



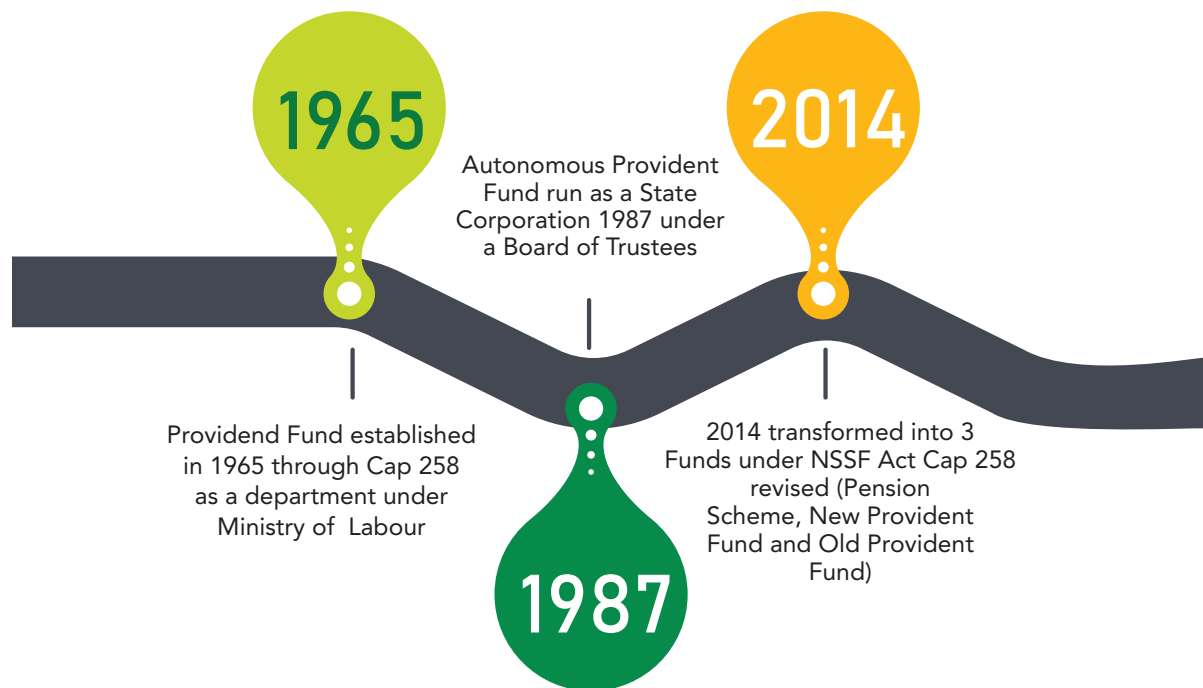
**NATIONAL SOCIAL SECURITY FUND
BOARD OF TRUSTEES**



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2023**

The Fund's Journey



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All enquiries about this annual report and financial statements should be directed to:

National Social Security Fund Board of Trustees (HQ)

P.O. Box 30599 – 00100, Nairobi, Kenya

Main Line: (020) 2729911, 2710552

Toll Free: 0800 2212744

Cell Phone: 0709-583000, 0730-882000

Fax: (020) 2727882, 2722013, 2711615

Email: info@nssfkenya.co.ke

Website: www.nssf.or.ke

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Website: www.klb.co.ke

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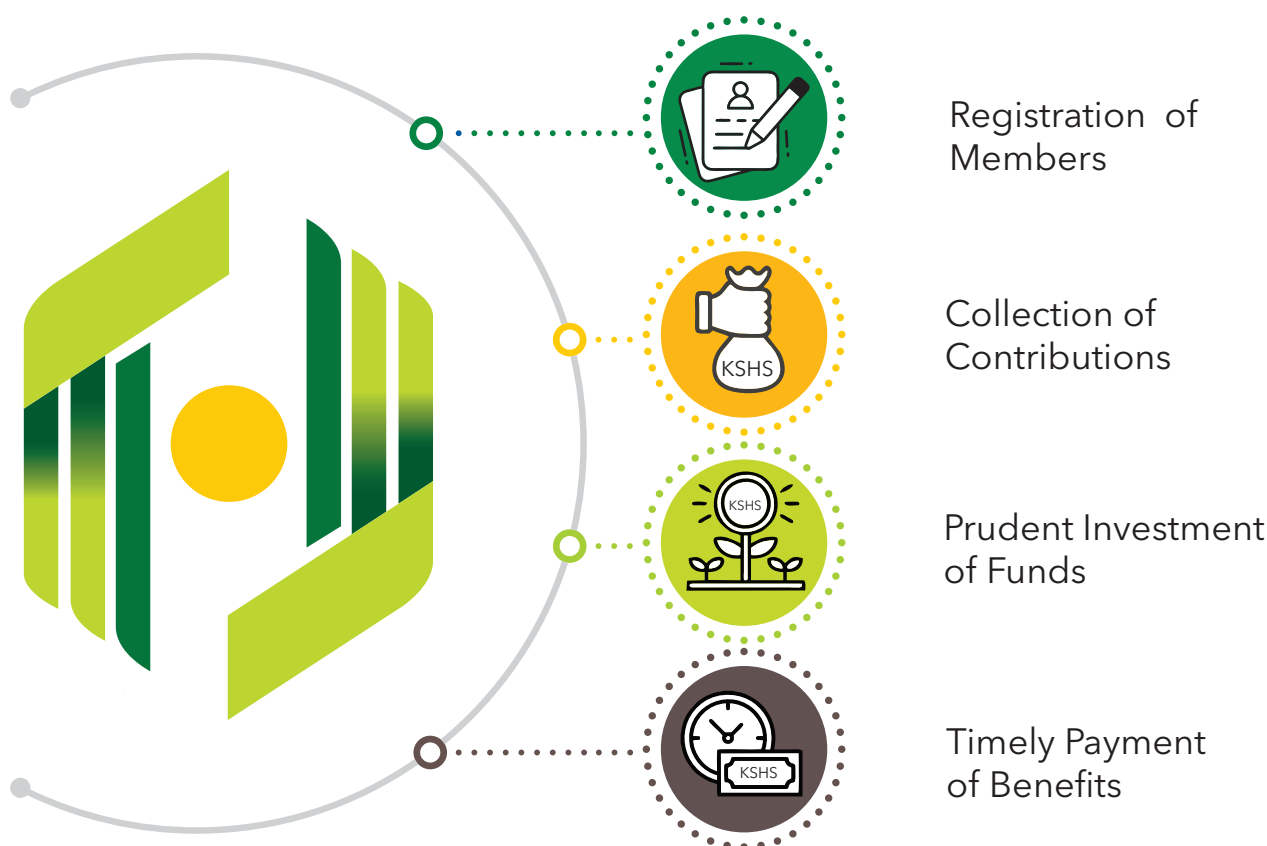
KEY ENTITY INFORMATION

(a) Background information

The National Social Security Fund (NSSF) was initially established under National Social Security Fund Act Cap 258 Laws of Kenya, which was repealed upon the enactment of National Social Security Act, 2013 that came into effect on 10th January 2014. At Cabinet level, NSSF is represented by the Cabinet Secretary for Labour and Social Protection. The Fund is governed by a Board of Trustees constituted as per the NSSF Act Cap 258 Laws of Kenya, with a tripartite representation from the most representative workers' organization, the most representative employers' organization and the Government of Kenya (through the Ministry of Labour, and the National Treasury). The Board is responsible for the general policy and strategic direction of the Fund.

(b) Principal Activities

The principal activity of the Fund is to provide social security to Kenyan workers. We achieve this by registering members, receiving their contributions, investing the funds prudently, and processing benefits to pay out to eligible members or their dependants when their claims becomes due.



(c) Board of Trustees

No.	Trustee	Position	Tenure	
			Appointment	Exit
1	Gen (Rtd) Dr. Julius W. Karangi EGH,CBS, DCO,LOM 'ndc''psc' (K)	Board Chairman	06.10.2021	22.12.2022
2	Mr. Anthony Muriuki Munyiri	Board Chairman	23.12.2022	-
3	Mr. Peter Mweleli, MBS	Independent Trustee	28.10.2021	24.02.2023
5	Prof. Dulach Galgalo Barako	Alternate, PS Treasury	16.09.2019	2022
6	FCPA Dr. Anne Owuor, EBS	Trustee representing FKE	28.10.2021	-
7	Mr. Isaac Mbingi Okello	Trustee representing COTU	28.10.2021	-
8	Ms. Rose Omamo	Trustee representing COTU	04.05.2022	-
9	Mr. Mark J. Obuya, EBS, MCI Arb	Trustee representing FKE	20.02.2020	23.02.2023
10.	Dr. Isaac Kaberia Kubai	Independent Trustee	24.2.2023	-
11.	Eng. Peter K. Tum, OGW	PS, Labour	01.03.2019	24.03.2023
12.	Hon. Geoffrey Kaituko	PS, Labour	24.03.2023	No Tenure, Government
	Dr. Musa Nyandusi	Alternate to PS Labour	March 2023	
13.	Dr. Chris K. Kiptoo	PS, National Treasury	24.03.2023	No Tenure, Government
	Mr. Amos Cheptoo	Alternate to PS Treasury	24.03.2023	
14	Dr. Milkah Chebii	Independent Trustee	24.03.2023	-
15	Mr. Mike Macharia	Trustee representing FKE	17.05.2023	-
16	Dr. Anthony Omerikwa MBS	CEO	21.11.2019	21.11.2022
17	Mr. David Mwangangi	AG. CEO	22.11.2022	26.05.2023
18	CFA David Koross	CEO	26.05.2023	-

(d) Corporation Secretary

Ms. Caroline Rakama
P.O. Box 30599-00100,
Nairobi.

(e) Registered Office / Corporate Headquarters

Social Security House, Bishops Road, P.O Box 30599-00100 Nairobi, Kenya. Telephone: +254 020 2729911	Toll Free: 0800 2212744 E-Mail: info@nssfkenya.co.ke Website: www.nssf.or.ke Twitter: nssf_ke Facebook: nssfkenya
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(f) Corporate Bankers

1. KCB Bank Kenya Limited	2. National Bank of Kenya
3. Co-operative Bank of Kenya	

(g) Independent Auditors

Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 - 00100, Nairobi, Kenya

(h) Principal Legal Advisor

The Attorney General

State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112 - 00200
Nairobi, Kenya

FUND MANAGERS

Old Mutual Asset Management (K) Ltd,

Old Mutual Building,
P.O. Box 11589-00400,

Nairobi, Kenya.

CIC Asset Management Ltd,

CIC Plaza, Mara Road, Upperhill
P.O. Box 59845-00200,

Nairobi, Kenya.

Sanlam Investments E.A Ltd

Africa Re Centre, Hospital Road
P.O. Box 67262-00200

Nairobi, Kenya.

GenAfrica Investment Management Ltd,

14 Riverside Business Park, 1st Floor,
P.O. Box 79127-00200,

Nairobi, Kenya.

African Alliance Asset Management Ltd

Kenya Re Towers, Upperhill
P.O. Box 27639 - 00506

Nairobi, Kenya.

CoopTrust Investment Services Ltd

Haile Selassie Avenue
P.O. Box 48231-00100

Nairobi, Kenya.

FUND CUSTODIANS

Kenya Commercial Bank Custody Services, KCB

Towers, 7th Floor, Kenya Road, Upper Hill
P.O. Box 30664-00100,

Nairobi.

Co-operative Bank Custody

Co-operative House, Haile Selassie Avenue,
P.O. Box 48231 - 00100

Nairobi.

Standard Chartered Securities Services

Kenya, 48 Westlands Road,
P.O. Box 40984-00100,

Nairobi.

Stanbic Bank Ltd

Stanbic Centre

P.O. Box 72833-00100

Nairobi.

FUND ACTUARIES

Zamara Actuaries, Administrators and Consultants limited

Landmark Plaza

P.O. Box 52439-00200,

Nairobi.



Hon. David Kariuki Njeru
Trustee and Board Chairman

Trustee Hon. Njeru was appointed to NSSF Board as an Independent Trustee and Chairman of the Board of NSSF on 13 March 2024. He holds a Bachelor of Business Administration (Accounting and Finance) and Master of Business Administration (Entrepreneurship). Currently he is pursuing PhD in Entrepreneurship from JKUAT. He is the immediate former Deputy Governor, Embu County Government and CECM of Health. He also has a wealth of experience in the SACCO movement where he was CEO Winas Sacco Society Limited. In his career, he has made tremendous contribution to performance, turn-around and realization of record setting performances in many institutions.



Hon. Geoffrey Kaituko
PS Labour and Skills Development Trustee

Trustee Hon. Kaituko holds a Bachelor of Laws (LLB) from the University of South Africa and a Bachelor of Arts in Government and Arabic from the University of Nairobi. He is an alumnus of the WMU MPA. He is a member of the Chartered Institute of Arbitrators of UK and Kenya. He is the Principal Secretary, Ministry of Labour and Skills Development. Previously he worked as an Advisor in the Social Sector unit of the Office of the President and Special Secretary of the Office of the Deputy President, Republic of Kenya. His prior professional positions include: - Public Policy Advisor and Consultant at the United States Agency for International Development (USAID), Speaker of the Turkana County Assembly, Project Coordinator at the National Drought Management Authority, District Coordinator at the Constitution of Kenya Review Commission, and Field Coordinator at K-Rep Development Agency. He is a member of the Turkana Professional Association. He is a recipient of the Certificate of Excellence for Outstanding Leadership from the Ford Foundation and a Certificate of Merit for Outstanding Service from the African Studies Association at WMU.

Dr. Chris K. Kiptoo, CBS
PS, National Treasury Trustee



Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI). Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by H.E the President, Dr William Samoei Ruto on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives. Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/ real sector and macroeconomic accounting, and modelling and forecasting.

Mr. Amos Kipronoh Cheptoo
Alternate to PS National Treasury Trustee



Mr. Cheptoo is a holder of Bachelor of Arts Degree in Economics and Sociology and Master of Science Degree in Economic Policy Analysis. He has attended many professional courses globally on economic policy management and worked for over 27 years as a public sector economist and international civil servant. He is currently serving as a special advisor for Multilateral Cooperation at the National Treasury. Prior to this position, he had served as Executive Director for the African Development Bank and has also served as Senior Advisor at the Board the African Development Bank Group. He has also worked as a Programme Officer and Manager at the Macroeconomic & Financial Management Institute of Eastern and Southern Africa (MEFMI) and the Central Bank of Kenya as an Economist. Mr. Cheptoo has accumulated experience in Monetary Policy and Governance: Revenue Policy and Administration and Public Expenditure and Financial Management (PEFM) where he contributed to the development of various tools including the Public Expenditure and Financial Management handbook.



Rose A. Omamo
Trustee representing COTU

Trustee Rose was born in 1964. She was appointed to the Board of NSSF on 4th May 2022. She is an expert in employee relations and labour movement having been trained at ITUC Africa Annual New Year School, Global Trade Union School and International Training Centre, ILO. Currently she is the General Secretary Amalgamated Union of Kenya Metal Workers. Previously she worked at the Ministry of Information and Broadcast (VOK) and Associated Vehicle Assemblers Limited. Other positions held include Executive Board Member COTU, Sector Committee member NITA, General Council member – International Trade Union Confederation Africa among others.



Isaac Okello Mbingi
Trustee representing COTU

Trust Born in 1964, he was appointed to the Board of Trustees on 28th October 2021. Isaac is an Advocate of the High Court of Kenya and holds LLB from the University of Nairobi and A diploma in Law from the Kenya School of Law. He also holds a Master of Commerce from the University of Indore and a BCom from the same university, and a diploma in Business management from Kenya Institute of Management. He is currently the Administrative Secretary at COTU – Kenya and had previously worked at Kenya Broadcasting Corporation and Ministry of Health. He is a board member of Micro Small Enterprise Authority, Tom Mboya Labour College. He is a Vice Chairman of the Employment and Labour Relations Court Rules Committee and member of LSK, KIM and IHRM. He brings on board a wealth of experience from HR, administration, and law with experience in policy formulation, social security, governance and industrial relations.



Dr Kaberia Isaac Kubai
Independent Trustee

Dr. Kubai holds a Bachelor of Theology, Master of Philosophy in Theological Studies and Doctor of Philosophy in Religious Studies-Ethics. Dr. Kubai is currently working as a Senior Lecturer at University of Embu where he has also worked as a Lecturer, Examination Coordinator. Prior to that Dr. Kubai worked at Kenya Methodist University as Head of Department, Dean of School and a Leader in various capacities. Dr. Kubai has served in various capacities locally and abroad and in both academy and community leadership. Dr. Kubai is the Chairman Education Committee of the Board of Governors, Karumo Technical Training Institute, and a Member of Finance, Infrastructure and Strategy Committee of the Board of Governors Karumo Technical Training Institute. He is also a Member of the Committee for Sustainable Climate Action in Africa Conference (SCAAC) since 2020 and also serves in the Board of Management for Kanjalu Girls Secondary School amongst various other roles he holds at the University and School Boards.



FCPA Dr. Anne E Owuor, EBS, HSC Trustee Representing FKE

Born in 1959, Dr. Owuor holds a PhD in Management and Leadership, an MSc from University of Central England Birmingham UK, an MBA from Newport University in USA. She is also a holder of a PGD in Audit Management and Consultancy from the University of Central England Birmingham, a certificate in Leading Change and organizational renewal from Harvard Business School among other certifications. She is a Certified Public Accountant of Kenya and Certified Internal Auditor of Kenya, Certified Risk Management Assurance, Certified Forensic Investigator Professional, Certified Internal Audit Quality Assessor, and Certified Internal Audit Instructor among other certifications. She is Fellow of the Institute of Certified Public Accountants of Kenya, member of Association of Women Accountants of Kenya, member of Institute of Internal Auditors and member of the Certified Forensic Investigator Professional. She has served several organizations both locally and internationally in a career spanning over three decades. She has served in senior position in public corporations including serving as a Board Member at International Public Sector Accounting Standards (IPSAB) and a Committee Member at Institute of Internal Auditors (Inc.), and a Commissioner at Salaries and Remuneration Commission, Council member at ICPAK, board member Stima Sacco, board member Public Sector Accounting Standard Board among others.



Dr. Milkah Kimonda Chebii Independent Trustee

Dr. Chebii holds a Bachelor's Degree, Masters Degree (MBA) in Marketing & Doctor of Business Administration. Dr. Chebii is an independent consultant with interest in Financial inclusion, Social Protection, Gender & WEE, Climate change, government, private sector and community engagement. She has had a distinguished career in the banking and financial services sector, with over 20 years of experience driving innovative financial solutions across various disciplines such as retail banking operations, risk management, and change management. She possesses a wealth of experience in designing and implementing social protection programs and payment solutions, leveraging private sector partnerships to deepen financial inclusion in Kenya. Dr. Chebii led the development and successful implementation of the Inua Jamii choice-based social payments delivery models in Kenya. She is also an expert in climate finance and has been involved in numerous initiatives aimed at assessing the market readiness for green bond instruments in Kenya. A certified Executive Coach involved in academic pursuits and community activities. She is passionate about using policy to address the needs of vulnerable and excluded populations, working towards a sustainable and inclusive growth. Dr. Chebii has authored several publications.



Mike Macharia
Trustee Representing FKE

Mr. Macharia is currently pursuing a Master of Laws Degree, is the holder of a Bachelor of Laws from the University of London as well as Bachelor of Science, Hospitality Management from Alameda College and University in the US. He is a seasoned hospitality and labour sector professional with over 20 years of experience and has been involved in shaping and influencing policy in various areas over the years. He is currently the Chief Executive Officer of the Kenya Association of Hotelkeepers & Caterers (KAHC) as well as the National Vice President of the Federation of Kenya Employers (FKE). He also serves on the Board of the Kenya Private Sector Alliance (KEPSA) among other honorary assignments.



CFA David Koross, MBS
Managing Trustee/CEO

CFA David Koross holds a Bachelor of Arts (Economics) degree from University of Nairobi and a Masters in Public Policy & Management degree from Strathmore University. He has participated in the Global Leadership Program at Gordon Institute of Business of Science, University of Pretoria. He is the immediate former Chief Executive Officer of LAPFUND having served in that position for 10 years. He has a wealth of experience in the Pension and Banking Sectors spanning over 26 years. CFA Koross comes to the Fund with extensive exposure and specialized skills in pension administration, regulation and supervision, customer service and investment management.



CFA David Koross, MBS
Managing Trustee/CEO

CFA Koross was appointed Chief Executive Officer/Managing Trustee of NSSF on 24/05/2023. He holds a Bachelor of Arts (Economics) degree from University of Nairobi and a Masters in Public Policy & Management degree from Strathmore University. He has participated in the Global Leadership Program at Gordon Institute of Business of Science, University of Pretoria. He is the immediate former Chief Executive Officer of LAPFUND having served in that position for 10 years. He has a wealth of experience in the Pension and Banking Sectors spanning over 26 years. Mr. Koross comes to the Fund with extensive exposure and specialized skills in pension administration, regulation and supervision, customerservice and investment management.



Mr. Ronald Nyamosi
General Manager, Finance and Investments

Mr. Ronald holds a Bachelor of Commerce (Accounting Option) and Master of Business Administration both from Kenyatta University. He is the General Manager Finance and Investments and he held similar position at Liberty Life Assurance before joining the Fund. He has also held senior roles at ICEA LION Life, ICEA Lion Group and Jubilee Insurance Company Ltd. He has impressive experience in the Insurance and Pension industry. His robust skill set includes Managerial Finance, Financial Analysis, Accounting, Strategic Planning, Risk Management and more. In his career he has made tremendous contribution and valuable insights to the industry.



Ms. Millicent Akinyi Awiti
General Manager, Strategy, Planning and Corporate Performance

Ms. Millicent Akinyi Awiti joined the Fund in 2011 and is currently the General Manager, Strategy, Planning and Corporate Performance. He holds a Bachelor of Education in English and Literature degree from Catholic University of Eastern Africa and a Masters of Business Administration degree from the University of Nairobi. She is currently pursuing a Doctor of Philosophy in Business Administration at the University of Nairobi.



Mr. David Mwangangi
Manager, Ethics and Integrity

Mr. David holds a Bachelor of Arts Economics and a Master of Arts Degree in Economics from the University of Nairobi. He is a certified Ethics Officer, Ethics Institute of South Africa, a PRINCE2 Registered Practitioner, APMG International-UK. He also is a trained Integrity Assurance Officer, corporate governance, policy, and strategy development. Mr. Mwangangi has a wealth of experience in development and governance that spans over 3 decades in the public sector and non-state actors. He recently acted the CEO/Managing Trustee position till May 2023. Before joining NSSF, he was the Programme Coordinator, Governance and Policy at Transparency International (TI-Kenya) from 2008 to 2011. He has also worked at Action Aid International where he was the Interim Project Manager for EU funded projects, Zambia and Policy Research Manager, Kenya between 2005 and 2008). Mr. Mwangangi was founder staff at Kenya Private Sector Alliance (KEPSA) where he worked as a Programme Coordinator (2002 to 2005) and in the public sector as an Economist from 1992 to 2000 where he rose to a Senior Economist in the Ministry of Planning and National Development seconded to the Ministry of Labour.



Dr. Stephen Obare, PhD, HSC
Manager Information and Communication Technology

Dr. Steve holds a PhD, M.Sc., and B.Sc. in Computer Science. He has also undertaken a number of trainings which include:- Senior Leadership Development Programme from KSG; New Managers Leadership Program from Strathmore University; Corporate Governance from the Centre for Corporate Governance; Digital Transformation from the University of Virginia; Leadership and Emotional Intelligence from the Indian School of Business, and Data Analytics from the University of Colorado. He is certified in a number of industry standards including:- PMP, CISA, CBAP, SAP, Oracle (OCP, OCA), Cisco (CCNP, CCNA), Microsoft (MCP, MCSA, MCSE), ITIL, PRINCE2, CEH, Fortinet among others. He is widely published in peer reviewed journals. He is responsible for overseeing the overall strategic direction, management and operation of the Fund's ICT systems consistent with the strategic and operational objectives of the Fund and reports to the CEO.



Ms. Marietta Mutinda
Manager, Finance

Ms Marietta Mutinda is a holder of Bachelor of Commerce (Accounting Option) from Kenyatta University and MBA (Finance) from the same University. She is a Certified Public Accountant and Member of ICPAK and a SAP FICO Certified Application Associate. She also holds the Strategic Leadership Development Programme Certificate from Kenya School of Government. Ms. Marietta has served in different capacities within Finance Division for over 25 years. Currently she leads the finance function where she is responsible for developing financial goals and budgets, establishing core financial processes and controls as well as meeting various reporting requirements.



Mr. Moses Cheseto
Manager, Property Management

Manager, Property Management
Mr. Moses holds a Master of Arts Planning and a Bachelor's degree in Real Estate (Land Economics) both from the University of Nairobi. He is a Certified Investment and Financial Analyst (CIFA) and a member of the Institute of Certified Investment and Financial Analysts (ICIFA), a member of Institute Chartered Financial Analyst (CFA), and a registered Lead Expert in Environmental Impact Assessment. He oversees the Fund's investment, risk management, capital allocation, assets and liabilities management and budgeting. He has vast experience. He serves as the Alternate Director to the Managing Trustee on the East Africa Portland Cement Plc Board. He is also a Director and Committee Member of the Kenya Pension Investment Funds Consortium (KEPFIC).



Ms. Susan Murila,
Manager, Administration

Ms Susan Murila holds a Bachelor's degree in business Administration (Management) and a Master's degree in Business Administration (Strategic Management). Her experience spans over 30 years across many industries including:- manufacturing industry, FMCG and various parastatals in the public sector. She is a member of the Kenya Institute of Management.



Mr. Obed Mbuvi
Ag. Manager, Internal Audit and Risk

FA/CPA Obed Mbuvi holds a Master in Business Administration (MBA) from University of Nairobi, a Bachelor of Commerce degree majoring in Accounting from Daystar University, is a Certified Public Accountant of Kenya, CPA (K), Certified Investment & Financial Analyst (CIFA), Certified Trustee (TDPK). He is a member of the Institute of Certified Public Accountants of Kenya, Member of the Institute of certified Investment & Financial Analyst and Member Kenya Institute of Management. His senior leadership experience spans over 23 years having worked in various departments.



