contribution collection, financial management as well as payment of benefits have been integrated into the new system.

With the continuous implementation, a total of 221,709 members and 5619 employers were successfully re-registered. The objective of the re-registration was to obtain full biometric information for convenient and prompt identification of our members. The automation of the identification system will go a long way in improving our efficiency in benefit payments and issuance of member statements. Below is part of the IMIS equipment



FINANCIAL RESULTS

Over the last couple of months, NSSF's Net Worth has consistently grown at approximately 30% annually from 145.5 billion in 2000 to 658.8 billion as at 30 June 2006. This growth has been exhibited in all aspects of Fund. Contributions have been growing at 22%, and benefit payments at 28%. With this continuous growth, NSSF as an institution has had a major transformation and now stands as a prominent brand in the country. Below in the table is the summary of the key financial indicators.

NSSF SUMMARY FINANCIAL REPORT (in Billion UGX) 2000-2006

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Investments	100.7	173.7	219.1	290.3	342.3	481.7	624
Contributions	37.8	47	58.2	67.3	84.5	103.3	125.9
Income	8.4	16.5	16.5	26.3	40.2	45.2	59.7
Interest Amount	3.2	5.7	7.5	14.5	21.6	27.8	35.5
Interest Declared (%)	3	4	4	6	7	7	7
Benefits Paid	4.7	5.7	9.8	12.2	15.4	17.5	20.8
Admin Expenses	4.1	4.4	6.4	9	12	12.3	13.8
Other Expenses	0	1.2	2.1	2.8	27.3	3.8	10.2
Total Expenses	4.1	5.5	8.5	11.8	39.3	16.1	24
Net Worth	145.5	201.5	253.5	324.8	394.6	514	658.8

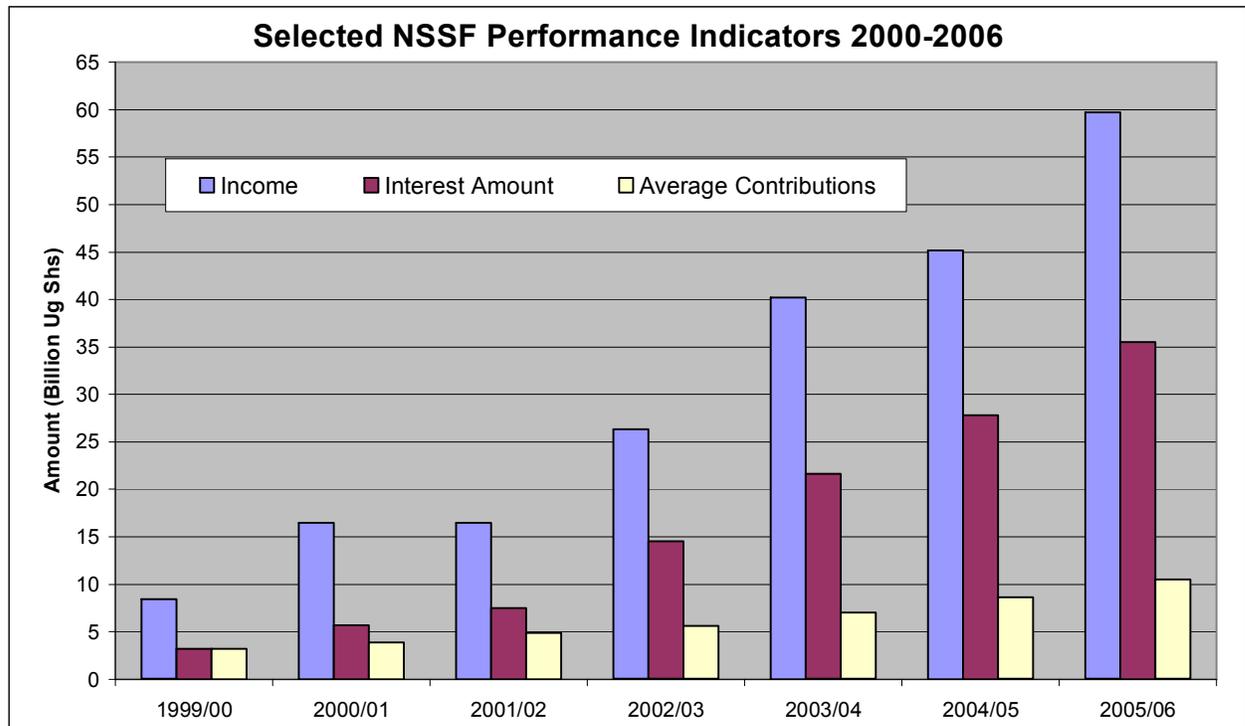


Chart 6

Net worth

As at 30th June 2006, the Fund's net worth was Ug Shs 658.8 billion. This represented 28% growth compared to the previous year's Ug Shs 514 billion. Member contribution collections grew by 22% from Ug Shs.103.3 billion as at June 30 2005 to total of Ug Shs 125.9 billion. On average Ug shs 10.5 billion was collected monthly which gave a critical boost to our investments.

