

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
NATIONAL SOCIAL SECURITY FUND
FOR THE YEAR ENDED
30 JUNE 2013

paper laid
by leader of
majority, Hon
Alan Guek
on Wednesday
13/8/2014
[Signature]



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Social Security Fund set out on pages 5 to 24, which comprise the statement of net assets as at 30 June 2013, and the statement of changes in net assets, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and to submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

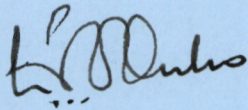
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2013 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Social Security Funds Act, Cap 258 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 July 2014

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.
20 JUN 2014
RECEIVED

NATIONAL SOCIAL SECURITY FUND



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

*National Social Security Fund
P.O. Box 30599 - 00100,
Nairobi, Kenya
Tel: (020) 2729911, 27210552
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NATIONAL SOCIAL SECURITY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CORPORATE INFORMATION

1. Principal Activity

NSSF is incorporated under the NSSF Act, (Chapter 258 of the Laws of Kenya), which came into effect under Legal Notice No.28 of 1965 to register members, receive their contributions, manage funds of the Scheme, process and ultimately pay out benefits to eligible members or dependants.

2. Board of Trustees

NSSF operates under a Board of Trustees. The Board is a body with representation from Workers (through Central Organization of Trade Unions), Employers (through the Federation of Kenya Employers) and the Government of Kenya (through the Ministries of Labour and Finance). The composition of the Board of Trustees is meant to accommodate the views and aspirations of the three social partners in policy formulation and running of the organization. Current members are as shown below:-

- | | | | |
|----|--------------------------|---|--|
| a) | Mr. Adan D. Mohamed, EBS | - | Chairman |
| b) | Mr. Tom Odongo, EBS | - | CEO/Managing Trustee |
| c) | Dr. Cleopa Mailu | - | Trustee, Representing FKE |
| d) | Mrs. Jacqueline Mugo | - | Trustee, Representing FKE |
| e) | Mr. Francis Atwoli | - | Trustee, Representing COTU |
| f) | Mr. Cornelius Nyang'un | - | Trustee, Representing COTU |
| g) | Mrs. Beatrice N. Kituyi | - | Trustee, Representing Ministry of Labour, Social Security & Services |
| h) | Mr. Joseph Kinyua | - | Trustee, Representing Treasury |
| i) | Mr. Fred Rabongo | - | Trustee |

3. Senior Management

The following are members of senior management:-

- | | | | |
|----|--------------------|---|---|
| a) | Mr. Tom Odongo | - | CEO/Managing Trustee |
| b) | Mr. Joseph Kimote | - | General Manager (Social Security and Strategy) |
| c) | Ms. Hope Mwashumbe | - | General Manager (Corporate Affairs/Corporation Secretary) |

4. Main Lawyers

Kajwang & Kajwang Advocates
Argwings Kodhek Grove, Kodhek Road, Nairobi
P. O. Box 48358 – 00100
Nairobi GPO
Tel: +254-20-3876685
0721-975769

Lubulellah & Associates

Advocates, Lawyers & Commissioners for Oath & Notaries Public
Transnational Plaza, 9th Flr, City Hall Way
P. O. Box 53800-00200
Nairobi, Kenya

L N Momanyi & Co Advocates

Electricity Hse 7th Floor, Mombasa
P. O. Box 87304 - 80100
Mombasa, Kenya

5. Main Bankers

Kenya Commercial Bank of Kenya Limited,
Moi Avenue,
P.O. Box 48400, 00100
Nairobi, Kenya

National Bank of Kenya
Hill Branch, NHIF Building
P. O. Box 45151 - 00100
Nairobi
Kenya

6. Registered Office

National Social Security Fund,
NSSF Building Bishops Road,
P.O. Box 30599, 00100
Nairobi, Kenya
Tel: 2729911
Fax: 2727882.
Email: info@nssfkenya.co.ke
Website: www.nssf.or.ke

7. Auditors

Auditor General,
Kenya National Audit Office,
P.O. Box 30084, 00100
Nairobi, Kenya

8. Our Vision

To be a world class centre of excellence in the provision of social security.

9. Our Mission

To provide quality basic social security to members through registration, collection of contributions, prudent fund management and timely payment of benefits.

CHAIRMAN'S STATEMENT

Introduction

It is with great pleasure that I present the Fund's Annual Report and Financial Statements for the year ended 30 June 2013.

During the financial year 2012-2013, the Fund returned a net increase in Scheme Funds of Kshs.26.5 billion mainly due to change in market value of investments. This is a higher return compared to financial year 2011-2012 of Kshs.1.9 billion. This is attributed to increased investments in equities, corporate bonds and treasury bonds at the Nairobi Securities Exchange (NSE). As a result, the Fund's Net Assets increased to Kshs.134.9 billion compared to Kshs.110.5 billion the previous financial year, a 22.11% growth.

The Board of Trustees and Management of the Fund are more optimistic of further increase in growth in 2013/2014 financial year especially after general elections and formation of the new government.