Mr. Hillary K. Mwaita,
Ag. Manager, Registration and Compliance

Mr. Mwaita holds a Bachelor of Commerce degree, Master of Business Administration, PGD in Insurance Management (Computation), Investigation and Prosecution, Strategic Leadership and Simulation of Pensions Development Programme (ILO). Hillary has served in different regions across the Fund's Social Security Division for over 30 years where he has gained wide wealth of experience in social security and social protection.



Hellen Koech,
Ag. Manager Legal and Regulatory Services

Ms. Koech is a holder of a Bachelor of laws LLB (Hons) from the University of Nairobi and a Post Graduate Diploma from the Kenya school of Law. She is an Advocate of the High Court of Kenya, Certified Public Secretary (CPS) of Kenya, Governance Auditor and a Trustee. She is a member of Law society of Kenya(LSK), Institute of Certified Public Secretaries of Kenya (ICPSK) and Institute of Directors(IOD). She was appointed Trustee of National Social Security Fund Staff Pension Scheme in 2020. She has over 20 years of working experience in the Legal and Regulatory Services Department of the Fund and currently heads the function.



**Ms. Catherine Odera-Ouma,
Manager, Marketing, Member and Customer Experience**

Ms Catherine holds a Bachelor of Arts (Hon) degree from University of Nairobi, an advanced Postgraduate Diploma in Marketing, Public Relations and Sales from London Chambers of Commerce & Industry, Professional Development in Writing & Editing from the Graduate School of Journalism, University of Western Ontario. She is an alumnus of Kenya High School and Loreto Convent, Msongari and a member of Marketing Society of Kenya (MSK). Her responsibility include:- developing and implementing initiatives that improve customer relations and brand loyalty; conducting consumer research, competitive analysis to identify opportunities in the market and developing, managing and coordinating all marketing, advertising and promotional activities of NSSF. Catherine has 29 years of experience in the Marketing Communications field, having worked for Barclays Bank as the Communications Manager, Tell-Em PR as Account Director, Nairobi Hospice as Head of PR and Resource Mobilization, among others.



**Mr. Gilbert T. Kimalale
Ag. Manager, Investments**

Mr. Kimalale holds a Bachelor of Arts Economics (Hons) from University of Nairobi. He has also undertaken management course in project management and evaluation at ESAMI. He worked in Investment department of NSSF for over sixteen (16) years where he was involved in preparation of weekly cashflow, allocation of investment funds, investment portfolio management, fund managers' performance monitoring and appraisal. He has also served in the Benefits Department for (11) where he was involved in benefits process management (projection, simulation, computation and payment) and gained a lot of experience in Benefits Management and payment. He has attended and completed various local and international trainings and has accumulated wide experience in investment, benefits administration and customer service.



**Mr. Paul Kibet
Ag. Manager Benefits**

Mr. Kibet is a Certified Credit Professional (CCP) and a member of the Institute of Credit Management-Kenya, ICM (K). He holds a Bachelor of Commerce Degree (B.COM) from the University of Lucknow and a Master of Commerce (M.COM) from Bundelkhand University. He has worked in the Fund for over twenty-six years in different Branches and Departments and has climbed through the ranks, He bring on board wealth of experience and Knowledge in Social Security.



Hon. David Kariuki Njeru
CHAIRMAN BOARD OF TRUSTEES

Dear Members,

On behalf of the Board of Trustees, I am pleased to present to you the 2022/2023 Integrated Annual Report and Financial Statements of the National Social Security Fund (NSSF).

The global economy experienced decelerated growth attributed to the Russia-Ukraine war that led to supply chain disruptions, US sanctions against Russia, tightening of monetary policies in most regions, and the resurgence of COVID-19 in China, leading to slowed economic growth in most emerging markets and developing economies countries and even in advanced economies.

The Sub-Saharan Africa economy grew by 3.9 per cent in 2022 compared to a growth of 4.8 per cent in 2021 on account of a decline in household consumption and private investment resulting from rising global inflation and tightened monetary policies. The East

African Community real GDP expanded by 4.9 per cent in the period under review compared to a growth of 6.7 per cent in 2021.

The Kenyan Economy began the year with a decelerated GDP growth of 4.8% after a strong rebound from the Covid-19 crisis at 7.5 % in 2021. The country's economy continued to suffer forex challenges partly due to foreign debts obligations and surging demand of foreign currency. Also affecting the economy is the heat from heightened political activity, 2022 being an election year. The Nairobi Securities Exchange experienced turbulence leading to depressed prices of securities affecting the value of the Fund's financial assets. The new Government responded by setting a macroeconomic policy aimed at striking a balance in a complicated economic environment through a combination of greater exchange rate flexibility, fiscal consolidation, and a tighter monetary policy. At the close of the financial year, the economy growth rate

remained in line with the government's long-term growth trajectory, despite the challenging global financial conditions, fuel, and food price shocks.

Legality of the NSSF Act, Cap 258 Laws of Kenya

The Court of Appeal pronounced itself on the status of the National Social Security Fund (NSSF) Act, Cap 258 Laws of Kenya, on February 3, declaring it legal and constitutional, ending a prolonged legal battle that started in 2014. The court decision paved the way for full implementation of the Act which commenced in the month of March 2023. The Fund is now on the path of meeting its statutory mandate.

Financial Performance

I am delighted to report that the Fund has achieved robust financial performance during the year 2022/2023, despite the economic challenges alluded to earlier. The Fund's assets under management recorded an impressive growth, courtesy of prudent investment strategies and a diversified investment asset portfolio that yielded commendable returns, securing members' fund against erosion.

Member contribution increased from Kshs. 15.9 billion collected in the previous to Kshs 26.87 billion. Fund investments earned a total of Kshs 30.97 billion. Exiting members were paid benefits totalling Kshs 6.68 billion. Overall, the Fund recorded an increase in members' funds of Kshs 26.40 billion pushing the Fund value from Kshs.285.7 billion recorded in the previous year to Kshs 312.12 billion.

Social Impact and CSR Initiatives

As a responsible corporate citizen centric organization. NSSF remains committed to contributing positively to society. Our

Corporate Social Responsibility (CSR) initiatives have made a tangible difference in the lives of communities across Kenya. We have invested in impactful projects aimed at empowering marginalized communities, supporting education, healthcare, social welfare and promoting environmental sustainability. Our commitment to creating lasting social impact aligns with our core values and vision.

Corporate Governance and Ethics

The NSSF takes pride in maintaining the highest standards of corporate governance and ethical practices. Transparency, accountability, and integrity are the pillars of our organizational culture. We have continued to uphold stringent governance principles, complying with all regulatory requirements, and adopting best practices in managing the Fund. Our commitment to ethical conduct is the bedrock upon which trust is built with our stakeholders.

Looking Forward

The just concluded strategic period has recorded notable improvements in the Fund's internal processes and service delivery, including the digitization of our business processes. However, there were a few challenges experienced in the implementation of the Corporate Strategic Plan, such as the delay in effecting the new organizational structure and the revitalization of NSSF Act, 2013. Nevertheless, we draw a few lessons that will help us match forward.

The Corporate Strategic Plan 2022-2027 will offer us with a more synergized impetus with a focus on laying down robust infrastructure that will ensure financial sustainability for the Fund. We shall achieve this, by creating an enabling legal and regulatory framework, technology-driven compliance work and expansion of the membership database with a strong focus on recruitment drive in the informal sector. Our

digital transformation journey will continue, empowering our members with cutting-edge technology and superior service experiences.

Conclusion

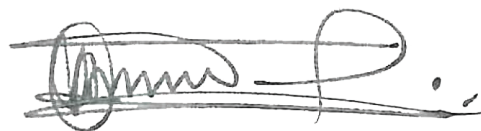
Finally, I would like to extend my heartfelt appreciation to the Board of Trustees, Senior Management Team, and all the Employees for their unwavering dedication, hard work and commitment ably led by our CEO, David Koross. From the time of his appointment, David has demonstrated that he truly understands the Fund with an extensive exposure and specialized skills in pension administration, regulation and supervision, customer service, investment management and custody operations that spans over 26 years.

I express my recognition for your renewed dedication. It has been a fairly successful financial year. While it hasn't been without its fair

share of challenges. I firmly believe we are all committed to continuing to create substantial value for our shareholders and I look forward to reporting on our progress in the next financial year.

I also express my gratitude to our esteemed members, beneficiaries, regulatory partners, and other stakeholders for their continued trust and support.

Together, we shall chart a path towards a brighter and more prosperous future for the National Social Security Fund and our great nation, Kenya.



Hon. David Kariuki Njeru
CHAIRMAN, BOARD OF TRUSTEES



**Mr. David Koross, MBS
Managing Trustee / CEO**

I am pleased to present our financial performance report for the year ended 2022/2023. I am proud to announce that we have achieved significant milestones during this period of strong financial performance. Our team's hard work, dedication, and strategic vision have driven our organization's success, and I extend my heartfelt gratitude to every member of this great organization-NSSF.

Economic Environment

Global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021 on account of the effects of the Russia-Ukraine war. The Global economy growth is projected to remain at below-trend rates in 2023 and 2024.

The Kenyan economy still faced uncertainty from the pressure arising from increased oil price, strict public debt repayment schedules, high inflation and suppressed liquidity that has slowed down economic activity. Also, the weakening Kenya shilling and scarce foreign currency has had a detrimental effect on every aspect of economic growth.

Despite the high inflation and with high cost of living occasioned by global geopolitics, our resolve to remain agile and focussed on our vision, in the face of these challenges strengthened, and I wish to report that the Fund remains to be the trusted social security provider.

Milestones

I am delighted to report that our financial performance has been exceptional, with robust revenue growth and strong profitability. Our revenues had a substantial increase due to the concerted efforts made following the unlocking of the NSSF Act No.45 of 2013 and its subsequent implementation. We look forward to an expanded and exponential growth in revenue and diversified investments portfolio that will be complemented by optimization of operational processes for efficient and effective service delivery to our esteemed internal and external stakeholders.

Throughout the year, we have made strategic investments through key partnerships aimed at positioning the Fund for a sustained growth in the future. These investments are integral to our commitment to staying at the forefront of our industry and delivering cutting-edge solutions to our customers whom we value so dearly.

Strategic Planning

The year 2022 marked the end of the Corporate Strategic Plan 2019-2022 in which the Fund, in line with the NSSF Act, Cap 258 Laws of Kenya, developed a platform dubbed Haba Haba that gives Kenyans in the informal sector a chance to be included in the social security system. Saving for retirement among members in the informal sector is necessary if the country has to eliminate old age poverty.

For this reason, the Fund partnered with Boda Boda operators, market vendors, digital taxi owners, matatu owners, and athletes, and engaged various partners to offer incentives to each sector with the aim of holistically addressing their needs.

The 2022-2027 Corporate Strategic Plan outlines key achievements to be made during

Financial Results

Kshs 26.83B

2.9 million members remitted
Kshs 26.83 billion

76,450

Members lodged 103,744
claims upon retirement

Kshs 6.68B

claims paid to retirees

Kshs 30.97B

income realised by the Fund's
investments portfolio that includes
government bonds and bills, equities,
property, and deposits.

Kshs 6.68B

the Fund managed to contain the
operational cost.

Kshs. 285.7

fund value to increase

the strategic period with a focus on innovation, member-centrism and better customer service and ultimately better returns for our members. I am therefore optimistic that we shall achieve our established corporate goals and objectives.

Financial Results

2.9 million members remitted Kshs 26.83 billion to their accounts while 76,450 members lodged 103,744 claims upon retirement for which Kshs 6.68 billion was paid to them. The Fund's investments portfolio that includes g\ Government bonds and bills, equities, property, and deposits, realised an income of Kshs 30.97 billion which provided a shield against the Kshs 18.44 billion adverse movements in the value of equities and bond investments in the market. The Fund managed to contain the operational cost at Kshs 6.68 billion, overall returning an increase in Members' funds of Kshs.26.40 billion, enabling the fund value to increase from Kshs.285.7 recorded in the previous year to Kshs 312.12 billion.

Technology

NSSF recognizes the transformative power of technology and innovation. In this rapidly evolving digital era, we have embraced advanced technology to drive operational efficiency and enhance transparency. Our digital initiatives have revolutionized our service delivery, allowing our members to access information, contribute, and track their accounts effortlessly.

NSSF has leveraged various technological solutions aimed at streamlining processes, improving productivity and enhance overall performance. The backdrop of technological advancement will calibrate the measures designed to attain a competitive advantage in the ever-evolving business landscape.

Customer Centrism

We take great exception in delivering quality service to our customers on the basis of results-oriented service delivery. We shall achieve this by prioritizing the needs, preferences, and overall experience of the customers throughout the entire customer journey. We shall map out the entire customer journey, from the first interaction upto the final service delivery point as a means to enhance satisfaction. Their feedback will be paramount to improving our service delivery to them. The adoption of a Customer Relationship Management (CRM) will be instrumental in maintaining and strengthening customer relationships. This will be essential to foster and inspire public confidence hence higher customer satisfaction levels. Ultimately, the Fund will achieve its 360-degree customer-centric approach and a drive towards a sustainable growth and success.

Saving for Retirement

Saving for retirement is an act of gaining financial independence at the most vulnerable years in one's life. Therefore, saving allows one to build a financial cushion that can support them during their retirement years when one is no longer actively earning income. This financial independence provides peace of mind and reduces the reliance on others for financial support against any socio-economic distress.

Retirement savings ensure that one is able to maintain their desired lifestyle during retirement. Without sufficient income replacement, one might be forced to downgrade their living standards or rely on government assistance to make ends meet. Saving for retirement ultimately reduces longevity risk because of having adequate savings in place hence lasting one longer.

Saving for retirement is thus a prudent financial strategy that ensures one is adequately prepared to enjoy their golden years without financial worries. Starting early and consistently contributing to retirement savings can significantly improve one's financial outlook and quality of life during retirement.

Our way forward

In conclusion, I wish to acknowledge the great efforts made by staff out of their exceptional commitment in delivering the mandate of the Fund. Looking ahead, we are optimistic about the future, and we are confident in our ability to maintain our growth trajectory. We shall continue to focus on innovation, customer-centricity and operational excellence to create

a sustainable value for our stakeholders.

I would like to thank our stakeholders, customers, strategic partners for their unwavering support and dedication. We are taking valuable lessons forward to unlock our next growth phase as we continue to meet the needs and expectations of our customers. Together, we are building a stronger brand, more prosperous future in line with our tagline "Growing You. For Good". Thank you and God Bless You.



Mr. David Koross, MBS
MANAGING TRUSTEE/CEO

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2022/2023

During the FY 2022/2023, the pension industry experienced significant challenges and opportunities. The Fund remained committed to provision of excellent services to its members while navigating the complexities of the financial markets. The pension industry is expected to face ongoing challenges and evolving market dynamics. Management recognizes the importance of adapting to change and proactively addressing potential risks. The primary objectives as we move forward are:

- (a) Strengthen the investment strategies to capitalize on emerging opportunities such as affordable housing;
- (b) Enhance member engagement and work with Government and strategic partners to diversify and increase active membership; and
- (c) Continue developing and integrating advanced technological solutions for better delivery.

Business Model

During the year under review, The Fund transitioned from the traditional business model to a value-driven approach where the Fund built an ecosystem for our customers to connect their needs despite disparate services offered in the market. In response to contemporary needs of the market, the Fund adopted a business model dubbed "Strategic Partnerships" to extend our presence in the value chain. The model provides opportunities for partnership

with both private and public organizations with a view of providing complementarities.

Strategy Implementation and Monitoring

Monitoring is an important part of strategy implementation that involves taking a periodic look at how the plan is progressing. This helps to ensure that:

- (a) The Fund's efforts conform to the strategic plan
- (b) The plan accomplishes its objectives
- (c) The mitigation measures put in place enhances improved performance
- (d) It allows corrective action in case of deviation

The Fund has put in place mechanisms to communicate the strategic plan to all its stakeholders, monitoring implementation through measuring performance against set objectives and evaluating the achievement of the set objectives. The implementation framework entails preparation of annual work plans by divisions, departments, regions and branches. The work plans are linked to the objectives, strategies and initiatives as contained in the implementation matrix. In Addition, Divisional/ Departmental/ Regional and Branch Work Plans were cascaded to individual work plans which are linked to The Fund's Performance Management System - the balance scorecard which will be aligned to the appraisal process.

SUMMARY OF 2023-2027 CORPORATE STRATEGIC PLAN

Vision:

To be a trusted social security provider that delivers exceptional value to members

Mission:

To empower our members to achieve financial security through prudent investments and value adding solutions

Strategic Themes:

Customer Experience

Financial Sustainability and Growth

Operational Excellence

Organizational Resilience

Strategic Results:

Increased Customer Lifetime Value

Create a Solid Foundation for Long-term Success

Create a High Performance Organization

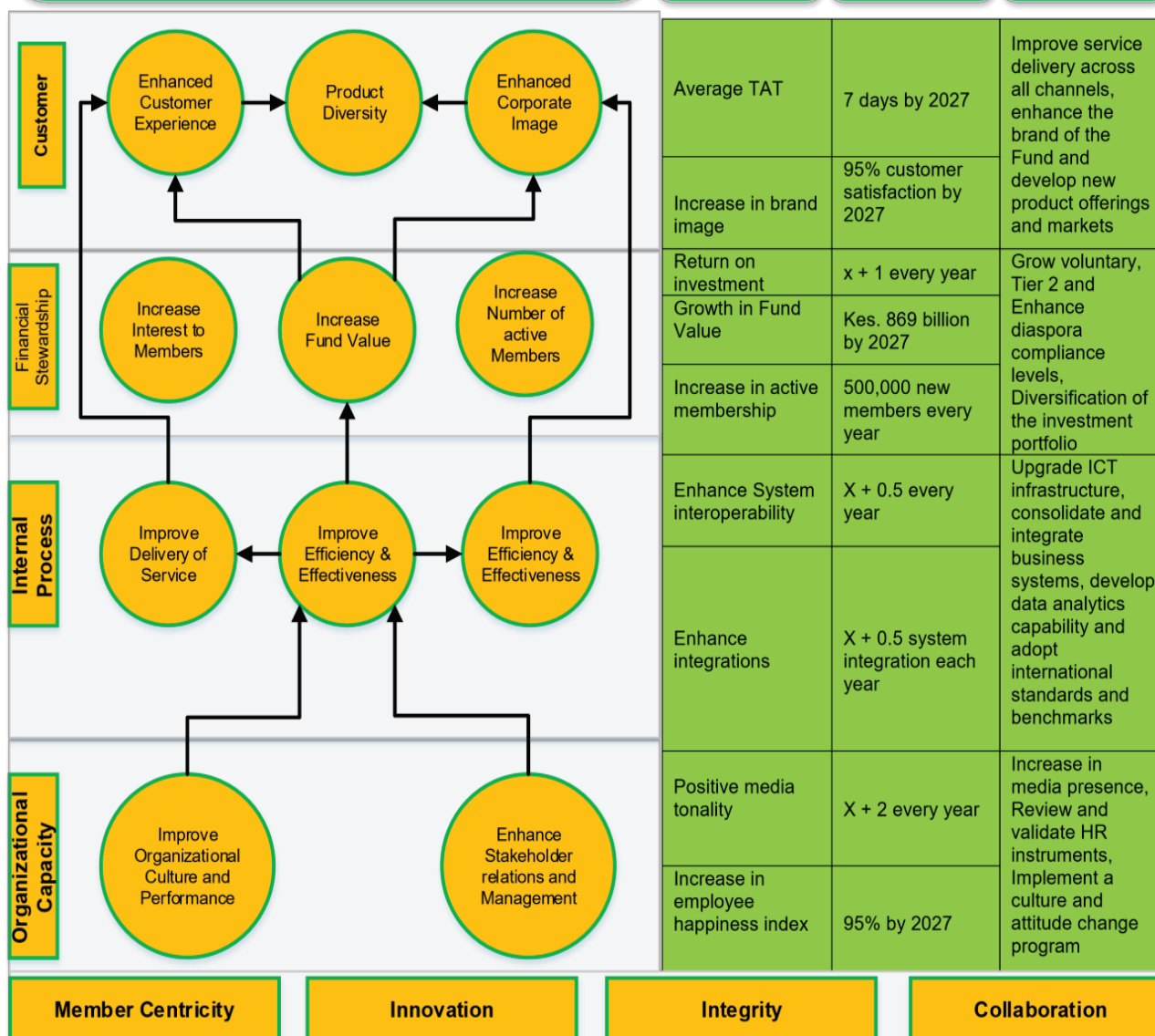
Inspire Stakeholder Confidence

Strategic Outcomes and Strategy Map

Measures

Targets

Initiatives



	Activities	Key Performance Indicators	Target 2022-2023	Achievement 2022-2023
(a)	Follow through with court process to conclude cases	Fund value (B)	327.640	312.12
(b)	Seek alternative dispute resolution to operationalize sections 18,19,20&71 of the NSSF Act, Cap 258 Laws of Kenya	Annual Contributions (B)	22.162	26.87
(c)	Grow the coverage of the informal sector	Investment Income (B)	25.4	30.97
(d)	Increase compliance	Operating cost as a % of realized income		21.69%
(e)	Enhance and diversify investment portfolio	Active informal sector members	800,000	600,000
(f)	Design customer focussed products and services	Active Members (Million)		3,000,000
(g)	Effectively deliver information and products/services through multiple channels	TAT to pay claims (Days)	46	90
(h)	Ensure benefits portability across EAC countries	Members ROI (%)		12.772
(i)	a) Carry out research to enhance existing products and services guided by customer needs	New products	2	Two Products (1.Unemployment benefit 2. Haba Haba)
(j)	Diversify the Fund's products portfolio			
(k)	Continuously review business processes for increased efficiency	Administration cost to Fund value (%) status Quo		2.14%
(l)	Digitize key manual processes of the Fund and align to Corporate Strategic Plan	Number of manual processes automated	8	6
(m)	Develop and implement a records management strategy	No. of existing systems upgraded in line with re-engineered processes and changing business needs	2	2
		Extend of meeting external service charter targets (%)	85	81.44
		No. of users trained in ICT competency	50	50
		No. of users trained on records management	90	90
		Time taken to retrieve records	(5)	Not computed
	Develop and implement a performance-based reward system	Corruption Perception Index (%)	16	17.22
	Ensure people are 'right-fitted' to their jobs.	Skills Mapping	100%	100%

	Activities	Key Performance Indicators	Target 2022-2023	Achievement 2022-2023
	Institutionalize Knowledge Management	Legal Compliance (%)	100%	100%
	Develop and implement a culture that inculcates the Fund's core values into the behaviour and motivation of employees.	Average employee performance rating	4.3	Not yet compiled
	Adopt best practice efficient-oriented operational model.	Contributions debt to Member Funds %	5%	Not computed
	Enhance the Corporate Compliance of the Fund.	Investments debt to Investments value (%)	5%	Not computed

The Fund sets corporate governance at the centre of its activities to ensure that its operations align with the interests of its stakeholders. This governance model is inspired by the NSSF Act Cap.258 Laws of Kenya and *Mwongozo* Code of Governance for State Corporations. At the top of the Governance Structure of the Fund lies the Board of Trustees which is constituted in a tripartite fashion with membership drawn from the most representative workers' union, employers' federation, and Government. The board of 10 members, including the CEO, is responsible for the effectiveness of Board itself, transparency and disclosure practices of the Fund, accountability, risk management, internal controls, ethical leadership and good corporate citizenship of the Fund.

Appointment of Trustees

The Board of Trustees is fully constituted with nine Trustees and the CEO/Managing Trustee as the Ex-officio Member of the Board. The Members of the Board consists of the Principal Secretary in the Ministry for the time being responsible for Social Security, the Principal Secretary responsible for matters relating to Finance, and seven persons appointed by the Cabinet Secretary responsible for matters relating to Social Security.

The seven persons include two nominated of either gender by the most representative Employers' Organization with knowledge and experience in matters relating to Employers, other two nominated of either gender by the most representative Workers' Organization by virtue of their knowledge and experience in matters relating to Employees, and three 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.

Roles and Functions of Trustees

The Board of Trustees is mandated to acquire, control, and supervise the assets of the Fund to promote its mission. It lays down policies and guidelines for the proper operations and management of all the funds collected by the Fund. Moreover, the Board hires senior staff, approves contracts and other activities undertaken by the Management on behalf of the Fund whose value requires Board approval.

The Board may appoint agents to perform any of its functions, including investing of funds that are not immediately required for Fund activities, opening and operating bank accounts for the Fund, and setting up and supporting Fund employee welfare system. The Board is also responsible for legal and ethical conduct of its Trustees, including on matters of conflict of interest, due diligence, and good corporate governance practices.

Succession Planning and Board Charter

Members of the Board are appointed in a staggered manner, with a two-month interval. This provides stability in oversight of the Fund by ensuring that there is always a proportion of Trustees on the Board with requisite institutional memory concerning, not only the business of the Fund, but also its long-term strategic perspective. The Board has a Board Charter and an approved Governance Framework. These provides Trustees with the guiding principles to enable the effective discharge of their duties in overseeing the affairs of the Fund.

Removal of Trustees

The Cabinet Secretary responsible for Social Security can remove a Trustee on a number of reasons including absence from Board meetings without the permission of the Chairperson, bankruptcy, operation of the law, infirmity, criminal offence that questions his integrity.

Committees of the Board

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



These Committees meet under well-defined Terms of Reference set up by the full Board. This is intended to achieve efficient decision making by the Board of Trustees in discharging its duties and responsibilities.

Finance, Investments and Social Security Committee Members

1. Dr. Milkah Chebii - Chairperson
2. Ms. Rose Omamo
3. Mr. Isaac K. Mbingi Okello
4. Mr. Amos Cheptoo
5. Dr. Musa Nyandusi
6. Mr. Mike Macharia

Responsibilities

Besides directing the investment, financial and social security function of the Fund, the Committee assists the Board in fulfilling its core mandate in customer care, marketing, registration, contributions, benefits payment, product development and investment policy oversight. Other responsibilities include review and approval of budgets, periodic performance, review and approval of financial statements, review and guide on ICT strategy and review and approval of accounting policies' and procedures.

