

NATIONAL SOCIAL SECURITY FUND

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FOR THE YEAR ENDED
30 JUNE 2009

N.S.S.FUND,
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1.0 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, funds, investments, activities and property of the Fund. They are also responsible for safeguarding the assets of the Fund.

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 records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial controls.

The Trustees certify that to the best of their knowledge and belief the information furnished to the Auditors for the purpose of the audit was correct and complete in every respect.

Chairman:
Adan D. Mohamed

Managing Trustee:
Alex Kazongo

Date:



2.0 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2009

<u>DESCRIPTION</u>	<u>Note</u>	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
DEALINGS WITH MEMBERS			
Contributions Receivable	1	6,317,984	5,670,353
Benefits Payable	2	<u>2,552,455</u>	<u>2,375,353</u>
Net additions from dealings with members		<u>3,765,529</u>	<u>3,295,000</u>
RETURN ON INVESTMENTS			
Investments Income	3	4,566,502	5,035,684
Change in Market Value of Investments	4	<u>(10,846,853)</u>	<u>4,328,855</u>
Total Return on Investments		<u>(6,280,352)</u>	<u>9,364,539</u>
TOTAL REVENUE			
		(2,514,822)	12,659,539
Administration Expenses	5	4,897,950	3,648,219
NET INCREASE/(DECREASE) IN SCHEME FUNDS DURING THE PERIOD		<u>(7,412,772)</u>	<u>9,011,320</u>

**3.0 STATEMENT OF NET ASSETS AS AT 30 JUNE, 2009**

	Note	JUNE 2009	JUNE 2008
<u>Non-current Assets</u>			
Property, Plant and Equipment	6	<u>157,300</u>	<u>380,130</u>
<u>Investments</u>			
Undeveloped Land/Plots	7	5,927,053	4,817,600
Land and Buildings	8	21,538,772	20,588,149
Tenant Purchase Schemes	9	4,178,101	4,413,183
Quoted Equities	10	30,487,608	43,702,325
Government Stocks	11	408,800	408,800
Unquoted Stocks and Equity	12	1,380,500	1,380,500
Treasury Bonds	13	15,665,700	11,185,261
Corporate Bond	14	126,200	50,000
Deposits with Financial Institutions	15	<u>461,776</u>	<u>988,760</u>
Net Investments		<u>80,174,509</u>	<u>87,534,579</u>
<u>Current Assets</u>			
Debtors and Prepayments	16	1,453,558	1,546,051
Taxation	17	911,279	904,904
Accrued Income	18	738,705	757,034
Cash & Bank Balances		<u>458,305</u>	<u>877,882</u>
Total Current Assets		<u>3,561,848</u>	<u>4,085,871</u>
<u>Current Liabilities</u>			
Creditors and Accruals	19	<u>1,745,772</u>	<u>1,492,099</u>
Total Current Liabilities		<u>1,745,772</u>	<u>1,492,099</u>
Net Current Assets		<u>1,816,076</u>	<u>2,593,772</u>
NET ASSETS		<u>82,147,886</u>	<u>90,508,481</u>
TOTAL FUNDS EMPLOYED	20	<u>82,147,886</u>	<u>90,508,481</u>

Signed on behalf of the Board of Trustees - National Social Security Fund

Chairman:
Adan D. MohamedManaging Trustee:
Alex Kazongo

Date:



4.0 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE, 2009

Reconciliation of Net Increase in Assets to Cash Flows from Operating Activities	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Net Increase in Assets	(7,412,772)	9,011,320
Adjustments for:	-	-
Depreciation	147,735	161,837
Property and Equipment	-	(43,582)
Reversal of Accrued Contributions	(817,168)	(419,065)
Reversal of Provision for Hospital Road Plots	5,474	-
Accrued Rent Expenses	102,067	-
Increase/(Decrease) in Provisions	(1,201,143)	-
Provision for Mugoya Construction Ltd	(324,356)	-
Profit on Sale of Property and equipment	(21)	(2,179)
Market Loss/(Gain) in Securities	10,846,853	(4,328,855)
Operating Surplus /(Deficit) before working capital changes	<u>1,346,670</u>	<u>4,379,476</u>
Changes in Working Capital		
Decrease/(Increase) in Debtors & Prepayments	92,493	(305,780)
Decrease/(Increase) in Accrued Income	18,329	76,104
Increase/(Decrease) in Creditors & Accruals	253,673	136,871
	<u>364,495</u>	<u>(92,805)</u>
Cash flows from operating activities	<u>1,711,164</u>	<u>4,286,671</u>
Investing activities		
(Acquisition) /Redemption of Stocks	443,444	(561,850)
(Acquisition) /Redemption of Treasury Bonds	(3,351,642)	(4,265,624)
(Acquisition) /Redemption of Treasury Bills	-	155,987
(Acquisition) /Redemption of Corporate Bond	(76,200)	(50,000)
Placement of Deposits with Financial Institutions	526,985	(562,010)
Development of Land & Buildings	(892,065)	(588,565)
Proceeds from Sale of Land/Plots	429,473	978,068
Receipts from Tenant Purchase Scheme	739,800	733,940
Purchase of Property, Plant and Equipment	49,446	(103,524)
Proceeds from Sale of Property, Plant and Equipment	21	2,179
Cash flow from Investing Activities	<u>(2,130,741)</u>	<u>(4,261,400)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents in the Year	(419,576)	25,271
Opening Cash and Cash Equivalents	877,882	852,611
Cash and Cash Equivalents as at 30 June	<u>458,305</u>	<u>877,882</u>

5.0 SIGNIFICANT ACCOUNTING POLICIES

The principle 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 (IFRS) 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.

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.

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 (2008 – 5.0% and 2009 - 5.0%).

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:

PARTICULARS	%
Freehold and Long Term Leasehold Land	Nil
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 with, in the revenue statement.

(ii) Unquoted Equities

Unquoted equities are stated at cost 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 cost.

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 and treasury bills 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 building, and undeveloped land was done during the year by professional valuers and a report issued as at 30 June 2009.

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

An actuarial valuation was carried out by Professional Actuaries and a report issued on 30 June 2008. The valuation was done on an attained Age method. The actuarial report indicates that the value of liabilities of the scheme was kshs.67,525 million compared to the value of assets amounting to kshs.64,270 million giving rise to a shortfall of Kshs.3,255 million. This compared to Kshs.3,959 million shortfall in January 2004 is an improvement of Kshs. 704 million. On accounting basis, the assets are over accrued liabilities by 23.014 billion and a funding ratio of 134%.



6.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2009

1. CONTRIBUTIONS RECEIVABLE

<u>Particulars</u>	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Contributions Receivable -Employer	3,482,431	3,125,461
Contributions Receivable -Employee	<u>2,835,553</u>	<u>2,544,892</u>
Total Contributions Receivable	<u>6,317,984</u>	<u>5,670,353</u>

2. BENEFITS PAYABLE

<u>Particulars</u>	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Age Benefit Payments	1,060,390	1,001,797
Survivors Benefit	303,432	265,502
Invalidity Benefit	31,024	26,222
Withdrawal Benefit	1,137,604	1,057,928
Emigration Grant	12,818	16,506
Refunds	3,893	4,003
Funeral Grant	<u>3,295</u>	<u>3,395</u>
Total Benefit Payable	<u>2,552,455</u>	<u>2,375,353</u>

**3 INVESTMENTS INCOME**

<u>PARTICULARS</u>	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Dividends	1,030,069	1,191,268
Gains on Stock Sales	501,811	1,688,781
Rental Income	897,851	615,176
Interest on Term Deposits and Treasury Bills/Bonds	1,559,188	1,022,504
Interest on Tenant Purchase Scheme	539,176	486,991
Gain on Sale of Assets	21	2,179
Reversal of Provision for Hospital Road Plot	5,474	
Other Income	<u>32,913</u>	<u>28,785</u>
Total Investment Income	<u>4,566,502</u>	<u>5,035,684</u>

