



Annual Report & Financial Statements 2013

KES 135 Billion in Assets

135

» NSSF assets have grown from
KES 110 Billion to KES 135 Billion «



13
» Investments

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CORPORATE INFORMATION

1. Principal Activity

NSSF is incorporated under the NSSF Act Cap 258 of the Laws of Kenya (now repealed to NSSF Act 2013) which came into effect under Legal Notice No.28 of 1965 to register members, receive their contributions, manage funds of the Scheme, process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, Employers and the Government of Kenya. The composition of the Board of Trustees is meant to accommodate the views and aspirations of policy formulation and running of the organization. Current members are as shown below:-

a) Mr. Adan D. Mohamed	—	Chairman
b) Mr. Ali Noor Ismail	—	Trustee
c) Dr. Kamau Thugge	—	Trustee
d) Mrs. Jacqueline Mugo	—	Trustee
e) Eng. Erastus Mwongera	—	Trustee
f) Mr. Francis Atwoli	—	Trustee
g) Mr. Cornelius Nyang'un	—	Trustee
h) Ms. Veska Kagongo	—	Trustee
i) Mr. Andrew Muigai	—	Trustee
j) Mr. Richard K. Langat	—	CEO/Managing Trustee

3. Senior Management

The following are the members of senior management:-

- a) Mr. Richard K. Langat — CEO/Managing Trustee
- b) Mr. Joseph Kimote — General Manager (SR&D)
- c) Mr. Gideon W. Kyengo — Ag. General Manager (F& I)
- d) Mr. Pius Metto — Ag. General Manager (SS)
- e) Dr. Anthony Omerikwa — Ag. General Manager (O)
- f) Mr. Austin Ouko — Ag. General Manager (CA/CS)

4. Main Lawyers

Wetangula, Adan,
Makokha & Co Advocates
12th Floor Bruce House,
P. O. Box 10741-00100,
Nairobi.
Tel: +254-20-316455/220498

Ngatia & Associates
Advocates
Bishops Gardens Towers,
2nd Floor, 1st Ngong Ave,
P.O.Box: 56688-00200,
Nairobi.
Tel: +254-202733652

Cootow & Associates
Advocates
NSSF House, 11th Floor,
Pent House, Nkrumah Road,
P. O. Box 16858 – 80100,
Mombasa.
Tel: 041-2221243, 2220442

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 trusted centre of
excellence in the provision
of Social Security.

9. Our Mission

To provide social security
to members through
enhanced coverage,
efficient registration and
collections, prudent fund
management, competitive
benefits and exemplary
governance.

NATIONAL SOCIAL SECURITY FUND'S CORPORATE GOVERNANCE STATEMENT

At National Social Security Fund, we are committed to the highest standards of corporate governance and business ethics. Recognizing that good corporate governance is key to the enhancement of our business performance, the Board of Trustees seek to discharge their duties and responsibilities in the best interest of the Fund, its shareholders, customers, business partners and the wider community. Our corporate values and ethics are entrenched in our strategic and business objectives and are focused on transforming and accelerating growth in value for the benefit of all our stakeholders.

The Board of Trustees has delegated the authority for day-to-day management of the Fund to the CEO/ Managing Trustee. However, it retains overall responsibility for the Fund's financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the business.

Board of Trustees

The Board comprises one executive and nine Trustees, each of whom brings a wide range of skills and experience, independent judgement and a considerable knowledge to the board's discussions. The members are:-

- a)** Principal Secretary for the time being responsible for matters relating to labour;
- b)** Principal Secretary in the Ministry for the time being responsible for matters relating to finance;
- c)** Seven persons appointed by the Cabinet Secretary as follows -
 - i)** Two persons, one of whom shall be of opposite gender, nominated by the most representative employers organization with knowledge and experience in matters relating to employers to represent employers in Kenya;
 - ii)** Two persons, one of whom shall be of opposite gender, nominated by the most representative workers organization by virtue of their knowledge and experience in matters relating to employees to represent employees in Kenya;

- iii)** Three persons one of whom shall be of opposite gender, not being public officers nor employees or directors of any public company, appointed by the Cabinet Secretary by virtue of their knowledge and experience in matters relating to administration of scheme funds, actuarial science, insurance, accounting and auditing or law. The Cabinet Secretary appoints the Chairperson from amongst these three Trustees.

Board Meetings

The Board of Trustees hold meeting on regular basis while special meetings are called when deemed necessary.

Committees of the Board

The Board of Trustees has set up three (3) principal Committees namely:

- a)** Finance, Investments and Social Security;
- b)** Human Resource, Legal and Strategy; and
- c)** Audit and Risk Committee.

These committees meet under well defined Terms of Reference set up by the Full Board. This is intended to facilitate efficient decision making by the board of Trustees in discharging its duties and responsibilities.

Annual General Meeting

The Fund is set to hold the second Annual General Meeting (AGM) on 26th September, 2014 as part of its corporate governance practice and to comply with the laws and regulations as set up by the NSSF Act 2013 and the Retirement Benefits Act.

TAARIFA YA UONGOZI KATIKA HAZINA YA MALIPO YA KUSTAAFU-NSSF

Katika hazina ya NSSF tumejitolea kuzingatia viwango vya juu vya ubora na maadili ya kibiashara. Kwa kuzingatia ukweli kwamba uongozi adili ni muhimu kwa ufanifu wa biashara yoyote ile, halmashauri ya wadhamini wa hazina hii inajizatiti kutekeleza wajibu kwa kutia maanani maslahi ya hazina yenyewe, wenyehisa wake, wateja, washirika wa kibiashara na jamii kwa ujumla. Maadili yetu ya uongozi yamejikita kwenye mkakati wetu unaolenga kuongeza kasi ya ukuaji kwenye hazina hii kwa manufaa ya wadau wote.

