

# Breaking Barriers

# Changing Lives



Annual  
Report

2018





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### Our Report 2017/18

We are privileged to present our annual report for the year ended 30th June 2018, as required by the National Social Security Fund Act (Cap 222) of Uganda. The objective is to provide our readers with the most relevant information regarding our organization's strategy and highlight the key objectives achieved during the financial year 2017/18.

Where applicable the contents of this report have been reviewed for consistency against the audited financial statements of the Fund.

**In the Business segment,** we present the flow of our operations and highlight how we create value. We also show the teams that lead our business towards sustainable growth.

**In the Strategy segment,** we present our performance against our targets in detail. We employ performance indicators to ease the understanding of our objectives.

**In the Financial review segment,** we showcase the financial performance of the different business units of the Fund and of the business as a whole.

**In the Corporate Governance and Risk Management segment,** we highlight our Fund's structures and controls which enable us to ensure that our leadership runs the Fund in line with industry best practice.

**Under the Sustainability segment,** we explore the material sustainability issues facing the Fund and the strategic initiatives we have adopted to address them.

### Our Theme; Breaking Barriers

The reality is that every business, even those with the potential to be bigger and more successful, will hit growth barriers. With increasing customer demands and ever increasing competition, unless you set your business apart, it will slowly and surely die.

By 2011, NSSF had grown to a Fund size of Ushs 1.7 Trillion. NSSF was incorporated in 1985. So it took NSSF 25 years to grow to Ushs 1.7 Trillion, which is an average of Ushs 68 Billion per year! NSSF had stagnated.

Fast forward to June 2018, and NSSF's size is Ushs 9.98 Trillion. It took NSSF only 7 years to reach this target, with a growth average of about Ushs 1.2 Trillion per year! In other words, NSSF's annual growth now is almost what the 25 year growth was. This report highlights how the Fund has been able to consistently break through its own growth barriers.

 See Pages 29, 37, 45, 77, 107, 113 & 123



## Appendix I: List Of Acronyms

<b>ACCA</b>	Association of Chartered Certified Accountants	<b>EIA</b>	Environmental Impact Assessment	<b>MBA</b>	Masters Degree in Business Administration	<b>Rwf.</b>	Rwandan Franc	<b>USSD</b>	Unstructured Supplementary Service Data
<b>AMM</b>	Annual Members' Meeting	<b>ERM</b>	Enterprise Risk Management	<b>MD</b>	Managing Director	<b>Rd.</b>	Road	<b>URSB</b>	Uganda Registration Services Bureau
<b>BA.</b>	Bachelor of Arts	<b>ExCo</b>	Executive Committee	<b>MoFPED</b>	Ministry of Finance, Planning and Economic Development	<b>RMPP</b>	Risk Management Policy and Procedures	<b>USE</b>	Uganda Securities Exchange
<b>BAT</b>	British American Tobacco	<b>FCCA</b>	Fellow of the Chartered Certified Accountants	<b>MSc.</b>	Masters Degree in Science	<b>RSE</b>	Rwanda Stock Exchange	<b>Ushs</b>	Uganda Shilling
<b>Bn.</b>	Billion	<b>Fig.</b>	Figure	<b>MSCI</b>	Morgan Stanley Capital International	<b>SAA</b>	Strategic Asset Allocation	<b>VPDL</b>	Victoria Properties Development Limited
<b>BRITAM</b>	British–American Investments Company	<b>FiRe</b>	Financial Reporting	<b>NEMA</b>	National Environmental Management Authority	<b>SBU</b>	Stanbic Bank Uganda	<b>WHT</b>	Withholding Tax
<b>BSc.</b>	Bachelor of Sciences	<b>Fx</b>	Foreign Exchange	<b>NASI</b>	Nairobi All Share Index	<b>SMS</b>	Short Message Service	<b>Y/Y.</b>	Year on Year
<b>CBD</b>	Central Business District	<b>FUE</b>	Federation of Ugandan Employers	<b>NIC</b>	National Insurance Corporation	<b>STP</b>	Straight through process	<b>YTM.</b>	Yield To Maturity
<b>CBK</b>	Central Bank of Kenya	<b>IAS</b>	International Accounting Standards	<b>NIRA</b>	National Identification and Registration Authority	<b>TBL</b>	Tanzania Breweries Limited		
<b>CBR</b>	Central Bank of Rwanda	<b>IASB</b>	International Accounting Standards Board	<b>NITA–U</b>	National Information Technology Authority of Uganda	<b>TWIGA</b>	Tanzania Portland Cement Company Limited		
<b>CCW</b>	Customer Connect Week	<b>ICPAU</b>	Institute of Certified Public Accountants of Uganda	<b>NOTU</b>	National Organization of Trade Unions	<b>Tshs</b>	Tanzanian Shilling		
<b>CFA</b>	Chartered Financial Analyst	<b>ISSA</b>	International Social Security Association	<b>NPS</b>	Net Promoter Score	<b>UCL</b>	Uganda Clays Limited		
<b>CFO</b>	Chief Financial Officer	<b>IFRS</b>	International Financial Reporting Standards	<b>NSE</b>	Nairobi Stock Exchange	<b>UK</b>	United Kingdom		
<b>COFTU</b>	Central Organization Of Free Trade Unions	<b>IMF</b>	International Monetary Fund	<b>NSSF</b>	National Social Security Fund	<b>URBRA</b>	Uganda Retirement Benefits Regulatory Authority		
<b>CMP</b>	Crisis Management Plan	<b>IT</b>	Information Technology	<b>PPDA</b>	Public Procurement and Disposal of Public Assets Authority				
<b>CSR</b>	Corporate Social Responsibility	<b>K</b>	Thousand	<b>PDL</b>	Premier Developments Limited				
<b>DRP</b>	Disaster Recovery Plan	<b>KCCA</b>	Kampala City Council Authority	<b>PRAU</b>	Public Relations Association of Uganda				
<b>DSE</b>	Dar es Salaam Stock Exchange	<b>KPI</b>	Key Performance Indicator	<b>RAF</b>	Risk Appetite Framework				
<b>DFCU</b>	Development Finance Company of Uganda Bank Ltd	<b>Kshs</b>	Kenyan Shilling						
<b>EABL</b>	East African Breweries Limited	<b>LED</b>	Light–emitting Diode						
<b>ECASSA</b>	East & Central African Social Security Association	<b>M</b>	Million						



# Our Business

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Artistic impression of Mbarara City House

# The Fund at a Glance

## Who we Are

The National Social Security Fund (NSSF) is a national saving scheme mandated by government to provide social security services to all private sector employees in Uganda.

## Our Vision

To be the Social Security Provider of Choice.

## Our Mission

To be a relevant partner to our members through continuous innovation in the provision of Social Security.

## Our Core Values

### Innovation

We are a robust organization that is always looking for new ways of delivering value to our members.

### Customer Centric

We are committed to achieving higher levels of customer satisfaction through continuous improvement in our services.

### Efficiency

We promise to continuously collaborate with stakeholders to discover and apply safer, better, faster and more cost-efficient ways to provide services that our customers value.

### Integrity

We commit to be ethical and honest to inspire trust by matching our words to our actions.

### Teamwork

We are committed to developing and maintaining healthy internal relations that harness respect, positive attitude and open mindedness in order to meet the demands of our customers.

## Our Focus on Customers



## Fueled by Our Commitment to Growth



## Our Regions Of Operation



## Northern Region

### Lira

Plot No.43, Bazaar Road, P. O. Box 406, Lira

### Gulu

Plot No. 23, Andrea Olal Road Opposite Total P.O.Box 730, Gulu

### Arua

Plot No. 59, Weatherhead Parklane P.O.Box 418, Arua

## Western Region

### Masindi

Plot No. 17/19, Port Road Opposite Masindi Court P.O.Box 199, Masindi

### Hoima

Plot No. 33, Lusaka, Hoima-Kampala Road, Next to Messiah Clinic.

### Fort Portal

Plot No. 1, Malibo Road.

### Mbarara

Plot No. 2/4, Johnson Street, Adit Mall, Opposite Bank of Uganda

### Ishaka

Plot No. 112, Block 14, Bushenyi-Ishaka Municipality

## Central Region

### Kampala

**Corporate Branch**  
14th Floor, Workers House Plot No.1 Pilkington Road P.O.Box 7140, Kampala

### Bugolobi Branch

Plot 20-24, Spring Road, Bugolobi, next to Roma Furnishings.

### Acacia Branch

Acacia Mall, Ground Floor, John Babiha Avenue

### Bakuli Branch

Plot No.719, Sir Apollo Kagwa Road, K Hotel Building

### Entebbe

Imperial Mall, Plot M79, Lugard Avenue, Kampala-Entebbe Road.

### Mukono

Plot 3A, Bishop Tucker Road, Central Business Area, Mukono.

### Masaka

Plot No.21, Edward Avenue, P. O. Box 1290, Masaka.

### Kabale

Plot No.91-95, Mbarara Road, P. O. Box 203, Kabale

## Eastern Region

### Mbale

Plot No.1, Oval Plaza, Court Road, near Housing Finance Bank P. O. Box 1574, Mbale

### Soroti

Plot No.58A, Main Street,Gweri Road, P. O. Box 878, Soroti

### Jinja

Plot No. 2, Main Street Post Office Building P.O.Box 877, Jinja

### Tororo

Plot No.8A, Uhuru Drive, P. O. Box 1574, Mbale.

### Lugazi

Plot No. 102B, Jinja-Kampala Road P.O.Box 877, Jinja

# Our Business Model

## 1 What we Need for our Business to Work

**NSSF collects 5% contribution from each member and 10% from their employer**

### People & Culture

#### Our Members

Meeting the needs of our members is a key aim of our business as we are mandated by the NSSF Act to provide social security services to members of the private sector. Our members are made up of employers, who are **required by law to contribute 10% of each employee's monthly salary towards their retirement**, and employees who are **required to contribute 5% of their monthly salary** towards the same.

### Technology & Relationships

#### Technology

Today the Fund continues to embrace innovation as one of its pillars of competitive advantage and as a result the Fund has registered tremendous improvement in its collections, compliance levels, customer numbers, service delivery and customer satisfaction. Some of our recent innovations include Voluntary contributions provident plan, Mobile Money platform, e-collections system, Draw Down payment plan, NSSF Go self-service channels and transaction alerts among others.

### Risk Management & Legal

#### Risk Management

Risk management is an integral part of our business. Risk is assessed regularly when implementing the management decisions that the Fund has adopted. This increases the effectiveness of our strategy, operations and optimizes our financial position.

### Our Employees

Our employees are part of our human capital and their health, safety, competencies and welfare are Fundamental to the Fund's operational effectiveness. As such the ability to attract, develop, enable and retain the very best employees in our industry is vital to our success. We aim to create an exciting and vibrant work environment and we work continuously to provide our people with attractive career paths that will make them experts in their fields.

### Partnerships & Collaborations

Our philosophy is not just to invest in technology solutions, but also to build strong collaborations with leading innovators, influential organizations as well as Government and our regulators to create mutually beneficial relationships which help us better understand and serve our stakeholders.

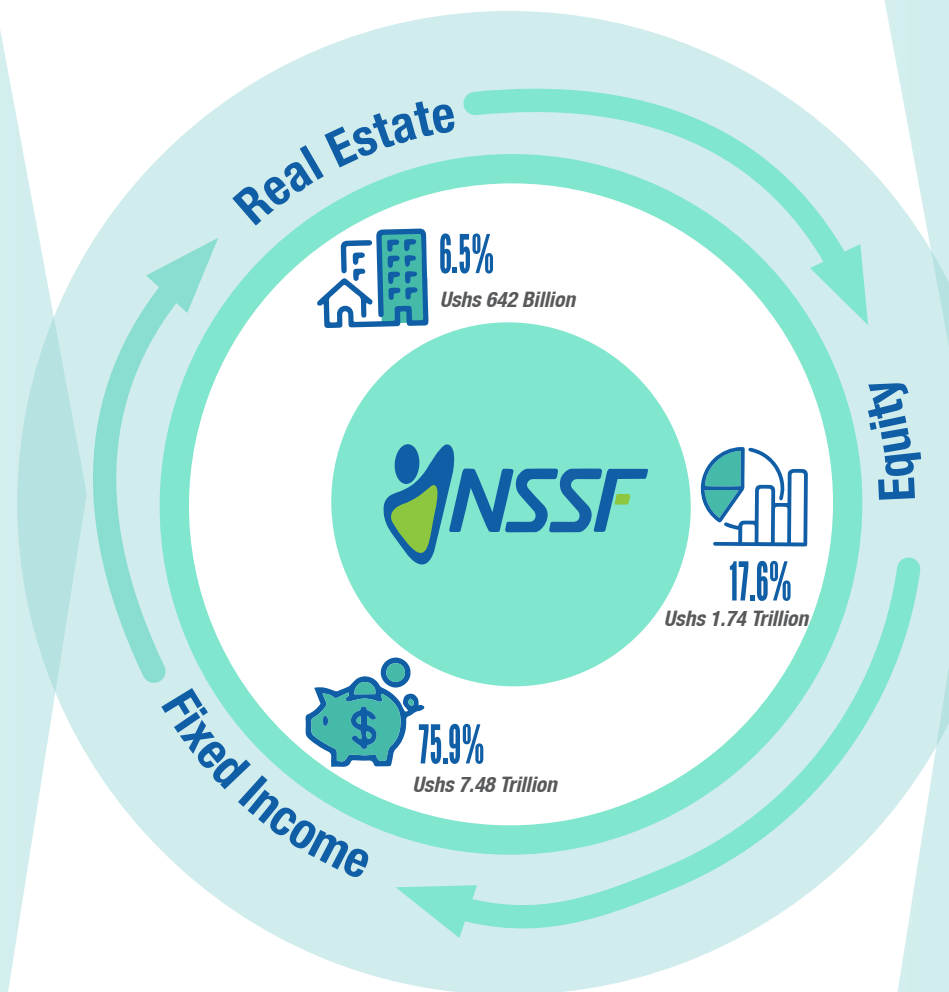
This philosophy extends beyond the technology sector and enhances our ability to better respond to fast-moving market developments.

### Legal Governance Principles

The Fund operates within a mandated system of governance and responsible interaction, set by the Government and our regulators. This enables it to run smoothly.

## 2 How we Create Value

**NSSF then prudently invests, what has been collected, in several assets that are sure to generate revenue and yield returns**



## 3 How our Stakeholders Benefit

**Members are credited with interest off these revenues and returns**

### Members

Each member has an account with the Fund where their collections as well as those from their employers and interest declared by the Fund are credited to. The Fund maintains more than one Million member accounts.

#### Interest Rate

**15%**

#### Benefits Paid Out

**Ushs 360 Bn**

### Employees

We invest a significant amount of time and effort to ensure NSSF is a great place to work. We offer our staff the best training to become experts in their fields and develop their careers, along with the best technology and tools in the industry to enable them to be as productive and successful as possible.

#### Promotion Rate

**9.8%**

### Community

The Fund gives back to communities in a structured and sustainable manner which ensures a maximum positive impact. Our efforts are directed to education, poverty alleviation, health care for the disadvantaged and environmental conservation.

#### Digital Libraries Donations

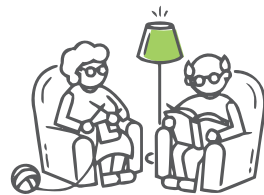
**Ushs 386 M**

Fig 1: NSSF Business Model



## Payment Of Benefits

NSSF administers and pays 6 types of benefits to contributing members in accordance with the provision of the NSSF Act as follows;



### Age Benefit

Payable to a member who has reached the retirement age of 55 years.

The objective is to replace income security to the elderly through payment of their savings accumulated over the years during the period they were employed.



### Invalidation Benefit

Payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment. In this case, a medical practitioner's report is required to ascertain the condition.



NSSF Friends With Benefits finalists at the grand finale of Season 2 of the show



### Survivors Benefit

Payable to the dependant(s) or next of kin of a deceased member.



### Emigration Grant

Payable to a contributing member (Ugandan or expatriate) who has been working in Uganda and is leaving the country permanently.



### Withdrawal Benefit

Payable to a member who has attained the age of 50 years, if he or she has not been employed under a contract of service for a period of one year immediately preceding his or her claim.



### Exempted Employment Benefit

Payable to members who join employment that provides an alternative social security scheme recognized under existing law and exempted from contributing to NSSF. These include the Army, Police and Prisons, Civil Service and members of any scheme that the Minister responsible for social security has formally exempted

## Benefits Claim Process

### Day 1

A member submits his/her claim by filling a form and submitting it with supporting documents.

For details on the required documents, visit [www.nssfug.org](http://www.nssfug.org)

### Day 2-3

Our team identifies the member, by double checking their details in our system. We then initiate the claim in the system.

### Day 4-6

Once a claim is initiated in the system, our team begins a detailed verification of the submitted documents.

Delays may only occur where third party verification is necessary or when inadequate documents are submitted.

### Day 7

Once documents have been verified and proven to be legitimate, the payment process is initiated, payment is made onto the members account.

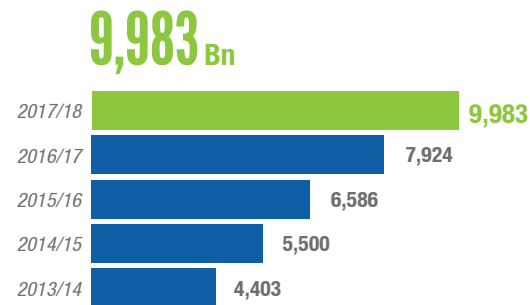
### Day 8

Currently, if all submitted documents are legitimate, the payment is made within 8 days of initial submission.

Our long-term target is to reduce this process to 1 day by 2025.

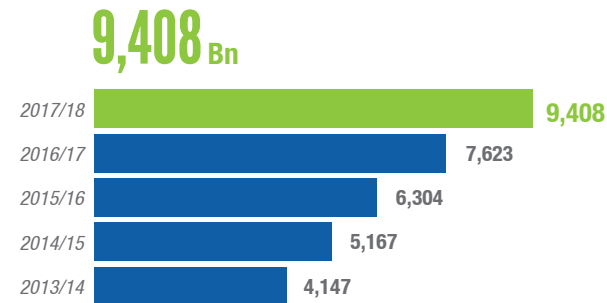
# Financial & Operational Highlights

## Asset Growth (Ushs Bn)



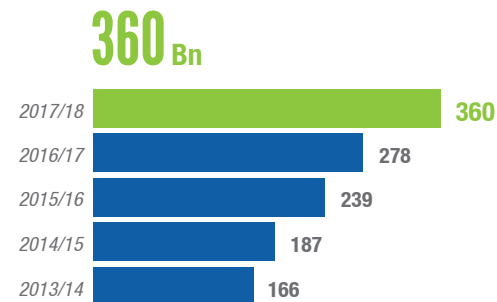
Fund Size increased by 26% from Ushs 7.92 Trillion in 2017 to Ushs 9.98 Trillion in 2018

## Accumulated Member Funds (Ushs Bn)



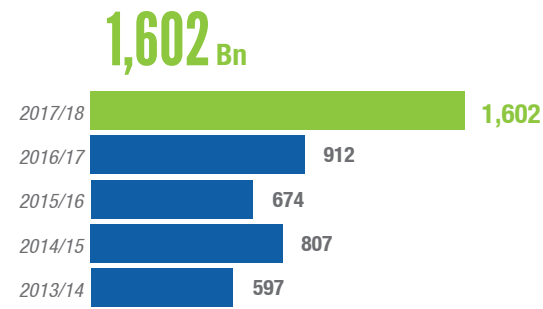
Accumulated Members' Fund grew by 23% from Ushs 7.6 Trillion to Ushs 9.4 Trillion in 2018.

## Benefits Paid Out (Ushs Bn)



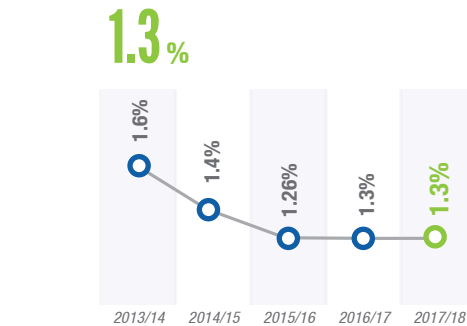
Benefits paid out grew by 29% to Ushs 360 Billion in 2018 from Ushs 278 Billion in 2017.

## Total Revenue (Ushs Bn)



Total revenue increased by 76% to Ushs 1.6 Trillion in 2018 from Ushs 912 Billion in 2017

## Cost of Administration (%)



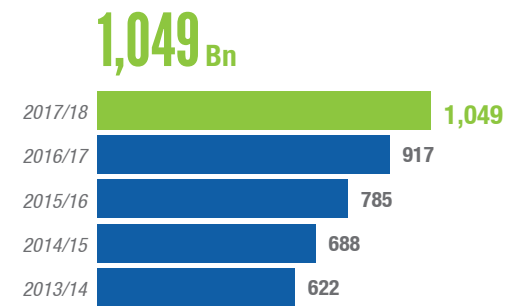
The Fund's Cost of Administration remained constant at 1.3% in 2018 inline with 2017 and budget ratio of 1.3%.

## Benefits Turn Around Time (Days)



Benefit turn around time was 8 days in 2018. 3 days less than the 11 days of the prior year and 1 day more than our target of 7 days.

## Growth in Contributions Collected (Ushs Bn)



Contributions grew by 14.4% to Ushs. 1.049 Trillion in 2018 from Ushs. 917 Billion in 2017; 10.7% above the budget of Ushs. 948 Billion.

## Compliance Level (%)



Compliance grew by 1% from 80% in 2017 to 81% in 2018 leading to improved contribution levels. The target for the year was 80.6%.

## NSSF Five Year Performance Review

(In Billions of Uganda Shillings where applicable)

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Budget 2018	Actual 2018 Vs Actual 2017 (Var %)	Actual 2018 Vs Budget 2018 (Var %)
<b>Income Statement</b>								
Total Revenue	597	807	674	912	1,602	963	76%	66%
Realized Revenue	573	583	708	845	1,042	917	23%	14%
Profit before Tax	531	738	594	823	1,486	811	81%	83%
Profit After Tax	452	648	491	686	896	784	31%	14%
Operating cost	67	69	80	96	116	105	-20%	-10%
<b>Financial Position (Ushs' Bn)</b>								
Total Assets	4,403	5,550	6,586	7,924	9,983	9,066	26%	10%
Fixed Income Investments	3,514	4,125	4,940	5,999	7,478	6,868	25%	9%
Equity Investments	396	899	1,067	1,255	1,737	1,517	38%	15%
Investment properties	444	445	454	512	642	561	25%	14%
Total Investment Portfolio	4,354	5,470	6,461	7,766	9,857	8,947	27%	10%
Accumulated Members' Funds	4,147	5,167	6,304	7,623	9,408	8,733	23%	8%
<b>Financial Performance (%)</b>								
Return on average Investment (%)	12.9%	16.4%	11.3%	12.8%	18.2%	11.5%	42%	58%
Cost Income Ratio (%)	15.2%	14.0%	13.2%	13.4%	12.9%	13.4%	4%	4%
Cost of Administration (%)	1.6%	1.4%	1.3%	1.3%	1.3%	1.3%	3%	4%
<b>Members' Fund Statistics (Ushs M)</b>								
Contributions Collected	622	688	785	917	1,049	948	14%	11%
Benefits Paid	166	187	239	278	360	408	29%	12%
Interest Credited to members	366	522	597	681	1,100	715	61%	54%
Return on member's Fund (%)	11.5%	13.0%	12.3%	11.2%	15.00%	10.50%	34%	43%
Compliance level (%)	77%	76%	78%	80%	81%	75%	0%	7%
Benefits Processing time (Days)	10	8	9	11	8	7	27%	-14%
<b>Customer Satisfaction Rate (%)</b>								
Internal Customers (Staff)	77%	84%	86%	84%	84%	75%	0%	11%
External Customers (Members)	84%	88%	86%	92%	85%	91%	-8%	-7%





# Chairman's Statement

*Dear Stakeholders*

*It is with great pleasure that I communicate to you the 2017/2018 financial year Fund performance.*

This was the third year of implementing the Fund's ten year Corporate strategy, dubbed **Vision 2025** which is anchored on 4 key pillars:

1. Grow the Fund's asset base to Ushs 20 Trillion by 2025
2. Improve operational excellence and ensure members are paid their benefits within 24 hours
3. Become the employer of choice and attain a 95% staff satisfaction
4. Delight our Members and attain a 95% customer satisfaction rate

We continued to perform well and in-line with the corporate objectives despite the challenging business environment.