Human Resource, Legal and Strategy Committee Members

1. Mr. Isaac Mbingi Okello - Chairman
2. Mr. Amos Cheptoo
3. Dr. Milkah Chebii
4. Dr. Kaberia Isaac Kubai
5. FCPA Dr. Anne Owuor, EBS

Audit and Risk Committee Members

1. FCPA Dr. Anne Owuor, EBS - Chairperson
2. Dr. Musa Nyandusi
3. Dr. Kaberia Isaac Kubai
4. Ms. Rose Omamo

Responsibilities

The Audit Committee is the only mandatory Committee of the Board as per the corporate governance provisions shown in *Mwongozo*. The Committee is entrusted with the responsibility of ensuring overall compliance, governance and risk management. Specific roles include reviewing and approving the Board Charter, internal and external audit findings and preventive measures, systems and internal controls. The Committee may also initiate special investigation of any allegations of malpractices within the Fund.

Annual General Meetings

The Fund is required to hold Annual General Meetings as part of its corporate governance practice and in compliance with the law and regulations as set up by the Retirement Benefits Authority.

Accountability and Audit

The Board of Trustees seats at the apex of the accountability and audit function through its Audit and Risk Committee. It approves the internal and external audit program, and reviews the findings, preventive measures, risk, systems and internal controls. The Committee initiates special investigation on allegations on corruption and accountability

Capacity Building for Board of Trustees

During the year, Trustees were trained on the Code of Governance for State Corporations (Mwongozo) and induction was done for new trustees.

Internal Controls

The Board of Trustees has put in place adequate internal controls to ensure there is no loss or pilferage of Fund's resources / Assets. Risk mitigation strategies are incorporated into the control structures that include a functional internal audit department.

Integrated Management Policy Statement

The National Social Security Fund is committed to provide adequate income replacement to members through prudent investments and prompt payment of benefits. The Fund shall do this by:

1. Establishing integrated Management objectives at the beginning of every financial year based on the Corporate Strategic Plan, monitored and reviewed on quarterly basis.
2. Seeking to understand and satisfy the needs and expectations of customers and interested parties.
3. Continually measuring, analysing and evaluating the effectiveness and efficiency of the Integrated Management System for continual improvement.
4. Having committed Trustees and staff performing their roles and responsibilities with integrity and accountability.
5. Embracing best practice, innovation and appropriate technology in all operations
6. Ensuring that all activities are aligned to NSSF Act Cap.258 Laws of Kenya and satisfy all applicable requirements.
7. Maintaining and improving information security with the aim of minimizing exposure to risk within the Fund, leading to provision of timely and reliable services.
8. Embracing a knowledge management culture by ensuring the right knowledge is available to the right people, at the right time.
9. Ensuring continuity in delivery of products and services in the event of any disruption.

Enterprise Risk Management

An effective Enterprise Risk Management framework is essential to the survival of any organization and achievement of its objectives. The Board of Trustees and Management endeavours to

manage risks to acceptable levels in all its activities. The Fund is committed to embedding risk management principles and practices into its strategic and operational plans, decision making process, all levels of the Fund, on major projects undertaken, and major transactions entered with third Parties.

Board Work Plan

The Board of Trustees draws a work-plan that guides its Annual Work calendar. Special Meetings are convened whenever an issue arises that need the Board's attention outside the Annual Work-Plan. The Fund has three board committees established as per the descriptions of the Board Charter. The Trustees remuneration is duly approved by the Cabinet Secretary responsible for Labour and Social Protection in compliance with the State Corporations Advisory Committee (SCAC) guidelines and the disclosure is in line with *Mwongozo's* code of governance for State Corporations.

Trustee	Board Position	Date appointed	Date exited	Full Board	Committees				Total sitting	Sitting Allowance	Other	Total
					F,I&SS	HRLS	A&R	AD-HOC				
Gen.(Trd) Julius Karangi	Chairman	06.10.2021	22.12.2022	11	0	0	0	0	11	550,000	1,454,000	2,004,000
Mr. Anthony Muriuki Munyiri	Chairman	23.12.2022	-	14	0	1	0	0	15	750,000	1,786,000	2,536,000
Mr. Mark J. Obuya, EBS	Trustee	20.02.2020	23.02.2023	16	7	5	0	9	37	1,850,000	1,796,000	3,646,000
Eng. Peter K. Tum, OGW	PS Labour	01.03.2019	24.03.2023	6	2	0	0	0	8	400,000	1,000,000	1,400,000
Hon. Geoffrey Kaituko	PS Labour	24.03.2023	No Tenure, Government	4	0	0	0	0	4	200,000	250,000	450,000
Dr. Musa Nyandusi	Alternate to PS Labour	Mar-23	No Tenure, Government	2	2	0	1	0	5	250,000	450,000	700,000
Mr. Peter Chemwile			Mar-23	0	0	3	4	1	8	400,000	-	400,000
Prof. Dulacha Barako	Alternate, PS Treasury	16.09.2019		9	4	1	5	1	20	1,000,000	1,012,100	2,012,100
Mr. Amos Cheptoo		24.2.2023	No Tenure, Government	6	3	1	0	0	10	500,000	925,000	1,425,000
Mr. Isaac Mbingi Okello	Trustee	28.10.2021	-	22	9	11	0	2	44	2,200,000	2,520,100	4,720,100
Ms. Rose Omamo	Trustee	04.05.2022	-	23	8	2	7	0	40	2,000,000	2,262,874	4,262,874
Mr. Peter Mweleli, MBS	Trustee	28.10.2021	24.02.2023	16	1	5	6	6	34	1,700,000	1,778,000	3,478,000
FCPA Dr. Anne Owuor, EBS	Trustee	28.10.2021	-	23	0	10	7	7	47	2,350,000	3,722,500	6,072,500
Dr. Milkah Chebii	Trustee	24.2.2023	-	6	3	3	0	0	12	600,000	972,000	1,572,000
Dr. Isaac Kaberia Kubai	Trustee	24.2.2023	-	6	0	3	1	0	10	500,000	2,075,780	2,575,780
Mr. Mike Macharia	Trustee	17.5.2023	-	2	0	0	0	0	2	100,000	-	100,000
Total Trustee allowances									15,350,000	19,928,574	37,354,354	
Other board expenses												18,402,776
Total board expenses												55,757,130

*Board Allowances include sitting allowances for Committee meetings. Other payments include amounts paid to Board Members while attending official NSSF functions.

FISS: Finance, Investments and Social Security

HRLS: Human Resource, Legal and Strategy

A & R: Audit and Risk

Operational and Financial Performance

The Fund's operational and financial performance is based on the 2019-2023 strategic plan, Budget for 2022/2023, and the set targets as per 2022/2023 Performance Contract signed between the Board of Trustees and the Principal Secretary Department of Labour under the Ministry of Labour and Social Protection, cascaded down to the Board of Trustees, Managing Trustee/CEO and all staff. During the year ending 30 June 2023, contributions of Kes 26.87 billion were collected, this is a 69% growth from Kes 15.95 billion collected in the previous year.

Benefit payments of Kes 6.67 billion were paid during the year. This is a 23% increase in benefit claims paid in the previous year valued at Kes 5.4 billion. The Fund realised net income from investments of Kes 12.34 billion, up from minus Kes 3.15 billion in the previous year. The Fund's operating costs during the year amounted to Kes 6.675 billion against Kes 6.85 billion in the previous year recording a 2.5 % decrease. The Fund recorded a net increase in scheme funds of Kes 26.40 billion up from Kes 1.24 billion in the previous financial year. This was a good rebound compared with the poor market performance in the previous year. From this performance, the fund value increased from Kes 285.7 billion to Kes 312.12 billion as at 30 June 2023.

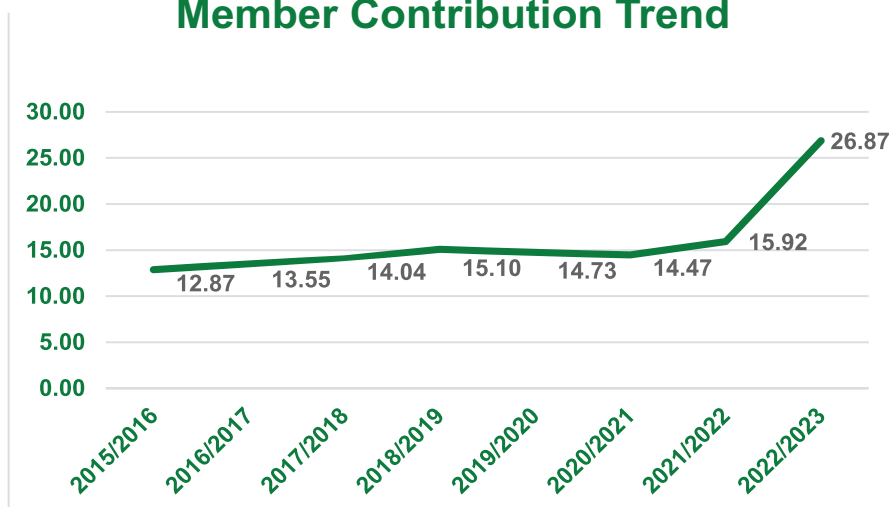
(a) Active Employers and Members

Financial Year	No of active members	No. of active Employers
2017/2018	2,629,701	73,896
2018/2019	2,502,239	73,308
2019/2020	2,461,986	74,368
2020/2021	2,390,820	73,237
2021/2022	2,604,199	76,907
2022/2023	2,961,677	78,549

The number of active members increased by 357, 478 while employers increased by and 1,642 in 2022/2023 financial year.

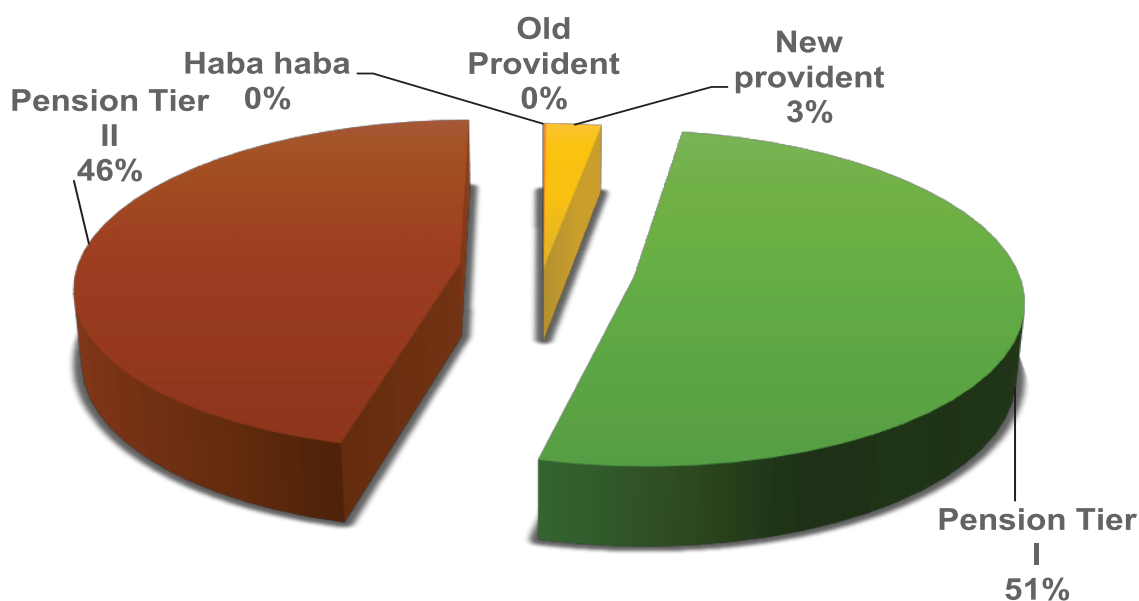
(b) Member Contribution

Member Contribution Trend

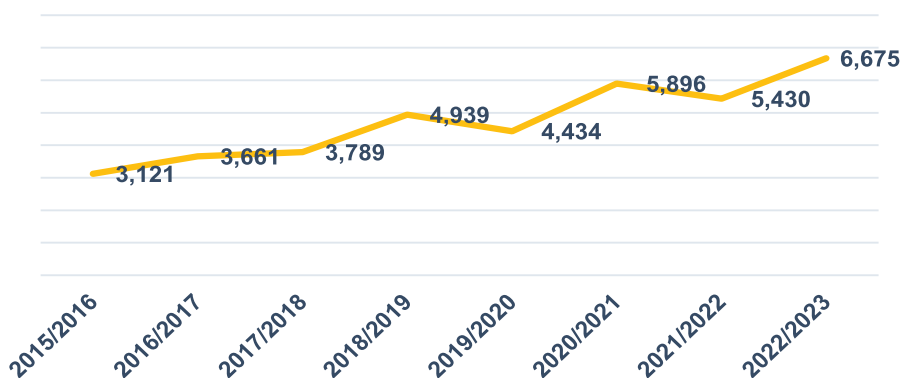


Annual contribution increased to Kshs. 26.87 billion in 2022/2023 financial year from Kshs. 15.92 in the previous year. This increase is attributed to the resolution of a petition challenging the legality of the NSSF Act 2023 by the Court of Appeal in February 2023. Monthly average member contribution rose from Kshs. 1.2 billion to Kshs. 3.6 billion.

Breakdown of Contributions

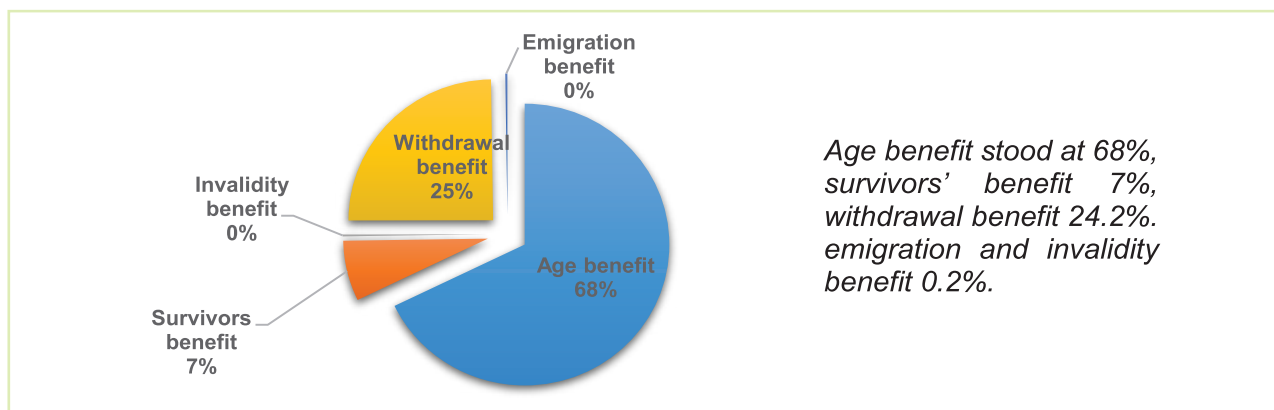


(c) Benefits Paid

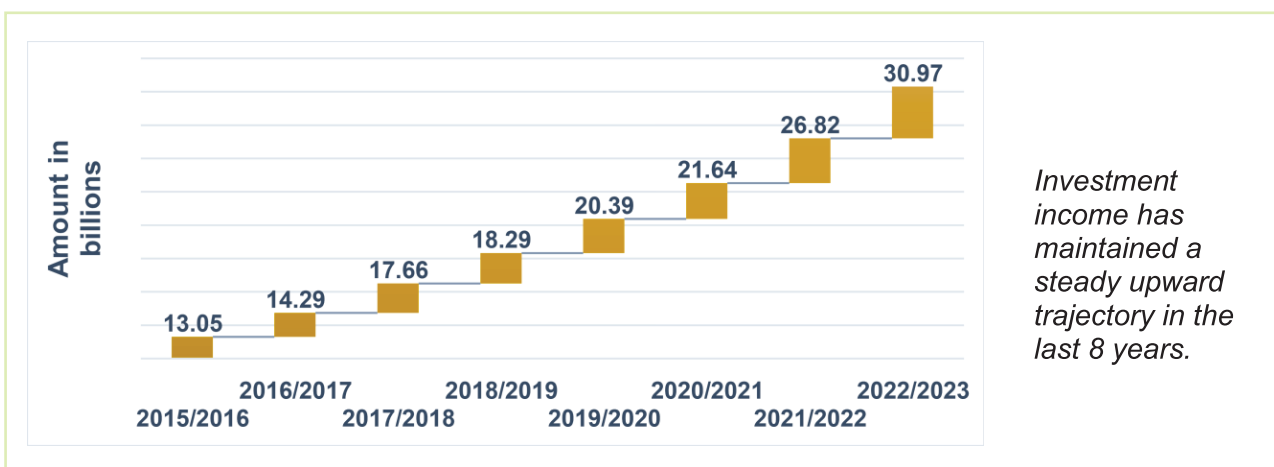


The Fund paid benefits worth Kshs. 6,675,201,681 made up of Kshs. 3,496,981,150 principal and Kshs. 3,178,220,531 interest in the year 2022/2023 financial year. This was a 23% increase from the amount paid in the previous year

Benefit Structure

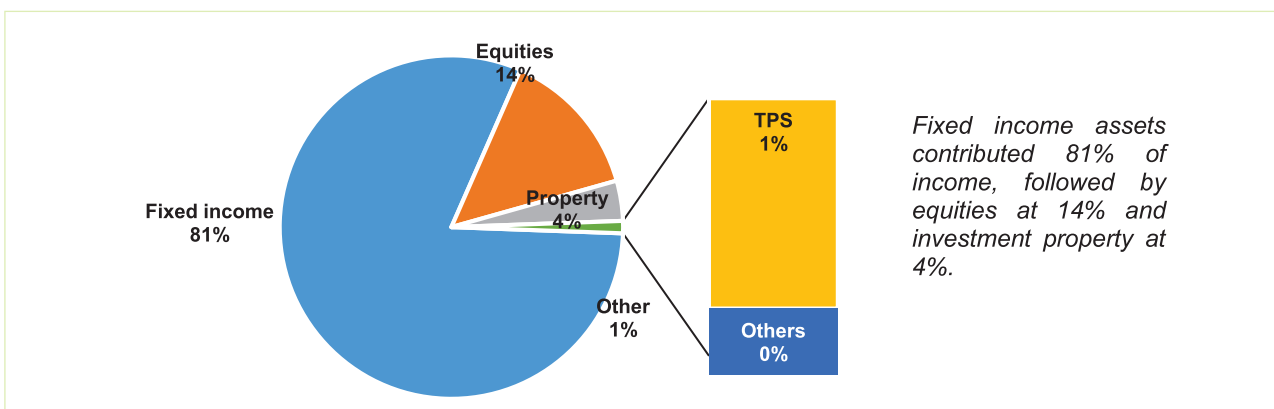


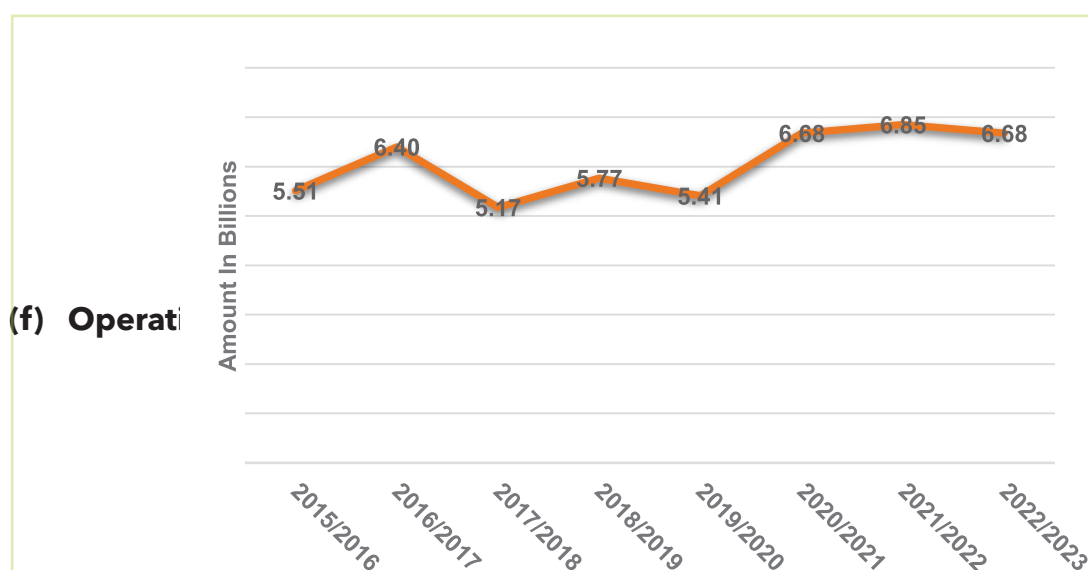
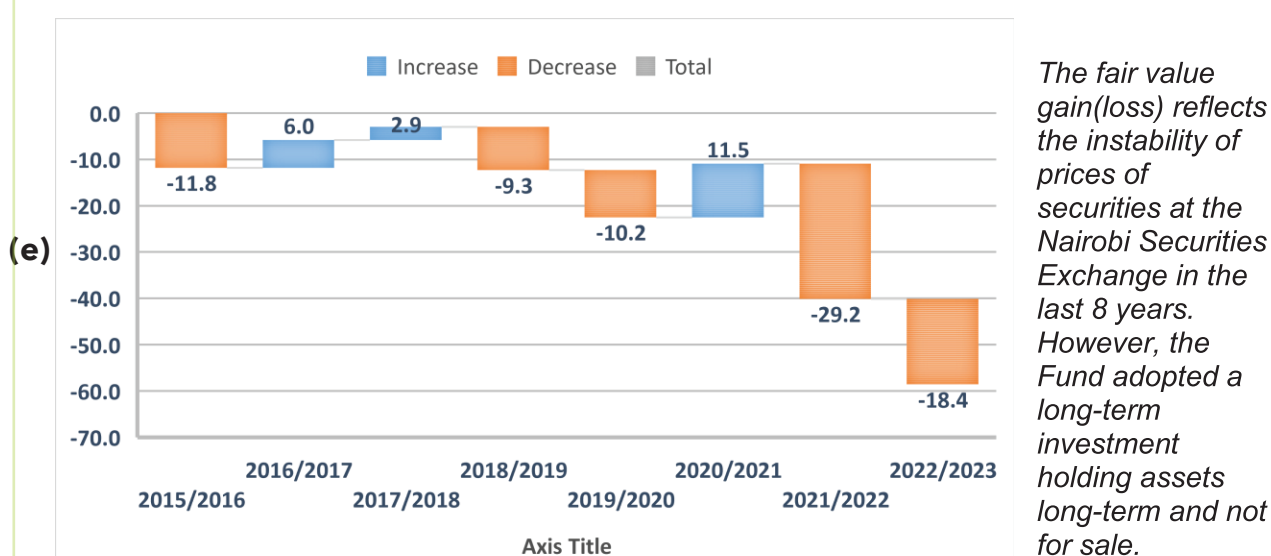
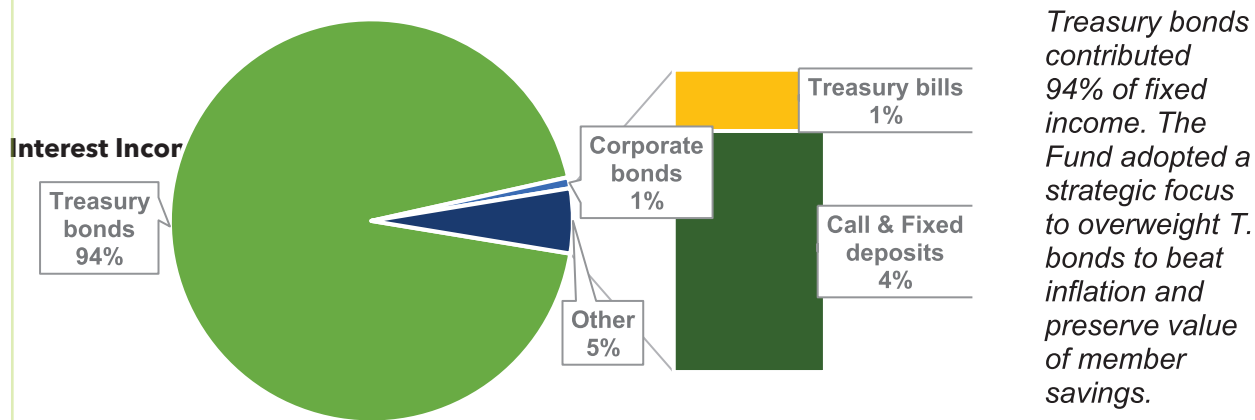
(d) Investment Income

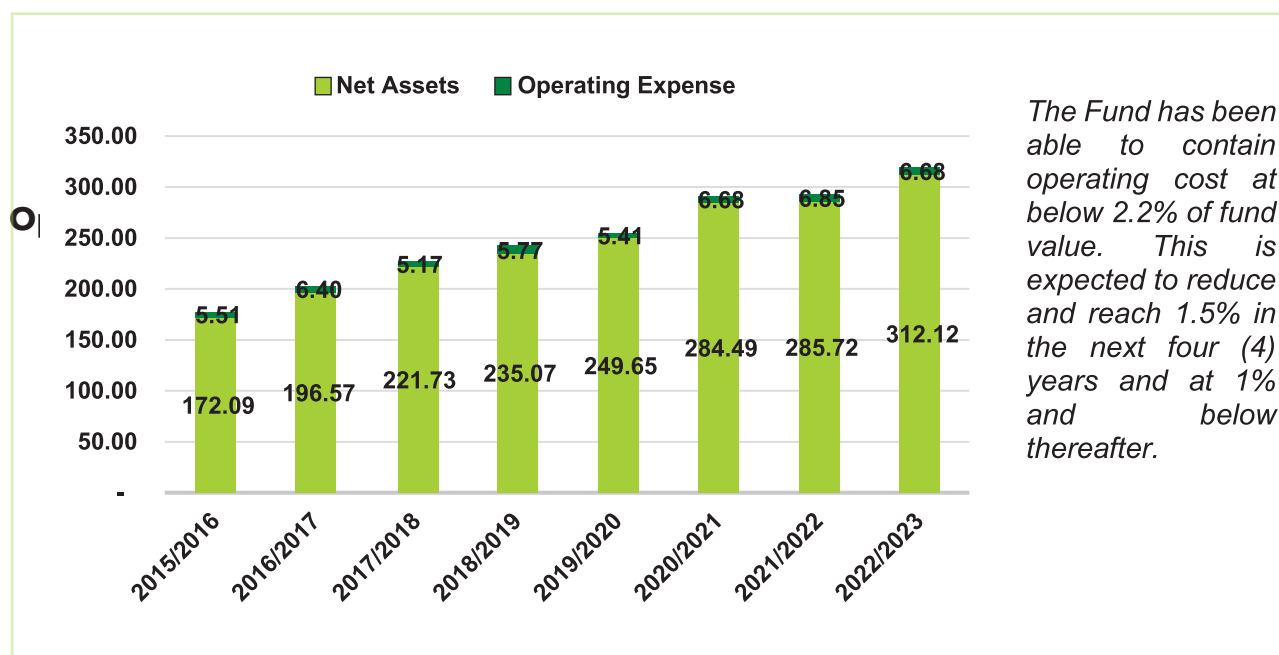


Investment Income Breakdown

Asset Class	Income earned	Proportion
Interest from treasury bonds	23,562,881,991.98	76%
Interest from corporate bonds	220,890,248.90	1%
Interest from treasury bills	264,191,133.56	1%
Interest from call & fixed deposits	1,039,049,865.97	3%
Dividend Income	4,351,638,109.06	14%
Rent Income	1,171,281,393.45	4%
Interest from TPS loans	292,295,253.97	1%
Other Investment Income	65,926,054.36	0%
	30,968,154,051.24	100%