Halmashauri ya wadhamini imemkabidhi mamlaka ya usimamizi wa shughuli za kila siku za hazina hii kwa mkurugenzi mkuu/Maneja mdhamini. Halmashauri hiyo hata hivyo inahifadhi mamlaka yanayohusu utendaji wa kifedha, uzingatifu wa sheria na masharti mengine msingi na usimamizi wa shughuli nyingine zisizokuwa za kila siku, ikiwa ni pamoja na kuhakikisha kwamba hazina hii inasimamiwa na kuendesha shughuli zake kwa njia ya kifarizi yaani professionally.

Halmashauri ya wadhamini

Halmashauri ya wadhamini inawajumuisha afisa mkuu mtendaji, wadhamini tisa walio na ujuzi na maarifa katika nyanja mbali mbali pamoja na uwezo wa kujifanyia maamuzi huru, na pia ufahamu mkubwa wa mijadala ya halmashauri. Wanachama hao ni:-

- a) Katibu mkuu katika wizara ambaye kwa wakati huo anahusika na maswala yanayohusu maslahi ya jamii;
- b) Katibu mkuu katika wizara inayohusika na maswala ya fedha;
- c) Watu saba waliochaguliwa na waziri kama ifuatavyo -
 - i) Watu wawili, ambapo mmoja wao atakuwa wa jinsia tofauti, aliyeteuliwa na shirikisho kubwa zaidi la waajiri, aliye na ufahamu mkubwa katika maswala yanayowahusu waajiri, kuwaakilisha waajiri hapa nchini.
 - ii) Watu wawili, ambapo mmoja wao atakuwa wa jinsia tofauti, aliyeteuliwa na shirika kubwa zaidi la wafanyakazi, kwa kuzingatia ujuzi na maarifa yake katika maswala ya wafanyakazi, kuwaakilisha wafanyakazi humu nchini.
 - iii) Watu watatu ambapo mmoja atakuwa wa jinsia tofauti, na ambaye si mfanyakazi wa serikali, wala muajiriwa

ama mkurugenzi katika kampuni nyingine ya umma, aliyeteuliwa na waziri kwa kuzingatia ujuzi na uzoefu wake katika maswala yanayohusiana na usimamizi, sayansi ya uhalisia, bima, uhasibu na ukaguzi wa pesa au sheria.

- iv) Waziri kumchagua mmoja wa wanachama hawa watatu kuwa mwenyekiti.

Mikutano ya Halmashauri

Halmashauri ya wadhamini huandaa mikutano mara kwa mara huku mikutano maalum ikiitishwa kukiwa na haja au dharura.

Kamati ya halmashauri ya wadhamini

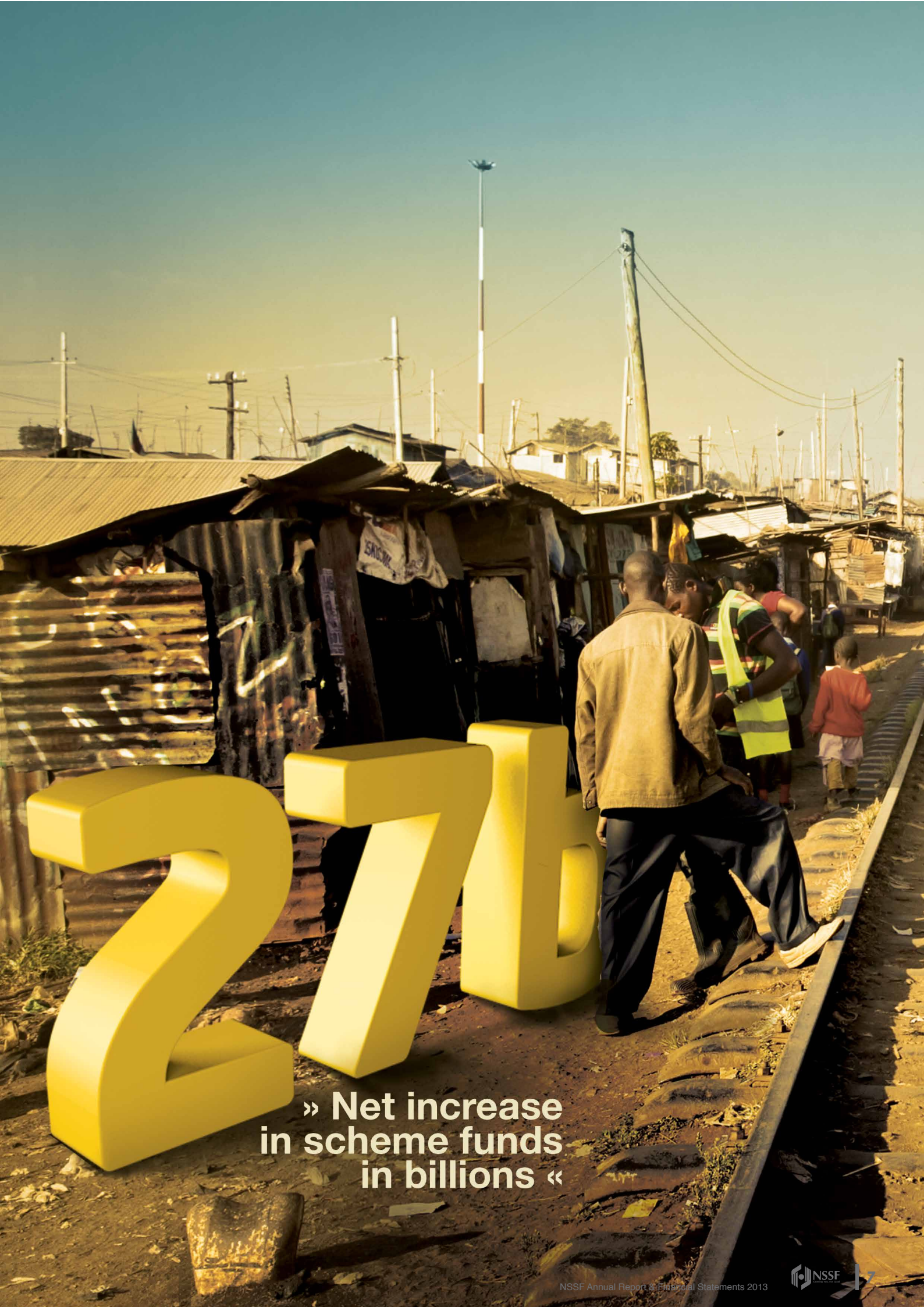
Halmashauri ya wadhamini imebuni kamati tatu (3) muhimu ambazo ni:

- a) Kamati kuhusu Fedha, uwekezaji na maslahi ya jamii
- b) Kamati kuwahusu Wafanyakazi, sheria na mikakati na
- c) Kamati kuhusu Uhasibu na Udhibiti wa hatari

Kamati hizo hukutana chini ya masharti dhahiri yalioratibiwa na wanachama wote wa halmashauri ya wadhamini, madhumuni kuyaratibu masharti hayo yakiwa ni kutoa mwelekeo kwa wanachama wa halmashauri ya wadhamini wanapotekeleza majukumu yao.

Mkutano mkuu wa kila mwaka

Hazina hii inatarajiwa kuandaa mkutano wake mkuu wa pili tarehe 26 mwezi huu, kama sehemu ya desturi ya uongozi wake, na pia kuambatana na sheria na masharti mengine yaliowekwa na sheria inayosimamia hazina ya NSSF na halmashauri inayosimamia hazina za malipo ya kustaa-fu-RBA.



» Net increase
in scheme funds
in billions «



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 Kes.26.5 billion mainly due to changes in market value of investments. This is a higher return compared to financial year 2011-2012 of Kes.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 Kes.134.9 billion compared to Kes.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 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 the 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 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

TAARIFA YA MWENYEKITI

Utangulizi

Ni furaha yangu kuwasilisha kwenu ripoti na taarifa ya kifedha ya hazina ya malipo ya kustaafu –NSSF katika kipindi kilichomalizika tarehe 30 mwezi juni mwaka ulopita wa 2013.

Katika kipindi cha kifedha cha mwaka 2012-2013, mapato halisi ya hazina yaliongezeka kwa shilling billion 26.5, ikilinganishwa na shilling billion 1.9 katika kipindi cha mwaka 2011-2012. Ongezeko hilo lilitokana na kuimarika kwa thamani ya uwekezaji wetu. Katika kipindi hicho, hazina ya NSSF pia iliongeza uwekezaji katika hisa, hati za dhamani za mashirika na za serikali kupitia soko la hisa la Nairobi, hatua iliyosababisha rasimali halisi za hazina hiyo kuongezeka hadi shilling billion 134.9 ikilinganishwa na shilling billion 110.5 mwaka uliotangulia, huo ukiwa ukuaji wa asilimia 22.11

Halmashauri ya wadhamini na wasimamizi wana imani kwamba hazina hiyo itaendelea kunakili ukuaji mkubwa katika kipindi cha mwaka 2013-2014, hasa baada ya uchaguzi mkuu wa amani na kubuniwa kwa serikali mpya.

Mazingira ya utendaji

Katika mwaka unaoangaziwa, nchi hii ilipitia kipindi cha ushindani mkali kisiasa, hali iliyopunguza kasi ya ukuaji wa kiuchumi. Katika kipindi hicho, nchi hii ilikumbana na changamoto kadhaa, ambazo ziliathiri msukumo wa ufufuzi wa uchumi. Shughuli za kiuchumi zilififia, huku mabadiliko ya kisheria na asasi yakitekeleza kuambatana na matakwa ya katiba mpya iliyorasimishwa mwezi agosti mwaka 2010.

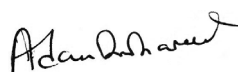
Ugatuji wa baadhi ya majukumu hadi kwenye kaunti na kubuniwa kwa serikali za kaunti bado unaendelea, huku kukiwa na changamoto za utayarishaji bajeti za kaunti hizo, na pia utaratibu wa usambazaji pesa kutoka serikali kuu hadi kwenye kaunti. Mfumuko wa bei ya bidhaa na hudu-

ma msingi hapa nchini pia ulichangia kupanda kwa gharama ya maisha. Thamani ya sarafu ya Kenya hata hivyo iliendelea kuwa thabiti huku viwango vya riba vikiendelea kupungua, hususan baada ya uchaguzi mkuu wa tarehe 4 mwezi Machi mwaka 2013, ambao ulifanyika kwa amani. Pia itakumbukwa kwamba mnamo kipindi cha matumizi ya fedha cha mwaka 2012 - 2013, hazina hii ilitisha mkutano mkuu wa mwaka yaani (AGM) kwa mara ya kwanza mnamo Septemba mwaka 2012, na kujipatia sura mpya mnamo mwezi Octoba mwaka 2012 mbali na kuzindua nembo mpya na kauli mbiu yake "Growing You. For Good". Ama (Kukuendeleza Milele). Serikali, Wanachama, na wananchi kwa ujumla pia walipata fursa ya kutangamana na kuifahamu vyema zaidi hazina ya NSSF.