4 CHANGE IN MARKET VALUE OF INVESTMENTS

a) Quoted Equities	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Revaluation Surplus Analysis		
Quoted Equities at Market Value	30,487,608	43,702,325
Quoted Equities at Cost	<u>(9,272,063)</u>	<u>(9,509,111)</u>
Revaluation Surplus at 30th June	21,215,545	34,193,214
Less: Surplus Brought Forward	<u>(34,193,214)</u>	<u>(29,864,359)</u>
Net Market Gain/(Loss) in Equities 30th June	(12,977,669)	4,328,855
Add: Revaluation Surplus-Plots, Land & Buildings	2,130,816	-
Surplus Transferred to Statement of Changes in Net Assets	<u>(10,846,853)</u>	<u>4,328,855</u>



	JUNE 2009 KSHS.'000	JUNE 2008 KSHS.'000
5 ADMINISTRATION COSTS		
Staff Expenses	2,479,920	2,274,550
Administrative Expenses	733,375	1,200,602
Depreciation Charge	147,735	161,837
Board Expenses	11,420	11,230
Provision for Mugoya Construction Ltd	324,356	-
Provision for Doubtful Investments	<u>1,201,143</u>	<u>-</u>
TOTAL ADMINISTRATION COSTS	<u>4,897,950</u>	<u>3,648,219</u>

6 PROPERTY, PLANT AND EQUIPMENT

	LAND KSHS.'000	COMPUTER / MICROFILM KSHS.'000	MOTOR VEHICLES KSHS.'000	OFFICE EQUIPMENT KSHS.'000	OFFICE FURNITURE KSHS.'000	FITTINGS & FURNISHINGS KSHS.'000	TOTAL KSHS.'000
Cost/Valuation							
At 01/07/2008	-	699,740	303,786	213,519	108,807	25,784	1,351,636
Additions	-	10,739	25,631	4,001	8,780	295	49,446
At 30/6/2009	-	710,479	329,417	217,520	117,587	26,079	1,401,082
Depreciation							
At 01/07/2008	-	589,288	234,199	166,202	82,808	23,549	1,096,047
Charge for the Year	-	95,931	35,674	10,474	4,845	812	147,735
At 30/06/2009	-	685,219	269,873	176,676	87,653	24,360	1,243,782
Net Book Value							
At 30/6/2009	-	25,259	59,544	40,844	29,934	1,718	157,300
At 30/6/2008	-	110,452	69,587	47,316	25,999	2,235	255,590



7 UNDEVELOPED LAND/PLOTS

7(a) Analysis of Undeveloped Land

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Ngong Road Plot	200,000	150,000
Tassia Estate	17,114	589,396
Nyali Plot	98,322	98,322
Mtwapa Plot	320,000	316,001
Athi River Plot	595,446	595,446
Outering Road Plot	122,350	122,350
Mavoko Plots	1,777,000	431,883
Upper Hill Plot	70,000	40,000
Langata Plot	400,000	400,000
Bamburi Plot	208,000	195,490
Bishops Road Plot	275,000	200,000
Muthaiga Plot	450,000	450,000
Forest Edge Langata	100,000	95,000
Hospital Road Plot	-	65,000
Machakos Plot	75,000	61,600
Kileleshwa Plot	42,346	42,346
Karen Plot	307,971	307,971
Kenyatta Avenue Plot	<u>1,551,110</u>	<u>1,410,100</u>
	6,609,658	5,570,905
Less: Provision for Losses on Suspended Projects	<u>(682,605)</u>	<u>(753,305)</u>
	<u>5,927,053</u>	<u>4,817,600</u>