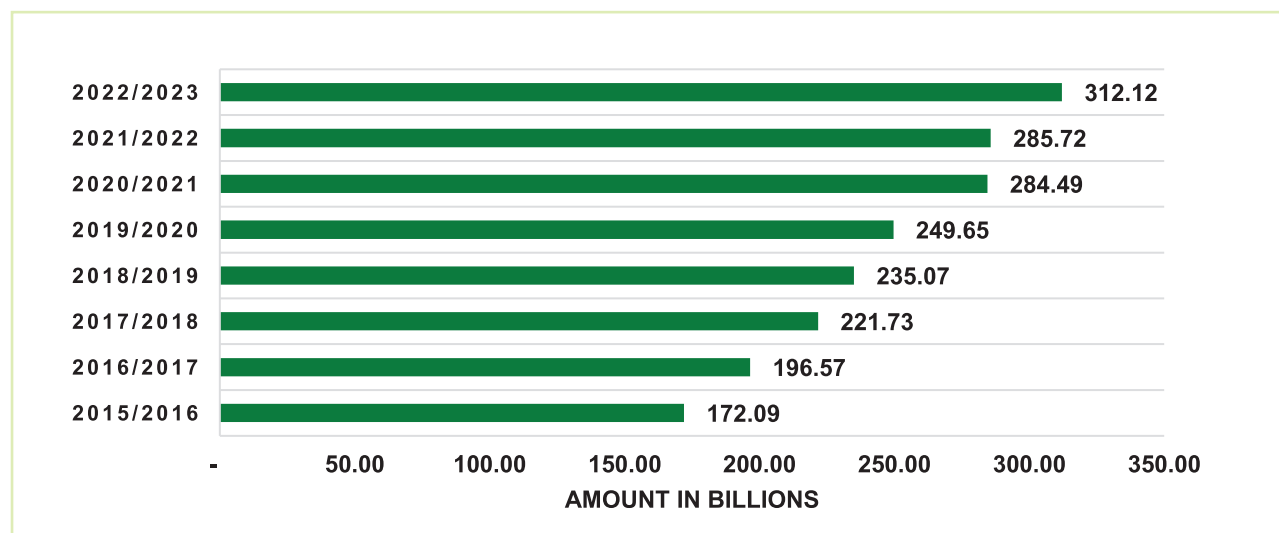




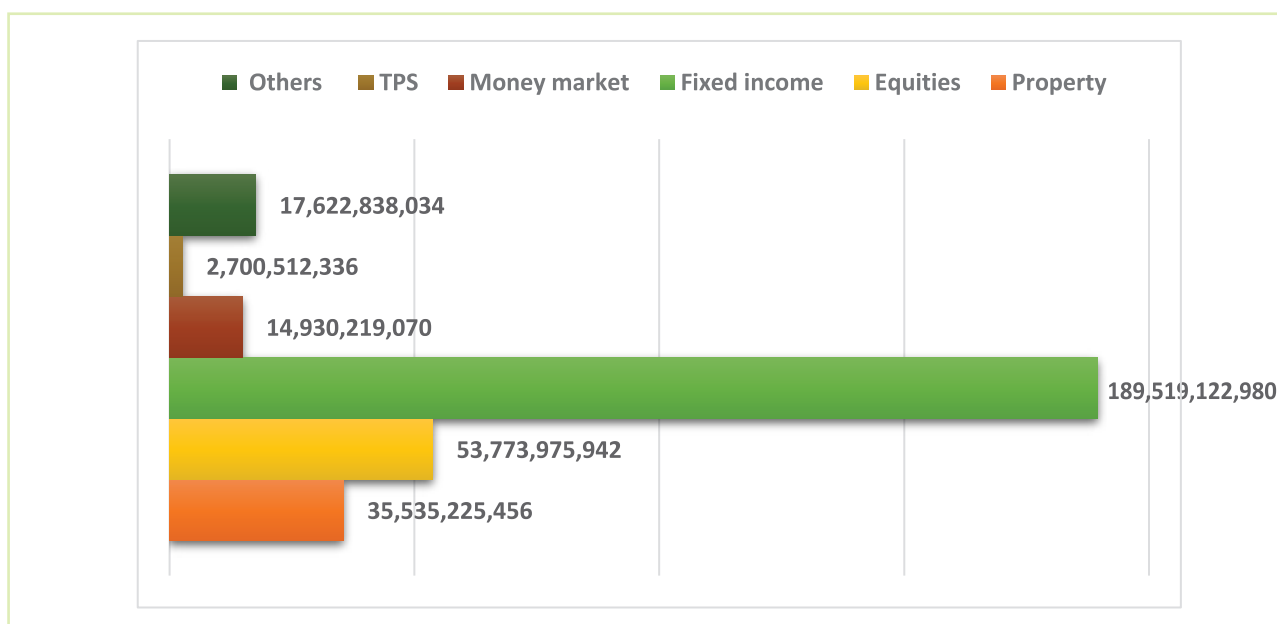


(g) Net Assets

The Fund's value has been growing steadily over the past eight years, closing at 312.12 billion at the end of 2022/2023 financial year. To preserve value from inflationary pressure, the Fund adopted a strategy that is 65% fixed income heavy, 60% government and corporate bonds and bills and 5% in money markets as depicted in a chart below.



Asset under Management Distribution (portfolio)



Compliance with Statutory Requirements

The Fund remains committed to be compliant with its statutory obligations. The Board of Trustees ensures that the Fund complies with all relevant laws, regulations, governance practices, accounting, and auditing standards. The Board of Trustees endeavour to serve the legitimate interests of all Members and will be accountable to them fully. At the end of the financial year, the Fund's overall compliance with the *Mwongozo* framework was at 92%, with 1 % being in progress towards full compliance and 7 % being outstanding.

Major Risks Facing the Fund

The greatest risk in the Fund is business sustainability due to the low levels of mandatory member contributions and governance risk with regard to vacant senior management positions that have remained unoccupied for several years. The Board has taken steps to ensure that this vacuum does not affect the performance of the Fund.

Material Arrears in Statutory and Other Financial Obligation

The enactment of the Finance Act, 2023 among other fiscal and monetary policy measures being undertaken by the government to implement the financial consolidation and increase in Government revenue is expected to impact economic activity. However, no material areas in statutory obligations remained outstanding at the end of the financial year.

Review of the Economy

The Kenyan economy is likely to perform better compared to its regional peers due to strong activity in the transport, IT, manufacturing, and construction sector. Consequently, the Fund hopes to bank on this to improve its performance. However, the increase in global oil prices, the

continued strengthening of the US dollar, high inflation and erosion of value of the Kenyan shilling are key factors to watch regarding the Funds' performance.

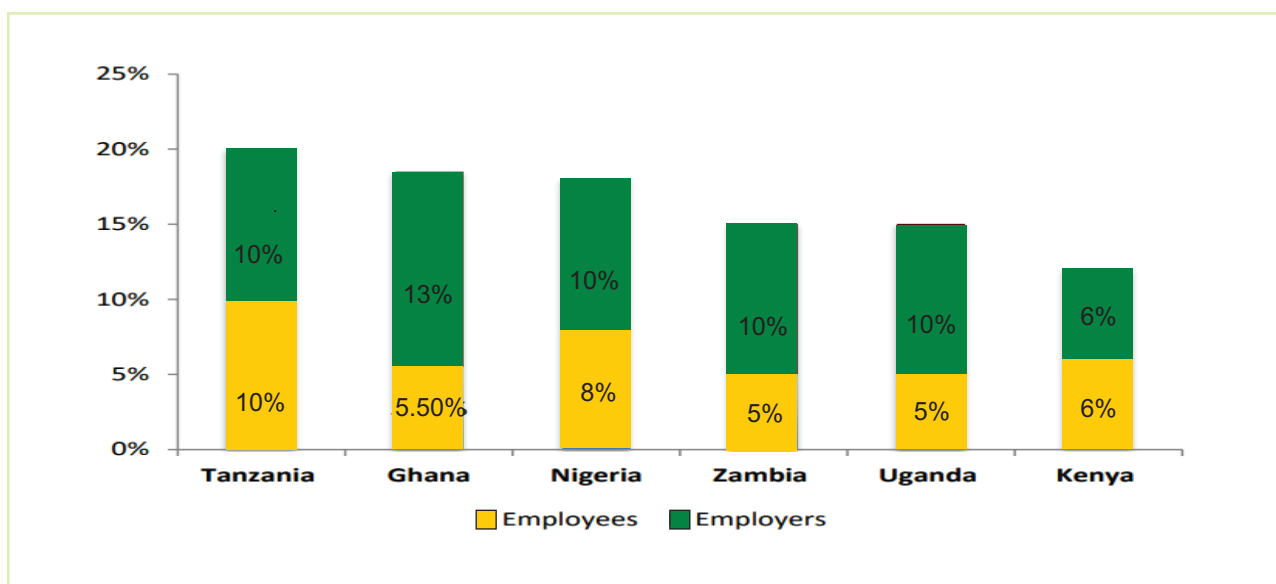
Review of the Sector

Kenya's pension industry has seen tremendous growth over the past decade as the greatest portion of its working population embrace retirement planning. The industry currently has over 3 million active members in over 1,000 registered schemes all valued at about Kshs 1.6 trillion out of which 18% of the value is held by the National Social Security Fund. The rate of growth of the industry and NSSF takes the same pattern because pension schemes invest in the same asset classes dominated by government securities and listed equities in the same economic environment. The Retirement Benefits Authority (RBA) provides the regulatory bridle for this industry. The industry runs against the background of multiple stakeholders who include Fund Managers, Actuaries, Custodians and Auditors. The Regulator provides investment specifications in terms of limits beyond which schemes are not allowed to invest in certain investment classes.

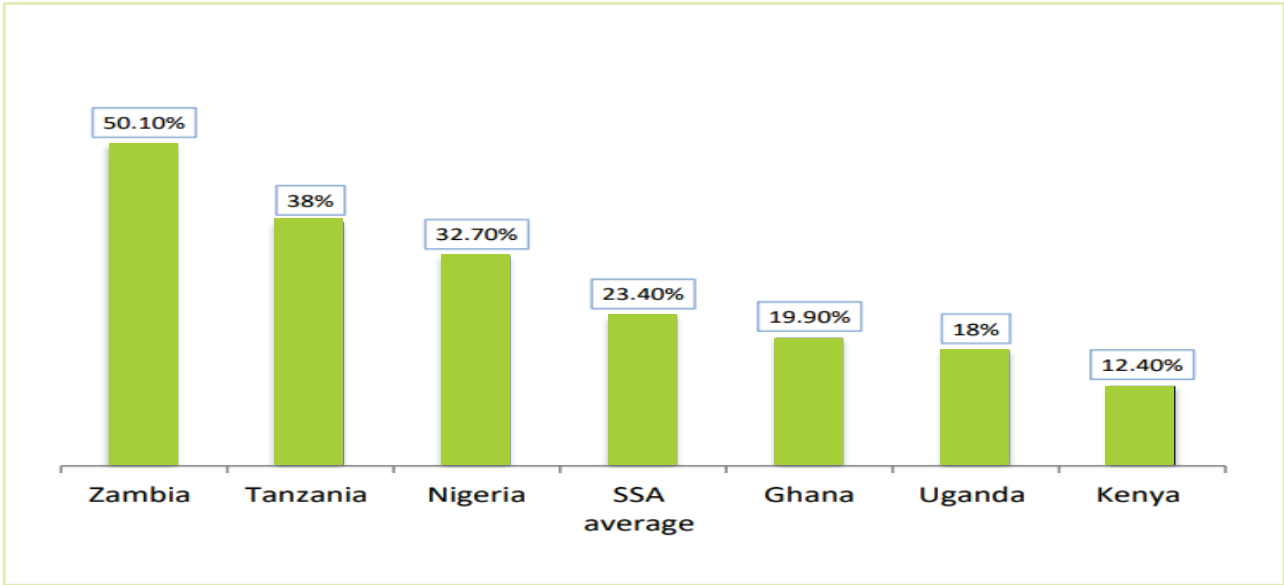
While NSSF Members account for 90% of total membership of the pension industry, it only holds 18% of the pension industry. However, this is expected to change with the implementation of the NSSF Act Cap.258 Laws of Kenya which has seen member contribution increase threefold as well as the bringing of Tier I membership and contribution of all Government employees under the NSSF purview.

However, the 6% mandatory contribution in Kenya remains low when compared with similar funds across Africa, yielding a low saving to GDP ratio.

Contribution Rate per Country



Gross Domestic Savings % GDP



The National Social Security Fund exists to transform lives and protect Kenyans from old age poverty through its mission to provide adequate income replacement to members, through prudent investments and prompt payment of benefits.

NSSF has made impactful strides in its commitment towards harnessing environmental and sustainable practices that bear favourable benefits to the communities targeted by these activities. This reporting demonstrates NSSF's transparency about environmental practices and the subsequent efforts to minimize our ecological footprint and the promotion of sustainable development.

(i) Sustainability Strategy and Profile

The Top Management of the Fund is cognizant of sustainability requirements to make the world a better place for current and future generations and is consequently involved in a raft of activities that promote sustainability in line with Sustainable Development Goals (SDGs). Our business directly and indirectly addresses some SDGs outlined as: ending poverty in all its forms everywhere (SDG1), ensuring healthy lives and promote well-being for all, at all ages (SDG3), ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all (SDG4), achieving gender equality and empowering all women and girls (SDG5), promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG8), and making cities and human settlements inclusive, safe, resilient and sustainable (SDG11).

(ii) Environmental Performance

The Fund has been involved in activities that promote the management of biodiversity to reduce environmental impact of the Fund's activities to the people. For instance, the Fund is involved in tree planting campaigns in partnership with schools and other entities every year in compliance with Government's tree planting initiatives. Further, the Fund's transport policy requires that cars beyond the age of eight years are retired in bid to combat air pollution.

(iii) Employee Welfare



TNA champions during training at North Coast at North Coast Beach Hotel Kilifi County.

The Fund has a Human Resource Manual that gives policy guidelines on matters around recruitment, placement, training and the welfare of its staff with an elaborate career progression courses of action. The preparation of the Human Resource Manual and procedures involves the input of staff and other stakeholders to the Fund. The hiring process takes into consideration ethnic and gender imperatives. The Fund runs a negotiated appraisal system that measures staff performance against previously-agreed goals, set future goals and give guidance to staff on their developmental and training needs. The appraisal system culminates into rewards and sanctions to institutionalize high performance.

Staff at the Fund undergo Continuous Professional Development (CPD) courses along requirements of the various professional bodies to which they belong to. This ensures that they remain updated with the current trends in their respective professions. To protect staff and other callers to our premises, the Fund has implemented the Occupational Safety and Health Act, 2007 (OSHA).

(iv) Market Place Practices

The Fund promotes responsible business practices through a number of areas:

(a) Responsible Competition Practice

The Fund ensures responsible competition practices in its procurement activities by encouraging competition among prospective suppliers of goods and services. The evaluation of their bids is done in line with the requirements of the Public Procurement and Asset Disposal Act 2015 and the legal framework that support the fight against corruption. To ensure fair competition in

the pension industry, the Fund submits itself to the regulatory requirements of the Retirement Benefits Authority which is the Regulator of this industry.

(b) Responsible Supply Chain and Supplier Relations

The Fund maintains good business practices with regard to its suppliers by ensuring that it honours the terms of its contracts and respecting the payment practices.

(c) Responsible Marketing and Advertisement

The Fund makes an effort to ensure that its members have the right information at the right time through mainstream media, social media, and one-on-one engagements with its stakeholders. The Fund has invested in people, technology and processes to preserve confidentiality, integrity and availability of corporate data for which it got certified with ISO 27001:2013. Additionally, the Fund got the certification for ISO 30401:2018 - Knowledge Management System that promotes value creation with regard to knowledge.

(d) Product Stewardship

The Fund endeavours to protect consumer rights and interests by installing an internal whistleblowing policy and reporting channels where Members and other stakeholders make inquiries about the services we give them. In addition, the Fund also cooperates with Government agencies like the Office of the Ombudsman where Members of the Fund and other stakeholders raise concerns whenever they are dissatisfied with service delivery.

Further to this, NSSF has taken a proactive approach to ensure that these products and services meet the highest standards of quality and transparency in compliance with the provisions of the NSSF Act Cap.258 Laws of Kenya.

By adopting product stewardship practices, NSSF has demonstrated its commitment to providing attractive products and services through research and innovation, competitive retirement benefits, and by extension, protecting the interests of its members, and largely contributing to their financial security in their golden years.

Corporate Social Responsibility / Community Engagements

The Fund recognizes the significant role we play in contributing to the well-being and development of the communities and stakeholders we serve. We understand that being a responsible corporate citizen goes beyond our core business operations, and we are committed to making a positive impact on society through our Corporate Social Responsibility/Investment (CSR/CSI) initiatives and community engagements.

We are driven by a strong sense of responsibility to give back to society, and we continually strive to be a force for good in the communities we serve. Our CSR/CSI and community engagement efforts are not just token gestures but reflect our genuine commitment to making a lasting and positive impact on the lives of the people we touch. The Fund has integrated the social and environmental concerns to its business operations and interactions with its stakeholders. Stakeholder engagement has enabled the Fund achieve a better return on investment which has yielded increased revenue in terms of arrears, penalties, membership. This can be attested to the

various success stories attributed to these impactful initiatives. During the year that ended on the 30th June 2023, the Fund spent Ksh 20,031,000 on CSR/CSI sponsorships around these key pillars aligned to the CSR policy namely; education, social welfare, sports, health and environment.

1. Education

NSSF is committed to enhancing access to quality education for disadvantaged and vulnerable communities in Kenya. The Fund therefore recognizes that school children form our future market if they are afforded better learning opportunities today. The education sector is overstretched in terms of resource allocation thus hampering every effort to guarantee a conducive learning environment. The Fund promotes education as a critical Sustainable Development Goal through corporate social responsibility initiatives that include infrastructural development, stocking of libraries, and revamping of sanitation facilities in schools across the country.



Trustee Dr. Anne Owour, EBS, HSC and Dr. Christopher Khisa, NSSF Corporate Communications & CSR Manager unveil Nyamninia Junior Secondary School Project sponsored by NSSF through a CSR sponsorship.

During the year, the Fund sponsored various schools, both primary and secondary on infrastructural development as a means of creating a conducive learning environment. Additionally, the Fund partnered with the Kenya Music Festival as an avenue to inculcate a saving culture among the young in their formative years.

By investing in education, NSSF aims to empower the youth with the knowledge and skills they need to build a better future for themselves and their communities.

2. Health

NSSF Kenya recognizes the importance of a healthy population for overall social and economic development. The Fund actively supports healthcare initiatives that improve access to essential medical services, especially in marginalised/underserved areas. NSSF participated in the “Adopt-A-bed” campaign where NSSF donated 23 beds and mattresses, 250 breast milk containers to the Kenyatta National Hospital.



Ms. Catherine Ouma, Manager, Marketing and Brand at the hand over ceremony of Sponsored Hospital Beds at Kenyatta National Hospital, as part of the Adopt-a-Bed Program.

NSSF engages in collaborative partnerships with the Government and other reputable organizations to address and promote public health issues with special focus on HIV/AIDS, malaria, malnutrition, reproductive health, and maternal / child health and the support in the creation of health awareness campaigns.

3. Sports

Kenyans resonate very well with sporting activities, especially athletics and football. NSSF recognizes the role of sports in promoting a healthy lifestyle, fostering talent, and building cohesion among communities. NSSF's involvement in sports is aimed at inculcating the social security spirit in an industry with low uptake of social security protection for many years, with a number of sportsmen retiring into poverty despite having enjoyed glorious days as sportsmen. Supporting sports also provides an excellent platform to reach the youth and entrench the culture of saving among this untapped market segment. The Fund has partnered with other sports stakeholders including the Sports Personality of the Year Awards (SOYA) held annually to recognize outstanding athletes who have brought fame to our country.



Corporate Communication Manager Dr. Christopher Khisa presenting an award to a winner during the 19th Edition of the SOYA Awards at the KICC, Nairobi.

4. Social Welfare

NSSF is dedicated to promoting social welfare and inclusivity. We have collaborated with various local agencies and neighbouring communities to support vulnerable populations, such as orphaned children, elderly individuals, and persons living with disabilities. The Fund distributed food stuff to needy school going pupils and families in areas highly adversely ravaged. Reeling from the ravaging effects of the Covid-19 pandemic and the pain of misery that brought about unprecedented levels of pressure, many people suffered the consequent of declining socio-economic purchasing power leading to deplorable lifestyles.



NSSF Eldoret Branch Manager, Evans Tonui leading a tree planting exercise at Racecourse Secondary. School, Kesses, Uasin Gishu County.



NSSF Eldoret Branch Manager, Evans Tonui with team presenting a CSR donation of food stuff as Christmas gift Jawabu Rehabilitation Centre for Children with special needs, Uasin Gishu County.

5. Environment

NSSF is committed to environmental conservation and sustainability. NSSF actively engages in initiatives aimed at protecting the environment and mitigating climate change, a move aimed at: reducing greenhouse emissions, stopping and reversing deforestation and, restoring 5.1 million hectares of deforested and degraded landscapes.

This includes tree planting campaigns to restore and preserve forests, promoting waste management and recycling projects, and encouraging energy efficiency measures. By promoting environmental responsibility, NSSF aims to contribute to a greener and more sustainable future for Kenya. The Fund endeavours to play an integral part in the conservation of the environment by undertaking annual tree planting initiative across the country and other related activities to promote a sustainable environment as a lasting impact.

6. Stakeholder Engagement

NSSF's CSR approach places a strong emphasis on stakeholder engagement as a key pillar. NSSF believes that effective and meaningful engagement with its stakeholders is essential for developing impactful and sustainable CSR initiatives. Stakeholder engagement allows NSSF to understand the diverse needs, expectations, and concerns of the people and communities it serves, ensuring that its CSR efforts are aligned with their genuine requirements. NSSF has mapped put its stakeholders based on the unique needs and expectations in line with our stakeholder engagement strategy. Key among these are: employers, trade unions and KUJ (Kenya Union of Journalists).



Stakeholder Engagement: Media Sensitization Workshop for the Kenya Union of Journalists (KUJ) at Lake Naivasha Resort sponsored by NSSF.

The Trustees submit their Annual Report together with the Audited Financial Statements for the Year ended June 30, 2023.

Principal Activities

The principal activities of the Fund, as provided under Section 4 of the NSSF Act Cap.258 Laws of Kenya, are to register members, receive their contributions, invest the funds, process and ultimately pay out benefits to eligible members or their dependants.

Results

The results of the Fund for the year ended June 30, 2023 analysed as below:-

Parameter	2023	2022	Growth
Member Contribution	26,873,595,651	15,915,480,093	69%
Active Members	2,961,677	2,604,199	14%
Active Employers	78,549	76,907	2%
Benefits paid	6,675,201,681	5,430,388,800	23%
Members paid	76,450	53,906	42%
Investment Income	30,968,154,051	26,817,167,282	15%
Return on Investment	12,335,710,089	(3,151,962,427)	491%
Increase in Net Assets	26,398,966,657	1,236,237,270	2035%
Net Assets	312,121,831,596	285,722,864,940	9%

Investment of Funds

Fund managers are responsible for the day-to-day management of investment funds. However, the overall responsibility for investment and performance lies with the Board of Trustees. We confirm that there is no self-investment, nor have any Fund assets been used as security or collateral on behalf of the employer or any connected business or individual. The Fund's net assets position as at 30 June 2023 was as follows:

Compliance with RBA Investment Requirements

Particulars Categories of assets	2023 Value	%	RBA % Max	2022 Value	%	RBA % Max
Investment Portfolio						
Cash and call deposits balances	1,197,423,167	0	5	1,019,225,791	0	5
Fixed deposits	14,930,219,070	5	30	10,087,418,200	4	30
GoK Securities	187,777,157,258	63	90	162,822,991,817	60	90
Corporate bonds	1,741,965,721	1	20	1,752,204,250	1	30
Quoted Equities	52,986,064,443	18	70	57,804,630,700	21	70
Unquoted equities	787,911,498	0	5	466,465,299	0	5

Particulars Categories of assets	2023 Value	%	RBA % Max	2022 Value	%	RBA % Max
Immovable property	38,275,716,476	13	30	38,672,584,466	14	30
Others			10			10
Offshore investment	-	0	5	-	0	5
Investment Assets	297,696,457,635	100		272,625,520,523	100	
Other assets	16,245,258,768			16,689,856,623		
Total Assets	313,941,716,403			289,315,377,146		

Member interest

Section 2 of the NSSF Act Cap.258 Laws of Kenya requires that investment income be credited to the accounts of individual members, at such rates as the Board may, in consultation with the Actuary or such other qualified person, determine and approve at least annually, having regard to the income on the Fund's assets. Interest declared and paid in the last five years is as follows:

Financial Year	Declared interest %
2017/2018	7
2018/2019	3
2019/2020	3
2020/2021	10
2021/2022	4

Trustees

The Members of the Board of Trustees who served during the year are shown on the table below. In accordance with NSSF Act Cap.258 Laws of Kenya, trustees serve for a maximum of two terms of three (3) years each subject to reappointment after the initial term.