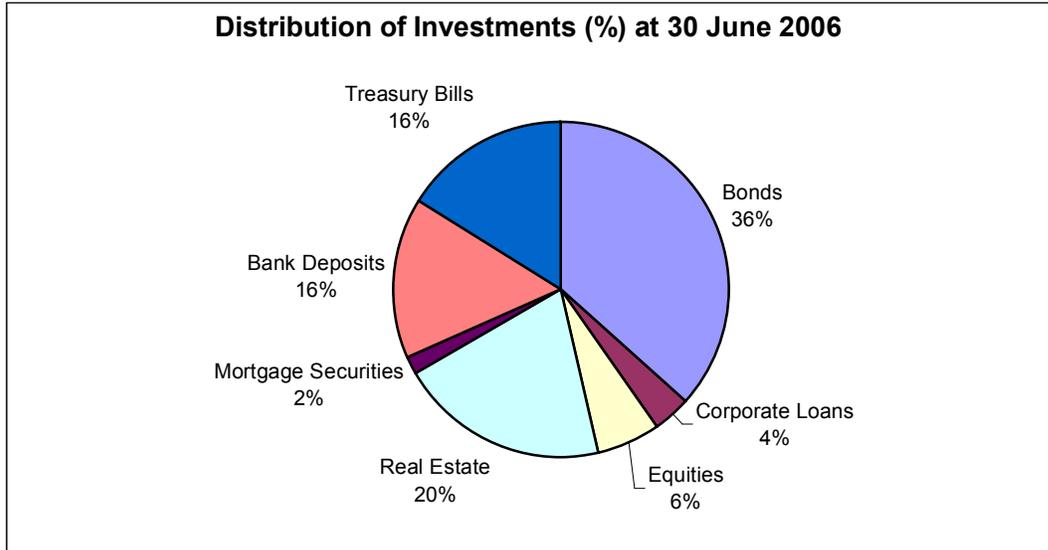
With this financial performance, NSSF has grown into the second largest financial institution in Uganda (second to Stanbic Bank), playing a critical role in the financial and capital markets, with significant capacity to accelerate economic development in the country.

Investments

In order to fulfil our core objective of providing adequate social security for members, NSSF abides by a set of investment guidelines. These guidelines are driven by 2 key investment objectives; 1) *security* – the investments should assist the Fund to meet its commitments in a cost-effective way; and (ii) *profitability* – the investments should achieve maximum returns, subject to acceptable risk.

Below is a detailed report on the investment performance during the financial year.

Chart 7 illustrates NSSF's investment portfolio.



Overall, there was a 32% increment in investment income compared to 2004/05. Consequently we were able to pay Ug Shs 35.5 billion in interest to members. Compared to last year, this was a 28% increase from Ug Shs.27.8 billion.