With good corporate governance principles embedded in the Board coupled with the entrenchment of value driven corporate governance culture throughout the organization, the Board has been able to deliver on the set targets. The Board comprises of different sub committees that include; Audit & Risk Assurance, Finance, Investments & Project Monitoring plus Staff, Administration & Corporate Affairs committees, that have

promoted effectiveness and efficiency.

These committees meet regularly to ensure that the Fund achieves its set strategic objectives.

We work closely with our regulator (Uganda Retirement and Benefits Regulatory Authority (URBRA) to ensure that our internal governance standards meet with their expectations.

The comprehensive report on the Fund's performance across these strategic pillars speaks volumes and we can attest that indeed the Fund is on an upward trajectory to attaining its strategic objectives.

NSSF Board Chairman,  
Mr. Patrick Byabakama Kaberenge





Mr. Patrick Kaberenge addressing members at the 2018 Annual Members' Meeting

In this regard, I invite you all to join me in applauding the Board and Management of NSSF for the commendable performance registered in the just concluded financial year ended 30th June 2018.

The Board will complete its 3-year tenure in August 2018. At the beginning of our tenure we were tasked with the responsibility to manage the Fund in a profitable manner for the benefit of its members and the country at large.

I am glad to say that we have largely delivered on this mandate and I now take this opportunity to update you on our achievements over the last three years:

**Profitability and returns to members**

Over the last 3 years, we have overseen a profitable Fund and as a result, paid a competitive return to NSSF members. We paid 12.3% in 2016, 11.23% in 2017 and an unprecedented 15% in 2018.

**Assets under Management/Fund Strength**

We were appointed at a time when the Fund's Assets under Management stood at Ushs 5.5 Trillion. Today, the Fund's worth is Ushs 9.98 Trillion. This has been driven by a consistent growth in contributions, investments and new members.

**Accountability to our Members**

We also pledged to promote transparency at the Fund and I am glad to report that every year for the last 3 years, we have consistently held the Annual Members Meeting, during which the performance of the Fund is discussed by the Managing Director and feedback obtained from members. Together with management we have ingrained a culture of transparency and accountability at the Fund.

**Staff Recruitment and Retention**

The Fund has witnessed stability under our tenure like never before. We recruited a competent and experienced management team who have delivered impressive results over the years.

Our emphasis on merit based recruitment has permeated the Fund, as evidenced by consistently good performance throughout the Fund by staff at all levels. As a Board, we support and reward good performance and promote harmony at all levels in the Fund.

**Future Outlook**

Although the Fund's performance is on an upward trajectory, we are confident that given a better legal regime, specifically amendment of the NSSF Act and the PPDA Act, the Fund will have a bigger impact both on the lives of its members and on the economy at large.

- Our target is to have at least 5 Million members by 2025. This will be possible if the Fund is allowed to recruit from the informal sector, in addition to continuing to serve the formal sector.
- We will also continue to invest diligently. Our priority is to invest in Uganda, but we will continue to tap into investment opportunities available in the East African region. We remain on course to grow the Fund to Ushs 20 Trillion by 2025.
- We will focus on unlocking the value in the major real estate projects including Pension towers, Lubowa, Temangalo and Nsimbe.
- We remain committed to ensuring stability at the Fund through a firm corporate governance structure that underpins the principles of accountability, fairness, transparency and good leadership.

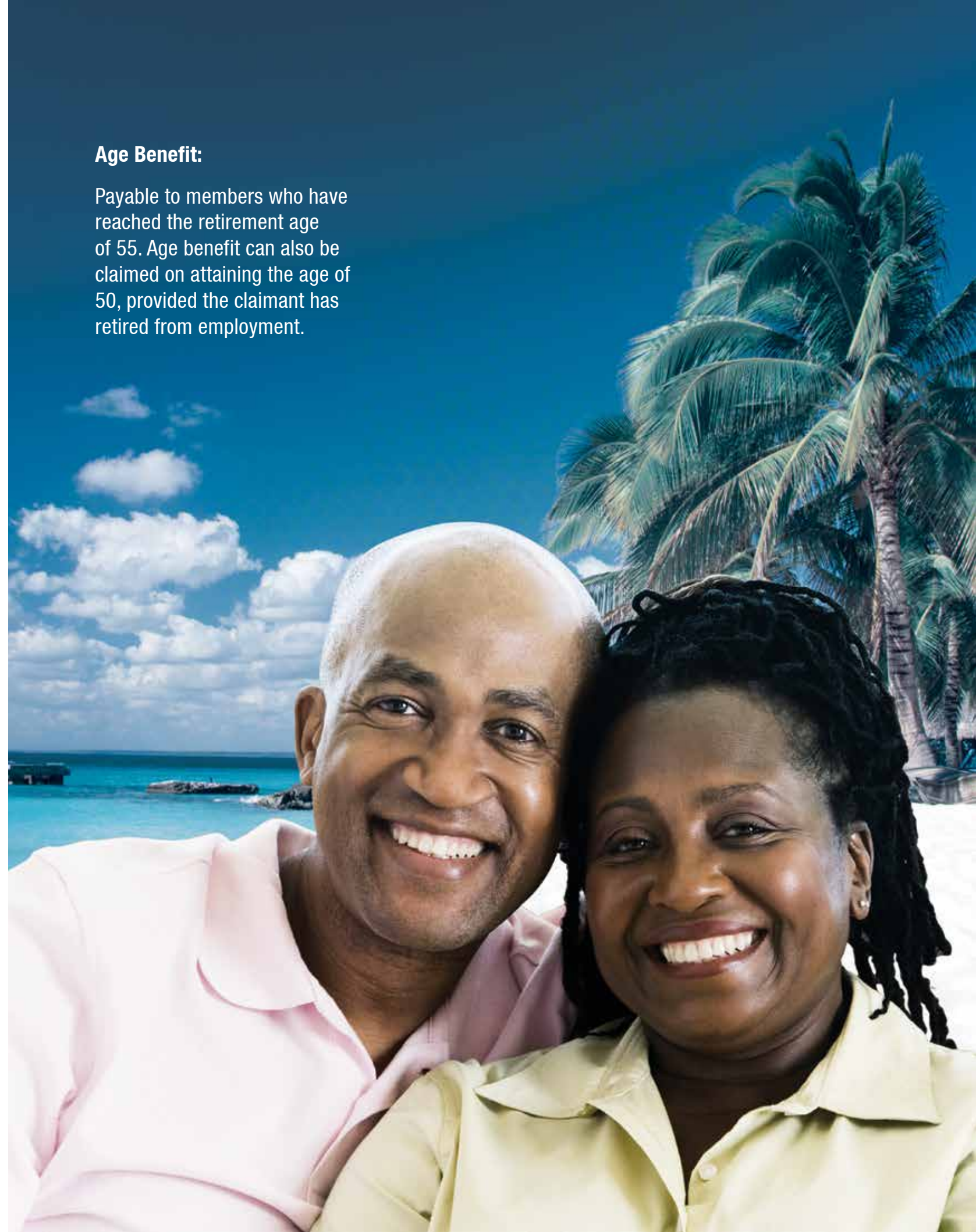
On behalf of the Board, I would like to thank all the staff at the Fund for your efforts in the continued transformation and improvement of our Fund.

As we look ahead to 2019, the Board is confident that the Fund will deliver on it's performance objectives. All necessary steps have been taken to strategically strengthen and position the Fund to drive sustainable growth and value for you, our members, and to ensure we are trusted and respected partner to all our stakeholders.

**Patrick Byabakama Kaberenge**  
CHAIRMAN, BOARD OF DIRECTORS

**Age Benefit:**

Payable to members who have reached the retirement age of 55. Age benefit can also be claimed on attaining the age of 50, provided the claimant has retired from employment.



We were appointed at a time when the Fund's Assets Under Management stood at Ushs 5.5 Trillion.

Today, the Fund is worth

**Ushs 9.98 Trillion**

This has been driven by a consistent growth in contributions, investment and new members



# Board Of Directors



**Mr. Patrick Byabakama Kaberenge**  
*Chairman, Non-Executive Director, Private Sector Representative*

Mr. Kaberenge joined NSSF after a distinguished career with Bank of Uganda, where, among other roles, he was the Acting Deputy Governor, Executive Director Operations, Executive Director/Chief Internal Auditor and Director for Domestic Currency Issuance. He brings extensive banking, finance and accounting experience and knowledge of business and risk management.

Patrick has previously served as Chief Accountant with Uganda Cooperative Transport Union (UCTU) as well as an Accountant/Executive officer in the Ministry of Finance. He is also a past president of ACCA Uganda and Secretary of ICSA Uganda. Patrick currently serves on the Boards of Uganda Energy Credit Capitalisation Company (UECCC) and a Volunteer member of the National Planning Authority (NPA).

He is a founder member of the Uganda Institute of Certified Public Accountants (ICPAU), a Chartered banker and is a Certified Internal Auditor. He holds a Masters of Science degree in Finance & Computing from University of Greenwich (UK) and a Bachelors of Science degree in Financial Services from University of Manchester Institute of Science & Technology (UMIST).

Mr. Byarugaba has overseen the Fund's transformation and turnaround over the last eight years now with Assets Under Management in excess of Ushs 9.98 Trillion.

Richard has a wealth of experience spanning over three decades in managing large financial institutions of international repute. He held similar roles at Nile Bank and Global Trust Bank before joining the Fund in 2010. In 2007, he was the Chief Operating Officer at Barclays Bank Uganda.

He has previously served on the boards of Standard Chartered Bank, Nile Bank, Global Trust Bank and the Uganda Institute of Banking and Financial Services. He also served as the president of the Uganda Institute of Bankers and Chairman Board of Directors, Nakasero Hospital Limited, Vodafone Uganda and Kulika, a charity organization. Richard sits on the Boards of Uganda Clays and the Uganda Securities Exchange (USE). He is also the chairman of the East and Central Social Security Association (ECASSA).

Richard is a fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant (Uganda). He holds an MBA from Edinburgh Business School (UK), a Management Diploma from Henley Management College (UK) and a Bachelors of Science degree in Statistics and Economics from Makerere University.



**Mr. Richard Byarugaba**  
*Managing Director*



**Mr. Andrew Stewart Obita**  
*Non-Executive Director, Workers' Representative NOTU*

Mr. Obita is a member of the National Organization of Trade Unions (NOTU) and works with UMEME Ltd as the Staff and Contractor Engagement Manager – Service Delivery in the Customer Service Department. He is a Board Member and Chairperson of the Board Finance Committees of NSSF, Namilyango College and the East African Labor College. He is also a council member at the Association of Public Sector Union of East Africa and PTA Executive and Treasurer of Namilyango College. He is a former member of NOTU's supreme decision making body, the Central Governing Council (CGC).

He has more than 20 years of valuable experience in the energy sector having worked in several organizations at supervisory/ managerial level including Uganda Electricity Distribution Company Ltd, Uganda Electricity Board.

He holds an MBA with specialty in Financial Management from Cambridge International College (UK) and a Bachelors of Business Administration from Newport University (UK) and a Diploma in Computer Science, Higher Diploma in Business Administration and Business Accounting. He is currently pursuing a Certified Management Accountant (CMA) certification with the Institute of Management Accountants (IMA.)

Mr. Bigirimana is the Permanent Secretary, Ministry of Gender, Labor and Social Development. He comes with vast experience in development and business administration and brings valuable local and international expertise in evaluation of public sector performance.

He has previously worked as a Permanent Secretary in the office of the Prime Minister (2008–2013), Undersecretary in the Ministries of Health (2006–2008), Public Service (2005–2006), Education and Sports (1999–2005) and as a Principal Assistant Secretary in the office of the President.

He holds an MBA, from Eastern and Southern Africa Management Institute (ESAMI) and a Masters of Arts in Development Administration and Management (majoring in Economic & Social Policy) from Victoria University, Manchester (UK). He is also an alumni of Kennedy School of Government, Harvard University, U.S.A.



**Mr. Pius Bigirimana**  
*Non-Executive Director, Government Representative PS, MoGLSD*



**Mrs. Florence N. Mawejje**  
*Non-Executive Director, Employers' Representative FUE*

Mrs. Mawejje is the General Manager Human resources at Centenary Bank. She has more than 15 years of experience in Provident Fund management and Trusteeship. She sits on the Board of Uganda Clays Ltd, UMEME Ltd and is also a member of the Board of Trustees of Centenary Bank's Defined Contribution Fund.

She was the first chairperson of the MTN Provident Fund and participated in the structural review of the process of the pension sector while serving as Board member on the Federation of Uganda Employers' Governing Council.

She has previously worked at Unilever as the Cluster Human Resources Director, East and Southern Africa as well as the Head Human Resources at CARE International and National Agriculture Research Organization (NARO). She has also served on the Board of Trustees of various provident and pensions schemes such as Unilever among others.

She holds an MBA in Strategic Management from Eastern and Southern Africa Management Institute (ESAMI) /Maastricht School of Management (MsM), a Masters of Science in Human Resource Development from the University of Manchester's Institute of Development Policy Management, a Post Graduate Diploma in Public Administration from Uganda Management Institute (UMI) and a Bachelors' of Arts in Education from Makerere University.





**Ms. Peninnah Tukamwesiga**

*Non-Executive Director,  
Workers' Representative  
COFTU*

Ms. Tukamwesiga is the Head of Legal Aid at the Central Organization of Free Trade Unions (COFTU) and is an Advocate of the High Court of Uganda.

She has previously worked as a panel member at Industrial Court, Executive Committee member of Uganda Parastatal, Statutory Authorities and Judiciary Workers' Union.

She has previously served as an Advocate and legal consultant for several law firms and companies.

Peninnah holds a Masters in Law from Makerere University (Uganda), a Post Graduate Diploma in Legal Practice from Law Development Centre and a Bachelors of Law from Uganda Christian University.

Ms. Walusimbi is a legal consultant with the Federation of Uganda Employers and has extensive board level experience across a range of sectors.

She currently serves as a Board member for Housing Finance Bank and aBi Trust Uganda.

She is a member, Uganda Law Society and East African Law Society as well as a Certified Trustee in Pension Fund Management from Kenya College of Insurance. She is an awardee of the Female Future Leadership: Board Dynamics and Competencies Joint Award by FUE and Oslo and Arkeshus University of Applied Science Norway

She holds an MBA from Eastern and Southern Africa Management Institute (ESAMI), a Diploma in Legal Practice from Law Development Centre (Kampala), a Diploma in International Management from the Swedish Institute of Management and a Bachelors of Laws degree from Makerere University.



**Ms. Sarah Irene Walusimbi**

*Non-Executive Director,  
Employers' Representative  
FUE*



**Mr. Patrick Ocailap**

*Non-Executive Director,  
Government Representative  
MoFPED*

Mr. Ocailap is an Economist and currently the Deputy Secretary to the Treasury (MoFPED). He is also a Board Member of the Financial Intelligence Agency and National Housing and Construction Company Ltd.

Patrick has posted a distinguished record and a wide experience in Public Policy and Financial Management, spanning over 36 years. He has previously served on the Boards of: National Medical Stores, Uganda Road Fund, African Institute of Capacity Development, Uganda Investment Authority, Uganda National Bureau of Standards, Pride Africa (U) Ltd and Pride Micro Finance Ltd with a degree of success. He has also held various positions in the Ministry of Finance including: Director of Budget, Commissioner Aid Liaison Department and Acting Commissioner Tax Policy Department.

He holds a Masters Degree in Development Economics from William College Massachusetts (USA) and a Bachelors of Commerce Degree from Makerere University (Uganda). He is a Certified Public Private Partnerships (PPP) Member from the Institute of Public Private Partnerships-IP3 (USA); in addition to holding a number of Certificates in Public Finance, Taxation, Management and Fiscal Policy Management.



**Mr. Wafana Nelson Makwasi**

*Non-Executive Director,  
Workers' Representative  
COFTU*

Mr Makwasi is the Deputy Treasurer General, Central Organization of Free Trade Unions (COFTU). He currently serves as the General Secretary of the Uganda Farm and Agro-based Workers' Union and is a member on the Public Service Negotiating, Consultative and Disputes Settlement Council in the Ministry of Public Service.

He has previously worked at Lohana Academy as Bursar/Administrator, as an accountant at Uganda Medical Workers' Union and also managed the Central Region Health workers' SACCO.

He holds a Masters in Business Administration (Management), a Bachelors in Business Administration (Accounting) and a Diploma in Accountancy from the Institute of Accountants and Commerce (Kampala).

**Survivors Benefit:**

Payable to the dependant(s) or Next of kin of a deceased member.







NSSF Managing Director, Mr. Richard Byarugaba

# Managing Director's Statement

*2018 was a good year for the Fund. We posted unprecedented results underlining the Funds soundness and ability to attain sustained growth. We have posted positive results for the last eight years thus demonstrating the Fund's continuous performance improvement and commitment to delivering a better life for our members.*

## Operating environment

Uganda's economy grew at 6%, higher than the projected 5.5%. Uganda's economic outlook and actual performance for the year 2017/18 showed positive attributes due to; a recovery in private sector credit, favorable weather conditions, increase in Foreign Direct Investment (FDI) and the continued robust government investment in infrastructure.

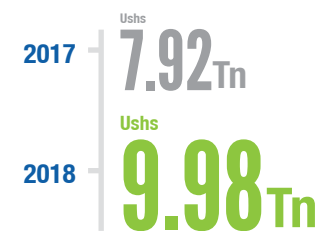
From a customer perspective, in 2018, we introduced a Service Quality function, and this improved the service standards and proactive engagement of customers. We also rolled out a robust Avaya Call Management solution thus improving call center efficiency and service delivery to our online customers. We donated medical equipment and improved health infrastructure in five regional government hospitals worth US\$386 Million during the Customer Connect Week (Corporate Social Responsibility.)

On increasing profitability, this is measured against the return on investment and the expense to asset ratio among other indicators. The return on average investment was 18.2% against a target of 11.5%. The cost of administration was 1.3% in-line with target.

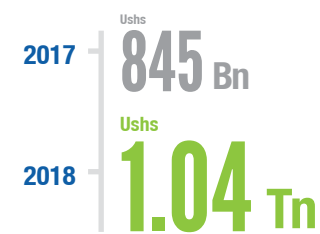


Mr. Richard Byarugaba in a panel discussion at the 2018 Annual Members' Meeting

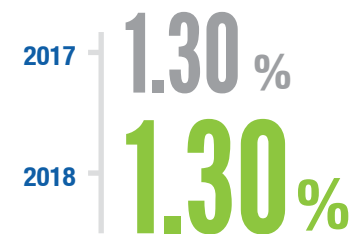
## Asset Growth



## Realized Revenue



## Cost Of Administration



The focus area on improving Productivity has the key result area of Turnaround Time (TAT) for benefits processing. We achieved a TAT of 8 days compared to the target of 7 days, however, we are moving closer to our target of paying within 24 hours by the year 2025.

Empowering our members to build secure social security nets is key to ensuring that the Fund keeps abreast with innovations.

Member contributions' collection continues to grow and is simplified by our Straight Through Processes. Voluntary contributions have also grown with a total collection of US\$5.9 Billion, making it easy to collect contributions from voluntary members. New benefits ranging from child birth to ones' end of life are being explored to augment the current benefits.

## Performance Review

In the past eight years, the Fund has had a consistent level of high performance as a commitment to delivering a better life for our clients. The Fund in 2018 registered growth in all key financial areas.

Driven by the recovery of stock prices after a prolonged period of low price valuation, the annual total income amounted to US\$1.6 Trillion, 76% above the prior year total income of US\$912.2 Billion. The Balance sheet size grew to US\$9.98 Trillion, 10% better than budget of US\$9.07 Trillion, and 26% better than 2017 balance sheet of US\$7.92 Trillion.

Benefits paid out to qualifying members increased from US\$278.3 Billion in 2017 to US\$359.7 Billion in 2018. There was an improvement in the benefits Turn Around Time (TAT) from 11 days in 2017 to 8 days in 2018. Member contributions grew to US\$1.05 Trillion, 14% above US\$916.9 Billion collected in 2017.

The continued growth over the years has been driven by the relationship management model and improved compliance levels which stood at 81%. Over 90% of all contributions are now coming through the e-collections channel.

The use of e-collections has risen from an average of 40% in July 2012 to over 90% as at June 2018. The amount of arrears collected during the year amounted to US\$67 Billion against the budget of US\$118 Billion. A total of 302 audits worth US\$46 Billion were carried out during the same period.

Interest to members' Fund was 15% compared to 11.23% in 2017, resulting into US\$1.1 Trillion 61% above US\$681.4 Billion credited to member accounts in 2017.



**Resumption of Stalled Projects**

In 2015, most real estate projects at the Fund had stalled. One of our priorities was to rekindle all stalled projects. In spite of numerous setbacks occasioned by undue administrative reviews, lengthy procurement processes, we have re-started almost all projects and these include;

- Jinja City House project, valued at Ushs 3.2 Billion was completed in June 2018 and opened its doors for business.
- Mbuya Housing Project (1 & 2) valued at 14.9 Billion— a total of 40 high end units will be completed in October 2018. We have already pre-sold a number of the housing units.
- We broke ground for the USD 400 Million Lubowa Housing estate in September last year. It will comprise of 2,741 houses, and associated amenities for middle to high income earners. Infrastructure works are ongoing.
- Mbarara Mixed Development Project, valued at Ushs 3.9 Billion, is scheduled for completion in December this year. The Fund will start another two similar projects in Gulu and Mbale in financial year 2019/20.
- And finally, after a protracted procurement process. We have a contractor on site for Pension Towers, and construction works will commence in four to five months.



Mr. Richard Byarugaba giving opening remarks at the 2018 Annual Members' Meeting

**Key Strategy Focus Areas**

In 2019, we shall continue building on our core values and achievements of the past years of high performance to create a reputable organization that is relevant, and trustworthy to all our stakeholders.