Trustee	Board Position	Date appointed	Date exited	Full board	F,I&SS	Sittings HRLS	A&R	AD-HOC	Total sitting
Gen.(Trd) Julius Karangi	Chairman	06.10.2021	22.12.2022	11	0	0	0	0	11
Mr. Anthony Muriuki Munyiri	Chairman	23.12.2022	21.12.2025	14	0	1	0	0	15
Mr. Mark J. Obuya, EBS	Trustee	20.02.2020	23.02.2023	16	7	5	0	9	37
Eng. Peter K. Tum,OGW	PS Labour	01.03.2019	24.03.2023	6	2	0	0	0	8
Hon. Geoffrey Kaituko	PS Labour	24.03.2023	No Tenure, Government	4	0	0	0	0	4
Dr. Musa Nyandusi	Alternate to PS Labour	Mar-23	No Tenure, Government	2	2	0	1	0	5
Mr. Peter Chemwile			Mar-23						
Prof. Dulacha Barako	Alternate, PS Treasury	16.09.2019		9	4	1	5	1	20
Mr. Amos Cheptoo		24.2.2023	No Tenure, Government	6	3	1	0	0	10
Mr. Isaac Mbingi Okello	Trustee	28.10.2021	27.10.2024	22	9	11	0	2	44
Ms. Rose Omamo	Trustee	04.05.2022	03.05.2025	23	8	2	7	0	40

Trustee	Board Position	Date appointed	Date exited	Full board	F,I&SS	Sittings HRLS	A&R	AD-HOC	Total sitting
Mr. Peter Mweleli, MBS	Trustee	28.10.2021	24.02.2023	16	1	5	6	6	34
FCPA Dr. Anne Owuor, EBS	Trustee	28.10.2021	27.10.2024	23	0	10	7	7	47
Dr. Milkah Chebii	Trustee	24.2.2023	23.02.2026	6	3	3	0	0	12
Dr. Isaac Kaberia Kubai	Trustee	24.2.2023	23.02.2026	6	0	3	1	0	10
Mr. Mike Macharia	Trustee	17.5.2023	16.05.2026	2	0	0	0	0	2

Fiduciary Responsibility Statement

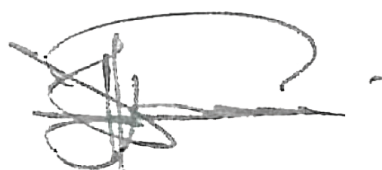
The Board of Trustees believes that governance is a key issue and as such, strives to ensure that the highest governance standards are applied in its operations. It is committed to ensuring that its policies and practices reflect high standards of corporate governance practices, which includes embracing the following principles:

- Observation of high standards of ethical and moral behaviour.
- Acting in the best interests of Members and Stakeholders.
- Establishment of a formidable risk management system.
- Compliance with the laws, regulations and guidelines that govern retirement benefits schemes and its business operations.
- Ensuring that the Fund Managers and Custodians have carried out all scheme investments and that all scheme assets and funds are held by the Custodians.

Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2023.

By Order of the Board



.....
Mr. David Koross,

CEO/Managing Trustee and Secretary to the Board of Trustees
Nairobi.

Date:

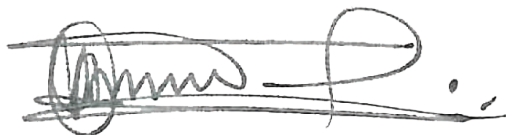
Section 81 of the Public Finance Management Act, 2012, National Social Security Fund Act, Cap.258 Laws Kenya, the Retirement Benefits Act, 1997, and the State Corporations Act No. 446 require the Trustees to prepare Financial Statements June 30, 2023 in respect of the Fund, to give a true and fair view of its state of affairs at the end of each financial year.

The responsibility for the preparation and presentation of the Fund's financial statements includes maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the Fund; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for NSSF's 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 Public Finance Management Act, 2012, the National Social Security Fund Act, Cap.258 Laws Kenya and the Retirement Benefits Act 1997. The Trustees are of the opinion that these Financial Statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of systems of internal financial control. Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board of Trustees on _____ 2023 and signed on its behalf by:



.....
Mr. David Kariuki Njeru

**CHAIRMAN,
BOARD OF TRUSTEES**

8/04/2024

Date



.....
Mr. David Koross

MANAGING TRUSTEE/CEO

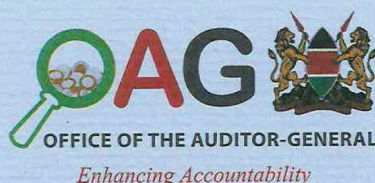
5/04/2024

Date

REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL SOCIAL SECURITY FUND FINANCIAL STATEMENTS

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Social Security Fund set out on pages 1 to 63, which comprise of the statement of net assets available for benefits as at 30 June, 2023, and the statement of changes in net assets available for benefits, the statement of changes in accumulated members' funds, the statement of cash

Report of the Auditor-General on National Social Security Fund for the year ended 30 June, 2023

flows and the statement of comparison of budget and actual amounts 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 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with National Social Security Fund Act, 2013.

Basis for Qualified Opinion

1. Non-Performing Investment in Unquoted Equities

The statement of net assets available for benefits reflects unquoted stocks balance of Kshs.787,911,498 as disclosed in Note 27 to the financial statements. Review of documents revealed that the Fund held shares worth Kshs.38,428,500 in Consolidated Bank of Kenya whose performance declined by Kshs.209,265,764 as detailed below;

Company	No. of Shares	Value as at 30 June, 2023 (Kshs.)	Value as at 30 June, 2022 (Kshs.)	Decline in Value (Kshs.)
Consolidated Bank Ord. Shares	2,225,000	8,321,500	86,694,264	(78,372,764)
Consolidated 4% Cumulative Preference Shares	8,050,000	30,107,000	161,000,000	(130,893,000)
Total	10,275,000	38,428,500	247,694,264	(209,265,764)

The Fund continues to hold investments with no return by way of dividend or capital appreciation.

In the circumstances, the value for money and fair valuation of the unquoted stocks could not be confirmed.

2. Investment in Non-Performing Quoted Shares

The statement of net assets available for benefits reflects quoted stocks of Kshs.52,986,064,443 as disclosed in Note 28 to the financial statements. The balance includes shares held in three (3) companies valued at Kshs.170,708,881 as at 30 June, 2023 whose value decreased by Kshs.50,892,593 or (23%) from Kshs.221,601,474 as at 30 June, 2022 as follows:

Company	Number of Shares	Share Price as at 30 June 2023 (Kshs.)	Share Price as at 30 June, 2022 (Kshs.)	Decline in Price Per Share (Kshs.)	Decline Value (Kshs.)
East Africa Portland Cement	24,300,000	6.04	8.00	(1.96)	(47,628,000)
Sameer Africa	2,838,776	2.65	3.80	(1.15)	(3,264,592)
Athi River Mining	2,957,500	5.55	5.55	-	-
Total					(50,892,592)

As reported previously, review of status of investment in quoted stocks confirmed that the Fund entered into contractual agreement with six (6) Fund Managers. The Fund Managers were to have full control and unrestricted powers to invest the Fund's money as per investment policy for maximum returns. However, the Fund has continued holding on to the non-performing investments in the three (3) companies.

In the circumstances, the accuracy and fair valuation of quoted investment of Kshs.170,708,881 in three (3) companies could not be confirmed.

3. Long Outstanding Tax Receivables

The statement of net assets available for benefits reflects receivables and prepayments balance of Kshs.6,580,672,946 which as disclosed in Note 23 to the financial statements which includes tax receivables amount of Kshs.938,003,638 relating to tax refund comprising of overpaid tax of Kshs.493,257,328 and Kshs.411,646,389 totalling to Kshs.904,903,717 inadvertently paid to the Kenya Revenue Authority (KRA) in 1997 after the Fund became income tax exempt in 1996. However, the tax refund due from KRA was not supported by acknowledgement from the Authority. Further, the tax receivables balance of Kshs.938,003,638 includes an amount of Kshs.26,605,051 relating to tax on interest earned from bank balances and low interest tax of Kshs.6,494,870 credit which has not been explained.

In the circumstances, the recoverability of the tax receivables balance of Kshs.904,903,717 could not be confirmed.

4. Unremitted and Undisclosed Member Contributions

The statement of changes in net assets available for benefits reflects contributions receivable balance of Kshs.26,873,595,651 as disclosed in Note 6 to the financial statements. Review of members' contributions status revealed that an amount of Kshs.9,545,509,225 in respect to long outstanding contributions receivable which comprised of mandatory contributions of Kshs.1,933,630,444 and outstanding penalties of Kshs.7,611,878,781 had not been included in the statements of net assets available for benefits as at 30 June 2023.

In the circumstances, the accuracy and completeness of the contributions receivable balance of Kshs.26,873,595,651 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Social Security Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on a comparable basis of Kshs.40,683,613,228 and Kshs.33,727,938,396 respectively, resulting in an under-collection of Kshs.6,955,674,832 or 17% of the approved budget. Similarly, the Fund incurred Kshs.7,328,971,740 against an approved final expenditure budget of Kshs.7,001,625,222, resulting in an over-utilization of Kshs.327,346,518 or 5% of the budget.

The under-collection and over-utilization affected the planned activities of the Fund and may have negatively affected service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

As disclosed under the progress on follow-up on the auditor's recommendations section of the financial statements, various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year's audit issues as required by The National Treasury guidelines.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Delay in Completion of Assets under Construction

1.1 Construction of Boundary Wall at Plot in Bamburi

The statement of net assets available for benefits reflects assets under construction balance of Kshs.39,978,685 as disclosed in Note 30 to the financial statements which includes Kshs.8,624,178 relating to construction of a boundary wall of a plot in Bamburi at contract price of Kshs.16,563,900 that was to be completed within eight (8) weeks from 12 March, 2017. The works were suspended due to encroachment by a water pipeline land and underground cables passing through the land an indication that the Fund had not conducted survey before contract award. The suspension was lifted on 21 March, 2018 but the contractor was unable to complete the work leading to contract termination after 81% of the works had been completed. However, termination letter was provided for audit.

The Fund entered into a new contract with another contractor on 28 September, 2020 for completion of the remaining works at a contract price of Kshs.6,233,094 which was to be completed within eight (8) weeks. Documents provided for audit revealed that Kshs.1,881,464 had been paid to the contractor. However, as at the time of the audit in February 2024, the construction of the wall had not been completed, yet Management has not taken any measures to compel the contractor to complete the works or terminate the contract. This was contrary to Section 9 of the contract document which requires that procuring entity may without prejudice to any other remedy accruing to it for breach of contract terminate this agreement in writing in whole or in part if the tenderer fail to perform any other obligation under this agreement.

In the circumstances, the value for money spent on the boundary wall could not be confirmed.

1.2 Other Assets Under Construction

The statement of net assets available for benefits reflects assets under construction balance of Kshs.39,978,685 as disclosed in Note 30 to the financial statements which includes Kshs.31,354,506 relating to construction of SSH Gym Centre and Bulk filers at a cost of Kshs.6,995,968 and Kshs.24,358,538 respectively. However, the status report on completion were not provided for audit.

In the circumstances, the value for money for the expenditure on the projects could not be confirmed.

2.0 Lack Contract for the Provision of Travel Services

Review of documents provided revealed that the Fund entered into a contract with a supplier for provision of travel services on 10 June, 2021, renewable for one-year subject to a maximum of two years and subject to annual appraisal with good performance scores. During the year under review, the contract was renewed for the first year

were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Trustees

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Accounting Standards (IFRS) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

which started on 10 April, 2022 and ended 10 April, 2023. However, the Fund paid Kshs.12,555,265 between May and June, 2023 after the expiry of the contract.

In the circumstances, the regularity of the payments of Kshs.12,555,265 made without a valid contract, could not be confirmed.

3.0 Long Outstanding Advance Payment on Stalled Embakasi Scheme Project

Review of documents provided for audit revealed that the Fund paid Kshs.215,540,774 advance payment to a contractor for construction of Embakasi Phase VI project. The project stalled due to lack of approval of change of user by Nairobi City County Government. However, as at the time of audit in February, 2024, the Fund had not recovered the advance payment from the contractor.

In the circumstances, Management was in breach of the law and the recovery of the advance payment appear doubtful.

4.0 Lack of Lease Agreement

The statement of changes in net assets available for benefits reflects general administrative costs balance of Kshs.2,134,852,885 as disclosed in Note 14 to the financial statements which includes Kshs.300,718,391 relating to rent expenses out of which Kshs.206,712 was paid as parking fees for the Fund's Kisumu offices. However, a lease or contract agreement was not provided for audit review.

In the circumstances, the regularity of the rent expense of Kshs.206,712 could not be confirmed.

5.0 Hire of Kisumu Investment Property

The statement of net assets available for benefits reflects investment property balance of Kshs.35,535,225,456 as disclosed in Note 29 to the financial statements which includes Kshs.220,000,000 for Kisumu Estate Land. However, physical verification carried out in September, 2023 revealed that an individual was operating a garage on the parcel of land. However, a lease or tenancy agreement indicating the rent payable and duration of the lease was not provided for audit verification. Further, an updated list of tenants indicating the specific period they took possession of monthly rent payable and tenancy agreements were not provided for audit.

Further, rent payments by tenants occupying the land are remitted to the Fund by some tenants while others pay the County Government of Kisumu. This has denied the Fund from not receiving optimal revenue on the property.

In the circumstances, the Fund's failure to full control of the land denies the Fund revenue.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Court Injunctions on Rent and Tenants without Lease Agreement

Review of records provided revealed that eight (8) tenants in Social Security House, Mombasa had obtained injunctions against the landlord and the Fund management due to court cases. Further, seven (7) other tenants were occupying the premises without lease agreements. In addition, despite the Fund's efforts to have these tenants sign new lease agreements, they have refused to do so, resulting in the Fund being denied rent for the use of its premises.

In the circumstances, the effectiveness of controls over revenue could not be confirmed.

2. Contributions in Suspense Account

Review of members' contributions revealed that the Fund maintains employer contribution clearing accounts where total contributions are posted from employers for the credit of members' accounts for benefits payment once they qualify as per the National Social Security Act, 2013. However, as previously reported, contributions in transit, representing contributions which had not been posted to individual members' accounts, stood at Kshs.942,000,000 (2022 - Kshs.742,000,000) as disclosed in Note 34 to the financial statements. These arise from lack of integration between the employer's bank accounts and the Fund's collection system, leading to delays in updating members' accounts with their deposits. No sufficient explanation was provided for the inability to reconcile and post the suspense balance of Kshs.942,000,000 to the respective members' accounts which had accumulated over the years.

In the circumstances, the effectiveness of the internal controls system on prompt updating of members contributions could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 April, 2024

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Kes	2022 Kes
DEALINGS WITH MEMBERS			
Contributions Receivable	6	26,873,595,651	15,915,480,093
Benefits Payable	7	(6,675,201,681)	(5,430,388,800)
Net Surplus from dealings with members		20,198,393,970	10,485,091,293
RETURN ON INVESTMENTS			
Investment Income	8	30,968,154,051	26,817,167,282
Fair value gain/(loss) on revaluation of Investments	9	(18,436,442,556)	(29,202,140,726)
Gain/(loss) on realization of investments	10	457,177,114	(151,199,468)
Investment Management Expenses	11	(653,178,520)	(615,789,515)
Net Return on Investment		12,335,710,089	(3,151,962,427)
Other Income	12	540,655,817	753,433,329
Total Net Income		12,876,365,906	(2,398,529,097)
LESS: OPERATING COST			
Staff cost	13	4,074,790,734	3,839,298,069
General administrative cost	14	2,134,852,885	2,639,450,386
Provisions	15	466,149,601	371,576,471
Total operating cost		6,675,793,219	6,850,324,926
Increase in net assets for the year		26,398,966,657	1,236,237,270
As previously reported		285,722,864,940	284,486,627,670
As restated		285,722,864,940	284,486,627,670
Net Assets as at 30 June		312,121,831,596	285,722,864,940

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 JUNE 2023

	Note	2023 Kes	2022 Kes
ASSETS			
Cash and bank balances	16	1,197,423,167	1,019,225,791
Call and Fixed Deposits	17	14,930,219,070	10,087,418,200
Government Securities-(Treasury bills)	18	1,212,194,817	1,626,492,637
Government Securities-(Treasury bonds)	19	186,564,962,441	161,196,499,180
Corporate bonds	20	1,741,965,721	1,752,204,250
Accrued Income	21	7,583,682,198	6,733,192,058
Stores and Supplies	22	31,246,635	12,860,566
Receivables and Prepayments	23	6,580,672,946	7,465,104,760
Staff Loans	24	173,452,400	189,975,157
TPS Loans	25	2,700,512,336	3,103,258,402
Staff Mortgage Scheme	26	1,281,238,196	1,258,167,866
Unquoted Stocks	27	787,911,498	466,465,299
Quoted Stocks	28	52,986,064,443	57,804,630,700
Investment property	29	35,535,225,456	35,414,340,317
Assets under construction	30	39,978,685	154,985,746
Property, plant and equipment	31	594,966,394	1,030,556,216
		313,941,716,403	289,315,377,146
LIABILITIES			
Payables and accruals	32	(1,819,884,806)	(3,592,512,207)
NET ASSETS		312,121,831,596	285,722,864,940
REPRESENTED BY			
FUND BALANCE		312,121,831,596	285,722,864,940

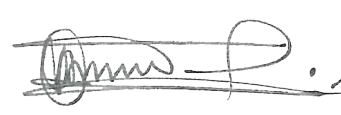
The financial statements were approved by the Board on _____ 2023 and signed on its behalf by:



CPA Ronald Nyamosi, ICPAK 3849
**GENERAL MANAGER
(FINANCE & INVESTMENTS)**



Mr. David Koross
MANAGING TRUSTEE/CEO



Mr. David Kariuki Njeru
CHAIRMAN, BOARD OF TRUSTEES

Date: 3/04/2024

Date: 3/04/2024 Date: 8/04/2024

STATEMENT OF CHANGES IN ACCUMULATED MEMBERS' FUNDS AS AT 30 JUNE 2023

	Members' Funds Kes	Accumulated Reserves Kes	Total Kes
Balance as at 30 June 2016	151,018,651,371	21,067,697,685	172,086,349,056
Prior Year Adjustments	591,602,152	-	591,602,152
Net Increase/(Decrease) in Net Assets	9,885,860,827	14,010,648,094	23,896,508,921
Balance as at 30 June 2017	161,496,114,350	35,078,345,778	196,574,460,129
Correction of erroneous previous year contribution accrual	(591,602,152)	-	(591,602,152)
Net Increase/(Decrease) in Net Assets	10,255,409,092	15,491,367,420	25,746,776,512
Balance as at 30 June 2018	171,159,921,291	50,569,713,198	221,729,634,489
Prior year adjustment Impairment of Kitisuru Roads	-	(36,432,620)	(36,432,620)
Net Increase/(Decrease) in Net Assets	10,163,269,208	3,214,332,010	13,377,601,218
Balance as at 30 June 2019	181,323,190,499	53,747,612,588	235,070,803,089
Actuarial valuation adjustment as at 30 June 2020	41,878,212,590	(41,878,212,590)	-
Net Increase/(Decrease) in Net Assets	10,299,022,671	4,283,320,342	14,582,343,014
Balance as at 30 June 2020	233,500,425,761	16,152,720,340	249,653,146,103
Prior year adjustment	-	-	-
Net Increase/(Decrease) in Net Assets	8,576,316,921	26,257,164,646	34,833,481,567
Balance as at 30 June 2021	242,076,742,681	42,409,884,987	284,486,627,670
Prior year adjustment	-	-	-
Net Increase/(Decrease) in Net Assets	10,485,091,293	(9,248,854,023)	1,236,237,270
Balance as at 30 June 2022	252,561,833,974	33,161,030,963	285,722,864,940
Actuarial valuation adjustment as at 30 June 2022	31,502,979,415	(31,502,979,415)	-
Net Increase/(Decrease) in Net Assets	20,198,393,970	6,200,572,687	26,398,966,657
Balance as at 30 June 2023	304,263,207,359	7,858,624,235	312,121,831,596

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Kes	2022 Kes
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in assets		26,398,966,657	1,236,237,270
Adjustments:			
Depreciation on ppe	31	218,029,304	231,286,437
Amortization of intangible assets	31	278,592,778	244,759,167
Increase/(decrease) in provisions	15	466,149,601	371,576,471
Fair value gain/(loss) on revaluation	10	18,436,442,556	29,202,140,726
Operating surplus/(deficit) before working capital changes		45,798,180,894	31,286,000,071
Changes in Working Capital:			
Decrease/(increase) in inventories	22	(18,386,069)	66,444,306
Decrease/(increase) in debtors & prepayments	23	884,431,813	(3,392,143,527)
Decrease/(increase) in accrued income	20	(850,490,140)	(1,920,843,314)
increase/(decrease) in payables and accruals	32	(1,772,627,400)	2,160,821,059
Net Working Capital Changes		(1,757,071,795)	(3,085,721,476)
Net cash flows generated from operating activities		44,041,109,099	28,200,278,596
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement/withdrawal of deposits with financial institutions	17	(4,865,871,200)	(1,748,844,235)
Purchase/sale or redemption of Treasury bills	18	414,297,820	(416,095,837)
Purchase/sale or redemption of Treasury bonds	19	(33,457,681,266)	(17,205,890,335)
Purchase/sale or redemption of corporate bonds	20	10,853,463	(846,970,105)
Purchase/sale of unquoted equities	27	(514,600,495)	(21,260,662)
Purchase/sale of quoted equities	28	(5,257,139,878)	(7,649,782,437)
Purchase, development/sale of land and buildings	29	273,114,862	303,227,625
Assets under construction	30	(25,775,191)	(490,053,193)
Purchase/sale of property, plant and equipment	31	(283,038,526)	(283,038,526)
Receipts from TPS and other loans		(157,071,311)	606,653,922
Net cash flows from investing activities		(43,862,911,723)	(27,752,053,783)
Net increase/(decrease) in cash and cash equivalents		178,197,376	448,224,813
Cash and cash equivalents as at 1 July		1,019,225,791	571,000,978
Cash and cash equivalents as at 30 June		1,197,423,167	1,019,225,791

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget		Adjustments		Final budget		Actual on comparable		Performance difference		%
	2022-2023	Kes	2022-2023	Kes	2022-2023	Kes	2022-2023	Kes	2022-2023	Kes	
Revenue:											
Contribution	19,568,043,228		-		19,568,043,228		26,873,595,651		7,305,552,423		37
Benefits	(8,143,450,000)		-		(8,143,450,000)		(6,675,201,681)		1,468,248,319		(18)
Net Dealings	11,424,593,228		-		11,424,593,228		20,198,393,970		8,773,800,742		77
Dividend income	2,500,000,000		-		2,500,000,000		4,351,638,109		1,851,638,109		74
Interest income	21,785,000,000		-		21,785,000,000		25,087,013,240		3,302,013,240		15
Rent income	1,487,186,000		-		1,487,186,000		1,171,281,393		(315,904,607)		(21)
TPS interest income	350,000,000		-		350,000,000		292,295,254		(57,704,746)		(16)
Unrealised gain (loss) on investments	2,857,334,000		-		2,857,334,000		(18,436,442,556)		(21,293,776,556)		(745)
Realised gain on investments	150,000,000		-		150,000,000		457,177,065		307,177,065		205
Other Investment Income	50,000,000		-		50,000,000		65,926,054		15,926,054		32
Other income	79,500,000		-		99,500,000		540,655,817		411,155,817		317
Total Income	40,683,613,228		-		40,683,613,228		33,727,938,396		(6,955,674,832)		(17)
Expenses:											
Management investment expense	735,000,000		-		735,000,000		653,306,410		81,821,480		11
Compensation of employees	4,418,547,222		-		4,418,547,222		4,074,790,734		343,756,488		8
Trustee' Emoluments	48,000,000		-		48,000,000		55,757,130		(7,757,130)		(16)
General administration cost	1,658,211,070		(15,000,000)		1,643,211,070		1,543,261,312		99,949,758		6
Finance Expense	25,000,000		15,000,000		40,000,000		39,212,361		787,639		2
Depreciation & amortization	116,866,930		-		116,866,930		496,622,081		(379,755,152)		(325)
Provision	-		-		-		466,149,601		(466,149,601)		(100)
Total Expenditure	7,001,625,222		-		7,001,625,222		7,328,971,740		(327,346,518)		(5)
Surplus for the period	33,681,988,006		-		33,681,988,006		26,398,966,657		(7,283,021,349)		(22)

Management Comments

(i) Member Contribution

The Fund collected Kshs. 26.87 billion compared with budget of Kshs.19.7 billion which is a 37% performance above target. This performance is attributed to implementation of new rates after the Court of Appeal ruling in the Month of February 2023 which increased the average monthly member contribution from Kshs. 1.2 per month to Kshs. 3.6 per month.

(ii) Benefits

The Fund paid out member benefits amounting to Kshs.6.67 billion compared to budget of Kshs. 8.14 billion which is an 82% performance. The variance of 18% is attributed to delay in declaration of interest which was occasioned by delay to complete the external audit process.

(iii) Dividend Income

The Fund earned dividend income amounting to Kshs.4.35 billion in the year under review compared with Kshs. 2.5 billion budget or 174% performance. The impressive performance is attributed to a higher dividend declaration by EABL, Equity bank, Cooperative bank, Absa bank, BAT, Safaricom, DTB, SCB, signifying the resilience of the Kenyan economy despite the effects of the Russia-Ukraine war.

(iv) Interest income

The Fund earned Kshs. 25 billion interest income from treasury bonds, treasury bills, corporate bonds and call and fixed deposits compared with Kshs. 21.8 billion budget or 115% performance. Specifically, performance for each category of asset was treasury bonds 115%, treasury bills 157%, corporate bonds 200% and call and fixed deposits 226% when compared with the previous year. The performance is attributed to increased investment in fixed income assets to preserve members' from the downward trajectory taken by market prices of securities at the Nairobi Securities Exchange.

(v) Rent Income

Rent income performance was 21% below budget mainly because of low a review of the rates charged per square feet which was informed by a market survey commissioned by the Board of Trustees. The market survey was intended to address the low occupancy and exit of key tenants after the Covid-19 pandemic. The survey established that the rates charged by the Fund were higher than the market and therefore need to adjust.