Chart 8

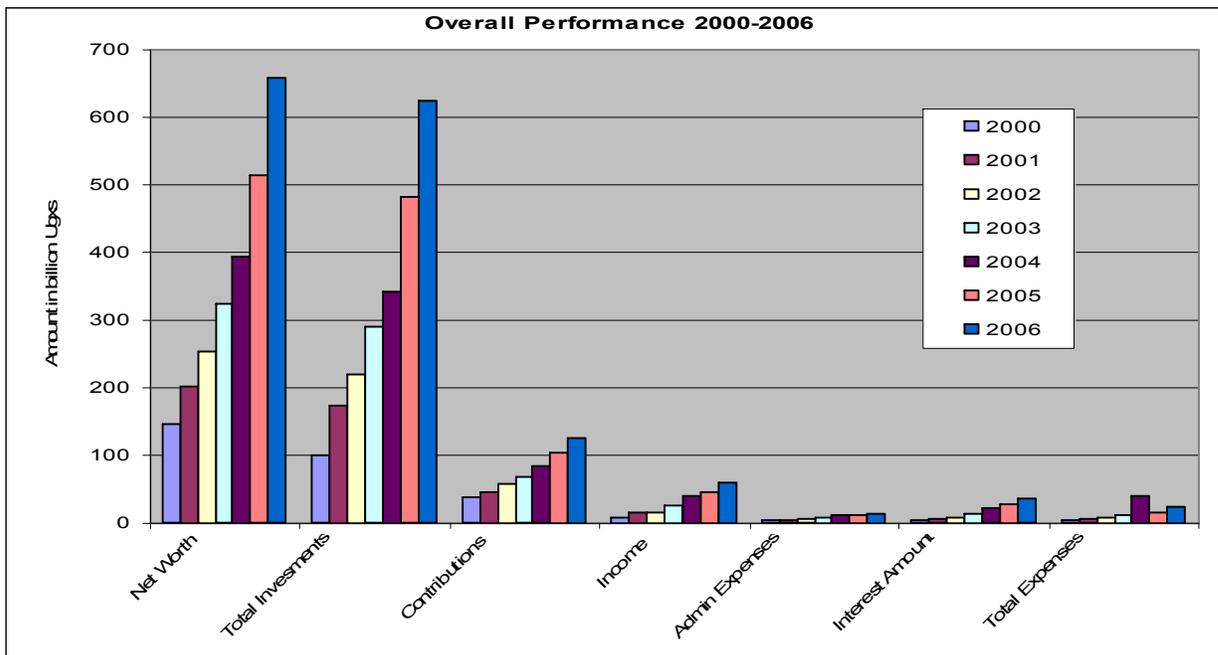


Chart 9

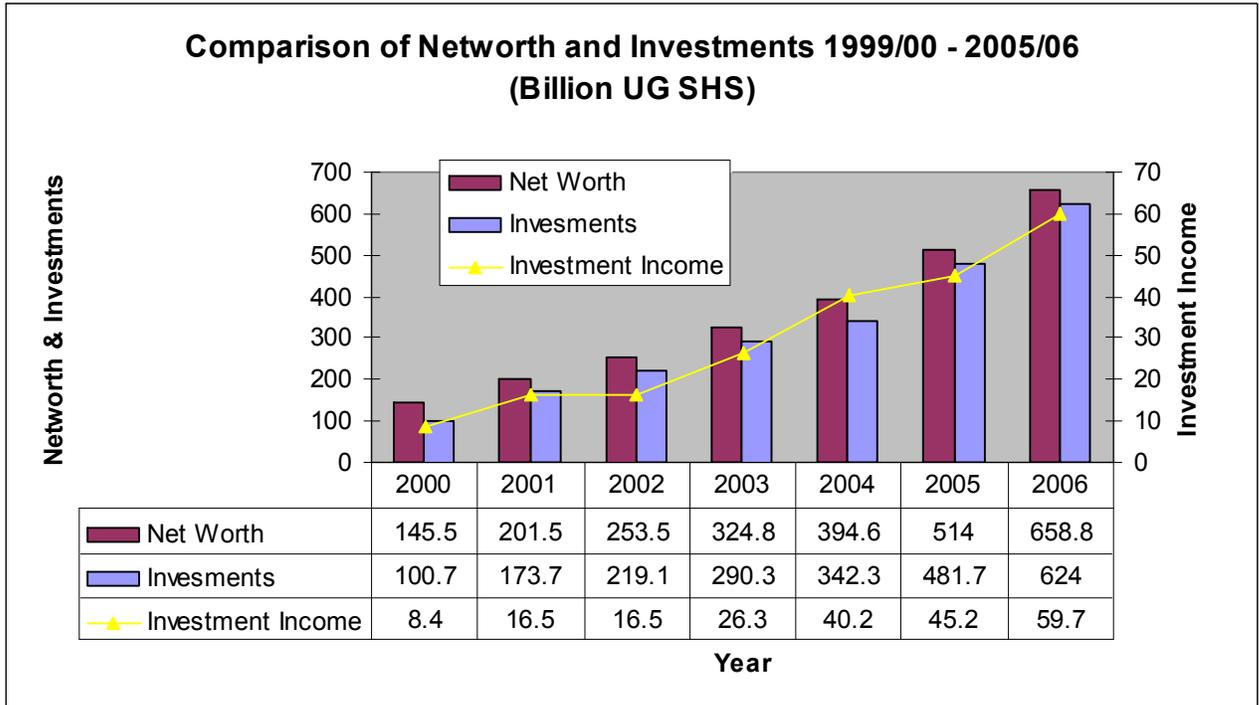
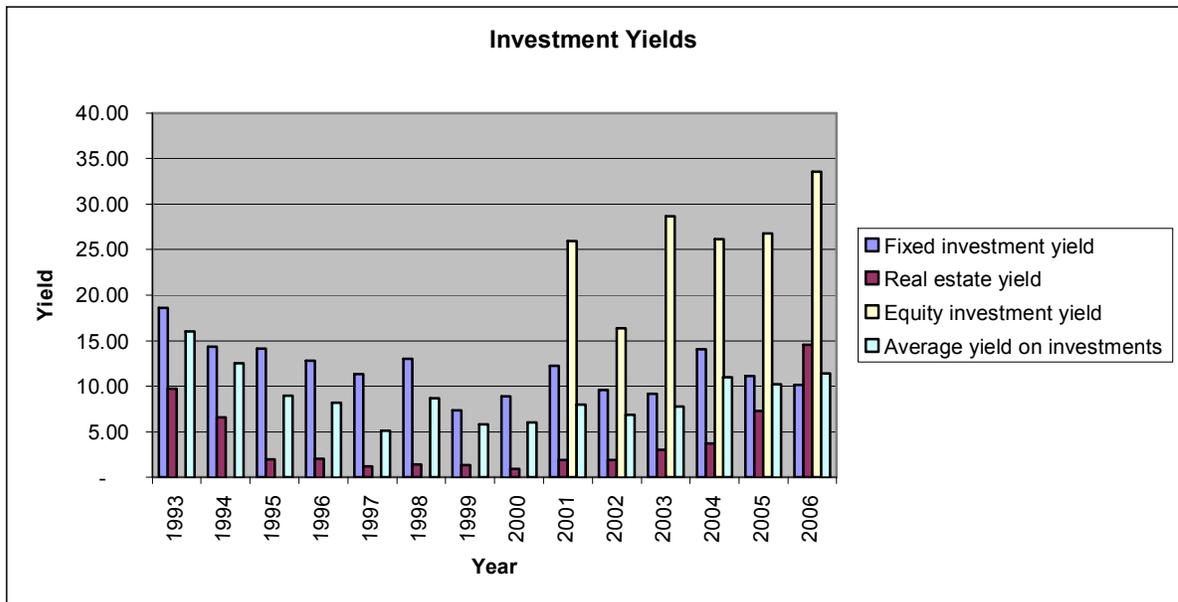
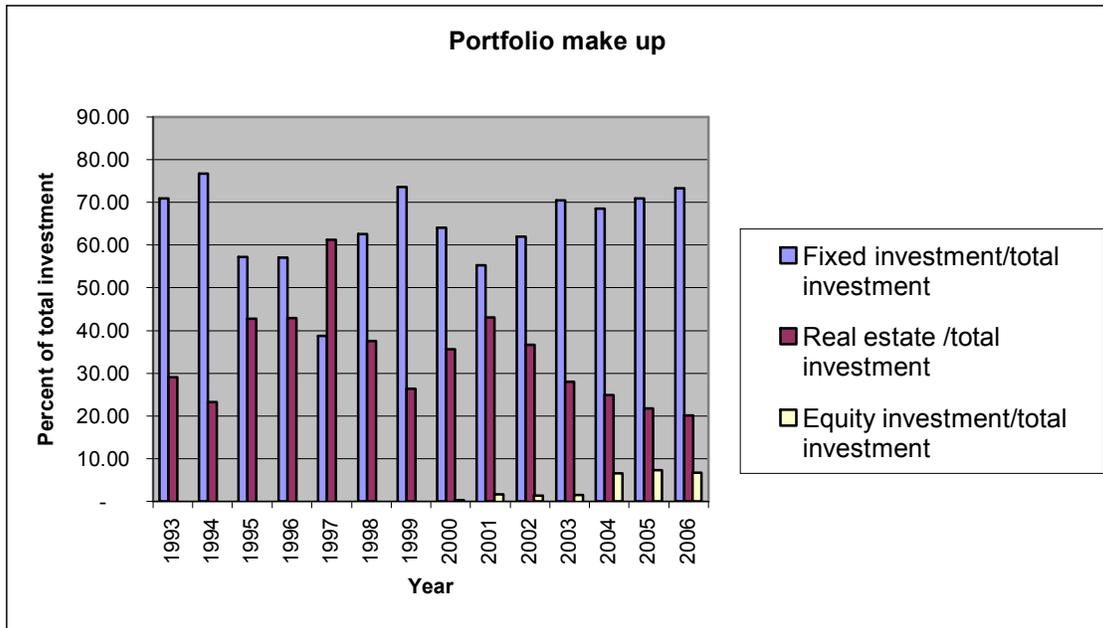