Bodi ya wadhamini na wasimamizi wamejitolea kuifanyia marekebisha zaidi hazina hii kupitia hatua inayotarajiwa ya kupitishwa kwa rasimu ya mswada wa mwaka 2013 kuhusu hazina ya NSSF, ambao tayari umeidhinishwa na baraza la mawaziri na umepangiwa kuwasilishwa katika bunge la taifa katika kipindi cha sasa matumizi ya fedha. Chini ya mswada huo, hazina hii itabadilishwa kutoka hazina ya malipo ya mara moja hadi ile ya malipo ya pole pole kwa watu waliostaafu. Ushirikiano kati ya hazina hiyo na halmashauri ya ukusanyaji ushuru, ambapo michango ya wanachama itakusanywa na halmashauri ya ukusanyaji ushuru pia unatarajiwa kuongeza mapato ya hazina hiyo, huku wanachama wapya wakianza kuichangia.

Mwisho

Huku serikali ya Kenya ikitekeleza katiba mpya, na kupanua uchumi kupitia mseto wa kimaeneo, hazina hii ina imani ya kuimarika hata zaidi katika siku za baadaye. Kwa ujumla shughuli za biashara hapa nchini zinatarajiwa kuimarika na kuchangia ukuaji uchumi wa taifa hili.



ADAN D. MOHAMED, EBS
MWENYEKITI,
HALMASHAURI YA WADHAMINI



CHIEF EXECUTIVE STATEMENT

I am pleased to present to you the annual report & financial statements and, the Fund's performance for the Financial Year ended 30th June 2013.

Performance

As we near the end of our strategic plan 2009/2014, I am pleased to report an impressive performance in the year 2013. This gives me and my staff great joy and confidence that our understanding and implementation of the strategic path set by the board is yielding the intended result. Member contributions, return on investment and benefits paid to members all showed a commendable growth in the year 2013.

This impressive growth is a reflection of the deliberate effort by the Board and management of NSSF in modernising and professionalising the operations of the Fund. The Fund has a huge responsibility to contribute to the achievement of the Vision 2030 set by our government and provide a decent and comfortable retirement of Kenyan workers.

Financial Results

During the year, member contributions grew by 7% from Kes.7.3 billion in the year 2012 to Kes.7.8 billion in the year 2013. Benefits paid to members grew by 20% from Kes.1.8 billion paid in 2012 to Kes.2.1 billion paid in the year 2013. The net return on investment rose from Kes.1.7 billion in 2012 to Kes.27.3 billion in the year 2013.

Total operating expenses increased by 22% to Kes.6.4 billion in 2013 from Kes.5.3 in 2012. This increase is attributed to a one off restructuring cost which solely accounts for 19% of the total cost but which is expected to yield efficiencies whose effect will be realised starting in the 2014 financial year.

Overall Performance

A net increase of Kes.26.5 billion in scheme funds was achieved in 2013 from Kes.1.9 billion achieved in 2012. The fund's net assets, therefore, increased by 22% from Kes.110.5 billion in 2012 to Kes.134.9 billion in 2013.

Investments

We continue to exert our presence in the Nairobi Securities Exchange as it develops and brings forth new products and investment opportunities. We have engaged the leading investment managers in the region to invest our funds and help us achieve a well diversified and balanced portfolio that will increase the return on investment even more.

Technology

In 2013 we achieved major milestones in the implementation of our ambitious IT led business transformation strategy. The Strategy recognises the critical role of ICT in supporting the business for growth and the provision of excellent services to our customers and stakeholders.

The main focus in 2013 was on laying the foundation for the IT transformation journey whose objective is to enable the Fund to be a fully automated organisation. The key milestones achieved in 2013 include installation of a back office system SAP and a front office system - Social Security and Pensions Administration System (SSPAS).

Conclusion

The excellent performance of the Fund during the year has been due to the support we continue to receive from all our esteemed contributors and business partners. We thank them for this support and look forward to working closely with them in future.

I would also like to express my gratitude to the Management Team, Staff and Financial Advisors for their hard work, dedication and commitment to the Fund during the year. This commitment has gone a long way in ensuring that the Fund continues to prosper for the benefit of all our stakeholders.

RICHARD K. LANGAT
CEO/MANAGING TRUSTEE

TAARIFA YA AFISA MKUU MTENDAJI /MKURUGENZI MKUU

Nina furaha kuu kuwasilisha kwenu ripoti ya kifedha ya hazina ya NSSF kwa kipindi cha mwaka 2013.

Utendaji

Tunapokaribia mwisho wa mkakati wetu kwa kipindi cha mwaka 2009-2014, hazina ya NSSF ina furaha kuripoti kwamba ilinakili ukuaji wa kuvutia katika kipindi cha mwaka 2013. Ufanifu huo unanipa mimi binafsi na pia wafanyakazi wangu furaha na imani kwamba ufahamu na umakinifu wetu katika utekelezaji wa mkakati ulioratibiwa na halmashauri ya wakurugenzi wanaosimamia hazina hii umeanza kuleta matokeo yaliotarajiwa. Michango ya wanachama, mapato kutokana na uwekezaji na mafaao yaliolipwa wanachama, yote yaliongezeka katika kipindi cha mwaka 2013.

Ukuaji huo unaashiria kujitolea kwa halmashauri ya wakurugenzi na wasimamizi wa hazina ya NSSF, kuhakikisha kwamba hazina hii inaendesha shughuli zake kwa ufanifu na ufarizi. Hazina hii ina wajibu muhimu wa kutekeleza katika kufaulisha malengo ya ruwaza ya mwaka 2030, kwa kuhakikisha kwamba wafanyakazi wanaostaafu wanaishi maisha bora na ya heshima.

Matokeo ya kifedha

Katika kipindi cha mwaka 2013, michango ya wanachama iliongezeka kwa asilimia 7 kutoka shilling billion 7.3 mnamo mwaka 2012 hadi shilling billion 7.8 katika mwaka wa 2013. Mafaao yaliolipwa wanachama pia yaliongezeka kwa asilimia 20 kutoka shilling billion 1.8 mnamo mwaka 2012 hadi shilling billion 2.1 katika mwaka 2013. Mapato yaliotokana na uwekezaji kadhalika yaliongezeka kutoka shilling billion 1.7 mnamo mwaka 2012 hadi shilling billion 27.3 katika mwaka wa 2013.