(vi) TPS Interest

Interest earned from TPS scheme continues to reduce because of early repayment of loans by tenants and the Fund's significant decrease in investment in housing projects under TPS.

(vii) Fair value loss on investments

The Fund's investments experienced a significant fair value loss of Kshs. 18.44 billion or 745% compared to budget. However, this was an improvement from the Kshs. 29.2 billion loss recorded in the previous year. This paper loss is attributed to the capital flight by mainly foreign investors mainly pension funds responding to the increase in interest rates by the US Federal Reserve Bank

which attracted many investors to the American Market leading to huge losses in the developing and emerging markets and depreciation of many currencies in the globe. The Fund was however able to earn investment income by investing the increased contributions therefore managing to cover the paper loss and maintain a positive return on investment of Kshs. 12.34 billion.

(viii) Realized gain on sale of investments

The Fund realized a gain on sale of investments amounting to Kshs.457 million or 205% compared to budget of Kshs. 150 million and a loss of Kshs. 151 million in the previous year. The impressive performance is attributed to the Diageo EABL transaction where Diageo was seeking to increase its shareholding in EABL by 14.94 % using a budget of Kshs. 22.73 billion and an offer price of Kshs. 192 per share.

(ix) Other investment income

The Fund earned Kshs. 65.9 million other investment income mainly profit from sale of house units of Milimani Executive Apartments and commissions and rebates against a budget of Kshs. 50 million.

(x) Other income

The Fund earned Kshs. 540.6 million mainly from fines and penalties levied on late remittance of employee contribution to NSSF by employers.

(xi) Investment management expense

The Fund incurred Kshs.653 million on management expense against budget of Kshs.735 million, or 11% lower than budget. This low absorption is attributed to decrease in the value of assets under management due to the reduction in prices of bonds and equities at the Nairobi Securities Exchange. The value of assets under management is the base used when computing fund managers' and custodian fees.

(xii) Trustees' emoluments

The Fund incurred an expenditure of Kshs. 55.7 million of the Board of Trustees against a budget of Kshs.48 million which is attributed to the number of sittings. There was increased board activity because of the many transitions that took place during the year under review.

(xiii) Depreciation and amortization

The Fund incurred Kshs.496 million of depreciation of assets and amortization of software compared to budget of Kshs.117 million. This is attributed to capitalization of software that was carried out towards the end of last financial year.

(xiv) Provisions

The amount of Kshs.466 million represents an increase in provision for doubtful debt mainly rent debtors. Some tenants were unable to clear their rent bills during and after the Covid-19 pandemic, most of whom have evicted and the process of recovery is underway. However, management so it prudent to make provisions for the outstanding amounts.

	Original budget 2022-2023 Kes	Adjustments 2022-2023 Kes	Final budget 2022-2023 Kes	Actual on comparable 2022-2023 Kes	Performance difference 2022-2023 Kes	%	Management comments
Refurbishment - Investment Buildings	100,000,000	-	100,000,000	-	(100,000,000)	(100)	Binders who tendered non met the requirements of the required scope of works
Proposed Machakos Housing	700,000,000	-	700,000,000	-	(700,000,000)	(100)	The project never kicked off
Proposed Kisumu Housing	500,000,000	-	500,000,000	-	(500,000,000)	(100)	The project never kicked off
CCTV Social Security House Nairobi	125,000,000	-	125,000,000	-	(125,000,000)	(100)	Binders who tendered non met the requirements of the required scope of works
Network upgrade	20,000,000	-	20,000,000	-	(20,000,000)	(100)	Binders who tendered non met the requirements of the required scope of works
Server Upgrade	50,000,000	-	50,000,000	37,000,000	(13,000,000)	(26)	Part of works Binders who tendered non met the requirements of the required scope of works
Social Security System Upgrade/ Replacement	200,000,000	-	200,000,000	-	(200,000,000)	(100)	The project never kicked off
Penetration Testing	20,000,000	-	20,000,000	-	(20,000,000)	(100)	Back Up Solution and The project never kicked off
Secure WIFI	15,000,000	-	15,000,000	14,000,000	(1,000,000)	(7)	work in progress
SAP Improvements	60,000,000	-	60,000,000	-	(60,000,000)	(100)	The project never kicked off
Management System)	100,000,000	-	100,000,000	-	(100,000,000)	(100)	EDMS(Electronic Document Management System) The previous contract was yet to be finalised for a new one to be commenced
Motor Vehicle	30,000,000	-	30,000,000	20,000,000	(10,000,000)	(33)	work in progress
IT equipment	25,000,000	-	25,000,000	22,050,000	(2,950,000)	(12)	work in progress
Furniture	10,000,000	-	10,000,000	7,500,000	(2,500,000)	(25)	work in progress
Equipment's	10,000,000	-	10,000,000	8,000,000	(2,000,000)	(20)	work in progress
Fitting & Finishing	5,000,000	-	5,000,000	1,500,000	(3,500,000)	(70)	work in progress
Totals	1,970,000,000	-	1,970,000,000	110,050,000	(1,859,950,000)	(94)	

Note: PFM Act section 8(1)(ii) and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these standards comply with, the importance that the budgetary information would provide to the users of the statements and the fact that public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

1. General Information

National Social Security Fund is established by and derives its authority and accountability from NSSF Act Cap 258 Laws of Kenya. The NSSF is wholly owned by workers who are members and contributors to the Fund. The Fund is domiciled in Kenya and its principal activity is provision of social security to workers in Kenya.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 2015, Income Tax Act (Revised) 2012 and the National Social Security Fund Act 2013, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

3. Application of New and Revised International Financial Reporting Standards (IFRS)

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st January 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Title	Description	Effective Date
	The Fund does not issue insurance contracts and therefore the adoption of IFRS 17 has had no effect in the financial statements of the Fund	
IAS 8-Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. No change in accounting policy or accounting estimate took place during the year under review and therefore no amendment or adjustment is necessary as per IAS 8.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. The Fund has with effect from January 1, 2023 replaced disclosure of significant accounting policies with disclosure of material accounting policies. However, the change has not brought about changes to the accounting policies disclosed.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

The Board of Trustees have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the Fund's financial statements.

Application of New and Revised International Financial Reporting Standards (IFRS)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Title	Description	Effective Date
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Board of Trustees does not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

(iii) Early adoption of standards

The Fund did not early - adopt any new or amended standards in year 2022-2023.

4. Summary of Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

(a) Revenue recognition (IFRS 15)

Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognizes revenue when it transfers control of a product or service to a customer.

Revenue arises from:-

- (i) **Contributions from employers/employees** - Comprises statutory and other payments due to NSSF under the National Social Security Fund Act, 2013 (i.e. contributions towards the Pension Scheme, Old and New Provident Funds. Statutory contributions are accounted for in the year they are due to the Fund while Voluntary contributions are accounted for in the year they are received.
- (ii) **Interest income** comprises of interest receivable from bank deposits and investment in securities and is recognized in Statement of Changes in Net Assets Available for Benefits on a time proportion basis using the effective interest rate method.
- (iii) **Dividend income** is recognized in the Statement of Changes in Net Assets Available for Benefits in the year in which the right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iv) **Rental income** is recognized in the Statement of Changes in Net Assets Available for Benefits as it accrues using the effective lease agreements.

(v) **Other income** is recognized as it accrues.

(vi) **Tenant Purchase Scheme and Loan Advances** - accrue from financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides loans, money or services directly to debtors with no intention of trading the receivables. All loans and receivables fall under this category and are stated at amortized costs. Receivables which do not carry interest rate are stated at their invoice amount.

(b) **Benefits payable**

Benefits to members are accounted for in the period in which they fall due.

(c) **Operating expenses**

Operating expenses are recognised is profit or loss upon utilization of the service or as incurred.

(d) **Property, plant and equipment (IAS 16: Property, Plant and Equipment)**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in Statement of Changes in Net Assets Available for Benefits.

(Where the scheme has elected to revalue items of PPE, it should be done in accordance with IAS 16, Property, Plant and Equipment)

Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Annual Rates	%
Buildings and civil works	Nil
Freehold Land and Buildings	Revaluation
Motor Vehicles, including motorcycles	20
Computers and related equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20
Low Value Assets	100

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on prorata basis. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

(e) Accounting for leases-(IFRS 16: Leases)

Leases under which the Fund is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Scheme recognizes a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Scheme is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Scheme's incremental borrowing rate is used. For leases that contain non-lease components, the Scheme allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. Subsequently the lease liability is measured at amortized cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities.

Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Scheme at the end of the lease term, the estimated useful life would not exceed the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

Leases under which the Fund is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognized as income in the profit or loss account on a straight-line basis over the lease term.

(f) Intangible assets (IAS 38: intangible Assets)

Intangible assets value is stated at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated to write off the cost in line with the requirements of IAS 38-Intangible assets.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Fund are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use;
- there is an ability to use the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over a period of 3 years which is the recognised useful life of software by Fund policy.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in profit or loss

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of net assets when the asset is derecognized.

(g) Investment property (IAS 40: Investment Property)

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(h) Financial Instruments (IFRS 9: Financial Instruments)

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Fund becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is recognised when its extinguished, discharged, cancelled or expires.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Fund to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Amortised at cost
- Fair value through profit and loss (FVTPL), or
- Fair value through other comprehensive income (FVOCI).

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:-

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

In the period presented, the Fund does not have any assets categorised as FVOCI.

The classification is determined by both:

- the Fund's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets and are recognised in profit and loss are presented within investment income, or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit and loss (FVTPL)

Financial assets held within different business model other than 'hold to collect' or hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which hedge accounting requirements of IFRS 13 'Fair Value Measurement'.

The Fund accounts for its investments at FVTPL where assets are measured at fair value with gains or losses recognised in profit and loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Fund accounts for financial assets at FVOCI) if the assets meet the following:

- they are held under a business model whose objective it is 'hold to collect' the associated cash flows and, sell,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9 requires the Fund to recognize a loss allowance for expected losses i.e. apply expected credit loss (ECL) model). Instruments within this scope of the requirements include: Debt investments – loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit and loss. measured subsequently at amortized cost or at FVTOCI.

In particular, IFRS 9 requires the Fund to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

At each balance sheet date, the Fund considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(i) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

The Fund makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Fund uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

The Fund assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 36 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Taxation income tax

The Fund is exempted from income tax under the Income Tax Act Cap 470 subject to compliance to the National Social Security Fund Exemptions Rules of 2002.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

(n) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered under a separate pension scheme from the Fund run by an independent Board of Trustees and is funded by contributions from both the Fund and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 320 per employee per month.

(o) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

(p) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(q) Budget information

The original budget for FY 2022-2023 was approved by the Principal Secretary, State Department for Labour and Skills Development on 17 April, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XVII of these financial statements.

(r) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(t) Events after the reporting period

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

(b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets

(c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Member Contribution

CONTRIBUTIONS	2023 Kes	2022 Kes
Pension Tier I	13,770,492,709	15,256,148,244
Pension Tier II	12,360,977,487	-
Old provident	31,848,542	37,838,081
New Provident	702,849,872	653,501,538
Haba Haba	7,427,042	2,782,876
Gross contribution for the year	26,873,595,651	15,950,270,739
Add: Accruals at end of the year	-	916,103,182
Less: Accruals at start of the year	-	(950,893,829)
Net contribution for the period	26,873,595,651	15,915,480,093

The Fund collected member contribution amounting to Kes. 26.9 billion during the year under review. The contribution relate to amounts remitted in respect of the three funds under the NSSF Act of 2023 (old provident fund, new provident fund and the pension fund). However, the contributions receivable estimated to be Kshs. 9,545,509,225 remained outstanding as at 30 June 2023 and has not been included in these financial statements. This comprises of mandatory contributions of Kshs. 1,933,630,444 and penalties of Kshs. 7,611,878,781 mainly relating to the old provident. The outstanding arrears are estimated based on previous late payments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

Active Members and Employers

Year Financial	Members No of active	Employers No. of active
2022/2023	2,961,677	78,549
2021/2022	2,604,199	76,907
2020/2021	2,390,820	73,237
2019/2020	2,461,986	74,368
2018/2019	2,502,239	73,308
2017/2018	2,629,701	73,896

7. Benefits to members

	2023 Kes	2022 Kes
Age benefit	4,527,777,322	3,655,086,339
Survivors benefit	462,712,408	499,731,627
Invalidity benefit	14,214,497	13,143,417
Withdrawal benefit	1,654,571,316	1,220,036,655
Emigration benefit	15,926,139	39,320,761
Funeral grant	-	3,070,000
Net benefits for the period	6,675,201,681	5,430,388,800

A total of 103,744 benefit claims were processed and paid to 76,450 exiting members during the year. A detailed analysis of the benefit paid is as given below:-

Benefit Type	No of Claims	No of Members	Principal	Interest	Amount
Age	70,159	48,423	2,459,009,179	2,068,768,143	4,527,777,322
Survivor	8,373	4,991	251,174,267	211,538,141	462,712,408
Invalidity	302	166	8,407,965	5,806,532	14,214,497
Withdrawal	24,560	22,625	765,621,289	888,950,027	1,654,571,316
Emigration	350	245	12,768,451	3,157,688	15,926,139
Total	103,744	76,450	3,496,981,150	3,178,220,531	6,675,201,681

8. Income from Investments

	2023 Kes	2022 Kes
Interest Income (note 8a)	25,087,013,240	21,271,191,329
Dividend Income (note 8b)	4,351,638,109	3,793,883,752
Rent Income (note 8c)	918,008,775	1,074,455,408
Parking Fees (note 8e)	101,474,882	110,265,487
Notional Rent (8d)	141,348,600	141,348,600
Mast Rent (8f)	10,449,136	7,294,275
Interest on TPS loans (note 8g)	292,295,254	353,151,404
Other Investment Income (note 8h)	65,926,054	65,577,027
	30,968,154,051	26,817,167,282

The Fund earned Kes 30.97 billion gross investment income, or 15% more than the previous year. This was an impressive performance considering the effects of the

Russia-Ukraine war, increase in inflation and the food security crisis. However, the Fund's management remains cautious as it monitors the situation going forward.

The various sources of investment income are analysed below:-

8a. Interest Income

	2023 Kes	2022 Kes
Treasury bonds	23,562,881,992	20,532,063,328
Corporate bonds	220,890,249	110,569,010
Treasury bills	264,191,134	168,027,728
Call & Fixed deposits	1,039,049,866	460,531,263
	25,087,013,240	21,271,191,329

Increase in interest earned is as a result of increased investment in treasury bonds, treasury bills and corporate bonds.

8b. Dividend Income

	2023 Kes	2022 Kes
Bamburi Cement Ltd	51,023,055	231,063,725
Absa Bank Kenya Plc	201,704,321	160,675,341
British American Tobacco Kenya Ltd	132,262,938	109,888,896
CFC Stanbic of Kenya Holdings Ltd	64,286,485	41,116,098
East African Breweries Ltd	422,677,354	133,410,278
I&M Holdings Ltd	8,654,400	5,769,600
Kenya Commercial Bank Ltd	624,822,584	829,307,927
Kenya Power 4% Pref 20.00	2,840	1,420

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 Kes	2022 Kes
Kenya Power 7% Pref 20.00	1,050	525
NCBA Bank Ltd	74,762,375	65,838,248
Safaricom Ltd	1,091,591,600	1,072,604,564
The Co-operative Bank of Kenya Ltd	272,142,849	171,356,823
Jubilee Holdings Ltd	1,160,100	1,353,450
Kenya Re Insurance Corporation Ltd	18,115,866	9,057,933
Equity Bank Ltd	1,007,823,384	656,350,938
Diamond Trust Bank Kenya Ltd	42,982,915	30,139,114
Nation Media Group Ltd	7,514,370	7,514,370
KenGen Co. Ltd	41,280,297	62,917,811
Centum Investment Co Ltd	3,454,965	1,942,314
Standard Chartered Bank Kenya Ltd	195,666,962	143,649,495
Stanlib Fahari I-REIT	20,237,035	16,166,950
MTN Uganda	18,632,432	5,862,340
Umeme Ltd	42,456,707	37,331,181
Stanbic Bank Uganda	-	564,412
Acorn Students Association I-REIT	8,381,226	-
	4,351,638,109	3,793,883,752

Dividend income for the year increased by 15% signalling the resumption of companies in declaration of dividends after the recovery from Covid 19 pandemic effects.

8c. Rent Income

	2023 Kes	2022 Kes
SSH Nairobi	460,413,988	568,244,615
SSH Mombasa	88,368,747	108,270,352
Bruce House	131,913,426	139,041,667
View Park Towers	96,847,746	134,541,209
Hazina Towers	53,928,803	63,358,758
Hazina Trade Centre	72,534,528	47,402,235
Hazina South B	13,533,536	12,777,572
Kisumu Milimani	468,000	819,000
	918,008,775	1,074,455,408

Rent income reduced by 14.56% during the year mainly because of review of charge rates informed by a market survey which reflected the change of market dynamics in the property space market in the economy after the Covid 19 Pandemic.

8d. Parking Fees

	2023 Kes	2022 Kes
SSH Nairobi	43,809,800	44,692,580
SSH Mombasa	5,484,230	5,748,300
Bruce House	20,619,500	19,094,000
View Park Towers	4,009,998	4,470,000
Hazina Towers	6,846,264	8,389,128
Hazina Trade Centre	20,705,091	24,400,143
Kenyatta Avenue	-	3,471,336
	101,474,882	110,265,487

The 8% decline in parking fees is due to reduced walk in clients at the Parking Silo because parking spaces were allocated to tenants who paid monthly rates which are lower than hourly rates.

8e. Notional Rent

	2023 Kes	2022 Kes
SSH Nairobi	126,043,680	126,043,680
SSH Mombasa	7,500,480	7,500,480
Bruce House	7,123,200	7,123,200
View Park Towers	389,760	389,760
Hazina Towers	291,480	291,480
	141,348,600	141,348,600

Notional rent relates to spaces occupied by NSSF for its operations and management within the investment properties as tabulated above.

	Space Occupied	Rate Per SQF.	Monthly	Annual
SSH Nairobi	150,052	70	10,503,640	126,043,680
SSH Mombasa	11,575	54	625,050	7,500,480
Bruce House	7,915	75	593,625	7,123,200
View Park Towers	516	63	32,508	389,760
Hazina Towers	386	63	24,318	291,480
	170,444		11,779,141	141,348,600

8f. Mast Income

	2023 Kes	2022 Kes
SSH Nairobi	3,738,824	1,155,000
SSH Mombasa	420,000	1,800,000
Bruce House	2,597,958	-
View Park Towers	967,680	2,177,280
Hazina Towers	1,861,072	1,759,428
Hazina Trade Centre	863,602	402,567
	10,449,136	7,294,275

Mast income increased by 43% because more mast tenants were onboarded during the year in SSH Nairobi, Buce House and HTC.

8g. Interest from TPS

	2023 Kes	2022 Kes
Staff	36,250,194	40,878,851
Other Customers	256,045,060	312,272,553
	292,295,254	353,151,404

The reduction on interest earned from Tenant Purchase Scheme (TPS) of 17% is as a result of reduced TPS loans by 13 % as a result of repayment mainly Nyayo Embakasi Estate.

8h. Other Investment Income

	2023 Kes	2022 Kes
Profit on Sale of Houses	49,385,138	54,872,376
Commission and Rebates	12,365,220	6,055,676
Miscellaneous Interest and other receipts	5,820,975	3,455,210
Imperial bank recovery	-	157,146
Board Fees	987,257	1,036,620
Foreign exchange gain(loss)	(2,632,536)	-
	65,926,054	65,577,027

The Kes. 2.6 million foreign exchange loss is a translation loss at the period end. The Fund held USD 8,087,528 call deposits at very attractive interest rates. The translation loss was occasioned by the depreciation of the Kenyan shilling. However, at maturity, the interest will cover the translation loss reported.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Bank	USD	Kes
ABSA BANK LTD	1,221,000	168,436,474
Equity Bank	1,811,000	243,579,497
I&M Bank	4,034,528	560,799,392
Stanbic Bank Ltd	1,021,000	136,467,707
Grand Total	8,087,528	1,109,283,070

9. Fair Value Gain/(Loss) on Revaluation

	2023 Kes	2022 Kes
Corporate bonds	610,235	782,988
Treasury bonds	(8,089,218,004)	(8,949,779,598)
Unquoted equities	(193,154,296)	-
Quoted equities	(10,075,707,121)	(16,500,274,750)
Investment property	(78,973,368)	(3,752,869,367)
	(18,436,442,556)	(29,202,140,726)

The Fund's investments experienced a slump performance yielding a negative valuation of treasury bonds and equities resulting in a valuation loss of Kes. 18.45 billion. The Fund's assets are marked to market in accordance to IFRS with IFRS 13 and IAS 26. Being a long-term investor, the situation is expected to correct in the long term.

10. Realised Gain /(Loss) on Investments

	2023 Kes	2022 Kes
T bonds	(77,927,393)	214,923,619
C bonds	4,700	-
Unquoted equities	49	-
Listed equities	535,099,758	(366,123,087)
	457,177,114	(151,199,468)

The realised gain above is attributed to the Diageo EABL deal where Diageo was seeking to increase its stake in EABL by 14.97% by purchasing 118,394 units for a total purchase price of Kes 22,7 billion at an attractive purchase price Kes. 192. The Fund offloaded a total of 9,420,650 shares while retaining a substantial holding of 29,627,529. The Fund made a capital gain of Kes. 488 million from the transaction.

11. Investment Management Expense

	2023 Kes	2022 Kes
Fund managers' fees	424,453,299	414,552,728
Custodian fees	103,024,652	103,319,977
Actuarial & investment management fees	50,763,023	38,351,507
Land rent & rates	(6,428,056)	8,616,573
Asset valuation expense	24,972,690	20,963,600
RBA Levy	5,000,000	5,000,000
Estate Management Costs	51,392,912	24,985,130
	653,178,520	615,789,515

The Fund incurred Kes 653 million on investment management costs which translates to about 0.2% of the value of assets under management.

12. Other Income

	2023 Kes	2022 Kes
Miscellaneous Income	15,407,260	23,276,307
Interest on staff loans	31,840,856	41,984,768
Fines and penalties	489,180,910	537,822,780
Miscellaneous expenses recovered	4,226,792	4,293,964
Decrease in provision for leave pay	-	47,906,056
Write back of returned benefits	-	98,149,454
	540,655,817	753,433,329

Other income represents miscellaneous receipts earned by the Fund mainly from penalties charged on late remittance of member contributions by employers, interest charged on staff loans, fines charged on customers who issue unpaid cheques, reduction in provision for leave pay, write back of returned benefits and other miscellaneous charges.

13. Compensation of Employees

	2023 Kes	2022 Kes
Salaries and Allowances	3,229,600,922	3,117,840,121
Pension and Gratuity	391,926,678	367,277,170
Medical Expenses	298,173,522	261,498,509
Staff Welfare	68,572,212	63,063,859
Insurance	46,971,657	29,618,411
Increase in provision for leave pay	39,545,744	-
	4,074,790,734	3,839,298,069

Average number of employees at the end of the year was

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 Number	2022 Number
Permanent employees - management	81	82
Permanent employees - technical	482	503
Permanent employees - unionisable	523	560
Total	1,086	1,145

14. General Administrative Cost

	2023 Kes	2022 Kes
Trustee' Emoluments	55,757,130	29,241,145
Travelling and subsistence costs	240,340,545	209,225,226
Transport Costs	47,060,175	39,900,158
Rent Expense	300,718,391	299,263,908
Printing, Stationery and Photocopying	34,595,325	34,234,544
Postage, Telephone and Internet Expenses	90,773,246	93,247,641
Electricity, Water, Security and Conservancy	78,724,929	87,946,157
Training Expenses	87,665,677	84,548,841
Repairs and Maintenance	317,453,995	831,493,930
Hospitality Material and services	-	8,453,431
Consultancy and Professional Expense	2,279,280	33,830,905
Legal Expense	96,965,640	53,771,092
Audit Fees	9,280,000	8,000,000
Bank charges	39,212,361	33,196,828
SS Policy Development	17,373,133	15,665,936
General Insurance	42,315,438	43,332,710
AGM Expenses	5,915,126	1,917,840
ISO Expenses	17,403,497	44,103,963
Advertising, Exhibition and Marketing	41,371,924	67,767,810
Corporate Social Responsibility	22,031,088	27,067,561
Other Administrative Expense	58,296,532	117,195,155
Project claims	32,697,373	-
Depreciation	218,029,304	231,286,437
Amortization	278,592,778	244,759,167
	2,134,852,885	2,639,450,386

15. Provisions and adjustments

	2023 Kes	2022 Kes
REALPPLE5YRFXD BULLET NOTE	-	183,750,000
Tassia Scheme	-	105,158,476
Accrued interest from REALPEOPLE bond	-	12,540,938
Increase in provision for doubtful debts	466,149,601	70,127,057
	466,149,601	371,576,471

Provisions relate to specific provision for doubtful rent debtors, general provision for debtors (rent and TPS debtors) and contribution unpaid cheques.

16. Cash and Bank Balances

	2023 Kes	2022 Kes
Cash balances	1,020,770	1,055,030
CFC Stanbic Bank	959,830	11,738
Cooperative Bank	42,212,424	62,949,994
Kenya Commercial Bank	916,130,950	699,647,798
Mpesa	29,775,678	16,041,368
National Bank of Kenya	111,162,664	11,222,436
Standard Chartered Bank	96,160,851	228,297,429
	1,197,423,167	1,019,225,791

The amount represents cash and bank accounts ledger balances as at 30th June 2023.