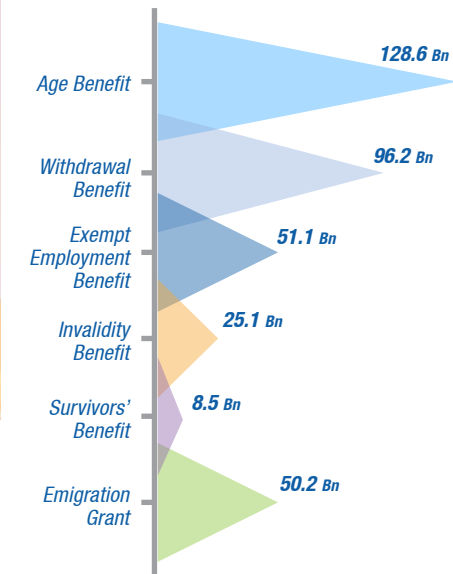
Our revamped brand, dedicated staff, loyal customers, empowered members and biggest and growing asset base in the region will help us deliver on our promise.

Performance measurement in the Fund is developed and monitored using the balanced scorecard methodology developed by Kaplan and Norton. Strategic objectives are supported and achieved through implementation of strategic projects/ initiatives. Development, monitoring and evaluation of organization strategy are achieved through a dedicated Strategy Management Team.



**Benefits Pay Out Distribution**

Of the **Ushs 359.7 Bn** paid out to members, the following graph highlights the benefits category distribution



**Customer perspective**

In 2019, we shall,

1. Establish a Financial Literacy Unit to promote financial skills and knowledge among our members.
2. Enhance Straight Through Processes for SMS, USSD and toll free on line channels and increase self-service uptake. This is intended to contribute to increased electronic channels usage and reduce walk-in customers.
3. Enhance Avaya Call management solution to improve call and email turnaround time, thereby improving service delivery to customers contacting the contact center.
4. Roll out Queue Management Solution (QMS) to additional 8 branches so as to organize and manage the customer flow in the walk-in service areas.
5. Implement a sustainable Corporate Social Responsibility aimed at establishing digital learning libraries and rolling out the concept of financial literacy in government aided schools.

**Financial Perspective**

The Board and Management of the Fund have committed to achieve a strategic Fund asset size of UShs. 20 Trillion by 2025. To achieve this, the Fund assets must grow by UShs. 1.6 Trillion every year through increased collections, better investment returns and through an aggressive cost management strategy.

Basing on the current performance, the projection is not beyond reach. It is projected that this will enable the Fund to deliver a real return of at least 2% above 10 year inflation without eating up the reserves.

**Processes Perspective**

Data integrity and management remains vital to the Fund and business processes like payment of benefits and update of member accounts.

Data quality monitoring has been moved from an operational to a strategic level. Management and Board are both monitoring this to ensure that data integrity is not compromised and this is evidenced by continuous improvements in the benefits payment process and member statement update.



NSSF Managing Director interacts with a member during the 2018 NSSF Customer Connect Week celebrations.

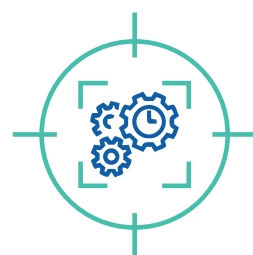
**Key Strategy Focus Areas**



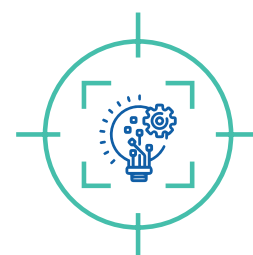
**Focus Area 1:**  
Increase Customer Satisfaction



**Focus Area 2:**  
Increase Profitability



**Focus Area 3:**  
Increase Productivity



**Focus Area 4:**  
Increase Innovation & Product Development





#### People and Systems perspective

Systems and processes can only be as good as the people who manage them. The Fund is committed to developing the capacity of staff and systems to deliver its promise to members. The newly introduced e-learning system is immensely bridging the training gaps.

Over 98% of our staff used the platform against a target ratio of 95%. This translates into each staff member completing at least two developmental courses / trainings on the platform. The Fund continues to implement an internal succession planning strategy by encouraging mentoring and supervisor – subordinate contact thus improving the staff engagement. More staff are being promoted internally – a sign of a working internal succession planning strategy. This will continue to be a focus area in 2019.

#### Appreciation

I would like to thank the outgoing Board for the critical, strategic and oversight role they played during this exciting journey we started three years ago. I would also like to acknowledge the contribution of the staff for this outstanding performance and their efforts geared towards raising profitability, increasing convenience and speed of service delivery.

To our dear members, thank you for your constant loyalty and support. With this level of performance, we pledge to continue to be “The Social Security Provider of Choice.”



**Richard Byarugaba**  
MANAGING DIRECTOR



# Executive Committee



**Mr. Patrick Ayota**

*Deputy Managing Director*

Patrick joined NSSF in July 2011 and is currently the Deputy Managing Director. He is also in charge of the Fund's Strategy Function.

He was previously the Chief Financial Officer, a position he held for 6 years until November 2017.

Patrick has been at the forefront of various projects at the Fund which he steered successfully, recently turning out as runner up at the 2017 CFO Awards organized by ACCA.

Prior to joining the Fund, he was the Finance Director for Barclays Bank (Uganda).

He has extensive experience in accounting and finance management that has been attained in various roles in Uganda and USA.

Patrick is a Certified Public Accountant (CPA). He holds a MBA from the University of South Carolina (USA) and a Bachelor of Science Degree in Finance from Liberty University, Virginia (USA)



**Mr. Stevens Mwanje**

*Chief Financial Officer*

Stevens joined NSSF in February 2010 as the Head of Operations and has over the past 7 years headed the Sales & Operations Department and, the Business Department.

Prior to joining the Fund, Stevens worked with Bank Of Africa (U) Ltd where he headed the Finance, Treasury and Commercial Departments.

Stevens is a Fellow of the Association of Chartered Certified Accountants. He holds an MBA in Business Management from Harriot Watt University. He also holds a Post Graduate Diploma in Business Management from the University of Leicester and a Bachelors of Arts Degree from Makerere University.



**Mr. Gerald Paul Kasaato**

*Chief Investment Officer*

Gerald joined the Fund in July 2011 as Portfolio Manager Equities and rose through the ranks to become Chief Investment Officer, which position he has held since April 2014.

Prior to joining the Fund, he worked as Finance and Investment Manager (National Housing and Construction Company) and served as Manager Investment and Treasury at NIC as well as similar roles in various entities in the UK.

Gerald is a CFA Level 3 candidate, a Chartered Accountant of the UK, a Fellow of the Chartered Management Institute of the UK, and a Certified Public Accountant of Uganda.

He holds an MBA in Finance from Exeter University in the UK, a Master of Science Degree in International Finance and Investments from the London South bank University in the UK and a Bachelor of Science Degree in Accounting from Oxford Brookes University in the UK. Gerald has also done several executive courses in finance, investment and leadership. He is an Aresty scholar of Wharton Executive Program, University of Pennsylvania (USA) and has trained at the London Business School in the UK.



**Mr. Isaac Ogwang**

*Ag. Corporation Secretary*

Isaac joined the Funds Legal Department as Legal Counsel in 2007 and is currently the Acting Corporation Secretary and Manager Litigation and Compliance.

Isaac has over 16 years post enrollment experience. Prior to joining the Fund, he worked with the Inspectorate of Government (IGG).

He holds a Bachelors of Law Degree from Makerere University and a post graduate Diploma in Legal Practice from Law Development Centre(Uganda). He also holds a Master of Business Administration from Harriot Watt University.



**Mr. Geoffrey Waiswa Sajjabi**

*Head of Business*

Geoffrey joined NSSF in August 2008 and is currently the Head of Business where he is responsible for the Fund's business growth and retention through improved compliance and member recruitment.

He has worked across the Fund in a variety of commercial, operational and managerial roles. Having started off as a Benefits Officer, he quickly rose through the ranks to Branch Manager, Contributions Manager and more recently Head of Business. Geoffrey holds a Bachelors of Social Science degree from Makerere University (Uganda) and an Administrative Officers Law Course from the Law Development Center (Uganda).

He is a member of the Balanced Score Card Institute and a pioneer member of the CEO–Apprenticeship Program. He is currently pursuing an MBA with Edinburgh Business School.



**Mrs. Jean Mutabazi Kasirye**

*Head of Operations*

Jean joined the Fund in January 2011 and is currently Head of Operations where she is responsible for continuously improving process efficiencies that drive the delivery of exceptional Customer Experience.

She has over 15 years' experience having previously worked as the Financial Controller and Compliance Manager at the Fund. Jean started out her career at EY, and has worked in various senior managerial roles.

Jean is a Fellow of the Chartered Association of Certified Accountants (ACCA). She is currently pursuing an ACE from Massachusetts Institute of Technology, holds a Masters Degree in Business Administration from Edinburgh Business School and a Bachelors of Science Degree in Quantitative Economics from Makerere University.

Jean serves on the Boards of Housing Finance Bank Uganda, Crestals Africa Limited and Build Africa Uganda as a Chairperson and vice Chairperson respectively.





**Mr. Milton Owor**  
*Head of Human Resources and Administration*

Milton joined the Fund in February 2017 as the Head of Human Resources and Administration. He comes with several years of Local and International work experience in leading multinational companies including British American Tobacco Plc, Royal Dutch Shell, and General Electric Company (GE), having worked across Africa, Europe, and the US over the years.

He holds an MBA in Strategic Human Resource Management (University of Leicester, UK), Certification in Global Business Leadership (INSEAD, France) a Bachelor's degree in Economics and Public Administration (Makerere University), and is a certified Predictive Index Psychometric Analyst.

Prior to his current role at NSSF, Milton was the Africa HR Director for GE, Regional HR Director Anglo-phone Africa for Royal Dutch Shell, Regional HR Director West and Central Africa for British American Tobacco, Regional HR Director East and Southern Africa for British American Tobacco, among others.



**Mr. Elijah Kitaka**  
*Head of Technology*

Elijah joined the Fund in January 2017 as the Head of Technology.

He previously spent five years at Google working as a Partner Developer and later Program Manager on the Developer Relations Team, focused on growing the technology startup ecosystem in Sub Saharan Africa. He also worked at Barclays and Global Trust Bank prior to joining Google.

He holds a Bachelors of Science Degree in Computer Science from Makerere University.



**Mr. Edward Ssenyonjo**  
*Head of Risk*

Edward joined the Fund in September 2010 as a Compliance Risk Manager. He is now the Head of Risk and Chief Coordinator of the Fund's Business Continuity Management Framework.

He has over 10 years experience in risk management, 7 years experience in business continuity management and 2 years experience in internal audit.

He is a member of the Association of Chartered Certified Accountants (ACCA), a member of the Institute of Certified Public Accountants of Uganda, a member of the Institute of Internal Auditors (Uganda), and he is a Professional Evaluation & Certification Board (PECB) Certified ISO 31000 Lead Risk Manager.

He holds a Bachelor of Commerce (BCOM) degree from Makerere University and he is currently pursuing an MBA at the University of Nicosia, Cyprus.



**Ms. Barbra Arimi**  
*Head of Marketing & Communications*

Barbra joined the Fund in December 2014 as the Head of Marketing and Communications. She joined the Fund from Orient Bank where she was Group Head Corporate Communications and Marketing.

Barbra is a member of the Chartered Institute of Marketing (CIM) and also a Member of the Chartered Institute of Public Relations.

She holds an MBA from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelors of Commerce Degree (Marketing) from Makerere University.



**Mr. Geoffrey Barigye**  
*Head of Internal Audit*

Geoffrey joined the Fund in March 2001 and is currently the Head of Internal Audit.

He previously worked as Deputy Chief Internal Auditor, Audit Team leader and Internal Auditor for the Fund.

He has also worked as an Accountant for Uganda Breweries Limited.

Geoffrey is a Fellow of the Chartered Association of Certified Accountants (ACCA), a member of the Institute of Certified Public Accountant(CPA) of Uganda and a member of the Institute of Internal Auditors.

He holds an MBA and a Bachelors of Commerce Degree both from Makerere University and a Diploma in Business Studies, from Makerere University Business School



**Mr. Gerald Mugabi**  
*Head of Procurement*

Gerald joined the Fund in July 2013 as the Head of Procurement. Prior to joining the Fund, he worked for UNRA, the Ministry of Finance Planning and Economic Development under the Financial Management and Accountability Program

Gerald is a member of the Chartered Institute of Purchasing and Supply (UK) (MCIPS). He holds an MBA from Uganda Management Institute and a Bachelors of Commerce Degree (Transport Economics) from the University of South Africa.

Diploma in Business Studies (UDBS) – Makerere University Business School (MUBS)

Diploma Stores & Stock Control–The College of Professional Mgt–UK

Diploma in Project Planning and Management–UNCCI

Certificate in Procurement of Goods and Equipment (World Bank)

Certificate in Performance Management –Balance Scorecard (K)Certificate in Electronic Procurements systems– (ILO–Italy)

Certificate in Best Procurement Practices–Purchasing and Procurement Center (Dubai)

Min MBA in procurement and Supply Chain Management – Purchasing and Procurement Center (Malaysia)

**Invalidity benefit:**

Payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment. In this case, a medical practitioner's report is required to ascertain the condition.







NSSF Deputy Managing Director, Mr. Patrick Ayota.

## Breaking Barriers | A Fund Transformed

Every business, even those with the potential of great success will hit growth barriers due to the increasing customer demands and competition. Unless a business is set apart, it will slowly and surely die however, if you view your business from the customers' point of view, it will be set apart and break down the growth barriers.

Companies all over the world are discovering that innovation is the differentiator which they have harnessed to constantly create more value for customers through improved processes, services or products delivered in a faster, cheaper and more convenient way.

NSSF was incorporated in 1985 but by 2011 the Fund size was only Ushs. 1.7 Trillion illustrating that it took twenty five (25) years with an average growth of Ushs. 68 Billion per year. During this journey, the Fund was stagnated and members had lost confidence in our service and mandate. Currently, the Fund size stands at Ushs. 9.98 Trillion which took only seven years with an average growth of about Ushs 1.2 Trillion per year. We achieved this through constant innovation and

courage to make effective changes.

We began looking at the Fund through the eyes of the members which ignited various process changes, investment in IT systems, training of our people to deliver the highest standards of customer experience, changed the ambiance, introduced tools to support our staff to provide the best solutions and developed applications with a variety of self-help channels as an alternative to our branch network. The key result of this effort has been the reduction of the waiting time to an average of eight (08) days and we are working towards making payments within one (01) day.

We are lobbying the authorities to amend the law to enable all Ugandans save voluntarily to meet their needs.

Innovation is a constant process and we are still innovating. The Fund is anxious to provide more value to its members; what about a branch-less network to enable members conduct all business at the convenience of their phone? Here, the member will be King.

This is how the Fund is breaking barriers, so can you!



NSSF staff apply Design Thinking methodology during our Staff Innovation Circuit, Hi Innovator.



The Fund prides itself in being analytical in all its business processes



Some of our Innovation champions during the Hi Innovator workshops



# Our Strategy

*Our purpose is to be a relevant partner to our customers through continuous innovation in social security.*

In April 2015 the Board of Directors approved the 10 year, 2015–2025, strategic plan for the Fund. In this strategy we committed to be a relevant partner to our customers through continuous innovation in social security. We define customers as

1. **Our Members** – the principal owners of the Fund and direct beneficiaries of Fund services
2. **The Employers** – through which we deliver services to the members
3. **The Government** – that regulates the Fund.

We believe that if we are able to continuously achieve our mission we shall achieve our vision of being the Social Security provider of choice. In doing so we shall have achieved our strategic objectives.

We extracted 4 key targets from the strategy

- Achieve a 95% customer satisfaction rating – Our products and services should address the needs of our members and should be delivered conveniently and efficiently.
- Grow the Fund Asset size to 20 Trillion Uganda Shillings by June 2025.
- Achieve an average benefits processing time of 1 day and a member statement update time of less than 24 hours.
- Achieve a 95% staff satisfaction rating – Our staff should be motivated to serve the members.

NSSF Deputy Managing Director, Mr. Patrick Ayota

## A Breakdown of The Fund's Vision 2025

1. Achieve a 95% customer satisfaction rating
2. Grow the Fund Asset size to 20 Trillion Uganda Shillings by June 2025.
3. Achieve an average benefits processing time of 1 day and a member statement update time of less than 24 hours.
4. Achieve a 95% staff satisfaction rating

### Customer Focus

- Improve the customer experience across all services and touch points.
- Improve customer top of mind awareness about the Fund

### Growth

- Increase Fund size by extending into the informal sector

### Operational Excellence

- Improve service delivery.
- Improve compliance and risk
- Improve Business & Innovation
- Enhance Technology Impact
- Improve Performance Culture

## Implementing Our Strategy

Delivery of these targets is focused. The 10 year strategy (Vision 2025) outlines 3 pillars of implementation under which all strategic objectives create value for our members.

### 1. Customer Focus

We continuously implement programs that increase customer satisfaction by addressing the needs of our customers and delivering value through improved processes, better benefits and improved services across all our touch points.

The expected result is that our members, the primary customer, are satisfied and continuously choose us as the best provider of social security solutions in Uganda. In order to successfully achieve this result, the Fund shall:

- Improve the customer experience across all services and touch points.
- Improve customer top of mind awareness about the Fund through brand building and strengthening

### 2. Growth

We believe that the Fund has great opportunity for growth both within the current membership and the external untapped informal sector who are currently not contributing to the Fund. We intend to implement programs to extend coverage to the informal sector through a voluntary scheme. In addition to this we shall also develop programs to expand the growth prospects with the formal sector. Expected result is increased membership, collections and Asset size of the Fund. In order to achieve this result the Fund shall

- Increase the Fund's size by extending services to the informal sector and expanding coverage within the formal sector. This will drive recruitment into the Fund that in turn drives increased contributions collected. The Fund also aims at guaranteeing a real return of at least 2 % on members savings.

### 3. Operational Excellence

Through investments in Information Technology and Business process re-engineering we believe that our processes and service delivery have improved tremendously with major focus on improving the turn around time of the benefit payment process.

The member statement update has already achieved the strategic target processing time and cost reduction. It has also satisfied our ubiquity target. Expected result is people and technology driving improved service delivery and innovation. In order to achieve the result the Fund intends to

- **Improve service delivery** – All processes shall be optimized to deliver the best service to our customers in a ubiquitous way.
- **Improve compliance and risk management and governance** – The Fund shall pursue all initiatives within the established policies, procedures and Laws.
- **Improve business innovation** – An innovation process and framework shall be created to provide staff, members and the general public to share ideas with the Fund on service improvement. This innovation shall take on a Human Centered design to ensure that all our services are humane, relevant and that we actually provide solutions that meet the exact needs of our customers.
- **Enhance technology impact** – Technology must no longer be support but must lead the way in implementation of the strategy. As the world moves into the digital age, our technology must also advance to provide a ubiquitous service that enables instant gratification – a requirement in the new world.
- **Improve the performance culture** – In order to achieve all that we set out to do our staff must be prepared. We believe that motivated staff can achieve great things. Our strategy is to drive purpose and motivation amongst our staff and provide an environment that enables them to give our members the best service. We believe that this strategy is already bearing fruit in all Fund processes, services and touch points.

#### How we measure Performance – A Balanced scorecard review

##### Customer perspective

The Fund has invested heavily in opening up various communication channels that will make it easy for members to access services. This year a lot of effort has gone into enhancements to the call center and retrofitting the customer service center. The online platforms have also received a face lift and currently a member can be served comprehensively via the social media channels. The Fund has also invested heavily in self service as a principle for service delivery. A member can now self serve via web and sms.

The Fund has also invested heavily in brand building. The aim of this is to create a distinct and positive customer experience. The Fund, through these and other efforts, is now one of the strongest brands in the region and is among the Super Brands in East Africa.

##### Financial perspective

The Fund is committed to achieving the strategic target of 20 Trillion by 2025. In order to do this the Fund must register more members, collect more contributions, increase return on investments and manage costs. The Funds growth strategy must be sustainable. The Fund, through its investment strategy, has implemented a robust Strategic Asset Allocation model that provides a balance of return seeking and prudence. This strategy has consistently delivered a real return to members. The Fund, through the amnesty campaign, has brought many previously non-compliant employers into the fold again. Member registration has however slowed down.



Mr. Patrick Kaberege giving a speech at the 2018 Annual Members' Meeting

Table 3: 2017/18 Organization Balanced Scorecard

Perspectives	Weight	Objectives	Measures	Actual	2017/18 TARGET	Traffic Light Forecast	
Customer	25%	Improve customer satisfaction	Customer satisfaction index score	85%	91%	86%	
		Improve brand image	Tonality score	91%	92%	98%	
						<b>91%</b>	
Financial	30%	Increase contributions	% increase in contributions (Vs. 2016/17)	16%	6%	145%	
			% of active to total registered members	60%	52%	115%	
			% increase in member registration (Vs. 2016/17)	162,898	146,423	111%	
		Increase income earned	Number of Voluntary members recruited per annum	7,903	2,500	145%	
			New Employer Registration	3,606	2,942	123%	
		Improve cost efficiency	Employer Compliance rate	54%	52%	104%	
			Gross Target Return on Investment	18%	13.81%	131%	
				% of targeted real estate milestones achieved	85.25%	85%	100%
				Expense ratio	1.29%	1.25%	97%
						<b>122%</b>	
Business Process	20%	Improve data quality	% reduction of suspense	19%	15%	128%	
			Data quality index	88%	87%	101%	
		Improve service delivery	TAT for payment of benefits	8	7	88%	
			% implementation of inter-departmental SLAs	80%	100%	80%	
			TAT for customer statement update	0.26	1	145%	
		Improve governance and compliance	Transparency index	100%	95%	105%	
			Compliance rating with regulatory standards	100%	100%	100%	
			Audit opinion	unqualified	unqualified	100%	
		Increase strategic partnerships	Audit & Self-Risk Assessment Rating	76%	80%	95%	
			% of partnerships where the Fund is extracting value	77%	100%	77%	
Increase value added products and services	New partnerships	4	2	145%			
	Number of new products and services	4	3	133%			
				% uptake of new service/ product in year of launch	134%	33%	145%
						<b>113%</b>	
People and Systems	25%	Enhance performance culture	TAT index for signing off Balanced Scorecard	102%	95%	107%	
			Staff Satisfaction & Engagement Index	88%	75%	117%	
			% increase in staff performance index score	3%	2%	145%	
		Securely enhance technology impact	% completion of Pension Administration System (PAS) milestones	74%	85%	86%	
			IT services satisfaction index score	72%	90%	80%	
		Improve staff knowledge and skills	Self service score (customer angle)	92%	90%	102%	
			% implementation of corporate training plan	90.20%	90%	100%	
				% implementation of coaching, mentoring & talent development milestones	89%	90%	99%
						<b>104%</b>	
Average Fund Performance						<b>108%</b>	



Many of the new employees are already registered either from a previous employer or were registered under the student registration drive – *Catch them young*. Overall the Fund's Asset size has grown by over 26% from the previous year. The Fund collected over 1 Trillion shillings and raised over 1.6 Trillion in income. This enabled us to declare over 1 Trillion shillings to members as interest.

**Business process perspective**

Under this perspective the key deliverable is to pay benefits in 1 day. Prior to 2012, the payment of member benefits used to take over 100 days. This was due to poor systems and processes as well as poorly equipped staff. Currently member benefits are paid in 8 working days.

Though this is a significant improvement it is still far from the strategic target of 1 day. Member statement update is now instant thanks to the enhancements to the contributions collection straight through process. Notifications have also been added and now members receive a sms when a new transaction is added to their statements.