Gharama jumla ya matumizi yaliongezeka kwa asilimia 22 hadi shilling billion 6.4 katika mwaka 2013 kutoka shilling billion 5.3 mnamo mwaka 2012. Ongezeko hilo lilitokana na gharama ya utekelezaji mabadiliko kwenye hazina, ambayo yaliogharimu asilimia 19 ya matumizi jumla, mabadiliko ambayo ufanisi wake unatarajiwa kuanza kuonekana katika kipindi hichi cha mwaka 2014.

Utendaji kwa ujumla

Hazina ilinakili ongezeko la mapato halisi la shilling billion 26.5 katika mwaka 2013 kutoka shilling billion 1.9 mnamo

mwaka 2012. Mali halisi ya hazina hivyo basi iliongezeka kwa asilimia 22 kutoka shilling billion 110.5 mnamo mwaka 2012 hadi shilling billion 134.9 katika mwaka 2013.

Uwekezaji

Tunaendelea kuwekeza kwenye hisa kupitia soko la hisa la Nairobi huku soko hilo likiendelea kubuni huduma mpya, na hivyo kuongeza hata zaidi nafasi za uwekezaji. Tumetafuta huduma ya mamaneja bora zaidi katika uwekezaji katika kanda hii, ili kutushauri na pia kutusaidia kupata manufaa makubwa kutokana na maekezo yetu, ili kuongeza mapato yetu kwa manufaa ya wadau wetu wote.

Teknolojia

Katika mwaka 2013 tulipiga hatua kufuatia uzinduzi wa mfumo mpya wa uendeshaji shughuli kupitia teknolojia. Mfumo huo mpya unatambua wajibu muhimu teknolojia ya mawasiliano inatekeleza si tu katika kufanikisha biashara, bali pia kuimarisha utoaji huduma kwa wateja na wadau wetu.

Katika mwaka 2013 tuliangazia zaidi uwekaji msingi thabiti wa kuiwezesha hazina kukita matumizi ya teknolojia ya kisasa katika huduma zake zote ili kuhakikisha uwazi katika shughuli zake. Katika mwaka huo tulianzisha mfumo mpya wa kuwahudumia wateja na wadau wetu kupitia mtandao yaani SAP kando na ule wa ana kwa ana.

Tamati

Utendaji bora wa hazina hii katika kipindi hicho umetokana na usaidizi tulipata na tunaendelea kupokea kutoka wanachama na washirika wetu wa kibiashara. Tunatoa shukrani zetu za dhati kwao tukiwa na imani kwamba ushirikiano na usaidizi huo utaimarika hata zaidi katika siku za usoni.

Kadhalika nawashukuru mno wasimamizi wa hazina hii, wafanyakazi na washauri wetu katika masuala ya kifedha kwa bidii na kujitolea kwa katika kipindi hicho. Juhudi hizo zimeisaidia hazina hii kuendelea kunakili ukuaji kwa manufaa ya wadau wake wote.