Operating Environment

During the year under review, Kenya underwent a very competitive electioneering period, when economic activities were slowed down. The country experienced a number of challenges that hampered the continued economic recovery. Businesses activities were slow and various realignments in laws and institutions were made geared towards conforming to the new constitutional dispensation as per requirements of the new constitution that was promulgated in August 2010. Devolution to Counties and the setting up of County governments is still ongoing including the budgeting challenges and provisions of financial resources by the National Treasury. High inflationary pressure has impacted on prices of goods and services leading to rising inflation. This has resulted to escalating food and oil prices. The Kenya shilling has however remained relatively stable while interest rates have been decreasing especially after the peaceful March 4 2013 general election. It is worth noting that during the 2012 - 2013 financial year, the Fund held its first ever Annual General Meeting (AGM) in September 2012 and re-branded in October 2012 embracing a new logo and tagline "**Growing You. For Good**". The Government, Members of the Fund and the Public were able to interact and got to understand their organisation better. The Board of Trustees and Management are focused on further reforming the Fund through the anticipated passage of the Draft NSSF Bill 2013, which the Cabinet approved and is due for tabling in the National Assembly in the 2013 - 2014 financial year. Thus the Fund will be transformed from a Provident Fund to a Pension Scheme with wider mandate and coverage in line with Constitution. During the year under review, the Fund acquired and installed SAP ERP System to enhance its back office ICT capability. To enhance the provision of social security, a new Social Security and Pension Administration System (SSPAS) will be installed in the first quarter of 2013- 2014 financial year. The partnership with the Kenya Revenue Authority in the collection of contributions, will ultimately lead to more coverage as new contributors are brought on board.

Conclusion

As the Kenya Government implements the new constitution and expand the economy through regional diversification, the Fund is optimistic of the future. The overall economic activities are expected to increase leading to economic growth and prosperity.



Adan D. Mohamed, EBS
Chairman,
Board of Trustees

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The National Social Security Fund Act requires the Trustees to prepare financial statements for each financial year which include, a balance sheet (statement of assets available for benefits) showing in detail the assets and liabilities of the Fund, a statement of income and expenditure (statement of changes in net assets available for benefits) and such other statements that the Trustees may deem necessary. It also requires the Trustees to ensure that the Fund keeps proper books of account and other books and records in relation to the Fund, and, to all the undertakings of Fund's investments.

The Trustees accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the National Social Security Fund Act as well as the Retirement Benefits Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting.

The Trustees certify that to the best of their knowledge and belief the information furnished to the Auditors



.....
Adan Mohamed, EBS
Chairman,
Board of Trustees



.....
Richard K. Langat
CEO/Managing Trustee

19/6/14

.....
Date

19/06/14

.....
Date

STATEMENT OF CHANGES IN NET ASSETS

	Note	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
DEALINGS WITH MEMBERS			
Contributions Receivable	2	7,800,358	7,266,410
Benefits Payable	3	<u>2,139,015</u>	<u>1,781,483</u>
Net Dealings with Members		<u>5,661,343</u>	<u>5,484,927</u>
RETURN ON INVESTMENTS			
Investment Income	4	8,968,055	7,943,399
Change in Market Value of Investments	5	<u>18,354,776</u>	<u>(6,202,920)</u>
Total Return on Investments		<u>27,322,831</u>	<u>1,740,479</u>
TOTAL REVENUE		32,984,174	7,225,406
Operating Expenses	6	<u>6,440,992</u>	<u>5,293,938</u>
NET INCREASE/(DECREASE) IN SCHEME FUNDS DURING THE PERIOD		<u>26,543,182</u>	<u>1,931,468</u>

STATEMENT OF NET ASSETS

	Note	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Non Current Assets			
Property Plant & Equipment	7	268,575	171,834
Assets Under Construction	8	<u>2,259,900</u>	<u>131,439</u>
		<u>2,528,475</u>	<u>303,273</u>
Investments			
Undeveloped Land	9	8,685,097	7,677,264
Land and Buildings	10	20,295,925	27,195,056
Tenant Purchase Schemes	11	11,087,990	6,219,376
Quoted Stocks	12	51,131,015	36,288,341
Unquoted Stocks	13	1,575,018	1,532,823
Treasury Bonds	14	30,876,240	25,238,316
Treasury Bills	15	466,944	1,356,013
Commercial Papers	16	138,876	0
Corporate & Infrastructure Bonds	17	2,854,788	1,857,523
Deposits with Financial Institutions	18	<u>4,354,150</u>	<u>3,566,915</u>
Net Investments		<u>131,466,043</u>	<u>110,931,629</u>
Current Assets			
Stationery and Other Stores	19	6,212	0
Receivables and Prepayments	20	2,311,534	957,640
Taxation	21	904,904	904,904
Accrued Income	22	1,023,991	342,589
Cash and Cash Equivalents	23	<u>884,758</u>	<u>875,119</u>
Total Current Assets		<u>5,131,399</u>	<u>3,080,251</u>
Current Liabilities			
Creditors and Accruals	24	<u>4,193,043</u>	<u>3,854,131</u>
Total Current Liabilities		<u>4,193,043</u>	<u>3,854,131</u>
Net Current Assets		<u>938,357</u>	<u>(773,880)</u>
NET ASSETS		<u>134,932,875</u>	<u>110,461,021</u>
TOTAL FUNDS EMPLOYED	25	<u>134,932,875</u>	<u>110,461,021</u>

The financial statements on pages 5 to 24 were approved for issue by the Board of Trustees on 23/9/13 and were signed on its behalf by:



Adan Mohamed, EBS
Chairman,
Board of Trustees



Richard K. Langat
CEO/Managing Trustee

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2013

	JUNE 2013 Kes ''000''	JUNE 2012 Kes ''000''
Cash flows from operating activities		
Net Increase in Assets	26,543,182	1,931,468
Adjustments for:		
Depreciation on property, plant and equipment	77,046	69,740
Gain on Sale of Property, plant and Equipment	(13,092)	(4,973)
Reversal of Accrued Contributions	(392,480)	(154,758)
Decrease in provisions	0	(531,756)
Market Loss/Gain on Investments	<u>(18,354,776)</u>	<u>6,202,920</u>
Operating Surplus /(Deficit) before working capital changes	<u>7,859,880</u>	<u>7,512,641</u>
Changes in Working Capital:		
Decrease/(Increase) in Stores Debtors & Prepayments	(6,212)	0
Decrease/(Increase) in Debtors & Prepayments	(1,353,895)	237,334
Decrease/(Increase) in Accrued Income	(681,403)	150,378
Increase/(Decrease) in Creditors & Accruals	<u>338,911</u>	<u>(517,362)</u>
	<u>(1,702,598)</u>	<u>(129,651)</u>
Net cash generated from operating activities	<u>6,157,282</u>	<u>7,382,990</u>
Cash flows from investing activities		
(Acquisition) /Redemption of Stocks	(1,909,018)	(300,153)
(Acquisition) /Redemption of Treasury Bonds	(3,983,960)	(719,230)
(Acquisition) /Redemption of Treasury Bills	940,041	(1,317,117)
(Acquisition) /Redemption of Corporate Bond	(958,277)	57,319
Placement of Deposits with Financial Institutions	(787,235)	(2,024,095)
Development of Land & Buildings	(1,810,849)	(761,839)
Proceeds from Sale of Land/Plots/Houses	679,548	641,254
Receipts from Tenant Purchase Scheme	1,999,719	3,109,299
Funds Transferred to Custodians	0	(5,934,386)
(Acquisition)/Sale of Property, Plant and Equipment	<u>(317,613)</u>	<u>(222,123)</u>
Net Cash flow from Investing Activities	<u>(6,147,644)</u>	<u>(7,471,070)</u>
Net (decrease) in cash and cash equivalents in the Year	9,639	(88,080)
Cash and cash equivalents at 30 June 2012	<u>875,119</u>	<u>963,199</u>
Cash and cash equivalents at 30th June 2013	<u>884,758</u>	<u>875,119</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) **Basis of preparation**

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRSs) under the historical cost convention as modified by the revaluation of certain assets. The provisions of IFRS' International Accounting Standard (IAS) No. 26 – Accounting & Reporting by Retirement Benefit Plans have been included in the preparation of the Financial Statements. Further, the Financial Statements comply with the Retirement Benefits Authority Act 1997 and the Retirement Benefits Authority regulations 2000, both as amended and Income Tax (NSSF exemption) Rules 2002. The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's Accounting Policies.

The Board of Trustees approved the exclusion of provisions on long outstanding items from financial statements in the year with the intention of cleaning them up to comply with recommendations from Public Investments Committee (PIC). This has necessitated the restatement of financial statements of the comparative year 2012. However, the restatements have no effect on the financial position of the fund.

b) **Accounting for contributions**

Contributions from employers/employees and benefit payments to members are accounted for on accrual basis in the year due.

Benefit payment cheques going stale before they are presented to the bank are written back in the cash book and a liability thereof recognized in the Financial Statements.

The following amendment to an existing standard and issue of a new standard will become mandatory for the company's accounting periods beginning 1st January 2007, but which the company has not early adopted:

Interest payable on members accumulated contributions (standard contributions plus interest) is accrued annually at the agreed rate in accordance with section 19(2) and (3) of the National Social Security Fund Act (2012 – 7.5 % and 2013 - 7.5%).

c) Income Recognition**i) Dividends**

Dividend income from investments is recognized when the Fund's rights to receive payment as a shareholder have been established.

ii) Interest on Deposits with Financial Institutions

Interest on deposits with financial institutions is accounted for on accrual basis.

iii) Interest/Discounts on Treasury Bills and Treasury Bonds

Interest on Treasury bills and bonds is credited to income on a straight-line basis over the maturity period of the investments.

iv) Coupon Interest on Government Securities

Coupon interest on Government securities is accounted for on accrual basis.

d) Tenant Purchase Scheme

Interest income on Tenant Purchase Scheme loans is calculated on the balance outstanding at the end of each month at the rate prevailing. The rate, currently at 15%, is variable at the discretion of NSSF's Board of Trustees.

e) Depreciation

Depreciation is calculated on a straight-line basis, at annual rates estimated to write off the carrying values for property, plant and equipment over their expected useful lives as follows:

Depreciation is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

Particulars	%
Freehold and Long Term Leasehold Land	Nil
Low Value Assets	100
Motor Vehicles	20
Computer and Microfilming Equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20

f) Investments**(i) Quoted Equities**

Equities are stated at market value. Differences between cost and market value are debited/ (credited) to the revenue statement. Upon sale of the investment, the surplus/ (deficit) relating to the transaction is dealt within the revenue statement.

(ii) Unquoted equities

Unquoted equities are stated at cost/valuation less provision for any permanent diminution in value.