**7(b) Movements in Undeveloped Land/Plots**

Particulars	Tassia Estate	Ngong Road	Mtwapa Project	Mavoko Projects	Bamburi Project	Embakasi Housing Project	Provision	Others	Totals
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Balance b/f	589,396	150,000	316,001	431,883	195,490	755,744	(753,305)	3,132,391	4,817,600
Adjustments	(572,281)	50,000	3,999	1,345,117	12,510	(755,744)	70,700	955,153	1,109,454
Balance c/f	17,114	200,000	320,000	1,777,000	208,000	-	(682,605)	4,087,544	5,927,053

8 LAND AND BUILDINGS

(a) Analysis of Land and Buildings

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
Social Security House - Nairobi	4,900,000	4,880,000
Social Security House -Mombasa	500,000	486,174
Bruce House - Nairobi	1,350,000	1,224,814
Hazina Trade Centre -Nairobi	2,150,000	2,306,755
Hazina Estate	1,091,173	1,091,173
Social Security House Annex - Nairobi	602,748	559,499
Hazina Towers	780,000	690,245
View park Towers	1,200,000	1,150,727
Hazina Plaza Mombasa	400,000	375,194
Nyayo Estate Embakasi	11,301,428	10,808,217
Ojijo Road - Nairobi	350,000	338,691
Mountain View Development	488,444	487,698
Kitisuru Development	689,132	688,116
State House Road	550,000	415,000
Milimani Flats	250,000	150,000
Kapsoya Estate	<u>6,185</u>	<u>6,185</u>
	26,609,111	25,658,488
Less:		
Provision for Foreseeable Losses	<u>(5,070,339)</u>	<u>(5,070,339)</u>
	<u>21,538,772</u>	<u>20,588,149</u>

**8(b) Movements in Land and Buildings**

Particulars	Security House - Nairobi	Bruce House - Nairobi	Hazian Trade Centre - Nairobi	Hazina Estate	Hazina Towers	View park Towers	Hazina Plaza- Mombasa	Nyayo Estate Embakasi	Ojjo Road - Nairobi	Kitisuru Development	Provision	Other Plots	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Balance b/f	4,880,000	1,224,814	2,306,755	1,091,173	690,245	1,150,727	375,194	10,808,217	338,691	688,116	(5,070,339)	2,104,557	20,588,149
Adjustments	20,000	125,186	(156,755)	0	89,755	49,273	24,806	493,211	11,309	1,017	-	292,820	950,622
Balance c/f	4,900,000	1,350,000	2,150,000	1,091,173	780,000	1,200,000	400,000	11,301,428	350,000	689,132	(5,070,339)	2,397,377	21,538,772



9. Tenant Purchase Scheme

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Embakasi Estate I	744,943	800,100
Mountain View Estate	295,639	342,569
Hazina Estate	332,709	407,345
Kitisuru Estate	425,124	385,890
Kibera H/Rise Estate	166,747	187,999
Prudential Estate	946	975
Tassia Estate	452,893	65,021
Kapsoya Estate	36,497	35,045
Embakasi Estate II	<u>1,643,822</u>	<u>2,139,375</u>
	4,099,320	4,364,318
Accrued TPS Income	<u>159,845</u>	<u>129,929</u>
	4,259,165	4,494,247
Less:		
Provision for Doubtful Income	<u>81,064</u>	<u>81,064</u>
	<u>4,178,101</u>	<u>4,413,183</u>

**10 QUOTED SECURITIES**

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Kenya Power Lighting Co. Ltd. 6,413,801 Kshs. 20 Ordinary Shares, 3,550 cum. Preference Shares, 750 Cum Preference Shares	936,447	1,366,176
East African Breweries Limited 43,018,548 Kshs. 10 Ordinary Shares	6,452,769	8,591,478
B.A.T (K) Limited 12,730,136 Kshs. 10 Ordinary Shares	2,184,423	2,125,933
Unilever Tea Kenya Ltd 0 Kshs. 10 Ordinary Shares	-	68,281
KenGen Company Ltd. 17,341,231 ordinary Shares	252,315	424,860
Bamburi Portland Cement Co. Ltd 54,534,234 Kshs 5 Ordinary Shares	7,885,498	10,634,176
E.A. Portland Cement Co. Ltd. 24,300,000 Kshs. 5 Ordinary Shares	1,701,000	2,794,500
Kenya Commercial Bank Limited 156,445,289 Kshs. 10 Ordinary Shares	3,259,066	5,178,317