**People and systems perspectives**

Our people are the driving force behind all the results the Fund has posted over the years. The Fund has put in place an attractive package to attract and retain the best quality staff in Uganda. The Fund management is entirely Ugandan. In 2015, at the beginning of the 10 year strategic plan, the Fund committed to developing its staff at all levels.

Coaching and mentoring programs have been implemented and operationalized with the new HR structure that supports business partnering.

**Our Performance in 2017/18**

As at June 2018 after 3 years of implementation, members satisfaction, measured by an internal NPS and external mystery shopper and customer satisfaction surveys, is at 78%. This was below the 91% target for 2017/18 and below the strategic target of 95%. An impediment here is that the range of benefits does not adequately cover the needs of the members. However the Fund has put in place measures to rectify the issues that are causing pain to the members. Our brand is one of the strongest in the Region and is a recognized Super Brand.

The Fund Asset size has grown to 9.98 Trillion shillings, a growth of over 26% from the previous year, and is above the target growth projection. This has largely been driven by an aggressive Strategic Asset Allocation and above average returns on the Fixed Income and Equity portfolios.

The Fund has also been able to achieve improvements in processes especially member statement update and benefit payments. Member statements update, the process of member contributions being instantly reflected on member statements, thanks to the introduction of a contributions payment Straight – through – process designed by the in–house IT team, is now instant. The Fund has also introduced notifications whenever the statement is updated.

The benefit payments process has also improved. Initiation to final pay time is now 8 days. This is 7 days better than the brand promise of 15 working days. However it is still below the strategic target of 1 day. The Fund shall continue to improve this process and make it more efficient.

Staff satisfaction has risen to 84%. Generally the staff are motivated and willing to provide the best service to members.

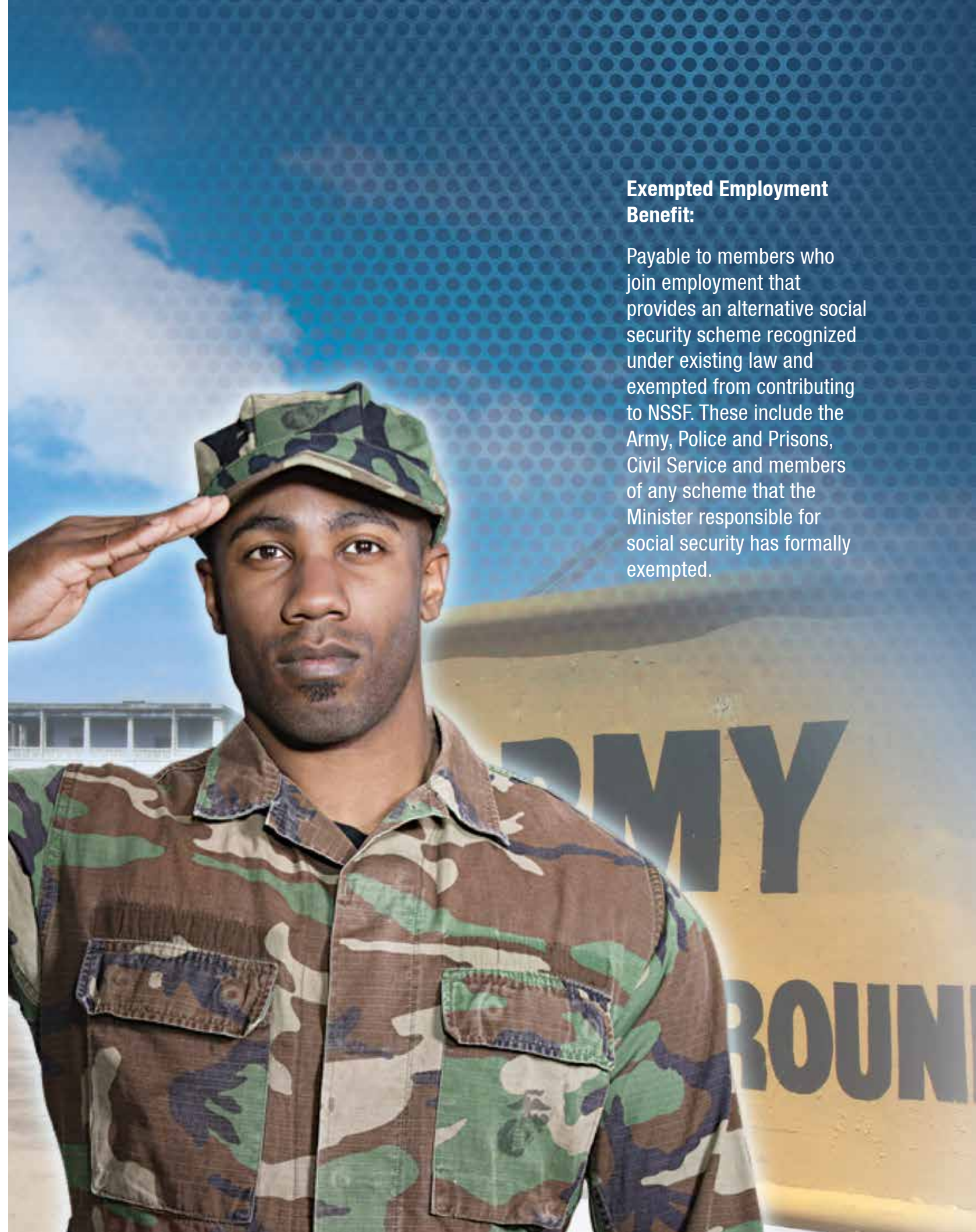
**Looking Ahead**

For the financial year 2018/2019 the Fund will prioritize the following two programs for implementation:

- 1. Extension of services to the informal sector through the Voluntary Scheme –**  
A scheme has been set up to enable the Fund to extend coverage to the informal sector workers and also encourage formal sector workers to make top ups. The Fund has recruited over 7,900 members under this scheme and collections have risen by over 16% over what was collected last year. This year we plan to drive collections to over 6 Billion and bring an additional 10,000 new members into the Fund.
- 2. Institutionalize Innovation in the Fund –**  
The Fund has added a strategic objective to improve innovation across the business. The Fund has also developed an office to manage the innovation process. An Innovation Fund has been set up to provide financing for attractive ideas that promise to help the Fund achieve its strategic goals.

**Exempted Employment Benefit:**

Payable to members who join employment that provides an alternative social security scheme recognized under existing law and exempted from contributing to NSSF. These include the Army, Police and Prisons, Civil Service and members of any scheme that the Minister responsible for social security has formally exempted.





## Breaking Barriers

### Embracing the 4th Industrial Revolution (4IR)

The 4th Industrial Revolution (4IR) is more than just technology-driven change, rather it is powered with disruptive innovation to positively impact our core industries and sectors through reshaping how businesses operate.

Some of the technologies that are driving the 4IR include; Artificial Intelligence (AI), Block-chain, Robotics, Internet of things, voice activated personal assistants, chat bots and cloud computing; all of which heavily rely on big data.

People have limited control over either technology or the disruption that comes with the 4IR however we can leverage the opportunities that arise by taking up a proactive role in the increasing trends in artificial intelligence, big data and analytics.

At the Fund, we have chosen to be early adaptors to this revolution and we are increasingly becoming a data-driven organization with

every single strategic and tactical decision being made based on data and analytics. Performance monitoring and reporting has been fully automated with real time live feeds that enable our executives make data-driven decisions while on the move anywhere, any time.

The Fund is also implementing Artificial Intelligence in the form of machine learning to automate some of our mundane tasks like data cleaning, workforce planning and customers traffic predictions. Our people are at the center of this and we shall continue to up-skill them as the nature of work evolves.



Head of Operations,  
Mrs. Jean Mutabazi Kasiye.



Customer centricity is a key value that aligns the Fund's services with the needs of members



NSSF Call Center staff



NSSF members updating their member details





# Financial & Business Review

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# CFO's Financial Review

In 2018, the economy witnessed significant growth with a less volatile economic environment. The key highlights of our 2018 performance are shown below:

### Analysis of Financial results.

The financial statements of the Fund were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) to meet the requirements of the National Social Security Fund Act (Cap 222) 1985 of Uganda.

Our overall profit significantly grew during the year mainly on account of fixed income earnings, and fair value gains on the equity investments.

Below are the highlights;

### Revenue

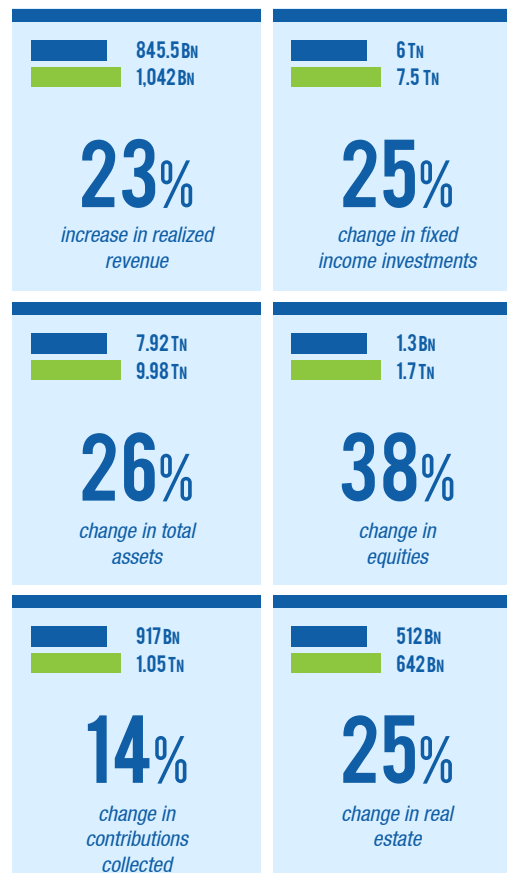
- Gross Interest income grew by 25% from Ushs 781 Billion in 2017 to Ushs 978.1 Billion in 2018.
- Rental income reduced slightly by 10% from Ushs 12.1 Billion to Ushs 10.9 Billion.
- Dividend income on the other hand remained flat at Ushs 53.0 Billion.
- Total realized revenue, thus grew by 23% from Ushs 845.5 Billion in 2017 to Ushs 1,042.0 Billion in 2018 representing a 14% better than budget position of Ushs 916.8 Billion in realized income. This was attributed to better interest rates on the fixed income investments, and dividend realized from investee companies.

At the Fund, we believe in team work



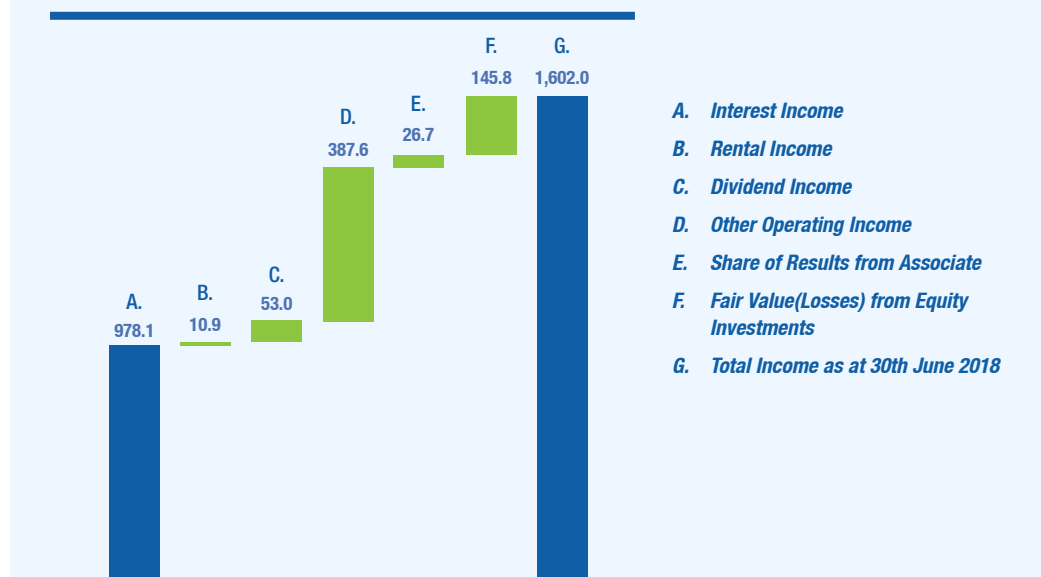
NSSF Chief Financial Officer, Mr. Stevens Mwanje.

### 2018 Key Performance Highlights



- Other operating income amounted to Ushs 387.6 Billion in 2018 compared to Ushs 27.4 Billion in 2017. Other operating income includes; gain on foreign exchange of Ushs 319.4 Billion, revaluation of investment property of Ushs 48.1 Billion, fair value gain on equity investments held for trading Ushs 18.3 Billion and other income of Ushs 1.5 Billion.
- There was a gain from equity investments through profit and loss of Ushs 145 Billion in 2018.

Fig. 1: Total Income Growth Comparison



### Cost Management

Annual operating costs amounted to Ushs 115.7 Billion. This represents 20% increment from last year which stood at Ushs 96.0 Billion. Annual cost income ratio stood at 12.9%, better than budget of 13.4%. Annual expense ratio was 1.3% in-line with the budget and prior year's 1.3%.

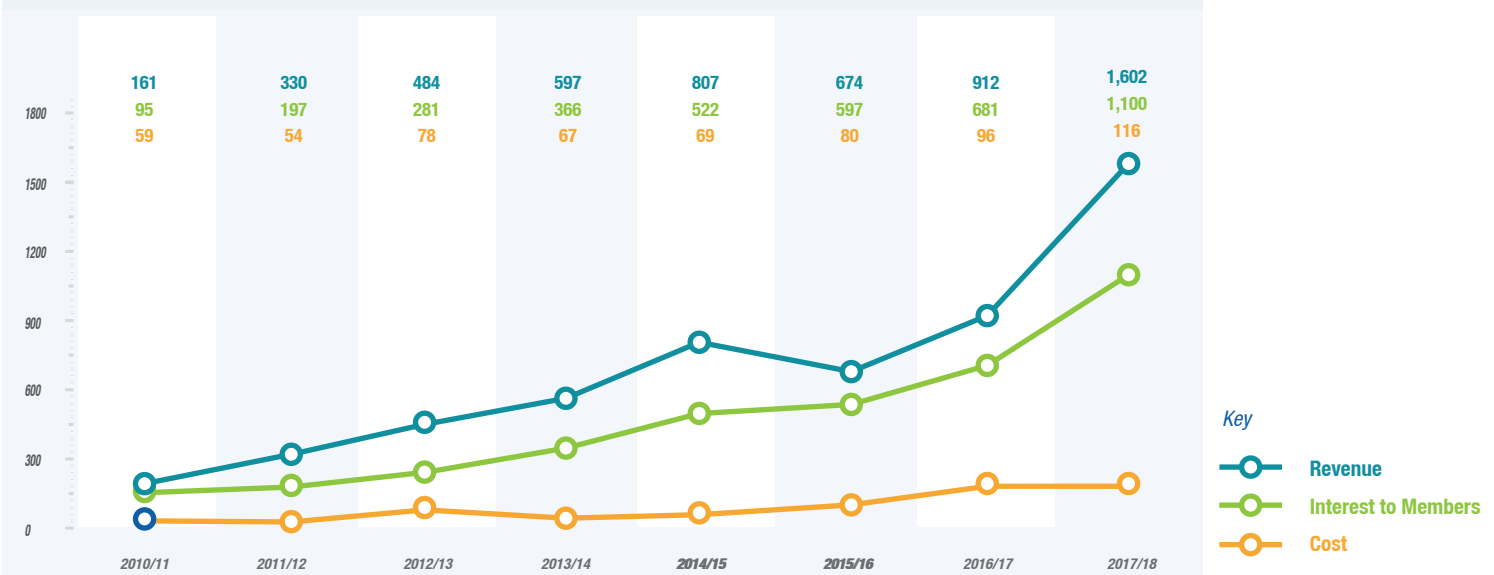
In absolute terms this resulted into Ushs 1.1 Trillion for 2018, 54% better than the budget of Ushs 715.1 Billion and 61% better than Ushs 681.4 Billion interest credited to members in 2017.

### Interest credited to members

Given the good performance in the financial year 2017/18, the Minister for Finance Planning and Economic Development approved an interest of 15% to be credited into members' accounts for the year. This was better than the planned 10.5%.

The prudent investment strategy coupled with efficiencies and cost management strategies have led to consistent higher productivity which has resulted into members receiving more value in form of interest.

Fig. 2: Revenue, Cost & Interest to Members (Ushs Bn)





**Taxation**

The Fund also remains one of the top tax payers in Uganda. The Fund has paid Ushs. 130.6 Billion and 145.9 Billion in taxes in 2017 and 2018 respectively.

**Financial Position**

**Asset Size**

The Fund balance sheet increased to Ushs. 9.98 Trillion in 2018 representing a 26% growth on Ushs 7.92 Trillion in 2017. This is 10% better than the budgeted Fund size of Ushs 9.07 Trillion. This was due to the growth in investment assets and members' contributions

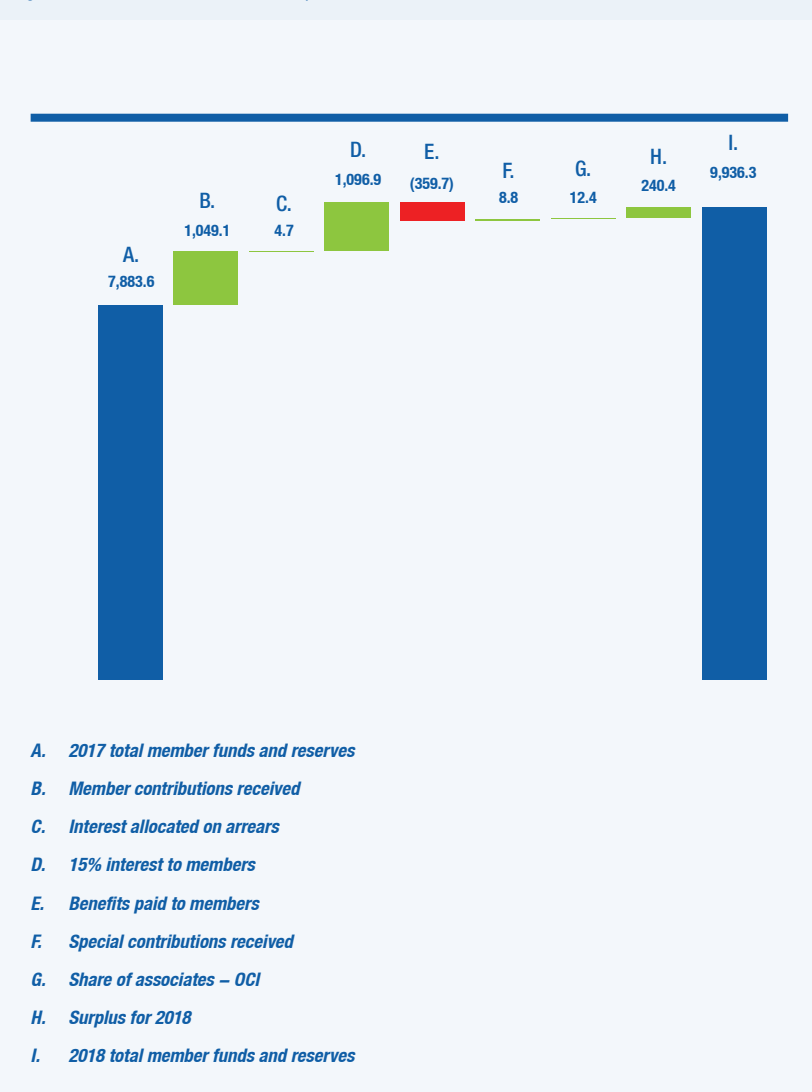
The Fund invests in different asset classes; Fixed Income Securities, Equity and Real Estate.

Fixed Income investments increased by 25% to Ushs 7.48 Trillion from Ushs 6.0 Trillion in 2017. This growth is mainly attributed to the continued investment in treasury bonds with governments of Uganda, Kenya, Tanzania and Rwanda as well as Fixed Deposits. This was as a result of more investments in the bonds market due to a high interest regime.

Equity Investments increased by 38% to Ushs 1.74 Trillion, from Ushs 1.25 Trillion in 2017. This was attributed to better performance of the equities market across the East African Region.

Investment properties grew by 25% to Ushs 642 Billion from Ushs 512.0 Billion in 2017 as a result of capital work in progress with projects of Lubowa Housing estate, Jinja and Mbarara commercial buildings.

Fig. 3. Members Funds and Reserves Comparison



- A. 2017 total member funds and reserves
- B. Member contributions received
- C. Interest allocated on arrears
- D. 15% interest to members
- E. Benefits paid to members
- F. Special contributions received
- G. Share of associates – OCI
- H. Surplus for 2018
- I. 2018 total member funds and reserves



**Accumulated Members' Fund and Reserves.**

Members' funds and reserves increased by 23% to Ushs 9.41 Trillion from Ushs 7.62 Trillion in 2017. This is on the account of Ushs 1.05 Trillion in collections and total interest credited to members' balance of Ushs 1.10 Trillion at a rate of 15%. The increase in collections was attributed to the rise in employers' compliance and growth in staff employment benefits. Benefits paid to members amounted to Ushs. 359.7 Billion

**Cash flow analysis**

The closing cash and bank balance stood at Ushs 17.89 Billion, compared to Ushs 56.24 Billion for 2017. The Fund generated Ushs 702.9 Billion net cash flows from financing activities. Net cash flows used in investing activities amounted to Ushs. 538 Billion while net cash flows used in operations amounted to Ushs. 203.3 Billion, a clear sign of the Fund's ability to generate cash for operations from investment activities

**Update on the accounting standards:**

The accounting world is also evolving with a great majority of countries now committed to IFRS and entities facing increasingly complex transactions.

In addressing the questions related to a more pronounced new economy new IFRSs are being issued, amendments being made to old ones and clarifying interpretations issued. IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers became effective for annual reporting periods beginning on or after 1 January 2018 and will be implemented by the Fund in the financial year 2018/19.

Given the significance of the impact of the new standards, the Fund has already put relevant systems and processes in place. Preliminary assessments have been made and IFRS 9 will have an impact due to the Fund's holdings in fixed income and equities, on the other hand IFRS 15 is expected to have limited impact.

**Looking Ahead**

Our strategy remains intact as we continue to tap into new growth opportunities. We will continually engage our resources towards identifying, testing and introducing new innovations that will enhance efficiency, lower costs and providing the best customer experience.

We will also identify more ways of managing costs particularly through technology and also harness the cost benefits of our current investments. We are focused on making sustainable improvements in productivity, efficiency and our ability to generate better returns.



NSSF Finance department was awarded the "Finance Department of The Year" award at the inaugural 2018 ICPAU Awards.



## Breaking Barriers

### Changing Lives

In the Financial Year 2016/2017, the Fund officially launched the NSSF Voluntary Product. This product was intended for the former or current members of the Fund who for various reasons were no longer contributing under the mandatory scheme and employers with less than five employees who were not under a mandatory obligation to register and contribute towards the Fund.

By close of the financial year 2016/2017, the total membership recorded under this scheme stood at 3,000 members contributing an average of Ushs. 199 Million per month.