(iii) Treasury Bills and Bonds and Government Bearer Bonds

Treasury bills and bonds and Government bearer bonds which are held to maturity are stated at amortized value.

g) Investments in Land and Buildings and Plots

Land and buildings and undeveloped land/plots are stated at valuation/fair value. Investment properties under construction are measured at cost.

h) Cash and Cash Equivalents

For purposes of presentation in the cash flow statement, cash and cash equivalents comprise bank balances, short-term deposits maturing within 3 months.

i) Impairment

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such asset exists, the asset's recoverable amount is estimated and an impairment loss recognized whenever the carrying amount of an asset exceeds its recoverable amount.

j) Valuation of Assets

Valuation of Investments in land and buildings, and undeveloped land was done during the year by professional valuers and a report issued as at 30 June 2013.

k) Employee Benefits

The majority for the Fund's employees are eligible for retirement benefits under a defined contribution plan. Contributions to the defined contributions plan are charged to the statement of changes in net assets as they are incurred. Any difference between the charge to the statement of changes in net assets and the annual contributions paid is recorded in the Statement of Net Assets under other liabilities/assets.

l) Actuarial Valuation 2011

An actuarial valuation was carried out by Professional Actuaries and a report issued as at 30 June 2011. The valuation was done on an attained Age method. The actuarial report indicates that the value of liabilities of the scheme was Kshs.81,039 million compared to the value of assets amounting to Kshs.85,301 million giving rise to a surplus of Kshs.4,262 million. This compared to Kshs.3,255 million shortfall in June 2008 is an improvement of Kshs.7,517 million. On accounting basis, the assets are over accrued liabilities by Kshs.29.161 billion and a funding ratio of 136%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2 Contributions Receivable

	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Contributions Receivable-Employer	4,290,197	4,005,197
Contributions Receivable-Employee	<u>3,510,161</u>	<u>3,261,213</u>
Total Contributions Receivable	<u>7,800,358</u>	<u>7,266,410</u>

3 Benefits Payable

Particulars		
Age Benefit	808,693	559,145
Survivors Benefit	241,463	213,057
Invalidity Benefit	21,276	13,624
Withdrawal Benefit	1,053,391	982,938
Emigration Benefits	9,106	7,259
Refunds	1,164	537
Funeral Grant	<u>3,922</u>	<u>4,924</u>
Total Benefit Payable	<u>2,139,015</u>	<u>1,781,483</u>

4 Investment Income

Dividend	1,985,799	2,071,271
Capital Gain	245,640	-
Rent	909,538	855,586
Interest	4,958,800	3,645,733
Interest TPS	804,767	708,443
Decrease in Provisions	-	621,756
Other Incomes	<u>63512</u>	<u>40,610</u>
Total Investment Income	<u>8,968,055</u>	<u>7,943,399</u>

5 Change in Market Value of Investments

a) Investments Revaluation Surplus Analysis

	June 2013 Kes "000"	Acquisition/ (Redemption) Kes "000"	Change in Market Value Kes "000"	June 2012 Kes "000"
Undeveloped Land	8,685,097	158,969	848,863	7,677,265
Land and Buildings	20,295,925	(9,685,270)	2,786,140	27,195,056
Unquoted Equities	1,575,018	0	42,194	1,532,823
Quoted Stocks	51,131,015	1,909,018	12,933,655	36,288,341
Treasury Bonds	30,876,240	3,983,960	1,653,963	25,238,316
Treasury Bills	466,944	(940,041)	50,942	1,356,013
Corporate & Infrastructure Bonds	<u>2,854,788</u>	<u>958,277</u>	<u>38,988</u>	<u>1,857,523</u>
Change in Market in Value Transferred to Statement of Changes in Net Assets	<u>115,885,028</u>	<u>(3,615,086)</u>	<u>18,354,776</u>	<u>101,145,338</u>

*Unquoted stocks(Consolidated bank) have been restated at valuation as at 30th June 2013 (Refer note 13)

6 Operating Expenses

	June 2013 Kes "000"	June 2012 Kes "000"
Staff Expenses	3,698,602	3,034,671
General Administration Expenses	1,252,437	1,342,702
Board Expenses	32,233	13,975
Depreciation Expense	77,046	69,740
Voluntary Early Retirement Expenses	1,234,066	0
Project claims	<u>146,609</u>	<u>832,850</u>
Total Operating Expenses	<u><u>6,440,992</u></u>	<u><u>5,293,938</u></u>

7.

	ICT Hardware Kes "000"	Motor Vehicles Kes "000"	Office Equipment Kes "000"	Office Furniture Kes "000"	Fittings & Furnishings Kes "000"	Total Kes"000"
<u>Cost/Valuation</u>						
Opening carrying value	731,725	351,936	232,733	165,678	37,473	1,519,545
Additions during the year	46,638	45,562	35,666	42,773	1,977	172,616
Disposals	(42)	(33,704)	(1,239)	(5,895)	-	(40,880)
Reclassification to Low Value Assets	<u>(281)</u>		<u>(8,464)</u>	<u>(773)</u>	<u>(83)</u>	<u>(9,600)</u>
	<u>778,040</u>	<u>363,795</u>	<u>258,695</u>	<u>201,783</u>	<u>39,368</u>	<u>1,641,681</u>
<u>Depreciation</u>						
As at 30 June, 2012	727,164	269,655	208,301	111,451	31,167	1,347,737
Disposals	(42)	(33,704)	(1,239)	(5,895)	-	(40,880)
Charge for the year	12,085	35,513	9,654	16,574	3,219	77,046
Reclassification to Low Value Assets	<u>(281)</u>	<u>0</u>	<u>(8,742)</u>	<u>(1,692)</u>	<u>(83)</u>	<u>(10,797)</u>
As at 30 June, 2013	<u><u>738,927</u></u>	<u><u>271,465</u></u>	<u><u>207,974</u></u>	<u><u>120,437</u></u>	<u><u>34,304</u></u>	<u><u>1,373,105</u></u>
<u>Net Book Value</u>						
As at 30 June, 2013	39,113	92,331	50,722	81,346	5,064	268,575
As at 30 June, 2012	4,561	82,281	24,432	54,228	6,306	171,834