Chart 10



Although there is a significant increase in the equity investment yield to about 34%, the average yield of 11.5% is largely a result of the low yield registered in both fixed income and real estate yields. Management will try to ensure a higher yield from both fixed income and real estate while at least maintaining the yield on equity investments.

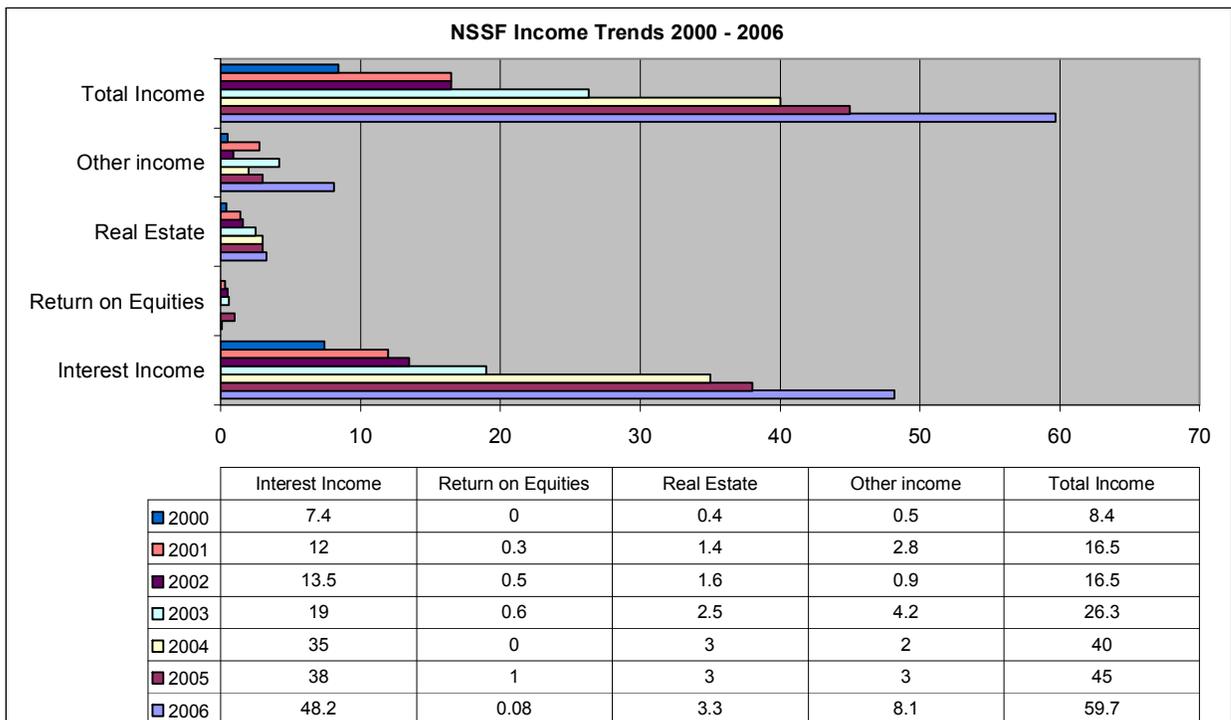
Chart 11



Our investment portfolio mix is still dominated by low risk and low return fixed income investment which accounts for just over 70% of the total mix, while equity investment only takes a share of about 7% yet has the highest return though with highest risk compared to the three portfolios. Moving forward, is to rebalance the mix to appropriate levels that will ensure good return overall

Income

Chart 12 illustrates the various categories of income earned during the financial year.