Going by the growth rates over the past three years, we project a total collection of Ushs. 77 Billion per month for voluntary contributions and a total of 28,000 members by 2025. This assumption is based on no changes in the legal and regulatory framework. However the proposed changes to the NSSF Act will require eligible employees to register with the Fund and make regular contributions so, the projected numbers will dramatically increase to over Ushs. 90 Billion per month by 2025.

Due to the rapid growth in numbers, the current model is too expensive and we are working with the different stakeholders to come up with electronic solutions that will ease onboarding and collection of contributions. In terms of costs, the additional contributions from mandatory members present the best opportunity as we would not incur any extra cost in collections. We are also working on changes in the model in preparation for the changes in the regulatory landscape.

NSSF Head Of Business,  
Mr. Geoffrey Waiswa Sajjabi.



NSSF Customer Service staff engaging voluntary member prospects

The low uptake of mobile money by both individuals (66%) and companies (6%) due to high transaction costs is another challenge. However, the Fund is working on providing additional payment platforms and channels to address this challenge through the engagement of Telecoms and Banks to find a solution.

Despite the challenges, we are determined to innovate better ways to serve the fast growing voluntary segment to increase collections. We are expectant that the new initiative on financial literacy will have an impact on the numbers going forward.

We thank and commend the different stakeholders and management for their unwavering support.

Mr. Henry Travis Mugerwa, NSSF Voluntary Business Manager, addressing members during the Employer Regional CEO forum



# CIO's Business Review



NSSF Chief Investments Officer, Mr. Gerald Kasaato.

On behalf of the Fund's investment team, I am pleased to report on investment performance and initiatives for the one-year period ending on June 30, 2018. The Fund earned a time-weighted total rate of return of 18.2% for the fiscal year, with the ending fair value of investments at Ushs 9.86 Trillion.

Over the past five years the Fund has grown in all dimensions.

The engine of growth has been;

- Relationship Management improving compliance levels and contributions we collected.
- Careful aggressiveness in investment leading to higher revenues and returns.
- Efficiencies leading to better cost management levels
- Robust customer relationship management leading to higher satisfaction rates.

### Compliance Levels and contributions collected

Driven by the Relationship model of management, compliance improved from 80% in 2017 to 81% in 2018 leading to significant growth in contributions collected during the period.

See Fig.4: Compliance level over the years (%)

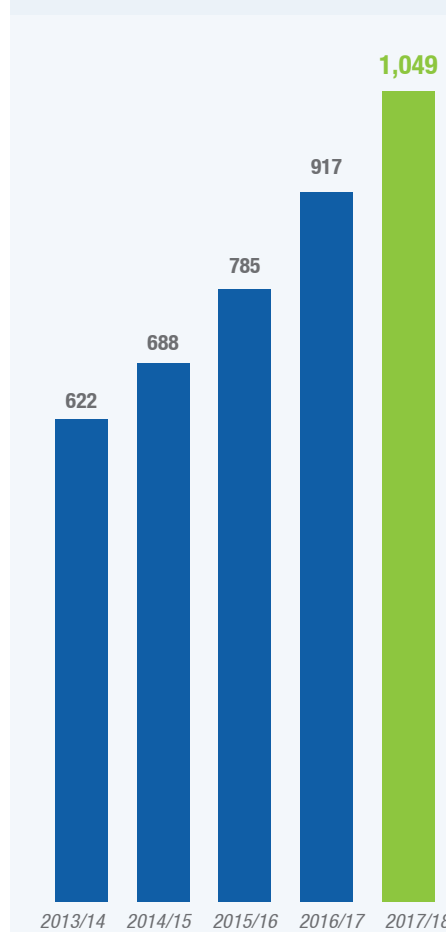
Due to the improved compliance levels, our contributions grew by 14% to Ushs 1.0 Trillion up from Ushs 916.9 Billion in 2017. This is a growth of 69% over the last five years

See Fig.5: Contributions collected (Ushs. Bn)

Fig. 4: Compliance Levels (%)



Fig. 5: Contributions Collected (Ushs Bn)



The Fund's average monthly contributions for the year stood at Ushs 87 Billion. The constant growth in contributions has seen the Fund grow by over 127% over the last five years through careful investments. The Fund assets are more than adequate to cover member liabilities, making NSSF a fully funded organization. Members claim against the Ushs 9.9 Trillion asset base stands at 94%. The Fund remains the largest financial institution in Uganda and largest Pension Fund in East Africa.

Fig.6 shows a comparison between Fund Assets and Member Liabilities

### Investments Returns and Revenues

The strong 12-month returns were led by the equity investments, which generated a 33.12% return. As has always been the case, fixed income came in handy at 16.05%. Real estate was also competitive at 12.37%.

The Fund's investment strategy is underpinned by the strategic asset allocation (SAA) as documented in the Fund's investment policy. Our desired optimal asset mix is: 70% fixed income, 25% equities and 5% real estate. As of 30th June 2018, the asset mix stood at approximately 76% fixed income, 18% equities and 6% real estate. The investment mix as at 30th June 2018 and how it would compare to the SAA is depicted in Table 1 below.

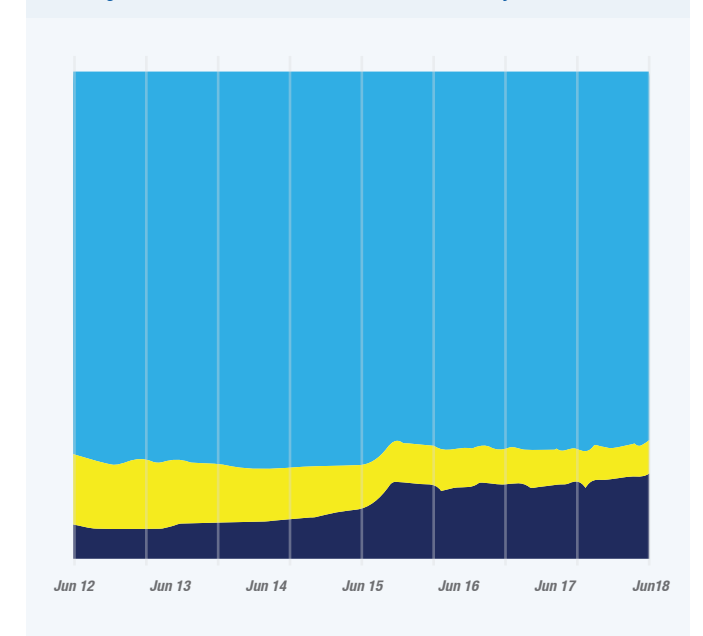
Table 1: The Fund's asset mix and how it would compare to the SAA as at 30th June 2018

Asset Class	Optimal SAA%	Optimal SAA Ushs ('000')
Equities	25%	2,464,266.19
Real Estate	5%	492,853.24
Fixed Income	70%	6,899,945.32
Total		9,857,064.75

Fig. 6: Assets Vs Members' Funds over 5 years (Ushs Tn)



Fig. 7: The Fund's asset mix trend for the last seven years.





Essentially, the investment mix has been predominantly skewed towards fixed income. As can be seen in Figure 7, there have been deliberate efforts to diversify the investment portfolio since 2011. This has resulted in more allocation to equities—on average.

Over time, the real estate allocation has also reduced. This is mainly attributed to the slow absorption of Funds into projects caused by a rather bureaucratic process of procurement and contract management. Yet the growth in contributions, year to year, continues to be at almost over 20% on average over the last five years.

The Fund investment strategy is to move from a conservative to moderate risk appetite stance. We believe this is reasonable for several reasons:

1. It recognizes the inherent constraint posed by the nature of capital markets where the Fund invests—small, illiquid, concentrated in a few sectors and not deep. We still have few listings on the stock exchanges and the free float of several companies is less than 50%. This is exacerbated by the dominance of the financial services sector.
2. It recognizes the need for sufficient liquidity for asset liability matching needs.
3. It takes advantage of the relatively attractive interest rates and stable inflation in Uganda and the East African region.
4. It augurs well with the investment governance structure.
5. It recognizes the need to search for growth of the assets by taking calculated risk. We believe that the Fund can earn sufficient risk premiums by leveraging its liquidity and long-term investment horizon.

In the financial year ended 30th June 2018, the Fund managed to achieve a strong risk adjusted performance as depicted in Table 2 below.

Table 2: The performance of the investment portfolio

Asset Class	Allocation	Performance	Sharpe Ratio
Equities	18.09%	33.2%	2.02
Real Estate	6.53%	12.37%	0.35
Fixed Income	75.38%	16.05%	39.51
Total portfolio	100.00%	18.2%	2.25



Mr. Gerald Kasaato, engaged in a panel discussion during the 2018 Annual Members' Meeting

### Country Allocation

The exposure to regional securities slightly increased from 31.2% in 2017 to 39.8% in 2018. The country allocation for the entire portfolio is shown in Table 3 below. Most of the additions to the portfolio were in Kenya and Tanzania domiciled securities.

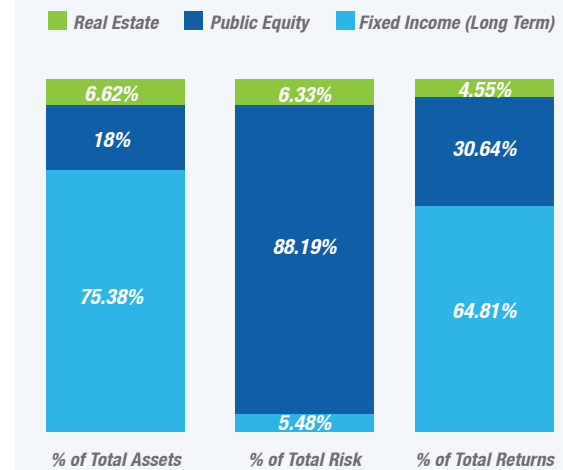
Table 3: Country Allocation

Country Allocation	Jun -2015	Jun -2016	Jun -2017	Jun -2018
Uganda	73.4%	69.5%	68.8%	60.2%
Kenya	23.6%	26.4%	23.9%	30.7%
Tanzania	1.8%	3.0%	6.5%	8.3%
Rwanda	1.3%	1.2%	0.8%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Risk adjusted performance and analysis

The bar chart in Figure 8 below provides a sense of the asset mix, risk and return decomposition.

Fig. 8: Contribution of Assets/Return



From Figure 8, it is apparent that although the equity allocation stood at about 18%, it accounted for 88.19% of the risk and 30.64% of the return in the period. By contrast, although fixed income accounted for almost 76% of the total assets, it accounted for 5.48% of the risk and 64.81% of the return. This reality explains our conservative to moderate stance which is a function of the realities in our capital markets and the Fund's liability growth of over 20% on average.

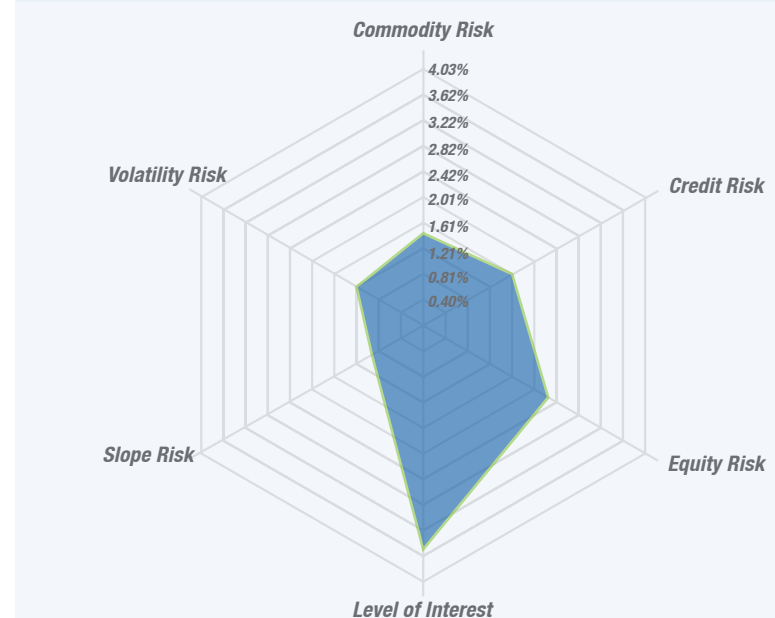
Essentially, the biggest exposure of the portfolio is the level of interest rates. This is consistent with the large allocation to fixed income and investments in interest rate sensitive stocks like financial services companies—mainly banks. The second largest contributor to risk is company specific factors. This is consistent with Figure 9. The other risk factors include: credit risk, volatility and commodity risk.

### Investment Markets

Over the 12-month period to 30th June 2018, portfolio assets generally performed well against a backdrop of broad economic expansion, and significant gains in currency because of a general depreciation of the Uganda shillings against major currencies.

Over the first quarter of 2018, however, equity markets experienced a correction. This shift in market sentiment was largely a reaction to a combination of: a relatively strong GDP growth in the countries we invest, favorable interest rates and stable inflation along with expectations of monetary tightening in the USA which saw the dollar strengthen against emerging and frontier markets currencies.

Fig 9: The Fund's Investment Portfolio Broad Risk Factors





**Diversification**

While the positive returns are encouraging, our focus is always on the long-term sustainability of the investment mix. Ideally given our young member profile, we invest for decades, not a single year. Consequently, going forward, our aim is to consolidate the positioning of the investment appetite as moderate but certainly not aggressive or at least not yet. We don't think it's prudent to take too much risk if the return is not commensurate to the risk. But we will continue to monitor the environment to evaluate our stance. That notwithstanding, the plan therefore is to continue looking for more exposure to equities provided there is value. This however, exposes the portfolio to inherent vulnerabilities.

To provide context, the Fund's vulnerability is depicted by the top five equity position holdings which accounted for 57.6% of the total equity holdings. This is illustrated in Table 4 below.

Table 4: The top five equity holdings as at 30th June 2018

Counter	% of internal Equity Portfolio as at 30th June 2018	Amount (Ushs Billion)
Safaricom	17.8%	311
Umeme	11.8%	206
Equity Bank	10.6%	183
TBL	9.2%	161
EABL	8.2%	141
Others	42.5%	735
<b>Total</b>	<b>100.0%</b>	<b>1,737</b>



NSSF MD Richard Byarugaba(M) listening to one of the engineers during a site visit to commission the construction of Mbarara City House



NSSF Mbarara City House Building under construction

The relatively few listings on the Uganda Securities Exchange and the limitation of the free float on some liquid counters invariably means meaningful diversification by more investments in the region for as long as there are few or no listings locally. Moreover, the reality is that our efforts tend to be limited to the blue-chip counters something that makes timing a valuable tool.

Nevertheless, we have taken advantage of opportunities in the fixed income markets both in Uganda and the region. Table 5 below gives a sense of the diversification in the fixed income asset class and the impact it achieved on income.

Table 5: Gross Income generated by the different fixed income sub asset categories in the last two financial years in Millions of Ushs

	Uganda					Kenya	Rwanda	Tanzania	Total
	Corp Bonds	Corp Loans	Fixed Deposits	Treasuries	Sub Total	Treasuries	Treasuries	Treasuries	
Jul-17	1,079.71	268.38	2,928.56	52,677.56	56,954.22	14,038.56	201.18	5,471.99	76,665.95
Aug-17	1,060.03	268.38	2,928.91	52,940.51	57,197.83	14,455.75	200.40	5,823.15	77,677.14
Sep-17	1,025.84	259.41	2,810.94	52,028.23	56,124.42	13,984.15	195.14	5,929.54	76,233.25
Oct-17	1,060.03	258.58	2,339.38	54,762.83	58,420.83	14,949.52	202.91	6,399.95	79,973.20
Nov-17	1,025.84	250.24	2,046.75	53,184.54	56,507.37	15,038.18	195.82	6,629.87	78,371.23
Dec-17	1,060.03	258.27	1,759.50	55,233.27	58,311.07	16,423.94	202.43	7,063.97	82,001.41
Jan-18	1,054.49	248.78	1,504.35	54,844.60	57,652.21	17,492.12	203.12	7,138.71	82,486.16
Feb-18	936.33	224.70	1,193.40	49,804.70	52,159.14	17,130.21	184.60	6,557.30	76,031.24
Mar-18	1,036.66	248.46	934.56	55,733.50	57,953.17	20,210.55	213.42	7,324.51	85,701.65
Apr-18	1,003.22	231.27	1,037.47	54,737.20	57,009.16	20,241.36	206.17	7,101.04	84,557.73
May-18	1,036.66	238.98	1,124.34	57,558.73	59,958.71	21,332.15	218.02	7,442.52	88,951.40
Jun-18	1,003.22	230.95	922.87	57,970.00	59,014.62	21,656.85	217.88	7,447.86	88,337.21
<b>Sub Total</b>	<b>12,382.06</b>	<b>2,986.41</b>	<b>21,531.01</b>	<b>651,475.67</b>	<b>688,375.15</b>	<b>206,953.33</b>	<b>2,441.10</b>	<b>80,330.40</b>	<b>978,099.98</b>
Jul-16	1,682.63	604.62	4,338.95	42,182.94	51,254.39	10,174.59	189.32	1,106.70	62,725.00
Aug-16	1,682.63	604.62	4,590.13	42,674.26	51,996.89	10,370.57	186.42	1,272.66	63,826.54
Sep-16	1,628.35	585.11	4,788.90	41,900.84	51,348.45	10,094.72	182.10	1,339.55	62,964.82
Oct-16	1,682.63	604.62	4,445.36	44,304.11	53,481.96	10,878.30	191.83	2,139.19	66,691.28
Nov-16	1,628.35	585.11	3,805.10	43,498.00	51,961.81	11,104.60	193.46	2,510.05	65,769.92
Dec-16	1,682.63	422.31	3,715.08	46,056.13	54,321.40	11,354.85	195.69	2,884.10	68,756.04
Jan-17	1,225.64	340.15	3,405.41	46,761.46	54,177.92	11,308.66	194.95	3,117.10	68,798.63
Feb-17	1,079.46	307.24	3,010.04	41,996.76	48,838.75	10,623.32	176.30	3,511.72	63,150.09
Mar-17	1,195.12	340.15	3,201.41	47,376.82	54,558.76	12,002.48	196.01	4,237.94	70,995.18
Apr-17	1,156.57	329.18	3,016.47	46,372.61	53,320.08	12,072.28	191.40	4,553.44	70,137.21
May-17	1,195.12	340.15	3,017.31	48,533.10	55,530.93	12,893.93	192.93	5,139.71	73,757.51
Jun-17	1,156.57	327.92	2,840.86	48,090.21	54,860.80	12,820.46	194.33	4,995.22	72,870.82
<b>Sub Total</b>	<b>16,995.69</b>	<b>5,391.19</b>	<b>44,175.01</b>	<b>539,747.21</b>	<b>606,309.10</b>	<b>135,698.76</b>	<b>2,284.75</b>	<b>36,807.38</b>	<b>781,099.99</b>



Table 6 below shows the yield performance, duration and convexity.

Table 6: Duration, Convexity and Aggregated Yield to Maturity all in local currencies

Name	PER	Duration – Effective	Convexity	Portfolio	YTM Base	YTM Local
Treasury Bonds	Jun-18	4.01	0.230	Fixed Income	15.00%	
KE Govt Treasury Bonds	Jun-18	4.96	0.206	Treasury Bonds	12.77%	14.36%
RW Govt Treasury Bonds	Jun-18	4.01	0.239	Treasury Bonds	12.74%	15.05%
UG Govt Treasury Bonds	Jun-18	3.49	0.227	Treasury Bonds	15.76%	15.76%
TZ Govt Treasury Bonds	Jun-18	4.62	0.342	Treasury Bonds	17.45%	16.72%
Fixed Income aggregate—LC	Jun-18	3.95	0.225		14.64 %	

What is clear is the benefit of extending the duration of the fixed income portfolio. This is usually a good strategy when interest rates are high and are expected to decline. Although that is the case, it is our desire to continue holding our bonds to maturity and not trade based on duration or at least for now. Implicit in this is the benefit generated by taxation, plus the currency premiums earned for the financial year ended.

### Equity Portfolio

The Fund's equity portfolio is managed both in-house and by Fund Managers. At June 2018, Sanlam Investments East Africa Limited and GenAfrica were our Fund Managers with aggregate portfolio closing at Ushs 112.2 Billion, up from Ushs 88.4 Billion, in 2017. The in-house portfolio size closed the year at Ushs 1,326 Billion an increased by 47.4% from Ushs 900 Billion, as at 2017.

The Fund portfolio in associates closed at Ushs 298.3 Billion, 11.9% up from Ushs 266.5 Billion in 2017. The investee companies include; Housing Finance Bank, TPS Serena, Uganda Clays Limited and UMEME Limited.

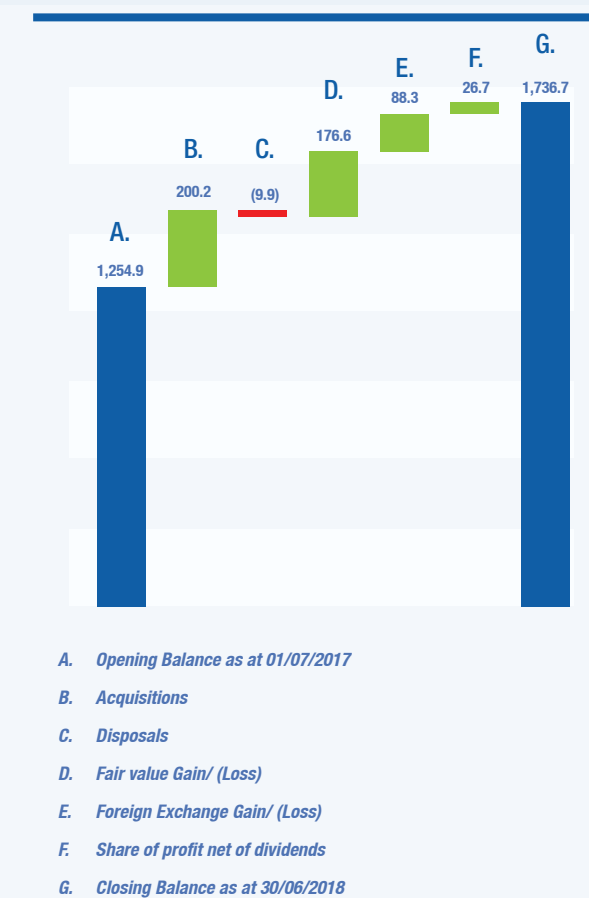
Table 7: Listed Securities in NSSF Internal Portfolio

Security	Jun 2017	Jun 2018	% change
Bank of Baroda	108	150	38.9%
Centum	1,426	1,449	1.6%
DFCU	759	970	27.8%
New Vision Limited	539	450	-16.5%
Safaricom (KShs)	22.75	29.5	29.7%
Stanbic Bank Uganda Limited	27	32	18.5%
Uganda Clays Limited	12	22	83.3%
Tanzania Portland Cement	1,800	1,640	-8.9%
UMEME	425	300	-29.4%
KCB (KShs)	37.75	46.25	22.5%
Equity Bank (KShs)	37.75	46.25	22.5%
Bank of Kigali (RWF)	245	286	16.7%
Britam(KShs)	12.65	14.6	15.4%
Kenya Re(KShs)	20.75	16	-22.9%
Tanzania Breweries (TZS)	13,400	16,500	23.1%
East African Breweries (KShs)	259	218	-15.8%
Vodacom (TZS)	0	850	
Cooperative Development Bank (TZS)	0	160	

During the year 2018, the equities portfolio posted a return of 33.2% (Refer to Table 2). The robust performance was largely attributed to the price recovery specifically in the Kenyan Market. Gross dividend income remained flat at Ushs 53.0 Billion for the year to June 2018.