17. Call and Fixed Deposits

	2023 Kes	2022 Kes
Call deposits	4,297,983,678	4,376,349,000
Fixed deposits	10,632,235,392	5,711,069,200
	14,930,219,070	10,087,418,200
MOVEMENT		
Opening balance	10,087,418,200	8,369,320,000
Additions during the year	125,954,138,430	74,160,555,359
Reductions during the year	121,111,337,560	72,442,457,159
Closing balance	14,930,219,070	10,087,418,200

The call and fixed deposits have been placed in a cross section of banks as represented on note 17a and 17b below:-

17.a Call Deposits

	2023 Kes	2022 Kes
ABSA Bank Ltd	668,436,474	750,000,000
Stanbic bank	136,467,707	349,393,000
Cooperative Bank Ltd	345,000,000	71,000,000
Equity Bank Ltd	398,279,497	307,200,000
KCB Bank Ltd	226,000,000	1,245,266,000
National Bank of Kenya	1,087,000,000	1,000,000,000
NCBA Bank Ltd	1,436,800,000	653,490,000
	4,297,983,678	4,376,349,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17.b Fixed Deposits

	2023 Kes	2022 Kes
ABSA Bank Ltd	1,294,000,000	400,000,000
Cooperative bank	2,664,836,000	1,305,000,000
Equity bank	824,000,000	763,099,200
I&M Bank Ltd	760,799,392	
-		
National Bank of Kenya	1,027,000,000	1,000,000,000
Kenya Commercial Bank	1,910,000,000	1,815,000,000
NCBA Bank Ltd	1,351,600,000	27,970,000
Stanbic Bank Ltd	400,000,000	400,000,000
Diamond Trust Bank	400,000,000	
-		
Imperial bank	206,126,260	206,126,260
	10,838,361,652	5,917,195,460
Less: Provision for doubtful deposits	(206,126,260)	(206,126,260)
	10,632,235,392	5,711,069,200
Maturity analysis:		
Already due	206,126,260	206,126,260
Maturing within 90 days	10,632,235,392	5,711,069,200
	10,838,361,652	5,917,195,460

The provision of Kes 206,126,260 relates to the remaining amounts of deposits placed in Imperial Bank. Imperial Bank was placed under statutory management by Central Bank of Kenya (CBK).

18. Treasury Bills

	2023 Kes	2022 Kes
Balance at the beginning of the year	1,626,492,637	1,210,396,800
Additions	2,462,756,476	2,312,079,156
Proceeds on maturity/disposals	(2,877,054,296)	(1,895,983,319)
Balance at the end of the year	1,212,194,817	1,626,492,637
Maturity Analysis:		
Between 121 and 180 days	1,059,076,517	-
Between 181 and 365 days	153,118,300	1,210,396,800
	1,212,194,817	1,210,396,800

19. Treasury Bonds

	2023 Kes	2022 Kes
Balance at the beginning of the year	161,196,499,180	152,940,388,443
Purchase during the year	57,946,465,232	52,627,549,003
Maturities/Withdrawals	(24,488,783,966)	(35,421,658,669)
Add: Fair value gain/(loss)	(8,089,218,004)	(8,949,779,598)
Balance at the end of year	186,564,962,441	161,196,499,180
Maturity Analysis:		
Within 1 year	1,743,125,787	-
Between 1 and 3 years	9,972,304,738	627,183,226
Between 3 and 5 years	16,672,132,644	12,803,071,573
Between 5 and 10 years	65,738,599,270	32,198,585,209
Between 10 and 20 years	85,343,659,103	101,714,791,791
More than 20 years	7,095,140,898	13,776,617,683
	186,564,962,441	161,120,249,482

Treasury bonds represent 59% of the Fund's total assets and earned 76% of total investment income. The Fund increased its Fixed Income exposure to mitigate the equity fluctuation that eroded value because of a poor run at the Nairobi Securities Exchange.

20. Corporate Bonds

2023						2022					
Nominal Value	Price	Market Value	CORPORATE BONDS	Nominal Value	Price	Market Value					
132,200,000	100	132,200,000	Imperial 5.25YR FXD Bond	132,200,000	100	132,200,000					
183,750,000	100	183,750,000	REALPPLE5YRFXD Bullet Note	183,750,000	100	183,750,000					
534,700,000	100	534,700,000	FXDCHASE2015	534,700,000	100	534,700,000					
904,500,000	100	904,210,560	Family Bank 5.5yr Bond	904,500,000	100	904,441,208					
131,146,537	100	131,086,078	KMRC Fixed Bond	142,000,000	100	141,938,514					
704,970,105	100	706,669,083	EABL_MTN_2021_Note	704,970,105	100	705,824,529					
2,591,266,642		2,592,615,721		2,602,120,105		2,602,854,250					
Less: Provision for doubtful bonds											
132,200,000	100	132,200,000	Imperial 5.25YR FXD Bond	132,200,000	100	132,200,000					
534,700,000	100	534,700,000	FXDCHASE2015	534,700,000	100	534,700,000					
183,750,000	100	183,750,000	REALPPLE5YRFXD Bullet Note	183,750,000	100	183,750,000					
850,650,000		850,650,000	Sub-total	850,650,000		850,650,000					
1,740,616,642		1,741,965,721		1,751,470,105		1,752,204,250					
MOVEMENT											
			2023								
Opening balance		2,602,854,250	Opening balance			1,755,044,566					
Purchases		-	Purchases			846,970,105					
Disposal/redemption		(10,853,463)	Disposal/redemption			-					
Add: Fair value gain/(loss)		610,235	Add: Fair value gain/(loss)			839,579					
		2,592,611,021				2,602,854,250					
Less: Provision for doubtful bonds		850,650,000	Less: Provision for doubtful bonds			850,650,000					
		1,741,961,021				1,752,204,250					

21. Accrued Income

	2023 Kes	2022 Kes
Accrued Dividend Income (21 a)	1,133,807,751	1,538,540,091
Interest from T. bills and bonds (21b)	6,330,138,533	5,096,732,147
Interest from Call and Fixed Deposits (21c)	97,187,173	75,533,943
Interest from Corporate Bonds (21d)	22,548,740	22,385,877
Total accrued income	7,583,682,198	6,733,192,058

21.a Accrued dividend

Bamburi Cement	51,023,055	231,063,725
Jubilee Holdings Ltd Ord 5.00	1,063,425	1,256,775
Nation Media Group	7,514,370	7,514,370
Diamond Trust Bank Kenya Ltd Ord 4.00	-	30,139,114
Kenya Commercial Bank Ltd Ord 1.00	-	562,703,418
Equity Bank Ltd Ord 0.50	1,006,473,384	656,350,938
MTN Uganda	7,160,944	5,862,340
Kenya Re-insurance Corporation	18,115,866	9,057,933
Umeme	42,456,707	34,591,477
	1,133,807,751	1,538,540,091
Total accrued dividend	1,133,807,751	1,538,540,091

21.b Accrued Interest from govt bonds

Treasury bonds	6,255,599,840	5,086,638,883
Treasury bills	74,538,694	10,093,264
	6,330,138,533	5,096,732,147

21.c Interest from Call and Fixed Deposits

ABSA Bank Ltd	5,912,358	5,424,110
Coop Bank Ltd	23,697,447	2,275,479
DTB Bank Ltd	1,506,849	-
Equity Bank Ltd	6,635,696	8,144,136
I&M Bank Ltd	7,355,124	-
KCB Bank Ltd	5,360,370	11,667,849
NBK Bank Ltd	29,889,986	24,408,219
NCBA Bank Ltd	12,997,643	11,606,813
SBM Bank Ltd	-	10,067,612
Stanbic Bank Ltd	3,831,701	1,939,726
	97,187,173	75,533,943

21.d Accrued Interest from Corporate Bonds

	2023 Kes	2022 Kes
EABL-FXD 02/2017/005	14,946,722	14,709,472
Family Bank 5.5yr Bond	2,242,664	1,922,284
KMRC Fixed Bond	5,359,354	5,754,121
REALPPLE5YRFXD BULLET NOTE	-	12,540,938
Gross accrued interest from corporate bonds	22,548,740	34,926,815
Less: Provision for doubtful interest	-	(12,540,938)
	22,548,740	22,385,877

22.

	2023 Kes	2022 Kes
General office stationery	19,492,970	4,644,573
Office and computer accessories	6,614,728	3,826,166
Tools and electrical accessories	608,562	668,304
Safety materials and clothing	222,298	288,063
Hospitality materials	4,308,077	3,433,461
	31,246,635	12,860,566

Stores and supplies represent the value of items of stationery, consumables and other materials held in the stores as at 30 June 2023. A stock-take to ascertain the value is carried at the end of every financial year and reconciliation carried out.

23. Receivables and Prepayments

	2023 Kes	2022 Kes
TPS debtors	1,686,373,991	4,134,513,704
Rent debtors	1,717,059,517	1,449,689,953
Deposits and advances (note 23a)	274,096,080	268,959,238
Staff loans debtors (note 23b)	24,517,223	33,682,390
Staff advances and imprest (note 23c)	24,764,789	24,334,322
Contributions debtors (note 23d)	1,512,982,541	(34,790,647)
Tax receivables (note 23e)	938,003,638	935,901,481
Legacy debtors (note 23f)	14,389,969	14,389,969
Service Charge Debtors (note 23g)	1,073,043,233	864,567,109
Contribution Unpaid Cheques	85,769,461	78,864,910
Rent and TPS Unpaid Cheques	829,773	-
Total Receivables and Prepayments	7,351,830,217	7,770,112,429
Less: Provision for bad debts	(771,157,271)	(305,007,670)
Net Receivables and Prepayments	6,580,672,946	7,465,104,760

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 Kes	2022 Kes
General provisions		
TPS Debtors	33,707,349	26,050,511
Rent Debtors	22,030,694	35,300,266
	55,738,044	61,350,777
Specific provisions		
Various vacated tenants	615,259,797	150,402,014
Staff pension debtor	4,587,969	4,587,969
Mutula Kilonzo	5,015,000	5,015,000
Lloyd Masika Ltd	4,787,000	4,787,000
Bounces cheques	85,769,461	78,864,910
	715,419,227	243,656,893
Total Provisions	771,157,271	305,007,670

The provision relates to long outstanding items whose recoverability has been judged to be doubtful. Effort to recover is ongoing but the provision is to ensure that the financial statements do not overstate the financial position of the Fund.

23.a Deposits and Advances

	2023 Kes	2022 Kes
Advances and deposits to suppliers	273,199,780	268,062,938
Other deposits	896,300	896,300
	274,096,080	268,959,238

23.b Staff Loans Debtors

	2023 Kes	2022 Kes
Staff Car loan debtors	15,748,195	25,285,876
Staff Car Insurance debtors	1,416,678	1,017,663
Staff mortgage loan debtors	6,917,601	6,917,601
Other staff loans debtors	434,749	461,250
	24,517,223	33,682,390

23.c Staff Advances and Imprest

	2023 Kes	2022 Kes
Salary advances	8,906,215	10,665,162
Staff Imprest	4,625,266	3,988,393
Medical advance	6,583,257	6,788,064
Motor vehicle insurance advance	55,139	97,875
Meal allowance	26,600	96,800
Household items advance	4,568,312	2,698,027
	24,764,789	24,334,322

Staff loans are advanced to staff as per laid down policy.

23.d Contribution debtors

	2023 Kes	2022 Kes
Outstanding for less than 30 days	2,429,085,723	916,103,182
Less: Accruals at start of the year	(916,103,182)	(950,893,829)
Outstanding for less than 30 days	1,512,982,541	(34,790,647)
Outstanding for more than 30 days previous year	-	-
	1,512,982,541	(34,790,647)

23.e Tax Receivable

	2023 Kes	2022 Kes
Tax refund due from KRA (1996,1997)	904,903,717	904,903,717
Tax on interest earned from bank balances	26,605,051	24,502,894
Low interest tax	6,494,870	6,494,870
Total Outstanding	938,003,638	935,901,481

Out of the tax receivable of Kes 938,003,638, Kes 904,903,717 relates to an income tax return of Kes 1,067,606,204 filed in 1996 later established that an amount of Kes 493,257,328 was overpaid and a further Kes 411,646,389 income tax inadvertently paid to KRA in 1997 when the Fund had become income tax exempt in accordance with Section 45 of the First schedule of Income Tax Act Cap 470 which came into effect on 18 June 1996. The incidental refund of the same has remained outstanding and in 2019/2020 financial year, the same continues to be recognised as a debt.

Year	Amount (Kes)	Comment
1996	493,257,328	Overpayment based on draft accounts
1997	411,646,389	Overpaid based on the Finance Bill 1996 which was different from Finance Act 1996. KRA is yet to refund incompliance to Section 90 (1).
	904,903,717	

23.f Legacy Debtors

	2023 Kes	2022 Kes
Mutula Kilonzo	5,015,000	5,015,000
Lloyd Masika Ltd	4,787,000	4,787,000
Staff pension debtor	4,587,969	4,587,969
	14,389,969	14,389,969

23.g Service Charge Debtors

	2023 Kes	2022 Kes
Opening	864,567,109	780,774,369
Increase in the year	208,476,124	83,792,740
Decrease in the year	-	-
Prior year adjustment	-	-
	1,073,043,233	864,567,109

Service charge debtors relate to amounts incurred to provide services to tenants to be recovered from future service charge after service charge audit.

24. Staff Car and Other Loans

	2023 Kes	2022 Kes
Car loans	168,479,864	186,251,719
Insurance loans	4,542,020	3,292,922
Other Loans	430,516	430,516
	173,452,400	189,975,157

The Fund operates internally a staff car loan scheme at 4% interest repayable in 6 years. The amount relates to the outstanding principal amounts. Interest charged is recognised under other income.

25. TPS Loans

	2023 Kes	2022 Kes
TPS Loans-held by NSSF Employees	634,676,886	723,753,773
TPS Loans-held by Public	2,065,835,450	2,379,504,629
	2,700,512,336	3,103,258,402

Reduction of 13% in TPS loans is due to repayment by homeowners.

26. Staff Mortgage Security Deposits

	2023 Kes	2022 Kes
KCB Bank	138,792,696	137,252,336
Housing Finance	656,027,978	644,121,788
National Bank of Kenya	486,417,521	476,793,741
	1,281,238,196	1,258,167,866

Long-term deposits are made up of staff mortgage security deposits and balances of mortgage revolving funds bank accounts. The Fund has a staff mortgage scheme advanced at 5% interest to staff. All cadres of staff enjoy the facility according to the Human Resource Policy.

27. Unquoted Equities

2023		2022	
No of Shares	Price	No of Shares	Price
			Value
2,225,000	3.74	2,225,000	86,694,264
8,050,000	3.74	8,050,000	161,000,000
633,709	140.52	518,685	57,712,796
6,257,898	23.87	-	-
16,762,452	20.88	-	-
1,118,460	144.00	1,118,460	161,058,240
			466,465,299

MOVEMENT

Valuation at beginning of the year	466,465,299	Valuation at beginning of the year	445,204,638
Additions during the year	514,600,495	Additions during the year	21,260,662
Gain/(loss) on revaluation	(193,154,296)	Gain/(loss) on revaluation	-
Reduction during the year	-	Reduction during the year	-
Valuation at end of the year	787,911,498	Valuation at end of the year	466,465,299

Consolidated Bank was valued in 2012 at a point when there was an expression of interest to purchase the Fund's stake. Given the nature of the bank, and the prevailing market conditions, it is prudent that it is retained at cost as opposed to reflecting the values obtained in 2012. Fanisi Fund II is a private equity fund. Private Equity investments are made in a manner such that the Fund made a commitment to invest \$1 Million and the funds are only drawn down as Fanisi makes investments. The valuation can therefore only be carried out after the Fund has finalized making investments. The amount in the financial statements is therefore what has been drawn down. UAP shares have been revalued using Over the Counter (OTC) price as at 30th June 2023.

28. Quoted Equities

2023			2022		
Shares	Price	Value	Shares	Price	Value
2,957,500	5.55	16,414,125	2,957,500	5.55	16,414,125
68,030,740	25.2	1,714,374,648	64,542,940	34.35	2,217,049,989
158,005,508	11.8	1,864,464,994	149,410,608	10.45	1,561,340,854
2,336,269	432.75	1,011,020,410	2,042,090	407.75	832,662,198
5,102,102	111.25	567,608,848	5,143,053	98.75	507,876,484
3,846,400	17.1	65,773,440	3,846,400	17.00	65,388,800
8,596,583	49.85	428,539,678	10,046,370	49.95	501,816,182
24,300,000	6.04	146,772,000	24,300,000	8.00	194,400,000
29,627,529	155	4,592,266,996	37,944,474	137.25	5,207,879,057
2,838,776	2.65	7,522,756	2,838,776	3.80	10,787,349
20,535,539	5.02	103,088,407	20,535,538	3.23	66,329,788
5,885,800	9	52,972,200	5,885,800	9.78	57,563,124
96,675	180	17,401,500	96,675	259.50	25,087,163
312,711,292	29.3	9,162,440,856	288,261,409	38.65	11,141,303,458
55,505,337	1.58	87,698,432	1.43	84,272,271	
5,009,578	19.05	95,432,452	5,009,576	17.05	85,413,271
17,426,262	38.85	677,010,272	17,776,656	23.60	419,529,082
9,604,668	160.5	1,541,549,137	7,683,285	124.75	958,489,748
206,401,483	2.31	476,787,426	206,252,836	3.38	697,134,586
255,146,346	38.25	9,759,347,735	234,731,646	43.00	10,093,460,778
3,550	4.11	14,591	3,550	4.11	14,591
750	6	4,500	750	6.00	4,500
90,579,331	1.8	163,042,796	90,579,331	1.99	180,252,869
928,131,230	17.5	16,242,296,525	767,309,177	24.95	19,144,363,966
186,028,566	12.2	2,269,548,505	171,356,823	10.90	1,867,789,371
230,564,205	5.02	1,157,432,309	230,564,205	5.60	1,291,159,548
15,459,547	13.2	204,066,020	15,427,981	6.88	106,144,509
31,133,900	6.04	188,048,756	32,153,900	6.00	192,923,400
1,140,000	25.603	29,186,886	1,140,000	20.21	23,040,892
39,810,225	6.5181	259,488,222	39,810,225	5.46	217,443,608
5,005,735	16.87	84,449,022	5,005,735	7.45	37,295,144
		52,986,064,443			57,804,630,700

MOVEMENT	2023	2022
Balance at beginning of the year	57,804,631,730	66,655,124,043
Purchases	7,768,621,877	10,058,044,415
Sales	(2,511,481,998)	(2,408,261,978)
Less: Fair Value gain/(loss) on valuation	(10,075,707,121)	(16,500,274,750)
Balance at end of the year	52,986,064,488	57,804,631,730

The Kes 10,075,707,121 is as a result of a slump in equity prices at the Nairobi Securities exchange reflected on the fall of the NSE 20 share index equity market. Being a long-term investor, short term price fluctuation will be corrected over time. The Fund has mitigated the equity fluctuation by increased investment in government securities.

29. Investment Property

	Fair value 30.06.2023 Kes	Additions Kes	Disposal Kes	Fair value adjustments Kes	Balance 30.06.2022 Kes
(a) Developed Property					
Social Security House Nairobi L.R. No: 209/13920	8,685,000,000	1,334,000	-	33,666,000	8,650,000,000
Social Security House Mombasa L.R. No: Block XXV/123	1,550,000,000	-	-	-	1,550,000,000
Bruce House L.R. 209/6776 (I.R. No: 21769)	2,950,000,000	74,377,107	-	(52,377,107)	2,928,000,000
Hazina Trade Centre L.R. No. 209/6708 (I.R.No.21457)	4,400,000,000	332,191,115	-	(172,191,115)	4,240,000,000
View Park Towers L.R.No: 209/8595 (I.R.No: 29601)	2,565,000,000	36,303,303	-	(21,303,303)	2,550,000,000
Hazina Towers L.R.No: 209/10567(I.R.No:43170)	1,582,000,000	-	-	8,000,000	1,574,000,000
Hazina South B L.R. No: 92/1598,1599,1600	364,000,000	-	-	3,000,000	361,000,000
Hazina Plaza- Polana Mombasa L.R. MSA/Block XX/328&329	425,000,000	-	-	-	425,000,000
Kisumu Estate-Kisumu L.R. No. Kisumu/Mun/Block 8/258	220,000,000	-	-	-	220,000,000
Milimani Executive Apartments	1,951,513,256	-	265,614,862	0.00	2,217,128,118
Nyayo Estate Embakasi	281,447,415	-	7,500,000	-	288,947,415
Sub-total	24,973,960,671	444,205,525	273,114,862	(201,205,525)	25,004,075,533

(b) Undeveloped Land

Kenyatta Avenue Plots L.R. No: 209/11331,11412,12287,12219,12220	4,022,000,000	-	-	7,000,000	4,015,000,000
Mavoko-Sabaki Plots L.R. 20305,24578,24577,24574,26472,20355,24579,20694,24575	4,220,000,000	(28,767,843)	-	(28,767,843)	4,220,000,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Fair value 30.06.2023 Kes	Additions Kes	Disposal Kes	Fair value adjustments Kes	Balance 30.06.2022 Kes
L.R.20181,20183,20184,20201,20205,20206,20207	140,000,000	-	-	140,000,000	-
Bamburi Plots L.R. No: MN/I/2535,2537,2538,2539,2540	1,130,000,000	-	-	-	1,130,000,000
Mtwapa Plot Jamboree L.R. NoL.R. MSA/MN/982-Mombasa	600,000,000	-	-	-	600,000,000
L.R. 20589-Makutano Junction	425,000,000	-	-	-	425,000,000
Forest Edge	160,000,000	-	-	-	160,000,000
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Lamu/Mukowe New Township/1168	4,000,000	-	-	4,000,000	-
Tassia Estate	20,264,784	-	-	-	20,264,784
Sub-total	10,836,264,784	(28,767,843)	-	122,232,157	10,685,264,784
Total Investment Property	35,810,225,456	472,973,368	273,114,862	(78,973,368)	35,689,340,317
Less: Provision for Impairment					
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Forest Edge	160,000,000	-	-	-	160,000,000
Total provision for impairment	275,000,000	-	-	-	275,000,000
Net Investment Property	35,535,225,456	472,973,368	273,114,862	(78,973,368)	35,414,340,317

MOVEMENT

	2023	2022
Opening balance	35,689,340,317	35,002,067,942
Additions during the year	472,973,368	4,743,369,367
Reduction/disposal during the year	(273,114,862)	(303,227,625)
Gain/(loss) on revaluation	(78,973,368)	(3,752,869,367)
Transfer to Asset under Construction	-	-
Less: Impairment	35,810,225,456	35,689,340,317
	(275,000,000)	(275,000,000)
	35,535,225,456	35,414,340,317

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Additions during the year relate to capitalization of Hazina Trade Centre and an allotment of a plot in Lamu by government. Reduction represent sale of Milimani Executive Apartments house units and Nyayo Embakasi. Impairment relates to Forest Edge plot and Upper Hill Plot whose title was revoked by the National Land Commission. Valuation of Land and buildings was carried out by independent valuers on income capitalization and comparison approach. These amounts were adopted on 30th June 2023.

30. Assets under Construction

	2023 Kes	2022 Kes
Mavoko Project	-	1,805,621
Tassia Scheme	105,158,476	105,158,476
Bamburi Plot	8,624,178	3,193,280
Mavoko Plot	-	26,962,222
Parking Silo Lift AVS	-	1,334,000
Bruce House Lifts	-	21,836,360
CCTV ViewPark Towers	-	31,029,173
Property Repairs	-	37,470,584
SSH Gym Centre	6,995,968	6,995,968
Bulk Filers	24,358,538	24,358,538
Net Amount	145,137,161	260,144,223
Tassia Scheme Infrastructure Project	105,158,476	105,158,476
Net Amount	39,978,685	154,985,746
MOVEMENT		
Opening balance	260,144,223	5,152,734,819
Additions during the year	25,775,191	490,053,193
Transfer of complete assets	(140,782,253)	(5,382,643,789)
	145,137,161	260,144,223
Less: Tassia Scheme	(105,158,476)	(105,158,476)
Closing balance	39,978,685	154,985,746

31. Property, Plant and Equipment

Cost/Valuation	Motor Vehicle Kes	ICT Kes	Furniture Kes	Equipment Kes	Fittings Kes	Software Kes	Totals Kes
Opening carrying value as at 1st July 2021	549,992,605	1,030,936,444	268,722,515	372,618,886	118,270,602	762,859,646	3,103,400,698
Additions During the year	8,180,000	185,883,547	4,759,995	20,547,095	63,667,889	-	283,038,526
Transfer from AUC	-	47,236,277	-	-	-	484,638,989	531,875,266
Disposal	-	-	-	-	-	-	-
Closing carrying value as at 30 June 2022	558,172,605	1,264,056,268	273,482,510	393,165,981	181,938,491	1,247,498,635	3,918,314,490
Opening carrying value as at 1st July 2022	558,172,605	1,264,056,268	273,482,510	393,165,981	181,938,491	1,247,498,635	3,918,314,490
Additions During the year	24,193,105	13,957,154	18,976,548	2,721,964	1,183,488	-	61,032,259
Transfer from AUC	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Closing carrying value as at 30 June 2023	582,365,710	1,278,013,422	292,459,058	395,887,945	183,121,979	1,247,498,635	3,979,346,749
Opening balance as at 1st July 2021	383,818,890	857,589,949	188,207,058	271,841,486	76,296,810	633,958,477	2,411,712,670
Disposal	-	-	-	-	-	-	-
Charge for the year	50,040,050	112,982,842	17,330,079	24,115,561	26,817,905	244,759,167	476,045,604
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2022	433,858,940	970,572,791	205,537,137	295,957,047	103,114,715	878,717,644	2,887,758,274
Opening balance as at 1st July 2022	433,858,940	970,572,791	205,537,137	295,957,047	103,114,715	878,717,644	2,887,758,274
Disposal	-	-	-	-	-	-	-
Charge for the year	47,134,307	103,340,995	18,020,225	22,786,516	26,747,261	278,592,778	496,622,081
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2023	480,993,248	1,073,913,785	223,557,362	318,743,563	129,861,975	1,157,310,422	3,384,380,355
NBV As at 30 June 2022	124,313,665	293,483,477	67,945,373	97,208,934	78,823,776	368,780,991	1,030,556,216
NBV As at 30 June 2023	101,372,462	204,099,637	68,901,697	77,144,382	53,260,004	90,188,213	594,966,394

31.a Fully depreciated property, plant and equipment

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost Valuation Kes	Normal Annual Depreciation charge Kes
Motor Vehicles	311,963,503	62,392,701
ICT Hardware	892,173,167	297,391,056
Furniture	102,567,181	10,256,718
Equipment	210,098,622	26,262,328
Fittings	46,152,236	9,230,447
Softwares	322,452,346	107,484,115
Total	1,885,407,054	513,017,365

32. Payables and Accruals

	Kes	Kes
Payables due to Vendors	224,409,126	172,919,957
Rental Deposits	250,851,348	231,125,389
House Purchase deposits	177,705,948	157,853,301
TPS Creditors	610,552,464	2,551,893,552
Tassia infrastructure deposits	211,805,069	253,198,519
Taxes Payable (note 32 a)	52,768,292	61,665,179
Sundry creditors and accruals (note 32 b)	17,998,577	(54,271,707)
Returned benefits (note 32 c)	182,829,417	166,826,982
Provision for leave pay and gratuity (note 32 d)	90,964,564	51,301,034
	1,819,884,806	3,592,512,207

32.a Taxes Payable

Withholding income tax	362,335	1,518,632
VAT on rent	51,435,118	58,692,912
Withholding VAT tax	970,839	1,453,635
	52,768,292	61,665,179

32.b Analysis of Sundry Creditors and Accruals

Prepaid rent	1,627,806	(80,769,298)
Unknown rent debtors	1,138,780	20,629,941
Provision for audit fees	17,280,000	9,280,000
TPS Sundry Creditors	(1,788,490)	(1,788,490)
Salary payable (Net pay)	(259,519)	(1,623,860)
	17,998,577	(54,271,707)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32.c Returned benefits

Legacy balances	167,105,369	166,826,982
Bounced EFT	15,724,049	-
	182,829,417	166,826,982

32.d Provision for leave pay and gratuity

	51,301,034	99,207,090
Increase during the period	39,663,531	-
Reduction in Provision leave pay	-	47,906,056
	90,964,564	51,301,034

33. Taxation

According to Section 45 of the First schedule of Income Tax Act Cap 470 effective 18 June 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security Fund (Exemption) Rules 2002, effective 1 July 2002 the Fund should comply with certain regulations for it to remain exempted.