Interest

As chart 13 shows, NSSF has been consistent in its value addition mission. We have been able to consistently improve the interest on member accounts from 3% in 1999 to 7%. We are committed with your support to improve our esteemed members' retirement income security. During the financial year the Minister approved 7% interest to members. Of the 59.7 billion income realised, a total of 35.5 billion was credited to members' contributions as interest. This represents a 28% increase over the last year. We are optimistic that as our investment mix will continue to guarantee the value of member contributions as the economy continues to perform better, so that we can give interest that is well over and above the inflation rate.

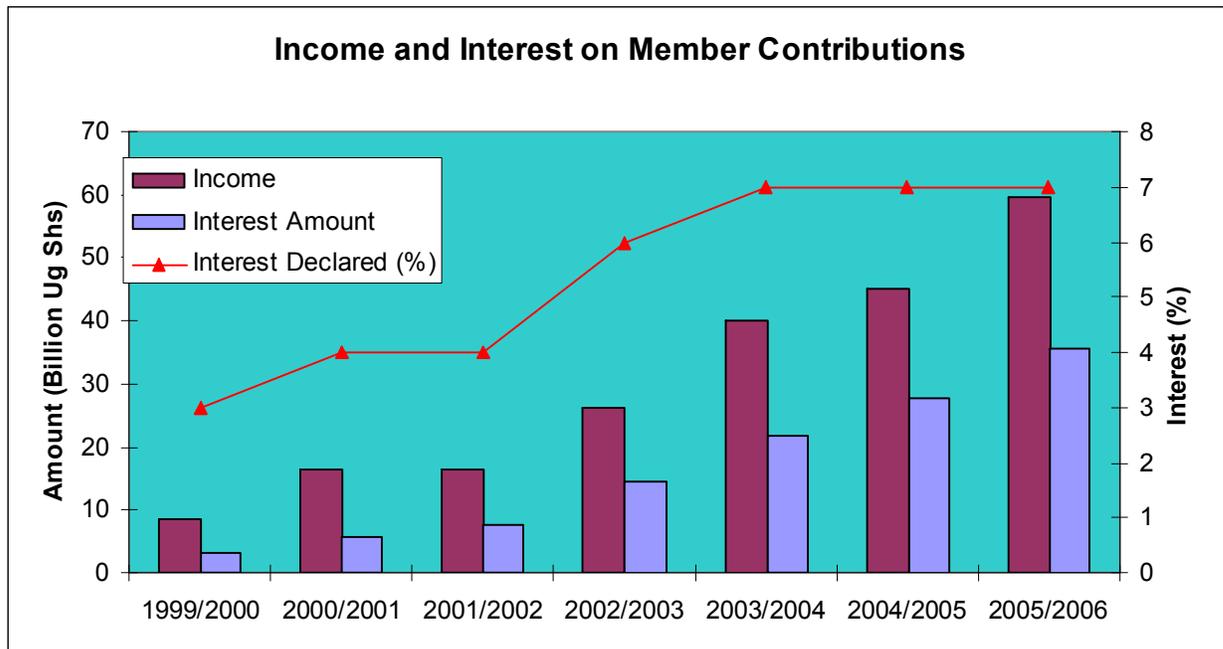


Chart 13

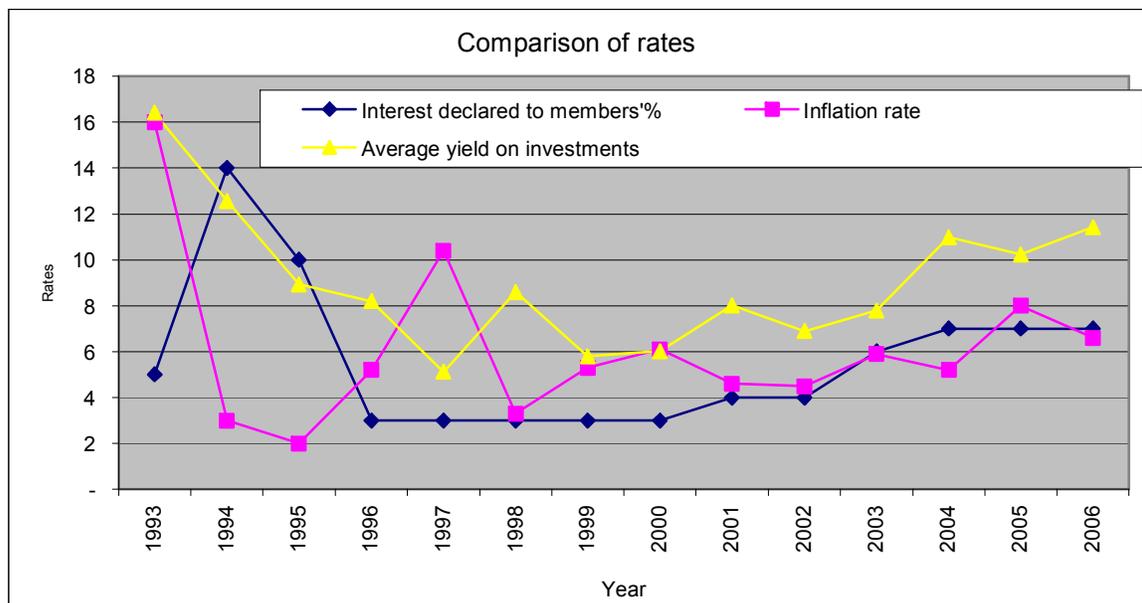


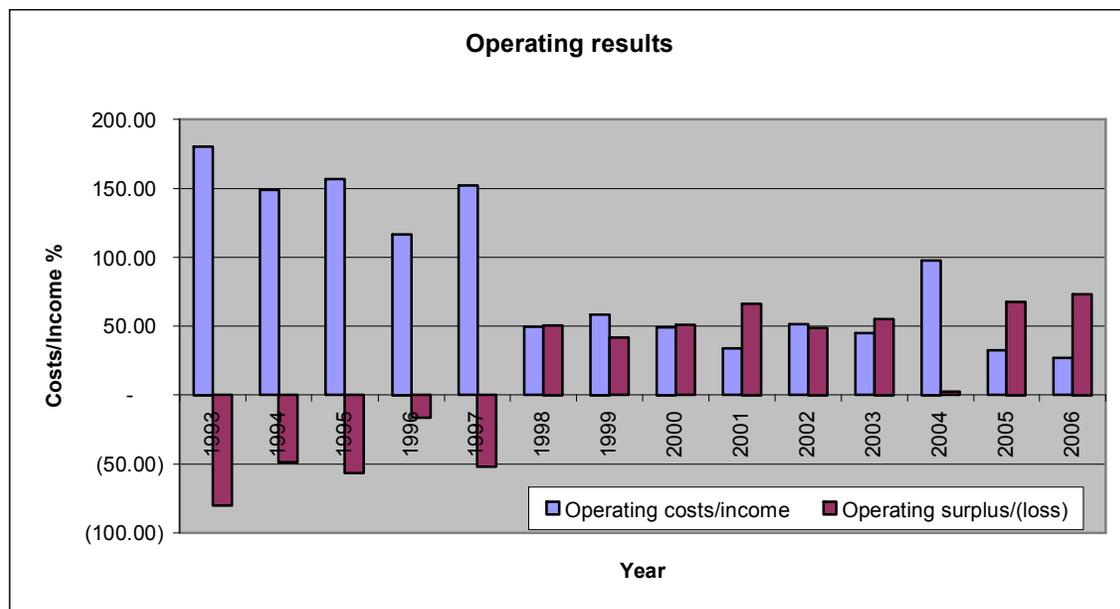
Chart 14

According to the chart, the interest rate and inflation rate were very close with the interest declared to members just slightly above the inflation rate. This means that members have a very small saving on the money they contribute to NSSF because it is eaten away by inflation. It is the Managements challenge and key area of focus during the coming year to ensure they give members interest that is over and above the inflation rate.

Administrative Expenditure

NSSF has undertaken a conscious commitment to reduce administrative expenditure. By decentralising our key business processes using our newly acquired information technology we hope to reduce costs substantially, and transfer the savings to our members. During the year, we were able to bring down the total expenditure from 46% of contributions in 2004 when IMIS was procured and launched to 19% in 2006.

Chart 15



Employee Growth and Development

An organisation is as good as its human resources. The Human Resource mission is to provide quality HR professional expertise to all NSSF staff so as to achieve recruitment, placement, training development, compensation and reward for the enhancement of quality work life. Happy employees are productive employees. And it doesn't take a rocket scientist or a consulting firm to figure that one out. Negative attitudes can torpedo employee productivity. An employee with a positive attitude usually enjoys the work that they do and feels empowered and recognized for their contributions, while an employee that is complacent