The total portfolio value closed at Ushs 1,737 Billion (June 2017 – Ushs 1,255 Billion). This is largely attributable to price gains across the different counters especially in the Kenyan portfolio.


Fig. 10: Highlights for Performance of shares and Holdings for the period ending June 2018



Members of the NSSF Investment team during the 2017 Lubowa ground breaking ceremony



## Equity Portfolio as at June 2018




**Bank of Baroda**

**Holding:** 2%  
Ushs 7.4 Billion

**Dividend Income:** Ushs 374.7 M

**Sector: Banking**

NSSF has a shareholding of 2% in Bank of Baroda (Uganda) Ltd worth Ushs 7.4 Billion as at 30th June 2018. The bank paid NSSF dividends of Ushs 374.7 Million during the period under review. The bank is listed on the Uganda Securities Exchange.



**BANK OF KIGALI**  
Financially transforming lives

**Holding:** 6.36%  
Ushs 53.8 Billion

**Dividend Income:** Ushs 2.7 M

**Sector: Banking**

NSSF has a shareholding of 6.36% in Bank of Kigali worth Ushs 53.8 Billion as at 30th June 2018. The bank paid NSSF dividends of Ushs 2.7 Million during the period under review. The Bank is listed on the Rwanda Stock Exchange.



**Holding:** 3.38%  
Ushs 27.4 Billion

**Dividend Income:** Nil

**Sector: Banking**

NSSF has a shareholding of 3.38% in Cooperative Rural Development Bank, worth Ushs 27.4 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Dar es Salaam Stock Exchange.



**Holding:** 7.34%  
Ushs 54.1 Billion

**Dividend Income:** Ushs 3.8 Bn

**Sector: Banking**

NSSF has a shareholding of 7.34% in the Development Finance Company of Uganda Bank Limited, commonly known as DFCU Bank, worth Ushs 54.1 Billion as at 30th June 2018. DFCU Bank paid NSSF dividends of Ushs 3.8 Billion during the period under review. The company is listed on the Uganda Securities Exchange.



**Holding:** 2.13%  
Ushs 141.5 Billion

**Dividend Income:** Ushs 3.4 Bn

**Sector: Manufacturing**

NSSF has a shareholding of 2.13% in East African Breweries Limited (EABL) worth Ushs 141.5 Billion as at 30th June 2018. EABL paid NSSF dividends of Ushs 3.4 Billion during the period under review. The company is listed on the Nairobi Securities Exchange.



**Holding:** 2.03%  
Ushs 22.1 Billion

**Dividend Income:** Nil

**Sector: Insurance**

NSSF has a shareholding of 2.03% in Britam worth Ushs 22.1 Billion as at 30th June 2018. There were no dividends paid during the year. British-American Investments Company (Britam), is a diversified financial services group and is listed on the Nairobi Securities Exchange.



**Holding:** 0.73%  
Ushs 6.4 Billion

**Dividend Income:** Nil

**Sector: Finance**

NSSF has a shareholding of 0.73% in Centum, East Africa's leading investment company, worth Ushs 6.4 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Nairobi Securities Exchange and Uganda Securities Exchange.



**Holding:** 2.78%  
Ushs 183.2 Billion

**Dividend Income:** Ushs 6.6 Bn

**Sector: Banking**

NSSF has a shareholding of 2.78% in Equity Bank Limited worth Ushs 183.2 Billion as at 30th June 2018. Equity Bank Limited paid NSSF dividends of Ushs 6.6 Billion during the period under review. The company is listed on the Nairobi Securities Exchange and Uganda Securities Exchange.



**Holding:** 50%  
Ushs 69.5 Billion

**Dividend Income & Share of Profits:** Ushs 15.5 Bn

**Sector: Banking**

NSSF has a shareholding of 50% in Housing Finance Bank Limited worth Ushs 69.5 Billion as at 30th June 2018. Our share of profit in Housing Finance Bank Limited was Ushs 9.5 Billion. In addition, Housing Finance Bank Limited also paid dividends of Ushs 6.0 Billion during the period under review.



**Holding:** 2.17%  
Ushs 114.8 Billion

**Dividend Income:** Ushs 6.7 Bn

**Sector: Banking**

NSSF has a shareholding of 2.17% in KCB worth Ushs 114.8 Billion as at 30th June 2018. The bank paid NSSF dividends of Ushs 6.7 Billion during the period under review. The Bank is listed on the Nairobi Securities Exchange.





**Holding:**  
**0.86%**  
Ushs 3.7 Billion

**Dividend Income:**  
**Nil**

**Sector: Insurance**

NSSF has a shareholding of 0.86% in Kenya Reinsurance Corporation Limited (Kenya Re) worth Ushs 3.7 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Nairobi Securities Exchange



**Holding:**  
**0.69%**  
Ushs 311.4 Billion

**Dividend Income:**  
Ushs **11.2 Bn**

**Sector: Telecommunications**

NSSF has a shareholding of 0.69% in Safaricom worth Ushs 311.4 Billion as at 30th June 2018. The company paid NSSF dividends of Ushs 11.2 Billion during the year. The company is listed on the Nairobi Securities Exchange.



**Holding:**  
**2.61%**  
Ushs 42.7 Billion

**Dividend Income:**  
Ushs **2.3 Bn**

**Sector: Banking**

NSSF has a shareholding of 2.61% in Stanbic Bank (Uganda) Ltd worth Ushs 42.7 Billion as at 30th June 2018. The bank paid NSSF dividends of Ushs 2.3 Billion during the period under review. The bank is listed on the Uganda Securities Exchange.



**Holding:**  
**5.28%**  
Ushs 26.7 Billion

**Dividend Income:**  
**Nil**

**Sector: Manufacturing**

NSSF has a shareholding of 5.28% in Tanzania Portland Cement Company Limited (TPCC) worth Ushs 26.7 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Dar es Salaam Stock Exchange.



**Holding:**  
**32.52%**  
Ushs 12.2 Billion

**Dividend Income & Share of Profits:**  
Ushs **736.8M**

**Sector: Manufacturing**

NSSF has a shareholding of 32.52% in Uganda Clays Ltd worth Ushs 12.2 Billion as at 30th June 2018. Our share of profit in Uganda Clays Limited was Ushs 411.1 Million. In addition, Uganda Clays Limited also paid dividends of Ushs 325.7 Million during the period under review. The company is listed on the Uganda Securities Exchange.



**Holding:**  
**23.2%**  
Ushs 206.1 Billion

**Dividend Income & Share of Profits:**  
Ushs **18.9 Bn**

**Sector: Utilities**

NSSF has a shareholding of 23.2% in Umeme Ltd worth Ushs. 206.1 Billion as at 30th June 2018. Our share of profit in Umeme Ltd was Ushs. 16.1 Billion. In addition, Umeme Limited also paid dividends of Ushs. 2.8 Billion during the period under review. The company is listed on the Uganda Securities Exchange.



**Holding:**  
**1.93%**  
Ushs 160.9 Billion

**Dividend Income:**  
Ushs **4.6 Bn**

**Sector: Manufacturing**

NSSF has a shareholding of 1.93% in Tanzania Breweries Limited worth Ushs 160.9 Billion as at 30th June 2018. Tanzania Breweries Limited paid NSSF dividends of Ushs 4.6 Billion during the period under review. The company is listed on the Dar es Salaam Stock Exchange.



**Holding:**  
**3.84%**  
Ushs 126.0 Billion

**Dividend Income:**  
Ushs **3.3 Bn**

**Sector: Banking**

NSSF has a shareholding of 3.84% in the Trade & Development Bank (TDB) worth Ushs 126.0 Billion as at 30th June 2018. TDB paid NSSF dividends worth Ushs 3.3 Billion during the period under review.



**Holding:**  
**13.99%**  
Ushs 8.7 Billion

**Dividend Income & Share of Profits:**  
Ushs **1.6 Bn**

**Sector: Hospitality**

NSSF has a shareholding of 13.99% in TPS Eastern Africa Limited (TPS Eastern), a hospitality company that operates hotel and lodge facilities in Eastern Africa, worth Ushs 8.7 Billion as at 30th June 2018. Our share of profit in TPS Eastern Africa Limited was Ushs 1.2 Billion. In addition, TPS Eastern Africa Limited also paid dividends of Ushs 419.8 Million during the period under review. The company is listed on the Nairobi Securities Exchange.



**Holding:**  
**19.61%**  
Ushs 6.8 Billion

**Dividend Income:**  
**Nil**

**Sector: Media**

NSSF has a shareholding of 19.61% in the Vision Group incorporated as New Vision Printing & Publishing Company Limited (NVPPCL) worth Ushs 6.8 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Uganda Securities Exchange.



**Holding:**  
**0.23%**  
Ushs 37.2 Billion

**Dividend Income:**  
**Nil**

**Sector: Telecommunications**

NSSF has a shareholding of 0.23% in the Vodacom Tanzania worth Ushs 37.2 Billion as at 30th June 2018. There were no dividends paid during the year. The company is listed on the Dar es Salaam Stock Exchange.



**Holding:**  
**16.5%**  
Ushs 1.7 Billion

**Dividend Income & Share of Loss:**  
Ushs **(519)M**

**Sector: Banking**

NSSF has a shareholding of 16.5% in the Yield Uganda Investment Fund worth Ushs. 1.7 Billion as at 30th June 2018. This €12 Million Fund invests in Small & Growing Agribusinesses (SGAs) positioned in agricultural supply chains in Uganda. Our share of loss in this Fund was Ushs. 519 Million. There were no dividends paid during the period under review.



## Real Estate Portfolio

We hold real estate assets to realize capital gains and get income. Over 80% of this asset class is mainly comprised of undeveloped land. The strategy is to continuously work towards unlocking the value of some of the prime land through either; commercial developments for rent or sell.

The real estate portfolio comprises of the income-generating and non-income generating assets. The composition of the real estate portfolio for the past five years is indicated below:

Table 8: Real Estate Portfolio

Investment properties	Valuation at 30 June 14 (Ushs. Billion)	Valuation at 30 June 15 (Ushs. Billion)	Valuation at 30 June 16 (Ushs. Billion)	Valuation at 30 June 17 (Ushs. Billion)	Valuation at 30 June 18 (Ushs. Billion)
<b>Properties</b>					
Workers House	54.50	56.25	56.00	58.00	63.47
Plot 5 Mvule Rd Naguru	1.80	1.80	2.00	2.00	3.50
Land on Yusuf Lule Road	19.00	19.00	19.00	20.00	20.00
Independence Ave Arua	0.15	0.15	0.17	0.17	0.17
Land in Kisugu	0.20	0.20	0.25	0.25	0.30
Land in Kabale	0.23	0.23	0.23	0.23	0.23
Jinja City House	0.56	0.56	–	–	2.73
Land in Tororo	0.19	0.19	0.17	0.20	0.20
Lumumba Avenue	62.39	–	–	–	–
Social Security House	26.00	26.00	29.00	30.00	30.42
Land in Lubowa	3.10	–	–	–	273.21
Land in Mbuya	1.80	1.80	–	–	–
Land in Busiro Temangalo	15.60	21.50	24.13	26.54	27.00
Nsimbe Land	–	–	–	42.42	43.40
Plot 16 Nakasero Rd (FRV 304)	8.20	8.20	8.40	8.40	–
<b>Sub Total</b>	<b>193.71</b>	<b>135.87</b>	<b>139.35</b>	<b>188.21</b>	<b>464.63</b>
<b>Capital Works in Progress</b>					
Lubowa	249.65	243.92	245.08	245.25	72.90
Lumumba	–	64.45	65.39	66.36	85.72
Mbuya	–	–	1.85	7.24	10.83
Jinja	–	–	1.13	2.20	–
Mbarara	–	–	–	1.43	2.81
Others	0.60	0.54	1.36	1.35	5.58
<b>Sub Total</b>	<b>250.24</b>	<b>308.91</b>	<b>314.80</b>	<b>323.83</b>	<b>177.84</b>
<b>Grand Total</b>	<b>443.95</b>	<b>444.78</b>	<b>454.14</b>	<b>512.04</b>	<b>642.47</b>

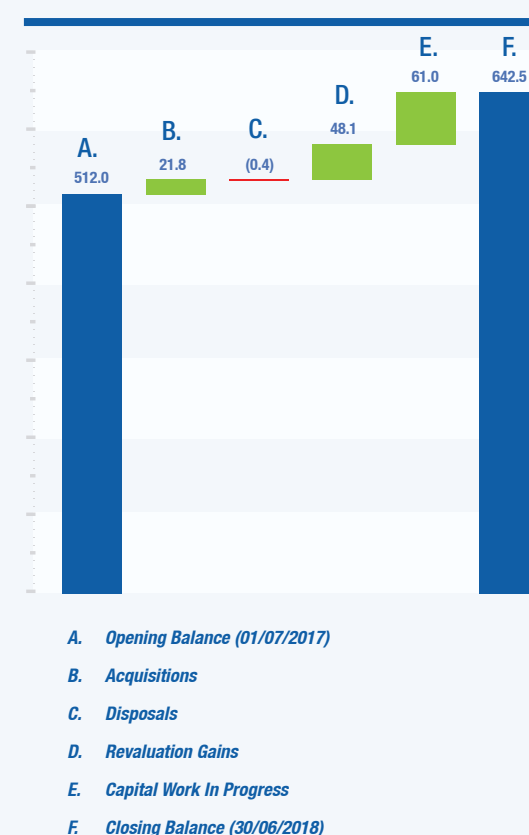
Jinja City House was completed in June 2018 and is ready to let

The entire real estate portfolio (including non-income generating assets) yielded 12.37% during the financial year to June 2018, higher than the 6.43% of the financial year to June 2017. This return is mainly attributed to the capital gains arising out of a revaluation exercise done in June 2018. The capital gains were approximately Ushs 48.1 Billion.

The Fund currently has only four income-generating properties namely; Workers House, Social Security House, Mvule Naguru, and Yusuf Lule Land (currently rented out as a parking area).

Figure 11 indicates the build-up of the investment properties (including the capital works in progress) for the financial year ended June 2018.

Fig. 11: The Build-Up of Investment Properties for the Financial Year 2017/18



NSSF Deputy Managing Director, lays commemorative stones at the launch of construction of Mbarara City House

## Way forward

We intend to continue with portfolio re-balancing. For the fixed income asset class, this will be done by way of corporate bonds and structured products and seek for more diversification opportunities within Uganda and the East African region. For equities, we will explore opportunities in all the markets where we invest. Private equity also remains high on our radar.

In the financial year ended, we had ongoing projects in Jinja, Mbarara, Mbuya and Lubowa. The Mbarara and Jinja office complex are each 1500 square meters of total built up space. We will be looking at having them fully let. For these upcountry offices, our investment thesis is two-fold: achieve social impact by providing decent office accommodation in municipalities out of Kampala that will eventually become cities. We will be looking at Mbale and Gulu as the next destinations for upcountry office developments.

We plan to have Phase II works on the Pension Towers Project (70,492 square meters). The works are expected to be completed by 2022. We are soon starting on an affordable housing concept in Kyanja under the “off taker concept”. This will deliver 160 residential housing units in a mixed-use development. Concepts for Temangalo and Yusuf Lule Road have been approved and we expect to commence works on those projects by 2020. The former is a mixed-use housing estate while the latter is a modern office park.

## Summing it up

We are committed to the success and sustainability of our investment program. Our mission remains the same—manage the investment portfolio in a cost-effective, transparent, and risk-aware manner to generate returns to pay benefits and create value for our members’ savings. While we are pleased with this year’s strong returns, we continue to identify ways to reduce the cost, risk, and complexity of the Fund’s portfolio and investment governance while also maximizing investment returns.



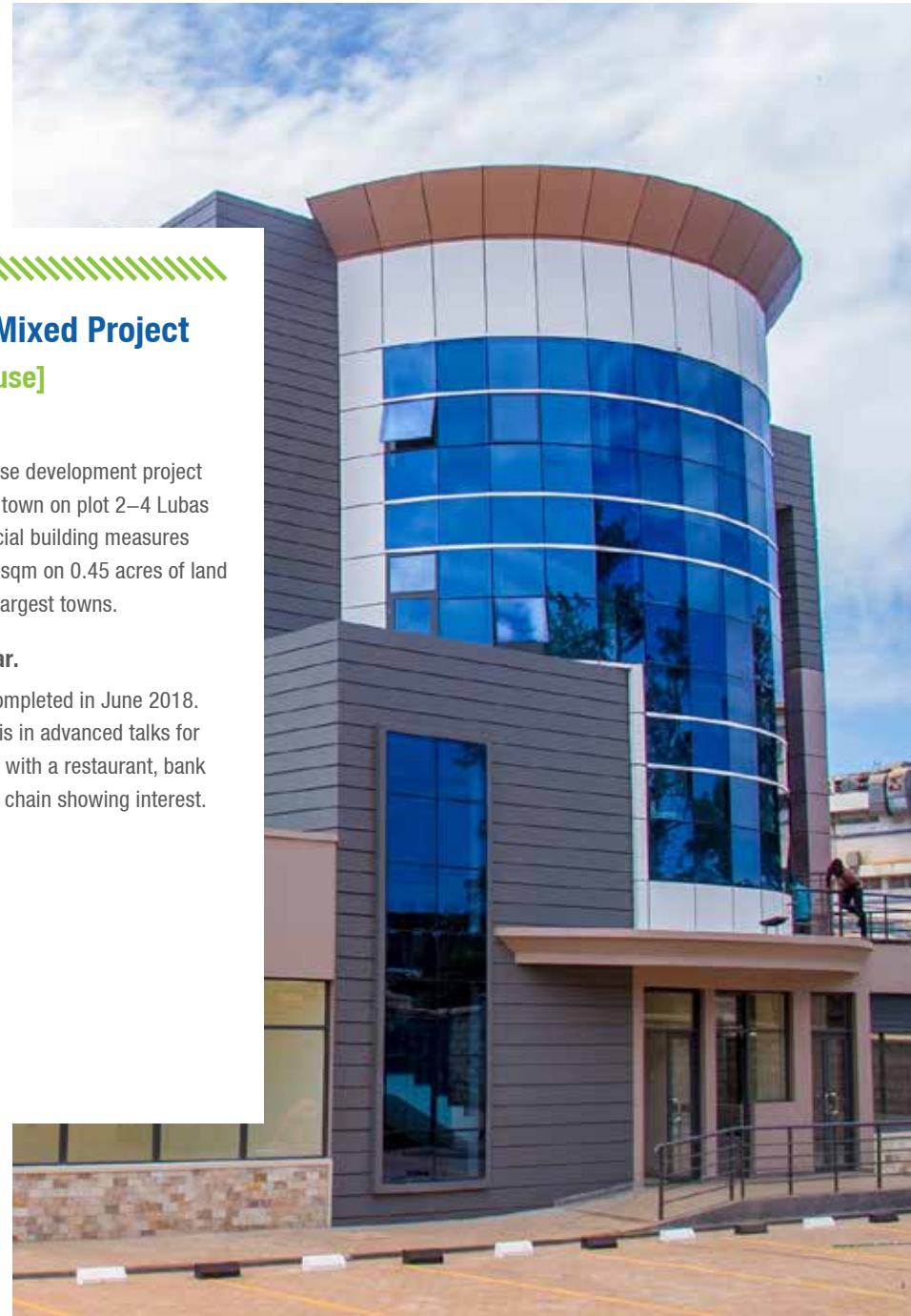
## Real Estate Portfolio as at June 2018

### NSSF Jinja Mixed Project [Jinja City House]

A proposed mixed use development project in the heart of Jinja town on plot 2-4 Lubas Road. This commercial building measures approximately 1500sqm on 0.45 acres of land in one of Uganda's largest towns.

#### The progress so far.

Construction was completed in June 2018. Presently, the Fund is in advanced talks for letting of the space; with a restaurant, bank and pharmaceutical chain showing interest.



**1,200**  
square meters of  
lettable space

**Lubas Rd.**  
Physical location of the  
building

**\$144,000**  
in estimated annual  
revenue

### NSSF Mbarara Mixed – Use Development [Mbarara City House]

A proposed modern Retail and office complex comprising 4 floors with a total built-up area of approximately 1,500sqm. The retail and office space on offer is approximately 1,200sqm.

The development was envisioned as a modern building identifying with NSSF as a brand. It will have parking provision of up to 40 slots. The critical goal is to incorporate a modern, holistic, integrated facility that will attract maximum tenancy occupation targets.

#### The progress so far.

Construction works are on going. Estimated time of completion is May 2019.



**1,200**  
square meters of office  
space for rent

**Galt Rd.**  
Physical location of the  
building

**\$158,400**  
in estimated annual  
revenue





**NSSF Mbuya 2 Project.**  
[The Citadel Place]

The Citadel Place is a proposed modern, contemporary housing project on plot 11, 13, 2 & 2A Ismael Rise, Mbuya, a Kampala suburb. The apartments are set to be a first class residential facility offering a host of amenities that include: CCTV surveillance, club house with a gym and swimming pool, ample parking and a conducive living environment.

**The progress so far.**

Construction is ongoing, with estimated completion approximated to be in early 2019. Pre sales are currently underway, with approximately 40% of the apartments booked in just under 6 months.

**40**

4-Bedroom apartments to be sold on the market at Ushs. 690 Million

**Ismael Rise**

Physical location of the building

**\$6.5M**

projected sales revenue from putting apartments on the market

**JINJA CITY HOUSE**

Plot 2-4 Lubas Road, Jinja

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**SPACE TO LET**



Office Space | Retail Space | Banking Hall | Restaurant | Spacious Parking

**THE PERFECT LOCATION FOR YOUR BUSINESS.**

Location is key to boosting your business. Don't miss the opportunity to rent space in Jinja's newest prime retail and office complex.

In addition to four floors, Jinja City House has parking space for 60 cars, 24 hour security, lifts, standby generator and CCTV.

The building comprises 1,075 square meters of lettable space suitable for offices, restaurant and shops.



For more information call : 0752 755 272 | 0782 956 545 | 0755 500 533

OR EMAIL: [realestate@nssfug.org](mailto:realestate@nssfug.org)





# Risk Management & Corporate Governance Report

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# Risk Management Report



NSSF Head Of Risk, Mr. Edward Senyonjo.

*In the process of fulfilling its mandate, the Fund inevitably encounters various risks, which may impede successful execution of its mandate.*

For the last six years or so, the Fund has demonstrated the ability to perform far beyond stakeholder expectations; currently it is the largest corporate entity in Uganda by total assets, valued at Ushs 9.98 Trillion shillings as at 30 June 2018. The Fund has greatly improved its image, brand and reputation ratings which currently stand at 77% and 74% respectively.

The phenomenal transformation of the Fund in the last six years or so is attributable to improved corporate governance and effective risk management among other things.

Risk is the effect of uncertainty on an objective, whether positive or negative; therefore, our perception of risk is double faceted– we look at the upside and downside of risk. Risk is linked to future outcomes; it can worsen or improve our position. Our approach, therefore, is to exploit the upside, while minimizing the downside.

## Risk Appetite

At the Fund, we established a Risk Appetite Framework (RAF) which guides us on how much risk we take on in pursuit of our corporate objectives.