**QUOTED SECURITIES (CONTINUED)**

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Housing Finance Co. of Kenya Ltd. 15,716,448 Kshs. 5 Ordinary Shares	265,608	506,855
Sameer Africa Ltd. 5,677,550 Kshs. 5 Ordinary Shares	29,523	55,640
National Bank of Kenya Ltd. 96,105, 519 Kshs.5 Ordinary Shares	3,820,194	5,862,437
Barclays Bank of Kenya Ltd. 42,771,467 Ordinary Shares	1,867,125	3,015,388
Standard Bank of Kenya Ltd. 5,785,952 Ordinary Shares	553,009	1,215,050
Nation Media Group Kenya Ltd. 7,667,712 Ordinary Shares	895,426	1,341,850
Athi River Mining Company Ltd. 870,000 Ordinary Shares @ Kshs.5	83,520	89,610
Kenya Re 20,089,638 Ordinary Shares @ Kshs.5	261,165	339,515
Safaricom Limited 12,467,400 Ordinary Shares @ Kshs.0.05	<u>40,519</u> 30,487,608	<u>92,259</u> 43,702,325
Add: Shares IN DSL (Cost)	1,201,143	-
	31,688,751	43,702,325
Less: Provision for Doubtful Investments DSL shares	(1,201,143)	-
	<u>30,487,608</u>	<u>43,702,325</u>

11 GOVERNMENT STOCKS

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
10% Kenya Stock 2010	<u>408,800</u>	<u>408,800</u>
	<u>408,800</u>	<u>408,800</u>

**12. UNQUOTED STOCKS AND EQUITY**

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
Consolidated Bank Limited Shares		
8,050,000 4% Kshs.20 Cumulative Preference Shares	161,000	161,000
2,225,000 Kshs.20 Ordinary Shares	44,500	44,500
8.25% Nairobi City Council Stock 1990	17,497	17,497
8.5% Nairobi City Council Stock 1993	25,665	25,665
12.25% Nairobi City Council Stock 1994	253,435	338,609
NBK Shares 235 million N/cum pref. shares	<u>1,175,000</u>	<u>1,175,000</u>
	1,677,097	1,762,271
Less: Provisions for Doubtful Investments*	<u>(296,597)</u>	<u>(381,771)</u>
	<u>1,380,500</u>	<u>1,380,500</u>

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
* Analysis of Provisions for Doubtful Investments		
8.25% Nairobi City Council Stock 1990	17,497	17,497
8.5% Nairobi City Council Stock 1993	25,665	25,665
12.25% Nairobi City Council Stock 1994	<u>253,435</u>	<u>338,609</u>
	<u>296,597</u>	<u>381,771</u>

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
13. TREASURY BONDS		
Due within 1 year	1,266,000	403,087
Due between 1 and 5 years	5,624,700	4,894,895
Due after 5 years	<u>8,775,000</u>	<u>5,887,279</u>
	<u>15,665,700</u>	<u>11,185,261</u>

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
14. CORPORATE BOND		
Barclays Bank of Kenya	<u>126,200</u>	<u>50,000</u>
	<u>126,200</u>	<u>50,000</u>