RICHARD K. LANGAT

AFISA MKUU MTENDAJI /MANEJA MDHAMINI



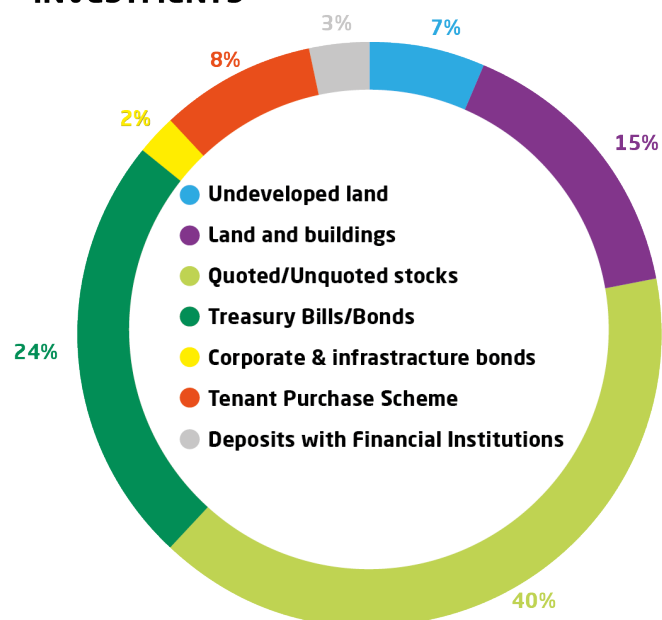
**20% Return
on Net Assets**

20%

» Return on Net Assets
has increased to 20% «

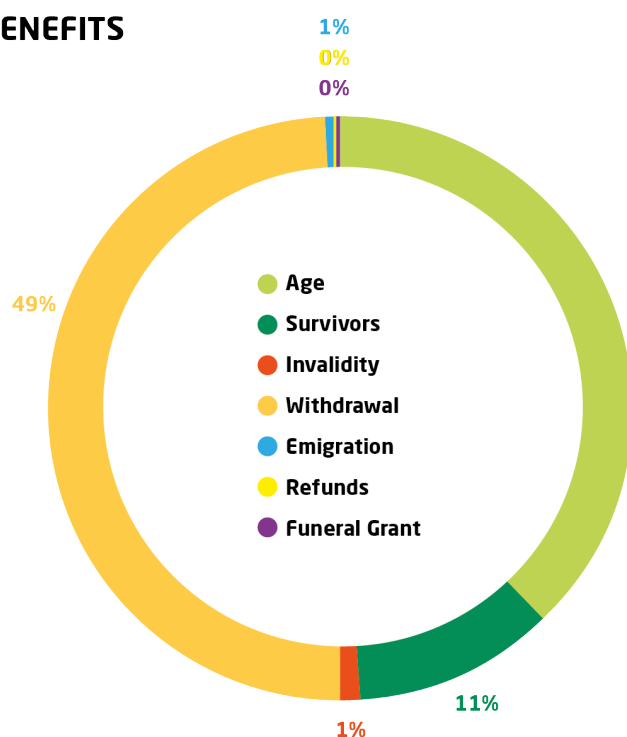
STATISTICAL INFORMATION

INVESTMENTS



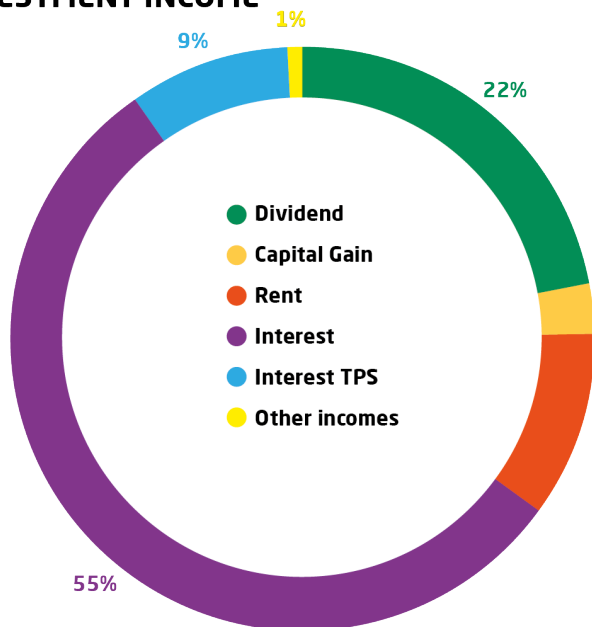
Details	Kes.'000
Undeveloped Land	8,685,097
Land and Buildings	20,295,925
Quoted/Unquoted Stocks	52,706,033
Treasury Bills/Bonds	31,343,184
Corporate & Infrastructure Bonds	2,993,664
Tenant Purchase Scheme	11,087,990
Deposits with Financial Institutions	4,354,150
	131,466,043

BENEFITS



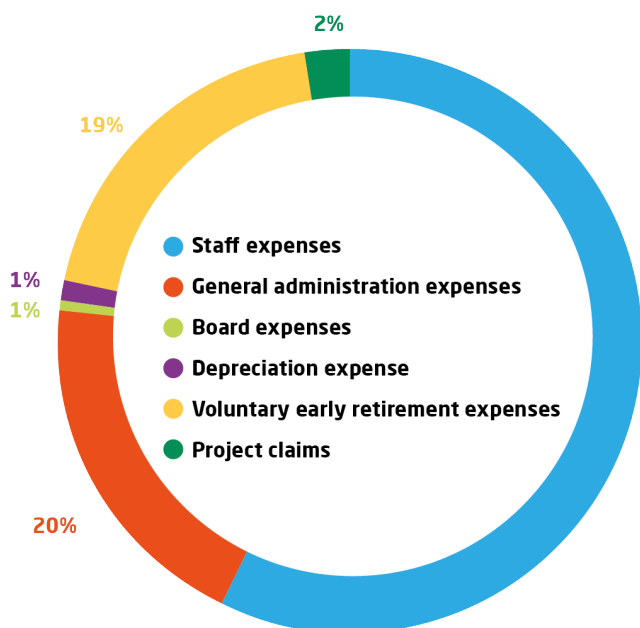
Details	Kes.'000
Age	808,693
Survivors	241,463
Invalidity	21,276
Withdrawal	1,053,391
Emigration	9,106
Refunds	1,164
Funeral Grant	3,922
	2,139,015

INVESTMENT INCOME



Details	Kes.'000
Dividend	1,985,799
Capital Gain	245,640
Rent	909,538
Interest	4,958,800
Interest TPS	804,767
Other Incomes	63,512
	8,968,055

OPERATING EXPENSES



Details	Kes.'000
Staff Expenses	3,698,602
General Administration Expenses	1,252,437
Board Expenses	32,233
Depreciation Expense	77,046
Voluntary Early Retirement Expenses	1,234,066
Project claims	146,609
	6,440,992

STATEMENT OF TRUSTEES' RESPONSIBILITIES

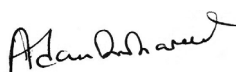
The National Social Security Fund Act requires the Trustees to prepare financial statements for each financial year which include, a balance sheet (statement of assets available for benefits) showing in detail the assets and liabilities of the Fund, a statement of income and expenditure (statement of 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



.....
RICHARD K. LANGAT
CEO/MANAGING TRUSTEE



.....
ADAN MOHAMED, EBS
CHAIRMAN,
BOARD OF TRUSTEES

TAARIFA YA MAJUKUMU YA WADHAMINI

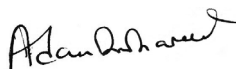
Sheria inayosimamia hazina ya NSSF inawahitaji wadhamini wake kutayarisha taarifa ya kifedha kila mwaka inayojumuisha waraka wa mizania (taarifa ya raslimali zilizopo) inayoonesha kwa kina raslimali na madeni ya hazina, taarifa inayoonesha mapato na matumizi (taarifa ya mabadiliko katika raslimali halisi zilizopo) pamoja na taarifa nyingine, ambazo kulingana na wadhamini ni muhimu. Aidha sheria hiyo inawahitaji wadhamini kuhakikisha kwamba hazina hiyo inaweka kumbukumbu kamilifu za hesabu na stakabadhi nyingine zinazohusiana na shughuli za hazina hii, ukiwemo uwekezaji.