and does not really enjoy their work, but is simply there for a paycheck usually does not produce at a high level, develops a bad attitude and generally drags a team down, which subsequently affects overall organisational performance. In fulfilment and achievement of this mission, during the financial year a number of staff were trained in various courses both locally and internationally as listed in the table below.

TRAINING COURSES HELD ABROAD

Course	No. of Participants
A Course on Administration of a Provident Fund Board	1
Launch of Social Health Insurance Benefit Tanzania	1
ISSA Regional Conference for Africa	1
Contract Administration & Management	1
Pension Strategy - Designing Resilient Retirement Systems	1
Facilities & Estates Management	1
Workshop on Pension Schemes	2
Management of Performance & Reward	1
The Competent Secretary Symposium	2
Study tour to NSSF Tanzania	2
East Africa Law Society Conference & AGM	3
Strategies for the extension of social protection	2
ACCA East Africa Members Convention	2
AAPAM Annual conference	2
Strategic Public Relations Conference	1
Participative Knowledge Development Seminar for Customer Service & Call Centres	4
Software Asset Management and ICT Environments	1
Oracle Performance Tuning (Fundamentals II)	1
Pension Funds for East & central Africa - Meeting the future challenges of Retirement Investment in Africa	3
Introduction to Oracle SQL	1
ISSA IT meeting for Social Security organisations in Africa	1
All Africa Public Relations Conference - FAPRA	1
Certified Cisco Network Professional (CCSP)	1
The 95th ILO Conference	2
Citibank - Promotion of the use of derivatives in Financial Markets & forex	1
Total	39

TRAINING COURSES HELD LOCALLY

Course	No. of Participants
Electronic Fraud Seminar	1
Debt Collection	40
Advanced Fleet Management	1
Training of Trainers	10
International Criminal Law	1
Report writing	50
Practice Management Training	5
Performance Management	36
PABX Training	6
Peer Counselling Training	21
Peer Counselling Training	21
Livelihood Administration	8
Total	200

During the financial year, we recruited 18 staff to provide support especially in the Operations department where the core functions of the organisation are performed. To further enhance staff welfare and morale, the Board of Directors approved the Staff Provident Fund (SPF) intended to give financial security to employee when they retire from working with the organisation.