**15) DEPOSITS WITH FINANCIAL INSTITUTIONS**

	JUNE	JUNE
	2009	2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
Prudential Building Society (In liquidation)	989,900	989,900
Housing Finance Company of Kenya Ltd	-	157,164
Post Bank Credit Limited (In liquidation)	553,138	553,138
Revolving Funds (Savings and Loan Ltd.)	108,904	115,010
Continental Credit Ltd. (In liquidation)	57,188	57,188
Middle Africa Finance Company (In liquidation)	3,668	3,668
Nairobi Finance Corporation Ltd. (In liquidation)	3,368	3,368
Pioneer Building Society (In liquidation)	34,981	34,915
Rural Urban Credit Finance Ltd. (In liquidation)	131,765	131,765
Savings and Loan Ltd.	324,947	314,128
Thabiti Finance Company Ltd. (In liquidation)	166,540	166,540
Trade Bank Ltd. (In liquidation)	197,000	197,000
Trade Finance Ltd. (In liquidation)	6,600	6,600
Kenya Commercial Bank Ltd	<u>27,859</u>	<u>402,458</u>
	2,605,858	3,132,842
Less: Provision for Doubtful Investments *	<u>(2,144,082)</u>	<u>(2,144,082)</u>
	<u>461,776</u>	<u>988,760</u>

*** ANALYSIS OF PROVISION FOR DOUBTFUL INVESTMENTS**

	JUNE	JUNE
	2009	2008
	<u>KSHS. '000</u>	<u>KSHS. '000</u>
Continental Credit Ltd.	57,188	57,188
Rural Urban Credit Ltd.	131,765	131,765
Pioneer Building Society Ltd	34,915	34,915
Middle Africa Finance Ltd	3,668	3,668
Nairobi Finance Corporation Ltd.	3,368	3,368
Trade Bank Ltd.	197,000	197,000
Trade Finance Ltd.	6,600	6,600
Post Bank Credit Ltd.	553,138	553,138
Thabiti Finance Ltd.	166,540	166,540
Prudential Building Society Ltd	<u>989,900</u>	<u>989,900</u>
	<u>2,144,082</u>	<u>2,144,082</u>

16. DEBTORS AND PREPAYMENTS

	JUNE 2009	JUNE 2008
	<u>KSHS.'000</u>	<u>KSHS.'000</u>
Sundry Debtors*	757,041	729,517
Deposits & Prepayments	14,428	13,345
Staff Debtors**	375,870	331,845
Legal Debtors (Mutula Kilonzo)	298,451	298,451
CDS Account	-	-
Contributions Arrears***	977,095	817,168
Other Debtors	<u>2,374</u>	<u>3,070</u>
	2,425,259	2,193,396
Less:		
Provision for doubtful Debtors ****	<u>(971,701)</u>	<u>(647,345)</u>
	<u>1,453,558</u>	<u>1,546,051</u>
 <u>Analysis of Sundry Debtors*</u>		
Shah Munge Associates	251,516	251,516
Bounced Cheques	146,029	115,928
ECASSA Debtors	2,744	-
Milligan & Co. Ltd	25,744	25,744
Regent Management Ltd	150	150
Lloyd Masika Ltd	4,787	4,787
Staff Pension Debtor	1,714	7,036
Mugoya Construction Ltd (In receivership)	<u>324,356</u>	<u>324,356</u>
	<u>757,041</u>	<u>729,517</u>

**DEBTORS AND PREPAYMENTS (CONTINUED)****Analysis of Staff Debtors****

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
Commuted Pension	54,190	71,389
Staff House Loans	77,319	6,211
Advances and Imprest	4,526	10,115
Staff Car Loans	<u>239,835</u>	<u>244,130</u>
	<u>375,870</u>	<u>331,845</u>

Analysis of Contributions Arrears***

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
Outstanding for less than 30 days	383,798	283,975
Outstanding for more than 30 days	<u>593,297</u>	<u>533,193</u>
	<u>977,095</u>	<u>817,168</u>

Analysis of Provision for doubtful Debtors ****

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
Shah Munge & Partners	251,516	251,516
Legal Debtors (Mutula Kilonzo)	298,451	298,451
Bounced Cheques (Contributions)	71,634	71,634
Milligan & Company Ltd	25,744	25,744
Mugoya Construction Ltd (In receivership)	<u>324,356</u>	
	<u>971,701</u>	<u>647,345</u>

Shah Munge & Partners' debt relates to amounts receivable on an illegal fixed deposit placed by the company on NSSF's behalf with Euro Bank Ltd (in liquidation). The amount is deemed not recoverable.