Wadhamini wanawajibikia taarifa ya kifedha ya kila mwaka, ambayo imetayarishwa kwa kuzingatia sera za uhasibu zinazofaa, na ambazo zinaweza kuthibitishwa kwa uamuzi wa makadirio, kuambatana na viwango vya uhasibu vya kimataifa, kama inavyohitajika chini ya sheria inayosimamia hazina ya NSSF, na vile vile sheria inayosimamia hazina za malipo ya kustaafu-RBA. Wadhamini wanaonelea kwamba taarifa hii ya kifedha inaonesha ukweli wa hali halisi ya kifedha na matokeo ya utendaji wa hazina hii. Wadhamini pia wanakubali jukumu la udumishaji kumbukumbu za uhasibu.

Wadhamini wanathibitisha kadri ya ufahamu wao na imani kwamba maelezo/habari zilizotolewa kwa uhasibu wetu ni sahihi.



.....
RICHARD K. LANGAT
CEO/MANAGING TRUSTEE



.....
ADAN MOHAMED, EBS
CHAIRMAN,
BOARD OF TRUSTEES

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

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.

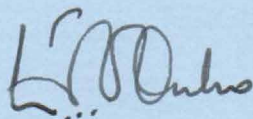
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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

STATEMENT OF CHANGES IN NET ASSETS

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

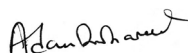
STATEMENT OF NET ASSETS

		JUNE 2013 Kes '000	JUNE 2012 Kes '000
	Note		
Non Current Assets			
Property Plant & Equipment	7	268,575	171,834
Assets Under Construction	8	2,259,900	131,439
		2,528,475	303,273
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	4,354,150	3,566,915
Net Investments		131,466,043	110,931,629
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	884,758	875,119
Total Current Assets		5,131,399	3,080,251
Current Liabilities			
Creditors and Accruals	24	4,193,043	3,854,131
Total Current Liabilities		4,193,043	3,854,131
Net Current Assets		938,357	(773,880)
NET ASSETS		134,932,875	110,461,021
TOTAL FUNDS EMPLOYED	25	134,932,875	110,461,021

The financial statements on pages 19 to 36 were approved for issue by the Board of Trustees on 23 / 09 / 2013 and were signed on its behalf by:



RICHARD K. LANGAT
CEO/MANAGING TRUSTEE



ADAN MOHAMED, EBS
CHAIRMAN,
BOARD OF TRUSTEES

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	(18,354,776)	6,202,920
Operating Surplus /(Deficit) before working capital changes	7,859,880	7,512,641
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	338,911	(517,362)
	(1,702,598)	(129,651)
Net cash generated from operating activities	6,157,282	7,382,990
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	(317,613)	(222,123)
Net Cash flow from Investing Activities	(6,147,644)	(7,471,070)
Net (decrease) in cash and cash equivalents in the Year	9,639	(88,080)
Cash and cash equivalents at 30 June 2012	875,119	963,199
Cash and cash equivalents at 30th June 2013	884,758	875,119

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 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 the 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.

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 - 12.5%).

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	Rate (%)
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 2013. The valuation was done on an attained Age method. The actuarial report indicates that the value of liabilities of the scheme was Kes. 111.8 billion compared to the value of assets amounting to Kes.135.3 billion giving rise to a surplus of Kes.23.6 billion.

2. CONTRIBUTIONS RECEIVABLE

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

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	3,922	4,924
Total Benefit Payable	2,139,015	1,781,483

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	63512	40,610
Total Investment Income	8,968,055	7,943,399

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	2,854,788	958,277	38,988	1,857,523
Change in Market in Value Transferred to State- ment of Changes in Net Assets	115,885,028	(3,615,086)	18,354,776	101,145,338

*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	146,609	832,850
Total Operating Expenses	6,440,992	5,293,938

7. PROPERTY PLANT & EQUIPMENT

	ICT Hardware Kes '000	Motor Vehicles Kes '000	Office Equip- ment Kes '000	Office Furniture Kes '000	Fittings & Furnishings Kes '000	Total Kes'000
Cost/Valuation						
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	(281)		(8,464)	(773)	(83)	(9,600)
	778,040	363,795	258,695	201,783	39,368	1,641,681
Depreciation						
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	(281)	0	(8,742)	(1,692)	(83)	(10,797)
As at 30 June, 2013	738,927	271,465	207,974	120,437	34,304	1,373,105
Net Book Value						
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
Particulars		
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	264,637	0
Total	2,259,900	131,439

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	158,969	—
	8,685,096	7,677,264

*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
	20,295,925	27,195,055

*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
	11,087,990	6,219,376

12. QUOTED STOCKS

	JUNE 2013 Kes '000	JUNE 2012 Kes '000
Kenya Power	1,303,705	1,213,453
89,908,446 Kes.2.50 Ordinary Shares,	1,303,672	
3,550 Kes.20 cum. Preference Shares,	28	
750 Kes.20 Cum Preference Shares	4	
East African Breweries Limited	10,945,554	9,425,298
32,869,531 Kes.2 Ordinary Shares		
B.A.T (K) Limited	2,924,943	2,120,451
5,386,636 Kes.10 Ordinary Shares		
Access Kenya Ltd	20,246	11,400
2,120,000 Kes.1 Ordinary Shares		
KenGen Company Ltd.	424,080	248,835
27,992,089 Kes.2.50 Ordinary Shares		
Bamburi Cement Co. Ltd	12,234,928	8,806,899
56,906,640 Kes 5 Ordinary Shares		
E.A. Portland Cement Co. Ltd.	1,348,650	1,458,000
24,300,000 Kes.5 Ordinary Shares		
Kenya Commercial Bank Limited	8,469,180	5,180,298
228,896,744 Kes.1 Ordinary Shares		
Housing Finance Co. Kenya Ltd	396,840	227,103
15,716,448 Kes.5 Ordinary Shares		
Sameer Africa Ltd.	23,183	23,562
4,731,292 Kes.5 Ordinary Shares		
National Bank of Kenya Ltd.	2,825,502	2,583,316
134,547,727 Kes.5 Ordinary Shares		
Barclays Bank of Kenya Ltd.	2,540,445	1,958,961
161,811,782 Kes.0.50 Ordinary Shares		
Standard Chartered Bank Kenya Ltd	1,311,673	814,792
4,570,288 Kes.5 Ordinary Shares		
Nation Media Group Kenya Ltd.	2,596,664	1,203,821
8,626,792 Kes.2.50 Ordinary Shares		
Athi River Mining Company Ltd.	341,760	174,000
5,340,900 Kes.1 Ordinary Shares		
Kenya Re	379,694	213,935
23,437,910 Kes.2.50 Ordinary Shares		
Kenya Airways	100	131
10,000 Kes 5.00 Ordinary Shares		
Britam (K) LTD	961,454	173,333
120,181,785 Kes.0.10 Ordinary Shares		
Safaricom Limited	914,690	450,734
139,647,400 Kes 0.05 Ordinary Shares		
Carbacid Investments Ltd	2,800	—
20,000 Kes.5 Ordinary Shares		
CFC Stanbic of Kenya Holdings Ltd	111,712	—
1,759,242 Kes.5 Ordinary Shares		