34. Compliance with retirement benefits act

In compliance with Retirement Benefits Act, NSSF maintains employer contribution clearing accounts where total contributions are posted from employers to the credit of member accounts for benefits payment upon qualification as per the Act. During the year, the contributions in transit balance increased from Kshs. 742 Million as at 30 June 2023 to Kshs.942 million as at 30 June 2023.

35. Related Party Disclosures (IAS 24)

NSSF SACCO Society Ltd-Rental Income	7,127,897	7,127,897
	7,127,897	7,127,897

The related party income includes rent income earned during the year.

b. Board of Trustees Remuneration and Expenses

Board Expenses	55,757,130	29,241,145
	55,757,130	29,241,145

c. Employees

Tenant Purchase Staff Loans	634,676,886	723,753,773
Staff Loans	173,452,400	189,975,157
Advances and Imprest	24,764,789	24,334,322
	832,894,075	938,063,252

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Fund provides qualifying employees with car and housing loans on terms more favourable than the market rate. The benefits obtained by staff are subjected to income tax as required under the Kenya Income Tax Act.

36. Contingent assets and liabilities

(a) Contingent Assets

In the financial year 2012/2013, The Board of Trustees approved exclusion of impaired assets from the Financial Statements. The cases to recover the assets are being pursued in courts of law and the current status of the cases is as follows:

(i) Properties in Gazetted Areas

The Fund acquired investment properties in gazetted areas in New Muthaiga L.R. No.209/12274 measuring 18.41 hectares (located within Sigiria Block which is part of the Karura Forest Reserve), Ngong Road L.R.Nos.20840 and 20841 lying next to Lenana School (part of Ngong Forest).

New Muthaiga

The Fund filed a case under (formerly 147 of 2004) NSSF Board of Trustees VS- Kitisuru Limited and Geoffrey Chege Kirundi, Mike Maina Kamau, Commissioner of Lands and Attorney General. The case is ongoing and is at hearing stage. EACC is currently investigating the matter.

Ngong Road Plot LR. Nos.20840 & 20841

The Fund filed a case in court under Milimani HCCC NO. 162 of 2005 NSSF vs Kerios Farm Ltd. The case is ongoing. On 15 July 2014 EACC wrote to the Fund informing it that it is investigating the matter. The title to the property was revoked vide a Kenya Gazette Notice No.3640 dated 1 April 2010. As per the Gazette Notice revoking the title, the parcel of the land had been reserved for public purposes and the allocation was therefore illegal and unconstitutional. The Fund was not given a hearing or any formal notification of the revocation of title.

The Fund is engaging the Chairman, National Land Commission and the Commissioner of Lands seeking for the reinstatement of the title of L.R. No.209/11642 and no positive reply has been received to date. As at 30 June 2015, the valuation of the land stood at Kshs.115 million.

(ii) The amount of Kes.251,516,000.00 invested in Euro Bank

An amount of Kshs. 251, 516,000.00 invested in Euro Bank and expected to have matured on 28 February 2002 had not been redeemed, as the Bank was placed under receivership in 2003.

The Fund initially won the case against Shah Munge & Partners and was awarded Kshs. 258, 133,333.00. In 2013, the Fund identified 5,250,000 NSE shares valued at 250,000,000.00 belonging to Shah Munge, but another company by the name Southern Bell Ltd went to court claiming ownership of the shares.

The company lost the case blocking the Fund from selling the 5,250,000.00 shares for Euro Bank valued at Kes.250, 000,000.00. The Fund sold the shares including a bonus of 17,500,000 shares for Kes. 92,681,284.40, out of which Kshs. 23,523,743.30 was retained and paid out as legal fees and other costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iii) Rental income

Rental income amounting to Kes.30, 681,000 collected from tenants in Bruce House, Hazina, Viewpark Towers and Nyayo Estate by various property agents had not been remitted to the Fund as at 30 June 2020. Efforts to implement a court decree in favour of the Fund entered by consent vide HCCC No.859 of 1997 have not been successful and on 14th July 2014 the matter was picked by the EACC for investigation. The Fund lawyers are trying to trace the assets of the company.

(iv) Discount Securities Ltd

The amount of Kes.1, 201,143,000 in respect of shares purchased through Discount Securities Limited. The matter is before the Anti-Corruption Court - Milimani - Discount Securities Case File No.141/267/2010, Court File No. ACC 15 of 2010 (Republic-vs-Francis Moturi Zuriels & Others), Fund witnesses are giving evidence. Recovery of the amount is still being pursued through the Court Case ACC 15 OF 2010 filed by EACC against the suspected culprits.

(v) Cash Losses Westlands Branch Fraud (cash losses)

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 for 30 June 2015. The case is ongoing.

(vi) Contribution Arrears and Penalties as at June 2023

Contributions receivable estimated to be Kshs.9,545,509,225 have not been included in the financial statements. This comprises of mandatory contributions of Kshs.1,933,630,444 and penalties of Kshs.7,611,878,781. Kshs.224,428,850 relate to the defunct local authorities. These contributions are based on estimates made on employer and the outstanding penalty is estimated based on previous late payments. The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

(b) Contingent Liabilities

The major cases that may give rise to contingent liabilities during the year are as follows:

(i) Nyayo Estate Embakasi Phase Six

Nyayo Embakasi Residents Association (NERA) instituted legal proceedings in the High Court of Kenya at Nairobi Environment and Land Division ELC NO.1170 of 2014 seeking to stop construction of the project because of environmental concerns. This has resulted in delay in completion of the works and this has led to the expiry of the Bank guarantee and the mobilization fee of Kes. 215, 540,774.00 is at risk. The value of work done is thus KES 274.7 million against the payment of Kes 227.9 million. This implied that the Fund's exposure is KES 168.7 which will be claimed based on the terms of the contract.

(ii) Nyayo Estate, Embakasi (Mugoya Construction)

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 questionable 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

to dealings with Mugoya Construction Company Limited are under arbitration for determination.

However, full provision of Kes. 324.36 million was made in the 2008/2009 Financial Statements. To date, the arbitration process is still ongoing.

36. Financial Risk Management (IFRS 7)

The Fund generates income for its members by investing in various income generating activities which involve trading and investing at the stock exchange, investing in government and unquoted securities, investment property and offshore investments. These activities expose the Fund to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the Fund managers and internal audit risk department under policies approved by the Board of Trustees. The fund managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Board of Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity. The Fund also follows guidelines issued by the Retirements Benefits Authority in respect of maximum allowed investment in different types of investments.

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board of Trustees has established various Board committees, which are responsible for developing and monitoring the Fund's risk management policies in their specific areas.

All Board committees report regularly to the Board of Trustees on their activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Fund, through its training and management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Specifically, the Audit & Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Committee is assisted in these functions by Audit & Risk department which undertake

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

The Fund's financial risk management objectives and policies are detailed below:

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the Financial Statements.

(b) Financial Risk Factors

The Fund's overall risk management programme seeks to maximize the returns derived from the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's performance. The management of these risks is carried out by the Management and Fund Managers under investment policies approved by the Board of Trustees.

(c) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Board. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

30-Jun-23	Up to 3 Months Kes	4-12 Months Months Kes	1-5 Years Years Kes	Over 5 years 5 years Kes	Total
Financial assets	-	-	-	53,773,975,942	53,773,975,942
Government securities	-	1,743,125,787	26,644,437,382	158,177,399,272	186,564,962,441
Corporate bonds	-	-	1,741,965,721	850,650,000	2,592,615,721
Call and term deposits	10,632,235,392	-	-	206,126,260	10,838,361,652
Trade receivables	1,512,982,541	3,452,715,521	2,386,132,155	-	7,351,830,217
Accrued income	7,583,682,198	-	-	-	7,583,682,198
Bank balance	1,197,423,167	-	-	-	1,197,423,167
Total	20,926,323,298	5,195,841,308	30,772,535,259	213,008,151,473	269,902,851,338

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from rent debtors.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(d) Foreign Currency Risk

The Fund is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in relation to offshore investments. The Fund holds some investments in foreign currency and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Ugandan Shilling UGX. Foreign exchange risk arises from investment in offshore investments and holding foreign currency denominated deposits.

The fluctuations in currency exchange rates therefore expose the Fund to foreign currency risk. IFRS 7 considers the foreign exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Fund has transactional currency exposures that arise through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

However, Management monitors the exposure on all foreign currency denominated assets and liabilities. The Fund's currency risk is ranked as low because the Fund has holds insignificant offshore investments and foreign currency denominated assets.

(e) Price risk

The Fund is exposed to securities price risk because of investments in quoted securities classified at fair value through profit or loss. The Fund is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Fund diversifies its portfolio. For equities, the Fund has invested in companies in different sectors of the economy, while for debt securities, the Fund has invested in bonds with varying maturities. Diversification of the portfolio is done in accordance with Fund's investment policy which is approved by the Board of Trustees. Securities held by the Fund are traded on the Nairobi Securities Exchange (NSE) and Uganda Securities Exchange.

(f) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations attributable to its financial liabilities. The ultimate responsibility for the liquidity risk management rests with the Board of Trustees, which has established an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining strict cashflow management through continuous monitoring of forecast and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Fund is exposed to daily operational payments and payment to benefit claims payable balances. The Fund is required to make periodic payment in respect of benefit when members exit active employment and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The Fund sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand. The Fund's management monitors the Fund's liquidity on a regular basis and the Board of Trustees review it on a quarterly basis.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June, 2022	Less than 12 Months Kes	Over 12 Months Kes	Total Kes
Investment Assets:			
Investments at quoted market values	1,212,194,817	241,292,992,606	242,505,187,423
Investments at estimated fair	16,127,642,238	36,323,136,954	52,450,779,191
Other assets:			
Inventory	-	31,246,635	31,246,635
Receivables & Prepayments	6,580,672,946	-	6,580,672,946
Accrued Income	7,583,682,198	-	7,583,682,198
Staff Mortgage Schemes Term Deposits	-	1,281,238,196	1,281,238,196
TPS loans	-	2,700,512,336	2,700,512,336
Staff Car loans	-	173,452,400	173,452,400
Assets Under Construction	-	39,978,685	39,978,685
Property, Plant and Equipment	-	594,966,394	594,966,394
Total Assets	31,504,192,199	282,437,524,204	313,941,716,403
Liabilities:			
Accounts Payable	(1,819,884,806)		(1,819,884,806)
Net Assets	29,684,307,392	282,437,524,204	312,121,831,596

(g) Market risk

The Board of Trustees has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance and Investment Division is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

(h) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest-bearing assets are investments in treasury bonds, corporate bonds, treasury bills, commercial paper, fixed deposits and TPS loans. All of these instruments are at fixed interest rates. The nature of financial instruments held, that is fixed interest instruments, mitigates risk exposure of the Fund. Fluctuations in interest rates will have an insignificant effect on the Fund's financial performance.

(i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

(ii) Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

(iii) Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- (i) Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- (ii) Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (iii) Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

37. Incorporation

National Social Security Fund is established under the National Social Security Fund Act 2013 and is domiciled in Kenya.

38. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

39. Currency

The financial statements are presented in Kenya Shillings (Kshs)

Appendix 1: Implementation Status of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																
Basis for Qualified Opinion																				
1.	Variances in Opening Balances The opening balances for two (2) items reflects a total of Kshs.323,024,763 while the <table><tr><th>Item</th><th>2021/2022 Financial Statements Balance (Kshs.)</th><th>2020/2021 Financial Statements Balance (Kshs.)</th><th>Variance (Kshs.)</th></tr><tr><td>Staff Loans</td><td>230,590,974</td><td>232,727,396</td><td>(2,136,422)</td></tr><tr><td>Other Income</td><td>92,433,789</td><td>90,433,789</td><td>2,000,000</td></tr><tr><td>Total</td><td>323,024,763</td><td>323,161,185</td><td></td></tr></table> audited closing balances reflected a total of Kshs.323,161,185 for same items resulting to an unreconciled variance of Kshs.136,422 as shown below:	Item	2021/2022 Financial Statements Balance (Kshs.)	2020/2021 Financial Statements Balance (Kshs.)	Variance (Kshs.)	Staff Loans	230,590,974	232,727,396	(2,136,422)	Other Income	92,433,789	90,433,789	2,000,000	Total	323,024,763	323,161,185		Issue resolved	Resolved	30th September 2023
Item	2021/2022 Financial Statements Balance (Kshs.)	2020/2021 Financial Statements Balance (Kshs.)	Variance (Kshs.)																	
Staff Loans	230,590,974	232,727,396	(2,136,422)																	
Other Income	92,433,789	90,433,789	2,000,000																	
Total	323,024,763	323,161,185																		
2.	Unsupported Salaries and Allowances The statement of changes in net assets available for benefits reflects staff cost of Kshs.3,839,298,069 as disclosed in Note 13 to the financial statements. Included in the staff costs are salaries and allowances amount of Kshs.3,117,840,121. However, the supporting ledgers reflects an amount of Kshs.3, 145,463,745 resulting to an unreconciled variance of Kshs.27,623,624 In the circumstances, the accuracy of the salaries and allowances of Kshs.3,117,840,121 could not be confirmed.	Issue resolved	Resolved	30th September 2023																
3.	Non-Performing Investment in Unquoted Equities The statement of net assets available for benefits reflects unquoted stocks balance of Kshs.466,465,299 as disclosed in Note 27 to the financial statements. Included in the balance are investments in three (3) companies which had not declared dividends on investment worth Kshs.408,752,504 as shown below;	Issue unresolved	Issue unresolved	30 June 2024																

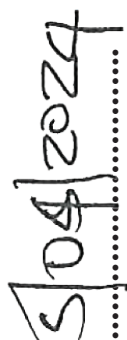
Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																				
	<table><tr><th>Company</th><th>Number of Shares</th><th>Value Kshs.</th></tr><tr><td>Consolidated Bank Ordinary Shares</td><td>2,225,000</td><td>86,694,264</td></tr><tr><td>Consolidated 4% Cumulative Preference Shares</td><td>8,050,000</td><td>161,000,000</td></tr><tr><td>UAP Holdings Limited</td><td>1,116,460</td><td>161,058,240</td></tr><tr><td>Total</td><td>11,391,460</td><td>408,752,504</td></tr></table> The Fund continues to hold investments with no return by way of dividends or capital appreciation. The carrying valuation for the investment in the three companies has not been determined. In the circumstances, the accuracy and fair valuation of the unquoted stocks could not be confirmed.	Company	Number of Shares	Value Kshs.	Consolidated Bank Ordinary Shares	2,225,000	86,694,264	Consolidated 4% Cumulative Preference Shares	8,050,000	161,000,000	UAP Holdings Limited	1,116,460	161,058,240	Total	11,391,460	408,752,504	Issue unresolved	Issue unresolved	30 June 2024					
Company	Number of Shares	Value Kshs.																						
Consolidated Bank Ordinary Shares	2,225,000	86,694,264																						
Consolidated 4% Cumulative Preference Shares	8,050,000	161,000,000																						
UAP Holdings Limited	1,116,460	161,058,240																						
Total	11,391,460	408,752,504																						
4.	Investment in Non-Performing Quoted Equities The statement of net assets available for benefits and as disclosed in Note 28 to the financial statements reflects a balance of Kshs.57,804,630,700 representing the Fund's investment in quoted stocks. Included in the balance is Kshs.221,601,474 for shares held by the Fund in three (3) quoted companies as detailed below; <table><tr><th>Company</th><th>Number of Shares</th><th>Price as at 30 June,2022 Kshs.</th><th>Value Kshs.</th></tr><tr><td>Athi River Mining Company</td><td>2,957,500</td><td>5.55</td><td>16,414,125</td></tr><tr><td>East African Portland Cement Company</td><td>24,300,000</td><td>8.00</td><td>194,400,000</td></tr><tr><td>Sameer Africa Com an</td><td>2,838,776</td><td>3.80</td><td>10,787,349</td></tr><tr><td>Total</td><td></td><td></td><td>221,601,474</td></tr></table>	Company	Number of Shares	Price as at 30 June,2022 Kshs.	Value Kshs.	Athi River Mining Company	2,957,500	5.55	16,414,125	East African Portland Cement Company	24,300,000	8.00	194,400,000	Sameer Africa Com an	2,838,776	3.80	10,787,349	Total			221,601,474	Issue unresolved	Issue unresolved	30 June 2024
Company	Number of Shares	Price as at 30 June,2022 Kshs.	Value Kshs.																					
Athi River Mining Company	2,957,500	5.55	16,414,125																					
East African Portland Cement Company	24,300,000	8.00	194,400,000																					
Sameer Africa Com an	2,838,776	3.80	10,787,349																					
Total			221,601,474																					

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Review of the status of investment in quoted stocks confirmed that the Fund entered into contractual agreements with six (6) Fund Managers namely: Old Mutual Asset Management (K) Ltd, CIC Asset Management Ltd, Sanlam Investments EA Limited, Gen Africa Investment Management Limited, African Alliance Asset Management Limited and Coop Trust Investment Services Limited. The Fund Managers were to have full control and unrestricted power to invest the Fund's money as per the investment policy for maximum returns to Trustees. Further, Athi River Mining was set for liquidation by September, 2021 and eventually delisting from the Nairobi Securities Exchange (NSE) after more than two years under administration which failed to revive its operations. Moreover, the company's stock was suspended from trading on the NSE indefinitely, effective 8 May, 2020. Further, the East African Portland Cement Company revenues have been declining offsetting gains from reduced cost of sales and the Kenya Commercial Bank attached a debenture to all the Company's assets in a demand for the repayment of an outstanding debt of Kshs.6 billion. In addition, Sameer Africa revealed through its 2020 annual report that it declared 107 positions redundant, translating to over Kshs.245 million in staff cost savings in a bid to cover losses. Further, in August, 2022, Sameer Africa issued a profit warning for the year ending 31 December, 2022 citing global disruption in its supply chain which then impacted on the availability of key products for its tyre business. In the circumstances, the accuracy and fair valuation of quoted investment of Kshs.221,601,474 in three (3) companies could not be confirmed.			
5.	Non-Performing Investment in Hazina Plaza - Polana Mombasa Building The statement of net assets available for benefits and as disclosed in Note 29 to the financial statements reflects investment property balance of Kshs.35,414,340,317 which includes an amount of Kshs 425,000,000 in respect to Hazina Plaza-Polana Mombasa building. Review of the valuation report for June, 2022 revealed that the property was purchased at a cost on Kshs. 450,000,000 in the year 1994 and its value appreciated to Kshs. 530,000,000 as at 30 June, 2021. However, the value reduced to during the year under review resulting to an impairment loss of Kshs. 105,000,000. Further, physical inspection in February, 2023 revealed that the building was vacant and in a dilapidated state. The lessees and tenants, who were evicted on 18 March, 2019 for default in rent, had extensively vandalized the property claiming that they had installed most of the items prior to their occupation. In the circumstances, the accuracy and fair valuation of investment in Hazina Plaza - Polana Mombasa Building valued at Kshs. 425,000,000 could not be confirmed.	Issue unresolved	Issue unresolved	Ongoing

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.	Misstatement of Assets Under Construction The statement of net assets available for benefits reflects assets under construction balance of Kshs.154,985,746 as disclosed in Note 30 to the financial statements. The balance is a net off an amount of Kshs. 105, 158,476 reported under Tassia Scheme which relates to costs incurred by the Fund in undertaking feasibility studies on Tassia Infrastructure Project. The Project was terminated by the Board and therefore the costs have been impaired. However, no adjustments have been made by way of write-offs to recognize the impairment. In the circumstances, the accuracy and completeness of assets under construction balance of Kshs. 54,985,746 could not be confirmed.	Issue resolved	Resolved	30 April 2023
7.	Unconfirmed Tax Receivables The statement of net assets available for benefits reflects receivables and prepayments balance of Kshs.7,465,104,760 as disclosed in Note 23 to the financial statements. The balance includes tax receivables amount of Kshs.935,901,481 relating to tax refund comprising of overpaid tax of Kshs.493,257,328 and Kshs.411,646,389 totalling to Kshs.904,903,717 inadvertently paid to the Kenya Revenue Authority (KRA) in 1997 after the Fund became income tax exempt in 1996. However, the tax refund due from KRA was not supported by acknowledgement from the Authority. Further, the tax receivables balance of Kshs.935,901,481 includes an amount of Kshs.24,502,894 relating to tax on interest earned from bank balances and low interest tax of Kshs.6,494,870 credit which has not been explained. In the circumstances, the accuracy and fair statement of tax receivables balance of Kshs.935,901,481 could not be confirmed.	Issue unresolved	Ongoing	31st December 2023
Other Matter				
1.	Budgetary Control and Performance The statement of comparison of budget and actual amounts had an approved final income budget of Kshs.40,917,524,668 against actual receipts of Kshs.8,702,000,710 resulting in an under-receipt of Kshs.32,215,523,958 or 79% of the approved budget. Similarly, out of the approved final expenditure budget of Kshs.7,498,213,976, the Fund realized an actual expenditure of Kshs.7,466,114,440 leading to an under-expenditure of Kshs.32,099,536 of the approved budget. The under-utilization of approved budget and under receipt of revenue may have negatively affected service delivery to the public.			

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	Unresolved Prior Year Matters In the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved or disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board (PSASB) reporting templates. Management has also not provided reasons for the delay in resolving the issues.	Resolved	Resolved	30th June 2023
Basis for Conclusion				
1.	Non-Compliance with the National Social Security Fund Act, 2013 The statement of net assets available for benefits reflects investment management expenses of Kshs.615,789,515 and operating costs of Kshs.6,850,324,926 all totalling to Kshs.7,466,114,441 or 2.6% of the Fund's net assets of Kshs.285,722,864,940 as at 30 June, 2022. The Fund total expenses exceeded the allowable limit of Kshs. 5,714,457,299 (2% of Fund's net assets) by an amount of Kshs. 1,751,657,142 or 0.6%. This was contrary to Section 50(1) of the National Social Security Fund Act, 2013 which stipulates that the total expenses for the administration of the Fund should not exceed two per cent of the total Fund assets. In the circumstances, Management was in breach of the law.	Issue unresolved	Not resolved	30th June 2024
2.	Acting Positions Beyond the Allowable Period The statement of changes in net assets available for benefits reflects staff cost of Kshs.3,839,298,069 as disclosed in Note 13 to the financial statements. Included in the staff cost is acting allowance amount of Kshs.10,733,021 paid to officers on various acting positions. However, some of the staff holding the acting appointments, including Senior Management, had served for more than one year. This was contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.	Resolved	Resolved	30th June 2024
3.	In the circumstances, Management was in breach of the law. Non-Compliance with the Unclaimed Financial Assets Act, 2011 The statement of net assets available for benefits reflects payables and accruals balance of Kshs.3,592,512,207 as disclosed in Note 32 to the financial statements. The balance includes returned benefits of Kshs. 166,826,982 for unclaimed member benefits that have been outstanding for a long period of time and was not submitted to the Unclaimed Financial Assets Authority. This was contrary Section 20 (1) and 22 of the Unclaimed Financial Assets Act, 2011 that requires a person holding assets presumed abandoned and subject to the custody of the	Issue unresolved	Not resolved	30th June 2024

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Authority as unclaimed assets under this Act should make a report and at the time of filing the report pay or deliver to, or hold to the order of the Authority all abandoned assets. In the circumstances, the Fund was in breach of the law.			
4.	Irregular Board Allowances The statement of changes in net assets available for benefits and as disclosed in Note 14 to the financial statements reflects general administrative cost of Kshs.2,639,450,386 which includes trustee emoluments of Kshs.29,241 , 145. Review of supporting documents revealed that the Board of Trustees were being paid Kshs.50,000 as sitting allowance and Kshs.50,000 per month as Director retainer fees as recommended on 1 November, 2011 by the then Minister for Labour. However, there was no approval by the State Corporation Advisory Committee (SCAC), the Public Service Commission (PSC), The National Treasury and the Salaries and Remuneration Commission (SRC). In the circumstances, the regularity of the Board expenses of Kshs.29,241 , 145 could not be confirmed.	Issue unresolved	Not resolved	30th June 2024

Sign.....Date.....
 Mr. David Koross
 CEO/Managing Trustee
 National Social Security Fund

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[illegible]

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**NATIONAL SOCIAL SECURITY FUND
BOARD OF TRUSTEES**

P.O. Box 30599 – 00100, Nairobi, Kenya

Main Line: (020) 2729911, 2710552

Toll Free: 0800 2212744

Cell Phone: 0709-583000, 0730-882000

ISDN: 2832000

Fax: (020) 2727882, 2722013, 2711615

Email: info@nssfkenya.co.ke

Website: www.nssf.or.ke