8 Analysis of Assets Under Construction

	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
<u>Particulars</u>		
SAP System	300,706	68,763
SSPAS System	148,345	62,676
Mavoko Project	1,806	0
Tassia Scheme	37,295	0
Nyayo Estate Embakasi Projects	1,217,893	0
Buildings Refurbishment Projects	221,594	0
Parking Silo Completion Project	67,623	0
Hazina Trade Centre Office Tower	<u>264,637</u>	<u>0</u>
Total	<u>2,259,900</u>	<u>131,439</u>

9. Undeveloped Land

	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Tassia Estate	88,128	20,265
Outering Road Plot	170,000	170,000
Mavoko Plots	3,083,000	2,657,000
Upper Hill Plot	100,000	90,000
Bamburi Plots	1,340,000	1,180,000
Bishops Road Plot	520,000	500,000
Forest Edge Langata	160,000	160,000
Machakos Plot	225,000	200,000
Mountainview Plots	15,000	15,000
Kenyatta Avenue Plot	2,825,000	2,685,000
Milimani Plot, Kisumu	<u>158,969</u>	<u>-</u>
	<u>8,685,096</u>	<u>7,677,264</u>

*The increase in gross value of un-developed land/plots was as a result of revaluation done for the period ended 30 June 2013.

10 Land and Buildings

	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Social Security House & Annex Nairobi	7,100,000	6,900,000
Social Security House Mombasa	1,100,000	950,000
Bruce House Nairobi	2,300,000	2,100,000
Hazina Trade Centre Nairobi	2,600,000	2,900,000
Hazina Estate	229,000	205,000
Hazina Towers	1,100,000	1,000,000
Viewpark Towers	2,000,000	1,850,000
Hazina Plaza Mombasa	400,000	400,000
Nyayo Estate Embakasi	1,770,740	9,323,870
Statehouse Road	1,240,000	1,140,000
Milimani Flats	450,000	420,000
Kapsoya Estate	6,185	6,185
	<u>20,295,925</u>	<u>27,195,055</u>

*The decrease in value of land and building was as a result of sale ready houses in Nyayo estate Embakasi which were transferred from land and building to TPS.

11 Tenant Purchase Scheme

	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
TPS Loans-Employees	1,545,053	865,982
TPS Loans-Others	9,542,937	5,353,394
	<u>11,087,990</u>	<u>6,219,376</u>

12	Quoted Stocks	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
	Kenya Power	1,303,705	1,213,453
	89,908,446 Kshs. 2.50 Ordinary Shares,	1,303,672	
	3,550 Kshs. 20 cum. Preference Shares,	28	
	750 Kshs. 20 Cum Preference Shares	4	
	East African Breweries Limited	10,945,554	9,425,298
	32,869,531 Kshs. 2 Ordinary Shares		
	B.A.T (K) Limited	2,924,943	2,120,451
	5,386,636 Kshs. 10 Ordinary Shares		
	Access Kenya Ltd	20,246	11,400
	2,120,000 Kshs. 1 Ordinary Shares		
	KenGen Company Ltd.	424,080	248,835
	27,992,089 Kshs. 2.50 Ordinary Shares		
	Bamburi Cement Co. Ltd	12,234,928	8,806,899
	56,906,640 Kshs 5 Ordinary Shares		
	E.A. Portland Cement Co. Ltd.	1,348,650	1,458,000
	24,300,000 Kshs. 5 Ordinary Shares		
	Kenya Commercial Bank Limited	8,469,180	5,180,298
	228,896,744 Kshs. 1 Ordinary Shares		
	Housing Finance Co. Kenya Ltd	396,840	227,103
	15,716,448 Kshs. 5 Ordinary Shares		
	Sameer Africa Ltd.	23,183	23,562
	4,731,292 Kshs. 5 Ordinary Shares		
	National Bank of Kenya Ltd.	2,825,502	2,583,316
	134,547,727 Kshs. 5 Ordinary Shares		
	Barclays Bank of Kenya Ltd.	2,540,445	1,958,961
	161,811,782 Kshs. 0.50 Ordinary Shares		
	Standard Chartered Bank Kenya Ltd	1,311,673	814,792
	4,570,288 Kshs. 5 Ordinary Shares		
	Nation Media Group Kenya Ltd.	2,596,664	1,203,821
	8,626,792 Kshs. 2.50 Ordinary Shares		
	Athi River Mining Company Ltd.	341,760	174,000
	5,340,900 Kshs. 1 Ordinary Shares		