17. 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 regulations for exemption.

The amounts reflected in the balance sheet relate to taxes overpaid in years prior to the exemption together with any withholding tax on interest and dividends deducted at source as at 30 June, 2008.

Negotiations between the Fund and Kenya Revenue Authority (KRA) are ongoing on this issue.

18. ACCRUED INCOME

	JUNE 2009 <u>KSHS. '000</u>	JUNE 2008 <u>KSHS. '000</u>
Rent Social Security House Nairobi	256,956	177,210
Rent-Social Security House, Mombasa	16,420	18,410
Rent- Bruce House, Nairobi	31,437	32,942
Rent-Hazina Towers, Nairobi	19,004	10,293
Rent-Hazina Estate, Nairobi	11,472	340
Rent View Park Towers	16,299	26,835
Rent-Other S.S. Houses	1,527	(572)
Rent - Hazina Plaza	104	237,543
Interest/Div. on Term Deposits/Equities	<u>2,561,908</u>	<u>2,301,846</u>
	2,915,126	2,804,847
Less:		
Provision for doubtful accrued Income:		
Rent	(237,543)	(237,543)
Interest	<u>(1,938,878)</u>	<u>(1,810,270)</u>
	<u>738,705</u>	<u>757,034</u>

19. CREDITORS AND ACCRUALS

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
House Purchase Deposits	558,734	496,058
Sundry Creditors and Accruals*	785,187	660,040
Project Creditors	12,999	12,999
Statutory and other deductions	54,111	78,869
Unclaimed Benefits	<u>334,741</u>	<u>244,133</u>
	<u>1,745,772</u>	<u>1,492,099</u>

Analysis of Sundry Creditors and Accruals*

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
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:		
Prepaid Rent	2,983	12,600
Sundry Creditors	206,928	87,266
Staff Loan Deposits	9,493	9,493
Stale Cheques	33,070	33,083
Audit fees	6,570	4,900
Rental Deposits	93,713	83,979
Accrued Rent Expenses	<u>102,067</u>	<u>98,355</u>
	<u>785,187</u>	<u>660,040</u>



20. TOTAL CAPITAL EMPLOYED - STATEMENT OF CHANGES IN ACCUMULATED MEMBERS' FUNDS AS AT 30 JUNE, 2009

The total assets (*Funds Employed – Kshs. 82,147,886,000*) are broken down as shown below:

Particulars	Members' Funds	Accumulated Reserves	Reserve Fund	Total
	Kshs.000	Kshs.000	Kshs.000	Kshs. '000
Restated Balance	63,101,857	(556,253)	9,297,064	71,842,668
<i>At June, 2007</i>				
Interest on Members' Accounts**	1,575,170	(1,575,170)	-	-
Reversal of Accrued Contributions	(95,000)	-	-	(95,000)
Net Increase in Assets in the Period	-	9,563,202	-	9,563,202
Restated Balance	64,582,027	7,431,779	9,297,064	81,310,870
<i>At June, 2008</i>				
Interest on Members' Accounts**	3,103,320	(3,103,320)	-	-
Reversal of Contributions 2006/2007	-	(419,065)	-	(419,065)
Tax Claim	-	605,356	-	605,356
Reversal of Accrued Contributions	(160,000)	160,000	-	-
Net Increase in Assets in the Period	-	9,011,320	-	9,011,320
Balance at 30 June, 2008	67,525,347	13,686,070	9,297,064	90,508,481
<i>At June, 2009</i>				
Interest on Members' Accounts**	3,128,351	(3,128,351)	-	-
Audit Adjustments 2007/2008 and 2008/2009	-	(947,823)	-	(947,823)
Reversal of Accrued Contributions 2007/2008	(817,168)	817,168	-	-
Net Increase/(Decrease) in Assets in the period	-	(7,412,772)	-	(7,412,772)
Balance at 30 June, 2009	69,836,530	3,014,292	9,297,064	82,147,886

**** Interest on Members' Accounts**

The Fund has declared interest of 5% on members accounts (2007/2008 - 5%).