## Risk Appetite Statement

The RAF contains the Fund's Risk Appetite Statement (RAS), which is displayed in all the Fund's offices.

The Fund's Risk Appetite Statement (RAS) stipulates the nature and amount of risk that management deems acceptable in pursuance of business objectives. The Fund's Risk Appetite Statement states:

"The Fund's Risk Appetite Statement provides boundaries for decision making regarding which risks are acceptable and which are not, in pursuit of business objectives.

For every key decision, the important question we ask is, 'Is this course of action compatible with our risk appetite?'"

The RAS is part and parcel of the Fund's Enterprise Risk Management (ERM), and is implemented through a risk appetite framework, which includes the common language, policies, processes, and tools used to establish, communicate, and monitor the risk appetite."

The nature and the amount of risk an organization assumes plays a key role in determining whether the uncertain future outcomes actually improve or worsen the organization's position.

The RAS is anchored on the following principles:

- High level of ethical conduct, to protect the image of the Fund
- Prudent decision-making processes, to preserve member Funds
- Robust internal controls, to ensure effective and orderly conduct of business
- Resilient Business Continuity Management framework, to minimize service outages.

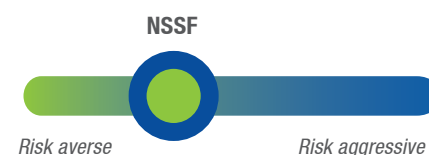
## What influences our risk appetite?

Our risk appetite is mainly influenced by two factors:

### i. The nature of business

Pension Funds are generally risk averse (low risk appetite) because they are more concerned with stability and preservation of member Funds

Fig. 1: The Fund's Risk Stance

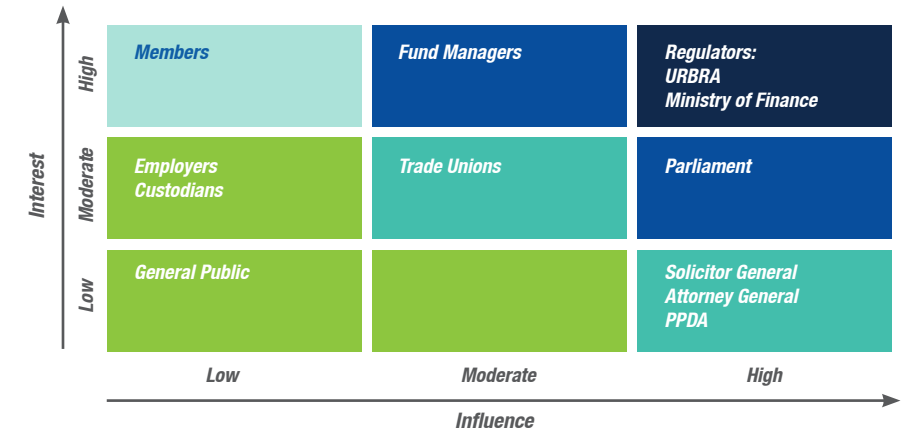


Mr. Edward Senyonjo (M) engaged in discussion with the NSSF Board Chairman (L) and one of the contractors, during the 2017 Lubowa groundbreaking ceremony

### ii. Stakeholder holder interest and influence

The NSSF has multiple stakeholders with varying interests and influence. The Fund's risk appetite is dictated by stakeholders with the highest interest and influence over its operations and strategic direction.

Fig. 2: Stakeholder Interest/Influence Matrix



## Risk Appetite Vs Risk Severity

Generally, our risk appetite/acceptance is inversely related to the level of risk we face, that is, the higher the risk, the lower the risk appetite, other factors constant. However, if the expected benefits/returns are high, the risk appetite could be high as illustrated below:

Table 1: The Fund's Risk Appetite

Risk Appetite	Risk Severity
Extreme	Low
Very high	Moderate
High	High
Moderate	Very high
Low	Extreme



Table 2: The Fund's risk appetite explains the strategic asset allocation

NSSF Investment risk appetite	Strategic Asset Allocation	
Low risk, Very high appetite	Fixed income	76.70%
High to Very high risk = Moderate to High appetite	Equities	17.80%
Extreme risk = Low appetite	Real estate	5.50%

**Risk Tolerance**

In order to effectively implement the Fund's risk appetite framework, we quantify the amount of risk management is willing to accept in pursuance of corporate objectives, using Risk Tolerance Limits (RTLs).

RTLs are expressed in quantitative terms, indicating the level of risk that is acceptable, tolerable or unacceptable. Unacceptable level of risk requires immediate action to bring it to either tolerable or acceptable/desirable levels.

RTLs are based on forward looking assumptions that allocate the Fund's aggregate risk appetite (e.g. measure of loss or negative events) to business lines, specific risk categories, concentrations, and as appropriate, other levels.

Table 3: The Fund's Risk Appetite

Level of acceptable risk	Description	Implication
<b>Risk intolerance</b>		
	The amount or type of risk that is over and above the Fund's risk appetite	If a risk falls in this area, we have breached our tolerance limit
<b>Risk tolerance</b>		
	The maximum amount or type of risk the Fund is willing to tolerate above its risk appetite	If a risk falls in this area, we have breached our risk appetite, though within tolerable limit
<b>Risk appetite</b>		
	Level of risk the Fund considers acceptable in the pursuit of its business objectives	If a risk falls in this area, it is within our risk appetite

Risk appetite and RTLs are set by the Board of Directors, and are linked to the Fund's strategy. RTLs are monitored and analyzed against actual exposures, and the results reported to Management and the Board as indicated in the framework below;

**Risk Appetite Monitoring & Reporting**

Table 4: Risk Monitoring and Reporting

Frequency	Category	Recipient	
		Executive Management	Board of Directors
Quarterly	Strategic Risk Tolerance Limits	✓	✓
Monthly	Operational Risk Tolerance Limits	✓	–

**Risk Management Process**

Fig 3: Risk Management Process Explained



Table 4: Risk Management Process Explained

Risk Element	Description
Risk identification & assessment	<ul style="list-style-type: none"> <li>Risk identification and assessment enables the NSSF to identify and assess potential risk exposures.</li> <li>Identified inherent risks in business processes, systems, products and people are documented in risk registers.</li> <li>Risk registers are reviewed regularly to assess the status of risks and controls and take necessary actions, where applicable.</li> </ul>
Scenario analysis & stress test	<ul style="list-style-type: none"> <li>Assessment of likelihood and impact (financial &amp; non-financial)</li> <li>Determination of risk severity for proper prioritization.</li> </ul>
Risk management Models	<ul style="list-style-type: none"> <li>NSSF uses a number of models to identify, assess and monitor its risks.</li> <li>The Control Self-Assessment model for instance, enables the Fund to deal with operational risk challenges</li> <li>A number of other models such as the CAMEL, Z-Score etc. are used when assessing investment risks.</li> </ul>
Risk reporting framework	<ul style="list-style-type: none"> <li>Series of reports are submitted to Management and the Board in order to facilitate regular and systematic review of the risk profile and strategy of the Fund.</li> </ul>
Risk culture	<ul style="list-style-type: none"> <li>NSSF's risk culture is characterized by the principles of separation of roles, prudence, accountability, integrity and compliance.</li> </ul>

Risk is Assessed based on probability of occurrence



**Risk Governance**

**Board and Board Committees**

The Board of Trustees has the ultimate responsibility for good corporate governance and risk management. The Board is assisted by four committees, namely; Audit and Risk Assurance Committee, the Investment and Project Management Committee, Finance Committee and Staff Administration and Corporate Affairs.

Each Committee has a responsibility to handle specific matters and make recommendations to the Board for the final decision.

However, the committee with the overall responsibility for risk management is the Audit and Risk Assurance Committee and significant risks with a potential to undermine the strategic objective of the Fund are escalated to the Board through the Audit & Risk Assurance Committee by the Head of Risk.

Fig 4: Board and Board Committee Structure



**Executive Management Committee**

Management is responsible for the day-to-day monitoring, assessment and controlling of risk, as well as ensuring that controls are adequate and effective in mitigating existing and potential risks. The Head of Risk is the overall coordinator of risk management activities and provides expertise as regards to effective management of risks.

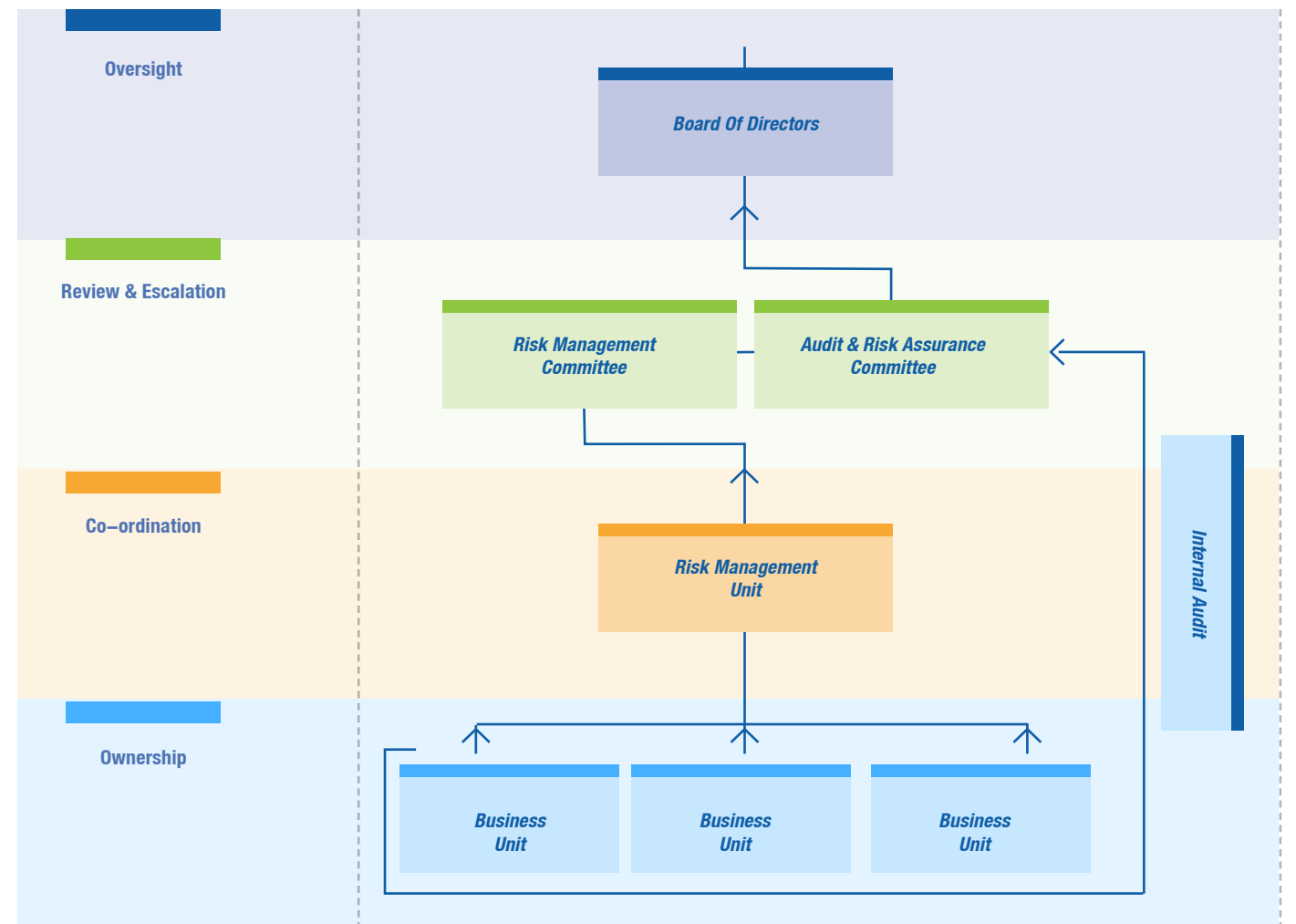
The Head of Risk prepares monthly risk reports that are shared with the Executive Management. The Risk Management Committee sits on a quarterly basis to discuss risk management reports presented by the Head of Risk.

The Heads of department are responsible and accountable for managing business activities within their departments, and have the primary responsibility of communicating, identifying and controlling risks inherent in the activities and processes and implementing the Board's risk management policy.

Fig 5: Executive Committee Structure



Fig 6: Risk Governance Roles and Responsibilities





# Our Principal Risks

To ensure systematic and comprehensive identification and documentation of risks facing the Fund, we categorize risks as follows:



Table 6: How we Respond to Identified Risks

Risk Category	Risk Description	Risk Driver	Risk Response
<b>i) Business Continuity Risk</b>	Business continuity risk can be defined as adverse events that impact the corporation's ability to operate or resume operations following a major business disruption, the effect of which could be prolonged system downtime, affecting service delivery and resulting in customer dissatisfaction	Lack of an effective Business Continuity Management (BCM) mechanisms to minimize recovery time	We have built a robust BCM and Disaster Recovery framework, which includes a fully-fledged Disaster Recovery Site (DRS), located 80KM away from the primary site. The DRS is subject to rigorous tests every year, and in the majority of cases, the tests have revealed that our DRS is capable of recovering business operations within the shortest time possible.
<b>ii) Unemployment</b>	Increase in unemployment could lead to slow growth in NSSF contributions, thus limiting the Fund's anticipated/projected growth.	Mismatch between education qualifications and job requirements – Many graduates do not have the skills required by the job market.	We are developing an Innovation program, where the Fund will provide Funds to start-ups that have demonstrated capacity to progress into sustainable businesses. Such businesses are expected to create employment opportunities for many Ugandans
<b>iii) Terrorist attack.</b>	Threat of terrorist attack remain high, and the impact is always significant or major	Globalization and advancement in technology, which enable faster exchange of information, thus providing a fertile environment for terrorism	We have built, and we shall continue to enhance our physical and technological security infrastructure to counter any potential terrorist attack.
<b>iv) Equity risk</b>	Equity risk arises from changes in the prices of shares in the stock market. The Fund has significant investments in various companies listed on the stock exchanges in the region.	A decline in the stock prices directly affects the income of the Fund in form of unrealized losses, and consequently the return to members. Price movement is driven by various factors including: Factors which are specific to a particular company, e.g. decline in profitability, governance failure, etc, or general market conditions, e.g. changes in interest rates, recession, etc	We have diversified across asset classes and industries so that the impact of price volatility of a particular stock or a group of related stocks (sector) is counter-balanced by stability of another stock or group of related stocks (sector)
<b>v). Foreign Exchange Risk</b>	Given our investment in other East African countries, there is possibility that we would incur foreign exchange losses	Appreciation of the shilling against foreign currency	We shall continue to have a mix with in the portfolio with a larger tilt to the Ugandan market in order to reduce the foreign exchange impact.
<b>vi) Interest rate risk</b>	Fixed income is our major asset class in the Fund's investment portfolio, and is highly sensitive to changes in the interest rates. Fixed income may decline, resulting in reduction in interest to members	Decline in interest rate	We tend to invest in long-term fixed income products when rates are high and short term fixed income products when rates are low.
<b>vii). Information security risk</b>	We are increasingly becoming heavily reliant on technology in our endeavor to deliver our strategic objectives. Any failure of the systems could significantly affect our operations and undermine our ability to meet customers' and other stakeholders' expectations, thus compromising our reputation and brand	Rapid technological changes Heightened incidents of cyber attack, precipitated by globalization	We have established a robust information security infrastructure, capable of detecting and preventing unauthorized intrusion into the systems. We conduct periodic vulnerability and penetration tests to assess the resilience of our systems, and any weaknesses identified are addressed accordingly
<b>viii. Changing customer expectations</b>	Changing customer expectations and demand for a wide range of products is likely to lead to increased customer dissatisfaction if the expectations are not met. The NSSF Act prescribes only six categories of benefits: i) Age benefit ii) Withdraw benefit iii) Exempted employment benefit iv) Emigration grant v) Invalidity benefits vi) Survivor's benefit	Increased awareness of member/ consumer rights	We are engaging stakeholders to ensure that the NSSF Act is amended to allow Management innovate and come up with new products to meet various customer needs.
<b>ix) Compliance risk</b>	Potential penalties and/or sanctions for non-compliance with laws and regulations, and increased costs of compliance with laws and regulations, could impact the financial performance and image of the Fund.	Continuous enactment of new laws and regulations.	A) We monitor and pro actively respond to changes in laws and regulations b) Key decisions are reviewed for compliance with laws and regulations before implementation c) Regular compliance assessments are conducted with a view to identifying compliance gaps and address them
<b>x) Vulnerability of members to poverty</b>	After receiving their benefits, a number of members may invest the Funds in unviable ventures, resulting in financial loss and sliding back into poverty, leading to failure to achieve the objective of a "better life" for the members.	Lack of financial management skills by the members	We shall intensify our financial literacy program to ensure that our members are equipped with the basic/minimum financial management skill to minimize vulnerability to poverty.



**Business Continuity Management**

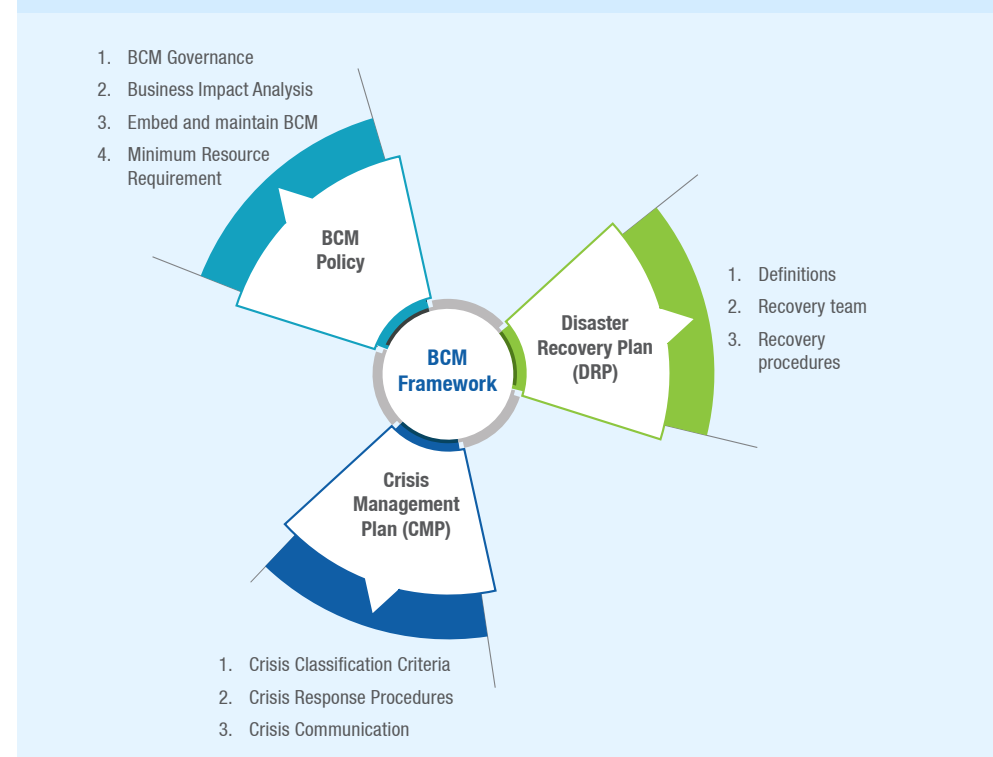
The Fund put in place a comprehensive business continuity management framework (BCM), which has been subject to regular tests, because we believe that the BCM cannot be considered effective unless it has been put to a test.

Tests are conducted to assess the robustness and resilience of the BCM framework in restoring business operations and minimizing service outage. For the past three years, all BCM tests conducted have been successful.

The main element of the Fund's BCM include:

- a. BCM policy
- b. Crisis Management Plan
- c. Disaster Recovery Plan

Fig 7: Business Continuity Management Process



**Risk culture**

Risk culture refers to a system of values prevalent in an organization that shapes risk decisions of management and employees. A key element of risk culture is a common understanding of the organization's business and its purpose.

According to the KPMG quality assurance report, the overall rating of the Fund's risk assessment maturity is 3.80 out of 5, which indicates that the Fund has a mature risk environment.

Risk management activities are aligned with business strategy as documented in the balance score card, departmental and corporate risk registers.

Risk management objectives and value proposition are consistently aligned with business strategy. This is evidenced in the link of the Key Risk Indicators in individual, departmental and corporate goals of the Fund. The objectives are monitored annually through risk control and self-assessments.

**NSSF VOLUNTARY MEMBERSHIP**

**DON'T BE THE ONE THAT WILL RETIRE INTO POVERTY**

Temaligwe Charles  
Former Football Star  
KCC FC & Uganda Cranes

Charles was a hero both on and off the pitch. Then one day the glamour life was all gone. He is among millions of working Ugandans who retire into poverty because they do not have a retirement plan.

**GET A SECURE RETIREMENT PLAN TODAY**

Sign Up for NSSF Voluntary Membership by visiting your nearest NSSF Branch OR call our toll free line

\*You can make your voluntary contributions conveniently through mobile money OR dial \*254# on your mobile phone



## Breaking Barriers Partnering Strategically

*Our mandate is to uphold the tenets of good corporate governance. We manage corporate legal and compliance risk by rendering professional legal advice and providing practical legal solutions that support the Fund's business growth.*

During the year 2017/2018, the Legal and Board Affairs Department which is comprised of a team of 15 staff, in recognition of the strategic dividends available from partnering with external partners who share the same vision and aspirations resolved to enter into purpose driven memoranda of understanding with external stakeholders aimed at breaking the barriers between the Fund and its members by bringing the Fund's services closer to its members.

By partnering with the Legal Aid Providers Network (LASPNET), we were able to extend pro-bono and legal aid services to over 200 members who are unable to afford legal services. The objective of this partnership was to give the Fund's Legal Department the opportunity to provide legal aid to its members during the Legal Aid open days scheduled and facilitated by LASPNET.

From the feedback obtained, the Legal Department has been able to reach out to deserving members and this has improved awareness to the right to social protection and access to legal advisory services by a wide range of the Fund's members not covered by the traditional channels.

This has also enabled the Fund to educate the masses and stakeholders on the NSSF services in order to enhance compliance requirements under the NSSF laws and policies. This financial year, we held two regional legal aid open days which took place in the Eastern Region and Northern Region.

Further, in partnership with the Uganda Law Society, we continue to extend free legal services to our members and this year, we were able to reach out to 210 members under less formal circumstances and has enabled us give back to its members through Corporate Social Responsibility during our customer connect week.

The Department also partnered with the Uganda Judicial Officers Association. We had a training in partnership with the Judicial Training Institute sensitizing them on voluntary contributions, proposed amendments under the NSSF Act and how it will affect both our operations and the courts.

This is a practice the Legal Department intends to uphold and we hope to achieve excellence in customer service delivery to all members through free legal aid services.



Acting Corporation Secretary  
Mr. Isaac Ogwang.



One of our staff members attending to a customer during a legal aid clinic



The then Corporation Secretary, Mr. Richard Wabwire addressing guests during a legal aid clinic



NSSF legal team offering pro bono services during a legal aid clinic at the railway grounds





NSSF Chairman Board of Directors, Patrick Byabakama Kaberenge.

# Governance Review

The Fund as a steward of member retirement savings upholds the principles of Corporate Governance. We discharge our mandate transparently and balance the interests of all stakeholders.