Kenya Re	379,694	213,935
23,437,910 Kshs. 2.50 Ordinary Shares		
Kenya Airways	100	131
10,000 Kshs 5.00 Ordinary Shares		
Britam (K) LTD	961,454	173,333
120,181,785 Kshs.0.10 Ordinary Shares		
Safaricom Limited	914,690	450,734
139,647,400 Kshs 0.05 Ordinary Shares		
Carbacid Investments Ltd	2,800	-
20,000 Kshs.5 Ordinary Shares		
CFC Stanbic of Kenya Holdings Ltd	111,712	-
1,759,242 Kshs.5 Ordinary Shares		
Centum Investment Co Ltd	13,799	-
634,418 Kshs.0.50 Ordinary Shares		
Uchumi Supermarket Ltd	72,669	-
3,651,700 Kshs.5 Ordinary Shares		
TPS Eastern Africa Ltd	43,700	-
950,000 Kshs.1 Ordinary Shares		
Scangroup Ltd	100,987	-
1,669,200 Kshs.1 Ordinary Shares		
The Co-operative Bank of Kenya Ltd	141,354	-
9,208,700 Kshs.1 Ordinary Shares		
NIC Bank Ltd	113,539	-
2,120,340 Kshs.5 Ordinary Shares		
Equity Bank Ltd	332,084	-
10,626,700 Kshs.0.50 Ordinary Shares		
Diamond Trust Bank Kenya Ltd	137,020	-
806,000 Kshs.4 Ordinary Shares		
Umeme Ltd		
6,059,000 Kshs. 0.50 Ordinary Shares (Uganda)	98,061	-
	<u>51,131,015</u>	<u>36,288,341</u>

13	Unquoted Stocks	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
	Consolidated Bank Limited Shares		
	8,050,000 4% Kshs.20 Cumulative Preference Shares	194,057	161,000
	2,225,000 Kshs.20 Ordinary Shares	53,637	44,500
	12.25% Nairobi City Council Stock 1994	152,323	152,323
	NBK Shares 235 million N/cum pref. shares	<u>1,175,000</u>	<u>1,175,000</u>
		<u>1,575,018</u>	<u>1,532,823</u>
		=====	=====
14	Treasury Bonds		
	Due between Zero and 5 years	7,701,612	6,840,751
	Due after 5 years	<u>23,174,628</u>	<u>18,397,566</u>
		<u>30,876,240</u>	<u>25,238,316</u>
		=====	=====
15	Treasury Bills		
	Treasury Bills	<u>466,944</u>	<u>1,356,013</u>
		<u>466,944</u>	<u>1,356,013</u>
		=====	=====
16.	Commercial Paper		
	Kenol Kobil	134,029	0
	TPS Serena	<u>4,847</u>	<u>0</u>
		<u>138,876</u>	<u>0</u>
		=====	=====
17.	Corporate Bonds		
	HFCK	1,196,700	1,000,000
	Centum Investment Co. Ltd	300,000	0
	Barclays Bank Corporate Bond 1.5%	122,240	126,200
	Consolidated Bank of Kenya	434,845	0
	Shelter Afrique	10,000	0
	Kaluworks Limited	17,000	0
	Kengen Infrastructure Bond	<u>774,003</u>	<u>731,323</u>
		<u>2,854,788</u>	<u>1,857,523</u>
		=====	=====

18 Deposits with Fund Managers & Financial Institutions

	JUNE 2013	JUNE 2012
	Kes "000"	Kes "000"
ABC Bank	1,501	0
Bank of Africa	276,781	4,500
CFC Stanbic Bank	28,348	650,286
Chase Bank	103,746	123,265
Commercial Bank of Africa	442,591	0
Diamond Trust Bank	757,734	267,556
Equity Bank Ltd	649,967	1,050,982
Housing Finance Corporation Kenya	13,039	0
Kenya Commercial Bank	562,928	674,605
National Bank of Kenya	95,991	0
Kenya Post Office Bank	405,171	0
NIC Bank Ltd	55,342	23,900
Standard Chartered Bank	583,284	404,001
I & M Bank	307,452	20,000
Cooperative Bank	0	272,169
Family Bank	0	7,683
Savings and Loan Ltd.	58,409	56,894
Revolving Funds (Savings and Loan Ltd.)	<u>11,865</u>	<u>11,075</u>
	<u>4,354,150</u>	<u>3,566,915</u>
19 Stationery and Other Stores		
General Office Stationery	4,294	0
Office & Computer Accessories	389	0
Tools and Electrical Accessories	536	0
Safety Materials and Clothing	28	0
Hospitality Materials	<u>965</u>	<u>0</u>
	<u>6,212</u>	<u>0</u>
20 Receivables and Prepayments		
Trade Receivables	529,197	0
Sundry Debtors*	30,465	40,651
Deposits	975,982	24,854
Prepayments	5,096	1,603
Staff Debtors**	233,237	241,914
Contributions Arrears***	526,339	646,244
Tax Refund Due	8,844	0
City Council of Nairobi	<u>2,374</u>	<u>2,374</u>
	<u>2,311,534</u>	<u>957,640</u>
Analysis of Sundry Debtors*		
Bounced Cheques	11,728	0
ECASSA Debtors	9,212	9,212
Field Offices Accounts	0	21,935
Regent Management Ltd	150	150
Lloyd Masika Ltd	4,787	4,787
Staff Pension Debtor	<u>4,588</u>	<u>4,567</u>
	<u>30,465</u>	<u>40,651</u>

*Sundry debtors for period 2012 have been adjusted for amounts owed by Shah Munge Bounced Cheque (various), Milligan & Co. Ltd and Mugoya Construction Ltd totalling Kes 716, 527 million written off during financial year ending June 2013.

Analysis of Staff Debtors**	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Commuted Pension	1,673	16,101
Staff House Loans/Mortgage Loans	6,917	7,288
Advances and Imprest	3,114	10,796
Staff Car Loans	219,174	207,729
Other Staff Loans	<u>2,360</u>	<u>0</u>
	<u>233,237</u>	<u>241,914</u>

Analysis of Contributions Arrears***	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Outstanding for less than 30 days	439,276	392,480
Outstanding for more than 30 days	<u>87,063</u>	<u>253,764</u>
	<u>526,339</u>	<u>646,244</u>

21 TAXATION

According to section 45 of the First schedule of Income Tax Act effective 18 June, 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security Fund) (Exemption) Rules 2002, effective 1st July, 2002 the Fund should comply with certain regulations for it to remain exempt. With effect from 2006/2007 financial year the Fund has complied with most regulations for exemption.