Health concerns, naturally, are a big drain on an employee's ability to be productive, and companies know it. NSSF has not been an exception and strongly believes in a healthy and motivated staff and we do everything to achieve that. During the Financial year, all our employees were enrolled onto a medical insurance scheme. Although the services come at a cost, the benefits to staff and the organisation are to increase employee productivity, minimize absences and enhance the health of the employees.

On behalf of the Management and Board, we are proud of the knowledge, skills and resilience exhibited by our staff amidst the challenges faced especially in implementing and fine-tuning the operation of the IMIS system. The recorded impressive performance could not have been achieved without the contribution of the staff.

NSSF Image

During the year, the Board and Management team continued to provide the necessary support in the quest to revitalise the image of the organisation. The Marketing and Communications department continued to engage in building and strengthening relations with the members, the media and other stakeholders. Activities and initiatives to increase awareness about NSSF services and benefits nationwide were undertaken which included continuous presence in the media, engagement in corporate social responsibility activities, sponsoring events like the 'Employer of the Year' award as well as participation in both national and agricultural trade fairs. In the same year, the organisation commissioned a consultant to conduct a research survey to establish the level of public awareness, attitude and perception about NSSF and its services and products, results of which would inform the next course of action with regard to communication and image building. In addition NSSF continued to utilise the services of a professional media monitoring agency – Steadman Associates to monitor the NSSF brand and advise on how to improve. We are proud to note that all these initiatives played a significant role in image rebuilding.

Challenges facing NSSF

The organisation continues to face certain main challenges and this financial year was not an exception. The challenges continued to be faced are largely related to service delivery. They pertain to current services provided by the organisation on one hand but also on the preferred services and benefits as well issues to do with the environment in which NSSF operates. These included;

- Attitude change by both Management and staff to focus on members' needs.
- Widen product range, to cater for the changing social economic needs of the members
- Revision of the Act to extend the current scope of coverage to include and cater for all private sector employers.
- Another challenge is the pending liberalization of the pension sector to allow other players to compete with NSSF in providing similar services
- Another challenge faced during the year was to invest in viable projects that would give a relatively higher return to allow paying members better interest.
- Given that the main objective of NSSF is to pay benefits to qualifying members, the challenge has been to improve the performance of the IT system (IMIS) being implemented that would help improve services especially to allow payment of benefits much faster.

Conclusion and way forward

The financial year ending June 2006 registered achievements in the key operational business areas as well as the appointment of the Directors to the Board. On behalf of the Management team and entire staff, I convey our thanks and appreciation to the Board of Directors for their cooperation and support during the period. While we share the delight and happiness of the achievements with you all, we take this opportunity to invite your continued support as we tackle the challenges identified which are going to be areas of our major focus in the coming year.

As the way forward; the Fund will strengthen its efforts to increase membership coverage to bring on board all registrable employees that are not yet covered by the scheme.

The Fund will also strengthen its public awareness and education on the importance of becoming a member of the scheme. Similarly, the organisation will also reach out to educate and encourage all eligible employers to register their respective employees and to make timely and accurate monthly contributions. As part of public and member education, the Fund will continue to engage though very consciously in corporate social responsibility activities either directly or indirectly.

Investment activities will be focused to areas with high yield though with relatively lower risk, but have high socio-economic value.

Corporate Information

BOARD OF DIRECTORS

Mr. Edward Gaamuwa	Chairman
Mrs. Joyce Acigwa	Member
Mr. Stephen Bandutsya	Member
Dr. Ijuka Kabumba	Member
Mr. Cornelius Henry Mukibi	Member
Mr. Claudius M. Olweny	Member
Mr. Andrew Otengo Owiny	Member
Mr. Martin Bandedbire	Secretary
Mr. David Chandi Jamwa	Managing Director (Appointed on 2/2/2007)
Mr. George Mondo Kagonyera	Deputy Managing Director (Appointed on 2/2/2007)

LAWYERS

M/S JB Byamugisha Advocates
Plot 4 Nile Avenue
P.O. Box 9400
Kampala

REGISTERED OFFICE

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

AUDITORS

PKF Uganda
Certified Public Accountants
Plot 37, Yusuf Lule Road
Kampala

PRINCIPAL BANKERS

Standard Chartered Bank (U) Limited
Plot 5, Speke Road
P.O. Box 7111

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

Stanbic Bank Uganda
P.O. Box 7131
Kampala

Financial Statements

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 30 June, 2006 which disclose the state of affairs of the National Social Security Fund (NSSF), in accordance with section 32 of NSSF Act, (Cap 222).