Centum Investment Co Ltd	13,799	—
634,418 Kes.0.50 Ordinary Shares		
Uchumi Supermarket Ltd	72,669	—
3,651,700 Kes.5 Ordinary Shares		
TPS Eastern Africa Ltd	43,700	—
950,000 Kes.1 Ordinary Shares		
Scangroup Ltd	100,987	—
1,669,200 Kes.1 Ordinary Shares		
The Co-operative Bank of Kenya Ltd	141,354	—
9,208,700 Kes.1 Ordinary Shares		
NIC Bank Ltd	113,539	—
2,120,340 Kes.5 Ordinary Shares		
Equity Bank Ltd	332,084	—
10,626,700 Kes.0.50 Ordinary Shares		
Diamond Trust Bank Kenya Ltd	137,020	—
806,000 Kes.4 Ordinary Shares		
Umeme Ltd	98,061	—
6,059,000 Kes.0.50 Ordinary Shares (Uganda)		
	51,131,015	36,288,341

13. UNQUOTED STOCKS

	JUNE 2013 Kes '000	JUNE 2012 Kes '000
Consolidated Bank Limited Shares		
8,050,000 4% Kes.20 Cumulative Preference Shares	194,057	161,000
2,225,000 Kes.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	1,175,000	1,175,000
	1,575,018	1,532,823

14. TREASURY BONDS

Due between Zero and 5 years	7,701,612	6,840,751
Due after 5 years	23,174,628	18,397,566
	30,876,240	25,238,316

15. TREASURY BILLS

Treasury Bills	466,944	1,356,013
	466,944	1,356,013

16. COMMERCIAL PAPER

	Kes '000	Kes '000
Kenol Kobil	134,029	0
TPS Serena	4,847	0
	138,876	0

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	774,003	731,323
	2,854,788	1,857,523

18. DEPOSITS WITH FUND MANAGERS & FINANCIAL INSTITUTIONS

	JUNE 2013 Kes '000	JUNE 2012 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.)	11,865	11,075
	4,354,150	3,566,915

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	965	0
	6,212	0

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	2,374	2,374
	2,311,534	957,640

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	4,588	4,567
	30,465	40,651

*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	2,360	0
	233,237	241,914

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	87,063	253,764
	526,339	646,244

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	1,023,991	70,284
	1,023,991	342,589

23. CASH AND CASH EQUIVALENTS

Bank	880,346	875,010
Cash	4,412	109
	884,758	875,119

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

24. CREDITORS AND ACCRUALS

	JUNE 2013 Kes '000	JUNE 2012 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

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

25. TOTAL CAPITAL EMPLOYED - STATEMENT OF CHANGES IN ACCUMULATED MEMBERS' FUNDS AS AT 30 JUNE, 2013

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

Particulars	Member's Funds	Accumulated Reserves	Reserve Fund	Total
	Kes '000	Kes '000	Kes '000	Kes '000
Restated Balance	76,791,098	24,276,979	9,297,064	110,365,142
At June, 2012				
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 is 12.5% on members accounts

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 (now repealed to NSSF Act 2013). 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 Kes '000	JUNE 2012 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	3,081	3,081
	511,292	749,195
b. Balances due from related parties		
TPS Debtors	120,857	321,312
	120,857	321,312

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:

	Kes '000
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	2,087,237
Grand Total	11,413,800

29. CONTRACTS AND CONTINGENT LIABILITIES

a) Contracts/Commitments

- i) Project works at Nyayo Estate Embakasi, Phase VI are ongoing at an expected cost of Kes.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 Kes.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 Kes.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 Kes.6.7 billion is ongoing.

b) Liabilities

i) Sololo Outlets Limited Vs NSSF

As at 30 June, 2003 NSSF had a contingent liability of Kes.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 filed its defence and counter claim of Kes.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 Kes 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 Kes 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 Kes 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 Kes 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 Kes.7.058 billion against a counter claim by NSSF of Kes.9.873 billion. Included in project costs for Nyayo Estate, Embakasi and the counter-claim are payments of Kes.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 Kes.324.356 million was made in the 2008/2009 financial statements.

d) Cash Losses

i) Westlands Branch Fraud

The amount of Kes.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 Kes.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:- 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 Kes 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 for 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 Kes.1,175 million, was applied towards the purchase of 235 million non-cumulative preference shares at par value of Kes.5 each in the bank. The non-cumulative preference shares issued are not quoted on the stock exchange. NBK has paid dividends and interest to the Fund on both ordinary shares and non-cumulative preference shares totalling 91.535 million as per note 27. 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).



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