21. BASIS OF 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 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. The Fund intends to dispose a substantial amount of the shareholding in 2009/2010 financial year.

Had consolidated Financial Statements been prepared based on the latest audited financial statements of NBK as at 31 December, 2008, NSSF's share in the operations of NBK would have been as follows:-

	DECEMBER 2008 <u>KSHS.'000</u>	DECEMBER 2007 <u>KSHS.'000</u>
Profit after taxation	<u>596,113</u>	<u>537,870</u>
Accumulated Deficit	<u>(660,221)</u>	<u>(1,250,944)</u>

22. RELATED PARTY TRANSACTIONS

	JUNE 2009 <u>KSHS.'000</u>	JUNE 2008 <u>KSHS.'000</u>
(a) Income earned from related parties		
Kenya Commercial Bank – Dividend income	153,243	171,248
East African Portland Cement Company	0	31,590
NASSEFU Savings and Credit Society Limited – Rental income	<u>215</u>	<u>215</u>
	<u>153,458</u>	<u>203,053</u>
(b) Balances due from related parties		
TPS Debtors	<u>161,354</u>	<u>131,435</u>
	<u>161,354</u>	<u>131,435</u>

23. CONTINGENT LIABILITIES AND CONTRACTS

a) CONTRACTS/COMMITMENTS

(i) Project works at Nyayo Estate Embakasi are ongoing and Kshs.1.2 billion is expected to be paid during 2009/2010 financial year.

(ii) Refurbishment, fire escape doors, lift lobby, generators and electrical installations of SSH Nairobi, Bruce House, View Park, Hazina Towers and SSH Mombasa is expected to be done at a projected cost of kshs.277.5 million in 2009/2010 financial year.

(iii) Project works for Social Security House Annex Parking Silo are expected to be done at a cost of Kshs.300 million in 2009/2010 financial year.

(iv) Data centres at the Headquarters and Bruce House, and fire installations in various properties will be done at Kshs. 160 million during 2009/2010 financial year.

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. The case has been on going since 1993 and a final ruling is yet to be reached.

(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

(i) 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 are remote. These and other matters relating to dealings with Mugoya Construction Company Limited are under arbitration for determination. However, a full provision of Kshs. 324.356 million has been made in the financial statements.

(ii) SSH Annex Parking Silo

Though the project is ongoing, NK Brothers Ltd have sued the fund to the tune of Kshs. 6.5 Billion plus interest and costs. However, the fund has lodged a counter claim of Kshs. 747.837 Million. The case is under arbitration and chances of NK Brothers succeeding are remote.

(iii) Ojijo Road Houses, Nairobi

Though the property was degazetted, it still has value and the Fund has a legal title to it.

(iv) Forest Edge Plot, Langata

The Fund is pursuing for allocation of alternative land after it emerged that the plot is part of Ngong forest, a public trust land.

c) 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.

24. 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:-

❖ 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 2009, NSSF had Kshs 5,894,627,690 of contributions held in suspense account. A task force has been established to work on the reduction and elimination of the amount in suspense account.

25. 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 nor had NBK paid any dividend on its ordinary shares which ranked for dividend on each of the five (5) years immediately preceding the year in which the investment in non-cumulative preference shares was made as required by Section 4(d) of the Trustees Act (Cap 167). The Fund intends to dispose part of the shareholding in the Bank in 2009/2010 financial year after obtaining approval from the Treasury.



26. INCORPORATION

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. NSSF is a body corporate managed by a Board of Trustees appointed by the Minister responsible for Social Security.

27. CURRENCY

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