PRINCIPAL ACTIVITIES

The principal activity of the Fund is to ensure members' contributions are collected and invested in a professional manner to earn a good return to meet the benefit obligations to its members.

RESULTS FOR THE YEAR

The results of the Fund for the year ended 30 June, 2006 are set out on page 6 and the appropriations therefrom in the surplus/deficit account on page 8.

INTEREST

Interest is calculated based on the opening balances of the members' funds less benefits paid during the year. The rate used during the current year was 7% (2005: 7%).

DIRECTORS

The directors who held office at the date of this report are shown on page 1.

AUDITORS

PKF Uganda were appointed by the Auditor General to act on his behalf in accordance with Section 32 of the NSSF Act (Cap 222).

CORPORATION SECRETARY

KAMPALA

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of the NSSF 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 of the Fund as at 30 June, 2006 and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the Fund which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on _____ and signed on its behalf by:

CHAIRMAN

MANAGING DIRECTOR

AUDITOR GENERAL'S REPORT

Under the terms of Section 32 of the National Social Security Fund Act (Cap 222), I am required to audit the financial statements of the Fund. In accordance with the provisions of the same section, I appointed PKF Uganda, Certified Public Accountants, to audit the financial statements of the fund on my behalf and report to me so as to enable him report to the Speaker of Parliament not later than six months after the end of the financial year to which they relate.

REPORT

The financial statements set out on pages 6-28, of the National Social Security Fund, which comprise the balance sheet as at 30 June 2006 and the Profit and Loss, surplus/(deficit) account and cash flow statement and a summary of significant accounting policies and other explanatory notes have not been audited. All the information and explanation that were necessary for the audit were obtained.

Directors' responsibility for the Financial Statements

The NSSF Act requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the Fund in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

The responsibility of the Auditor is to express an independent opinion on the financial statements based on the audit. The Audit was conducted our audit in accordance with International Standards on Auditing. Those standards require that the Auditor complies with ethical requirements and plans and performs the audit to obtain reasonable assurance that 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 judgement, 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 controls 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. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Qualifications

The Fund installed an Integrated Management Information System (IMIS). JD Edwards is the IMIS component that generates the financial information. However, a review of the members' fund account revealed that the system cannot generate subsidiary ledger accounts for the members' fund like benefit payments and contributions. The members' fund account is not supported with a listing of individual members.

Opinion

Except for above and for the effects of any adjustments in respect of the above matter, in my opinion proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of financial affairs of the National Social Security Fund as at 30th June 2006 and of its surplus and cash flows for the year then ended and comply with the International Financial Reporting Standards and the NSSF Act (Cap 222).

John .F.S. Muwanga
AUDITOR GENERAL

Kampala

5th December 2007

PROFIT AND LOSS ACCOUNT

BALANCE SHEET

SURPLUS/(DEFICIT) ACCOUNT

CASH FLOW STATEMENT

Directory of Offices

Head Office

Floor 14, Workers House
Plot 1 Pilkington Road
P. O. Box 7140 Kampala
Tel: 041-330777
e-mail: nssf@nssf.org
Web: www.nssfug.org

Customer Service Centres:

Ground floor
Workers' House,
Plot 1 Pilkington Road
P.O.Box 7140,
Kampala –Uganda
Tel:256-41-330754-9

Amamu House
1st Floor, George Street
Tel:041-250321

Fax:256-41-258646
Email:customerservice@nssf.org
Web:www.nssfug.org

Area Offices

Kampala
Plot 5
George street
1st floor, Amamu House
P.O.Box 7140
Kampala-Uganda
Tel:041-344671/341637
Fax:041-341137

Jinja
Plot 2
Main Street,
Post Office Building
P.O.Box 877,
Jinja – Uganda
Tel:043-121586

Kabale
Plot 143
Kabale Road
P.O.Box 203
Kabale- Uganda
Tel:0486-22176

Masindi
Plot 54
Port Road
P.O.Box,119
Masindi- Uganda
Tel::0465-20055

Arua
Plot 59, Weatherhead
Park Lane
P.O.Box 418,
Arua-Uganda
Tel:0476-20215

Mbale
Plot 15 B
Bishop Wasike Road
P.O.Box,1574
Mbale - Uganda
Tel:045-33347

Gulu
Plot 10
Nehru Street
P.O.Box,730
Gulu-Uganda
Tel:0471-32107

Masaka
Plot 21
Edward Avenue,
P.O.Box 1290,
Masaka –Uganda
Tel:0481-20449

Mbarara
Plot 24/26
Kabazaire Road
P.O.Box,719
Mbarara-Uganda
Tel:0485-20114

Lira
Plot 26/28
Olwal Road
P.O.Box 406,
Lira-Uganda
Tel:0473-20104

Fort Portal
Plot 5/5A
Ruhandiika Street
P.O.Box 250,
Fort Portal-Uganda
Tel:0483-23030
Fax:0483-23132

Soroti
Plot 15
Engwau Road
P.O.Box,878
Soroti-Uganda
Tel:045-61390

Bushenyi
Plot 66
Bushenyi main street
P.O.Box 137,
Bushenyi-Uganda
Tel:0485-43705

Tororo
Plot 1/3
Uhuru drive post office building
P.O.Box, 884
Tororo-Uganda
Tel:045-45165