The amounts reflected in the statement of net assets relate to taxes overpaid in years prior to the exemption. Negotiations between the Fund and Kenya Revenue Authority (KRA) are ongoing on the resolution of the issue.

22 Accrued Income	JUNE 2013 Kes "000"	JUNE 2012 Kes "000"
Rent	0	58,986
TPS Interest Income	0	213,318
Interest/Div. on Term Deposits/Equities	<u>1,023,991</u>	<u>70,284</u>
	<u>1,023,991</u>	<u>342,589</u>

23 Cash and Cash Equivalents	JUNE 2013	JUNE 2012
Bank	880,346	875,010
Cash	<u>4,412</u>	<u>109</u>
	<u>884,758</u>	<u>875,119</u>

The cash and cash equivalents is as per the cashflow statement.

24 Creditors and Accruals

	JUNE 2013	JUNE 2012
	Kes "000"	Kes "000"
Payables to Vendors	1,123,568	0
House Purchase Deposits	1,365,961	1,293,377
Sundry Creditors and Accruals*	1,390,152	2,241,921
Project Creditors	0	12,926
Statutory and other deductions	35,096	35,677
Unclaimed Benefits	278,267	270,230
	4,193,043	3,854,131
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>
Analysis of Sundry Creditors and Accruals*		
Legal fees Payable		
Mutula Kilonzo	293,836	293,836
B. M. Musau	29,250	29,250
Okoth, Ndengu and Kiplagat	7,278	7,278
Others:		
Tax Payable	17,938	0
Accrued Expenses	0	304,862
Sundry Creditors Rent & TPS	0	640,042
Plots Deposit/Sale	906,845	794,795
Rental Deposits	87,910	129,061
Stale Cheques	0	32,994
Audit fees	5,684	6,821
Prepaid Rent	41,411	2,983
	1,390,152	2,241,921
	<u><u><u> </u></u></u>	<u><u><u> </u></u></u>

25 Total Capital Employed - Statement of Changes in Accumulated Members' Funds As At 30 June, 2013

The total assets (Funds Employed – Kshs. 134,932, 875,000) are broken down as shown below:

Particulars	Member's Funds Kes "000"	Accumulated Reserves Kes "000"	Reserve Fund Kes "000"	Total Kes "000"
Restated Balance At June, 2012	76,791,098	24,276,979	9,297,064	110,365,142
Reversal of Accrued Contributions 2010/2011	(844,389)			(844,389)
Reversal of CCN accrued interest		(991,200)		(991,200)
Interest on Members' Accounts	4,378,483	(4,378,483)		0
Net Increase/(Decrease) in Assets in the period	-	1,931,468	-	1,931,468
Balance at 30 June, 2012	80,325,192	20,838,764	9,297,064	110,461,021
Reversal of Accrued Contributions 2011/2012	(392,480)			(392,480)
Reversal of CCN accrued interest		(1,678,848)		(1,678,848)
Interest on Members' Accounts	4,578,880	(4,578,880)		0
Net Increase/(Decrease) in Assets in the period	-	26,543,182	-	26,543,182
Balance at 30 June, 2013	84,511,593	41,124,218	9,297,064	134,932,875

The declared interest of 7.5% on members accounts (2011/2012 -7.5%) is still applicable.

26 Basis Non-Consolidation of Interest in Associate

The financial statements of NSSF are prepared in accordance with S.31 of the NSSF Act Cap 258. The Section requires NSSF statement of net assets (balance sheet) to show in details the assets and liabilities of the Fund. Although NSSF owns 48.05% of ordinary shares and 235 million non cumulative preference shares in National Bank of Kenya Limited (NBK), the operations of the bank have not been consolidated in the Fund's financial statements as required by the International Financial Reporting Standards.

Had consolidated Financial Statements been prepared based on the latest audited financial statements of NBK as at 31 December, 2012, NSSF's share in the operations of NBK would have been as follows:-

	JUNE 2012 Kes "000"	JUNE 2011 Kes "000"
Profit after taxation(48.05%*729,752)	350,646	742,907
Accumulated Surplus/(Deficit) (48.05%*2,547,101)	1,223,882	964,177
	1,574,528	1,707,084

27 Related Party Transactions

	JUNE 2013	JUNE 2012
	Kes "000"	Kes "000"
a. Income earned from related parties		
National Bank of Kenya Limited (NBK)	91,535	183,069
Kenya Commercial Bank – Dividend income	416,676	550,895
East African Portland Cement Company	0	12,150
NASSEFU Savings and Credit Society Limited – Rental income	<u>3,081</u>	<u>3,081</u>
	<u><u>511,292</u></u>	<u><u>749,195</u></u>
b. Balances due from related parties		
TPS Debtors	<u>120,857</u>	<u>321,312</u>
	<u><u>120,857</u></u>	<u><u>321,312</u></u>

28 Provisions

The provisions on long outstanding items which have been approved by the Board of Trustees to be excluded in the financial statements are:

Provision for losses on Suspended / Stalled Projects	2,043,249
Provision for losses on Housing Projects	5,055,339
Provision for losses on Shares held by Collapsed Discount Securities	1,201,143
Provision for Debtors	1,026,831
Provision for Doubtful Investments	<u>2,087,237</u>
Grand Total	<u><u>11,413,800</u></u>

29 Contracts and Contingent Liabilities

a) Contracts/Commitments

- (i) Project works at Nyayo Estate Embakasi, Phase VI are ongoing at an expected cost of Kshs.2.1 billion. A substantial amount is expected to be paid during 2013/2014 financial year.
- (ii) Refurbishment, fire escape doors, electrical installations and consultancies of SSH Nairobi and SSH Mombasa are expected to be complete at a projected costs of Kshs.200 million in 2013/2014 financial year.
- (iii) Project works for extension of Social Security House Annex Parking Silo are expected to be done at a cost of Kshs.570 million in 2013/2014 financial year.
- (iv) Concept papers for project developments at Hazina Village Mavoko and Kenyatta Avenue are to be carried out at a cost of 2.8 billion during 2013/2014 financial year, while construction of up-market apartments at the NSSF Milimani property will be started in the year.
- (v) Extension of Hazina Trade Centre, Nairobi expected to cost Kshs. 6.7 billion is ongoing.

b) Liabilities

(i) Sololo Outlets Limited Vs NSSF

As at 30 June, 2003 NSSF had a contingent liability of Kshs.4.95 billion relating to a claim made by Sololo Outlets Limited in High Court Civil Case No.804 of 2002 for an alleged breach of contract in the development of Hazina Estate in South B. NSSF has filed its defence and counter claim of Kshs.3.1 billion. An out of court settlement reached and consent was filed in court on 20 December 2011 fully and finally settling the matter at Kshs 490,850,090. The plaintiff has filed a notice of motion application to vary the terms of the settlement claiming that the rate and quantum of interest payable had not been finalized. The application is up for hearing.

(ii) Africa Planning and Design Consultants (APDC) Vs NSSF

APDC was engaged by Sololo Outlets Limited as the architects for South B (Hazina) Estate project. On termination of the contract between NSSF and Sololo Outlets Limited in 1993, architects' fees amounting to Kshs 64.9 million had not been paid. APDC enjoined NSSF in the suit claiming that the Fund was the principal to Sololo Outlets Limited, the project developers.

APDC has also sued NSSF for Kshs 42.6 million for professional fees in respect of Quantity Surveyors services allegedly rendered to the Fund. The hearing of the case is yet to commence.

(iii) James Nderitu Gachagua Vs NSSF

On 26 January 2002, the Plaintiff sued the Fund for Kshs 50.8 million, being Quantity Surveyors fees in respect of the proposed Kitengela Housing Scheme. The plaintiff claims that he was commissioned by NSSF to carry out quantity survey work on the proposed project before it was later suspended by the Fund. NSSF has disputed the claim. However, the matter is in court and final ruling is yet to be reached

c) Land and Buildings

Nyayo Estate, Embakasi

Mugoya Construction Company Limited has sued the Fund claiming Kshs.7.058 billion against a counter claim by NSSF of Kshs.9.873 billion. Included in project costs for Nyayo Estate, Embakasi and the counter-claim are questionable payments of Kshs.324.356 million made to Mugoya Construction Company Limited without security. The Fund is of the opinion that the possibility of Mugoya Construction Company Limited succeeding is remote. These and other matters relating to dealings with Mugoya Construction Company Limited are under arbitration for determination. However, full provision of Kshs.324.356 million was made in the 2008/2009 financial statements.

d) Cash Losses**(i) Westlands Branch Fraud**

The amount of Kshs. 7,243,030 was lost through fraud at the branch. The matter is before a court of law for determination though fully provided for in the financial statements.

(ii) Kenya College of Medicine

This tenant at both Hazina and View Park Towers presented fake cash deposit slips for receipting that were subsequently discovered. The case is before a court of law and the amount of Kshs. 9,327,627 in question has been provided as contingent.

30 Compliance with Retirement Benefits ACT

The NSSF Amendment Act came into operation on 23 February 2003. S3 of the Act provides that NSSF shall be subject to all the provisions of the Retirement Benefits Act. The Fund has not complied with the following provisions of the Retirement Benefits Act and the rules under the Act:- v Rule 28 (2) of the occupational rules for a retirement benefit scheme requires the Fund to maintain an account under which all transactions should be recorded. However, as at 30 June 2013, NSSF had Kshs 2.6 billion of contributions held in suspense account. Measures are still on to bring it to zero.

In her functions as a provident fund, NSSF maintains employer accounts where total contributions are credited monthly and temporarily held as funds on transit into individual members/employer records awaiting records waiting to be releases foe benefits upon qualification as per the Act. Update of member/employee records is a continuous exercise until a member is fully paid benefits.

31 Compliance with Trustees ACT

On 22nd September 2003, the long term loan that the Fund had advanced to National Bank of Kenya Limited together with interest accrued from 1st January, 2001 to that date amounting to Ksh. 1,175 million, was applied towards the purchase of 235 million non-cumulative preference shares at par value of Kshs.5 each in the bank. The non-cumulative preference shares issued are not quoted on the stock exchange. NBK has paid dividends to the Fund on both ordinary shares and non-cumulative preference shares totalling 256.979 million as per note 24. Thus the Fund has complied with Section 4(d) of the Trustees Act (Cap 167).

32 Currency

The Financial Statements are presented in Kenya shillings (Kes).