## Compliance statement

The Fund's activities are regulated by the Uganda Retirement Benefits Regulatory Authority (URBRA). In preparing this report, the Fund also applied the main principles and complied with the provisions set out in the UK Corporate Governance Code.

The Board is committed to compliance with legislation, regulations and codes of best practice governing the retirement benefits sector and seeks to maintain the highest standards of governance, transparency and accountability.

Management reports aid the Board in its role of monitoring compliance. The reports include information on any significant interactions with key stakeholders including regulators.

The Board confirms that the Fund throughout the period under review, complied with all applicable laws and regulations and submitted all quarterly reports to URBRA.

## Management Succession

Board and senior management succession has been a regular feature of our Board and Committee discussions during the 10th Board tenure, with development and continued assessment forming a key agenda item. This has led to the formation of the new organization structure that we strongly believe will be integral in delivering the 2025 strategic plan.

## Real Estate Development

A number of stalled real estate projects were revived. There was progress made towards recovering the Fund land of more than 440 acres at Nsimbe, completing Mbuya Phase 1 units and the ultra modern office complex in Jinja. The Board's aim is to ensure that there is progress on all the ongoing real estate projects and utilisation of our land to ensure that we grow our asset base.



Minister of Finance Planning and Economic Development, Hon. Mattia Kasajja and NSSF Board Chairman addressing media at a press conference

## Challenges during 2017/18

- Non responsiveness to the Funds member needs due to limitations under the law which restricts the products that can be offered to its members.
- Procurement requirements which continue to be an impediment to the speedy and efficient delivery of investments especially in relation to real estate.

## Governance structure

Figure 8 below describes the governance framework at the Fund. It shows the interaction between the Members and the Board, demonstrates how the Board Committee structure facilitates the relationship between the Board and the Managing Director and illustrates the flow of delegation from Members.

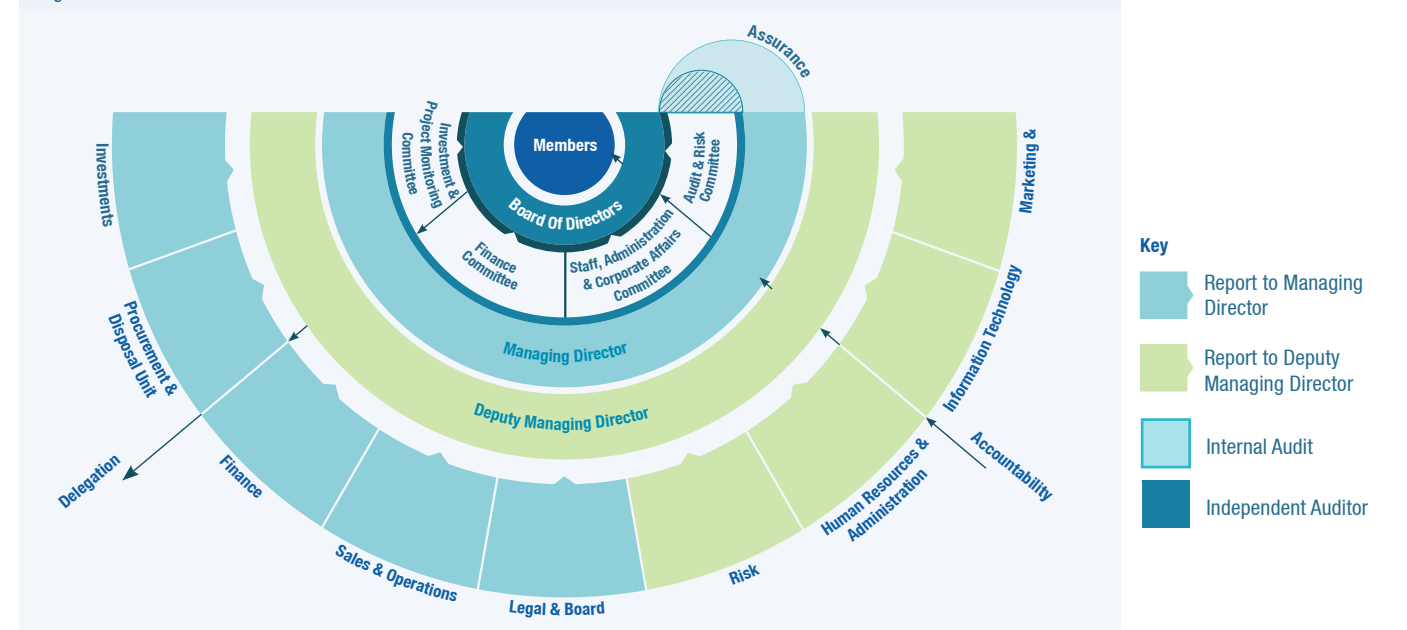
See Fig.8: The Fund's Governance Structure

We have robust processes in place to ensure that the delegation flows through the Board and its committees to the MD and Executive Committee (EXCO) into the organization. At the same time, accountability flows upwards from the Fund to its Members. This process helps to ensure alignment with our members.

We do not see governance therefore as simply a box ticking exercise nor as a generality related to processes or control. We see it more about testing whether we do the right things, in the right way, ensuring we have the right safeguards, checks and balances in place and that the right considerations underpin every decision we take. We believe that this practical approach will support our performance for the long-term and protect the trust, integrity and value of our business and our brand.

As with previous years, our focus will continue to be on delivery of our strategy, creation of value and improvement in Member returns.

Fig 8: The Fund's Governance Structure







NSSF Board of Directors

# The Fund's Leadership

## Board of Trustees Composition

The Board of Trustees is the governing body of the Fund headed by the Chairman. It consists of nine directors, each of whom are appointed by the Minister of Finance, Planning and Economic Development for a three year renewable term. The nine directors include; one Executive Director and eight Non-Executive Directors who represent each of the key stakeholder groups of members, employers and government.

## Executive Committee Composition

The Fund's administration role is carried out by ExCo which comprises of 13 members with the Managing Director, Deputy Managing Director, Corporate Secretary and 10 other Heads of department as shown in the ExCo profiles on pages 15-18. Our Board of Trustees review, evaluate and make recommendations about the Fund's strategic plans

**Key**

- Female
- Male

Table 7: Board Diversity (By Tenure, Gender and Core Competence)

Core Competence		Strategy	Banking & Finance	Government	Law	Human Resources & Administration
<b>Length of service on the Board Of Directors</b>	<b>Directors</b>	9	3	2	2	4
	Mr. Patrick Byabakama Kaberenge	■	■			
	Mr. Richard Byarugaba	■	■			
	Ms. Sarah Walusimbi	■			■	■
	Mr. Andrew Stuart Obita	■		■		
	Mr. Nelson Wafana Makwasi	■				■
	Ms. Peninnah Tukamwesiga	■			■	
	Mr. Patrick Ocailap	■	■			
	Mrs. Florence Namatta Maweje	■				■
	Mr. Pius Bigirimana	■		■		■

## Responsibilities of the Board

1. Ensure good governance of the Fund.
2. Set responsibilities and performance targets for the Managing Director and management.
3. Evaluate Management performance from time to time.
4. Establish policies and processes to guide the legal compliance and delivery of services.
5. Approval of the strategic plan.
6. Monitoring the management and implementation of plans and strategies on a quarterly basis.
7. Carry out a review of internal control policies, systems and procedures and ensure their effectiveness.
8. Approve and monitor the progress of major investments (S.30 of the NSSF Act and 46(1) (b) of the URBRA Act.
9. Approve and monitor major contracts, acquisitions and disposals.
10. Advise the Minister of Finance, Planning & Economic Development on the appropriate rate of interest to be declared on member's accounts (S.35 (2) of the NSSF Act.)
11. Ensure compliance with statutory requirements, prosecution and defense or pursue litigation in the interest of the Fund.

## Board Chairman

The Chairman, Mr. Patrick Kaberenge, is an Independent Non-Executive Director and was appointed in September 2015.

### The chairman's roles include;

- Leading the Board and ensuring that it is operating to the highest governance standards.
- Encouraging a culture of openness and debate to foster a high-performing and collegiate team of Directors that operates effectively.
- Ensuring strategic issues, shareholder and relevant stakeholder views are regularly reviewed, clearly understood and underpin the work of the Board.
- Facilitating the relationship between the Board and the MD and providing close oversight, guidance, advice and leadership to the MD and management.
- Ensuring the provision of accurate, timely and clear information.
- Setting agendas for meetings of the Board, in consultation with the MD and the Corporation Secretary that focus on the strategic direction and performance of the Fund's business.
- Ensuring that adequate time is available for discussion on all agenda items.
- Leading the Board and individual Director Performance assessments.
- Speaking and acting for the Board and representing the Board to members.

## Role of the Non-Executive Directors

The main responsibility of the Directors is to exercise their independent judgment to act in what they reasonably believe to be in the best interest of the Fund and its members. Other roles include:

- Participate in all Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.
- Take the lead where potential conflicts of interest arise.
- Scrutinize the Fund's performance in achieving agreed corporate goals and objectives, and monitor performance reporting.
- Make a positive contribution to the development of the Fund's strategy and policies through independent, ethical and informed decisions.
- Engage with senior management and other relevant parties, such as the external or internal auditors as well as the Fund's Legal Department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Fund are properly addressed.

## Managing Director

The Managing Director is the Chief Executive Officer of the Fund and is, subject to the NSSF Act and the general control of the board on matters of policy. He is responsible for the general management, administration and organization of the Fund. The Managing Director, Richard Byarugaba, is the only Executive Director on the Board and has been a Board Member since August 2010.

## Corporation Secretary

The Corporation Secretary, Richard Wejuli Wabwire, was appointed by the Minister of Finance, Planning & Economic Development in October 2014 till March 2018 when he was appointed Judge of the High Court of Uganda. Isaac Ogwang was subsequently appointed Acting Corporation Secretary from March 2018.



Members of the NSSF Executive Committee



In addition to any other functions conferred upon him by the Minister and the Board, the Corporation secretary has the custody of the seal of the Fund and is responsible for:

- Taking minutes of the meetings of the board and any of its committees and subcommittees;
- Keeping the records of all Fund transactions.
- The provision of legal advice on all Fund activities.

**Independent Professional Advice**

Section 5 (5) of the NSSF Act empowers the Board to invite or co-opt any person to attend any Board meeting or be consulted as an independent advisor, but such a person shall not be entitled to vote on any matter being decided by the Board at that meeting. The Board shall determine the area or field where professional advice is required. Management must always follow the PPDA Act and regulations to engage the advisors so required.

**Appointments and Resignations**

Directors are appointed by the Minister responsible for Social Security, currently the Minister of Finance, Planning & Economic Development, for a three year renewable term. Their appointment is subject to a due diligence and approval of the regulator URBRA. The nominees are recommended to the Minister by the members, employers and government. The Managing Director is recommended by the Board after interviews and appointed by the Minister. The Executive Committee is appointed by the Board. Under Section 3(4) of the NSSF Act, a Director may, by writing in his or her hand a letter addressed to the Minister of Finance resign from his or her office. In this financial year, there were no new appointments or resignations.

**Director Induction, Training & Development**

The Board considers that the development of industry and Fund knowledge is a continuous and ongoing process. Upon joining the Fund, each Director undertakes an induction program to further their understanding of the nature of the Fund, its business and the environment in which it operates, and also enhance their knowledge of the Fund's operation and staff. The Induction program is tailored to each new director, depending on the experience and background of the director.

The Board considers the aforementioned trainings attended and/or participated in by the directors as adequate to enhance the directors' skills and knowledge to carry out their duties as directors.

All directors are required to provide the Company with their training records on annual basis and such records are maintained by the Corporation Secretary for regular review by the Staff, Administration and Corporate Affairs Committee.

In addition to directors' attendance at meetings and review of relevant materials provided by management during the year, the professional trainings attended by the directors were set out as follows:

 See Table 8: Board Trainings Attended

**Continuous Professional Development Program.**

As part of the Continuous Professional Development Program, the Board members from time to time receive presentations from the Executive Committee on matters of significance. Financial plans, budgets and forecasts are regularly discussed at Board meetings. The Fund also arranges appropriate visits and seminars covering the Fund's operations, the industry and governance matters for directors to facilitate their understanding of the business and have a better awareness of the risks associated with the Fund's operations.

**Delegation of authority**

According to the NSSF Act and URBRA Act, the Board delegates to:









1. The Board Committees or any person as it may deem necessary to assist the Board in fulfilling its duties. Each Committee has a formal Charter, approved by the Board, setting out the authority, responsibilities, membership and operation of the Committee.
2. Management headed by the Managing Director to manage and control the day-to-day affairs of the Fund in relation to matters other than those reserved for the Board under the laws applicable and the Board Charter.

**Matters reserved for the Board**

These are detailed in the NSSF Act, URBRA Act, the Board's Charter and the Fund's policies in force and they include the following:

- Appointment and termination of senior management and determination of their terms and conditions of service
- Investment of member Funds
- Approval of the Fund's strategy, Fund's annual budget, significant changes to the organizational structure, acquisition and disposal of any assets of the Fund (subject to the laws in force), annual financial reports and Fund policies.
- Approval of the organizational structure and the Fund's Human Resource Manual

Table 8: Board Trainings Attended in Financial Year 2017/18

Title Of Training	The Effective Director Strathmore Business School–Kampala Uganda	Regional Social Security Forum for Africa	High Performance Board Management Program	World Bank Core Course on Pensions
Date Of Training				
Members In Attendance				
Training Details	The training equipped participants with knowledge on: <ul style="list-style-type: none"> <li>• How Directors should be selected</li> <li>• How Directors should manage their own contributions</li> <li>• How Directors should function in a team of equals</li> </ul>	The Forum addressed regional social security issues such as: <ul style="list-style-type: none"> <li>• Key challenges for social security in Africa</li> <li>• Excellence in social security administration</li> <li>• Innovating to improve social security and extend coverage</li> </ul>	This training equipped Board members for their mandate by: <ul style="list-style-type: none"> <li>• Exposing them to global trends in Corporate Governance.</li> <li>• Teaching them Board dynamics &amp; reporting</li> <li>• Helping them understand strategic leadership and stewardship by the board.</li> <li>• Guiding them on how to leverage Board evaluations as a tool to measure effectiveness.</li> </ul>	This training entailed an in depth understanding of the conceptual and practical issues involved in the development of programs on social assistance, social safety nets, pensions, social insurance, jobs and migration. It gave the directors an opportunity to acquire knowledge from technical staff worldwide and work together on new solutions.



# How the Board Operates

## Board Activities in 2017/18

During the period under review, the Board set strategies aligned to achieving the Fund's 2025 vision. Table 9 below outlines the specific Board interventions and progress made to achieve these strategies.

Table 9: Board Activities in Financial Year 2017/18

Goal	Key Board Interventions	Achievements during 2018
<b>1. Asset Growth</b>		
Increase profitability and grow the asset base of the Fund to Ushs. 20 Trillion	The board approved a relationship management model to increase enforcement of compliance requirements	The Fund grew an asset base of about ushs 9.98 Trillion.
	Ensure prudent investment and management of operational costs	Increase in contributions to about ushs 1.049.1 Billion
	Unlock a number of stalled projects	The annual income grew by 49.6% from ushs 807 Billion in fy 2015/2016 to ushs 1,602 Billion in 2017/2018.
		Progress towards pension towers has been made
		The Fund completed and sold 40 units of mbuya phase 1 and on course to complete another 40 units in mbuya phase 2
		Construction has begun in kyanja under the pilot off taker concept
<b>2. Customer Satisfaction</b>		
Improve customer service to ensure that customer satisfaction is achieved at 95%	Set up a more robust customer service department being supported with increased staff resources	The Fund established a modern call center with longer operational hours
<b>3. Processes</b>		
Improve business processes through innovation to enable benefits be paid within 24 hours	Computerised Business Intelligence and Data maturity model	Increased integrity of member statements
	Strategic partnerships with entities with entities like NIRA, KCCA, URBS	Streamlined operations within the Fund
		Turn-around time to process the payment of the benefits improved to 8 from 11 days
<b>4. People</b>		
Build capacity of staff to serve	Carrying out a job re-evaluation for all positions to align job responsibilities	Staff satisfaction/engagement rate increased from 84.3% in the FY 2015/16 to 90% in the Financial Year 2017/18
	Remuneration adjustments that aligned the jobs against the benchmarked market	
	Converted most of the temporary staff positions to permanent positions increasing productivity and employment certainty in the process	



Members of the NSSF Board of Directors

## Board and Board Committee Meeting Attendance

The Chairman presides at all meetings of the board, but in his absence any member appointed on his behalf by the members present shall preside. The board meets for the discharge of its functions at least once every three months at such time and place as the Chairman may appoint or upon the request of the majority of the board members.

Decisions of the Board are taken by a simple majority of the members present and voting, with the person presiding having a casting vote. The Board may invite any person who is not a member to participate in the deliberations of the board, but such person shall not be entitled to vote.

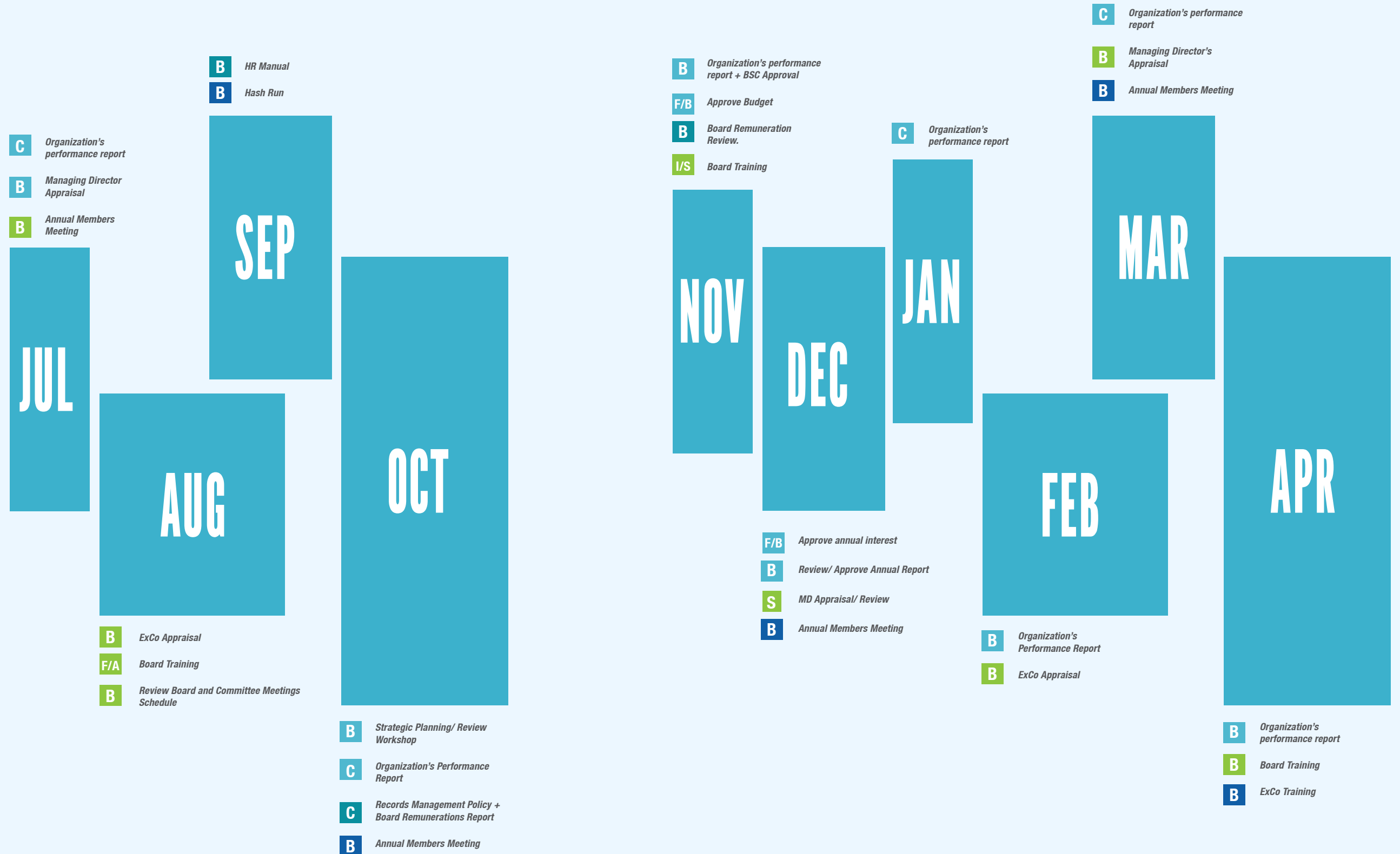
See Table 10: Board & Committee Meeting Attendance

Table 10: Board and Board committee meeting attendances

		Investment & Project Management Committee	Audit & Risk Committee	Finance Committee	Staff Administration and Corporate Affairs Committee
	Full Board, Meeting Attendance				
	Directors				
15/15		Mr. Patrick Byabakama Kaberenge	–	–	–
15/15		Mr. Richard Byarugaba	4/4	N/A	5/5
12/15		Ms. Sarah Walusimbi	–	5/6	5/5
14/15		Mr. Andrew Stuart Obita	–	5/6	5/5
15/15		Mr. Nelson Wafana Makwasi	N/A	N/A	5/5
13/15		Ms. Peninnah Tukamwesiga	4/4	N/A	N/A
6/15		Mr. Patrick Ocailap	4/4	N/A	1/5
8/15		Mrs. Florence Namatta Maweje	N/A	5/6	N/A
7/15		Mr. Pius Bigirimana	2/4	6/6	N/A



# What the Board did in 2018





## Independence, Personal Conduct and Conflict of Interest

### Independence

Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of their objective, unfettered or independent judgment. The independence of each Director is assessed annually by the Board as part of its annual Board Effectiveness Review. In conducting its assessment it was concluded that all Directors should continue to bring strong independent oversight and demonstrate those qualities and behaviors they consider essential to independence as set out in the Board terms of reference.

### Personal conduct

Directors must at all times exude integrity, accountability, informed judgment, financial literacy, and candidly discuss issues. They are committed to the Fund and ensure that the Fund maintains a positive image within the sector, national economy and general public.

### Conflict of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Fund. The Board therefore has a set procedure and guidance to deal with actual or potential conflicts of interest of directors as follows;

- i. The Board terms of reference provide that a Director shall not put him or herself in a position in which his or her personal interests conflicts with his or her duties and responsibilities
- ii. To manage any possible conflict of interest, the Corporation secretary circulates a conflict of interest form to any person attending the meeting
- iii. The Chairman shall require any person who has conflict of interest to recuse himself from the deliberations of the decision on the specific agenda item.



Mr. Patrick Kaberege alongside Hon. Mattia Kasajja, and Mr. Richard Byarugaba at the ground breaking ceremony for Lubowa Housing Estate

### Access to information

The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the Directors discharge their responsibilities. All Directors have access to the advice of the Corporation Secretary who is responsible for advising the board, through the Chairman, on matters of corporate governance.

To ensure that the Board is properly informed about the performance of and current issues facing the different sections of the Fund, the Board and its committees may co-opt members of management or invite any of the following to attend the meeting of the committee.

- Internal Auditor
- External Auditor
- Any other Non-Executive Director or employee of the Fund.

### Succession Planning

The Board is ultimately responsible for succession planning for directors and key management roles. During the year, the Board and the Staff Administration and Corporate Affairs Committee (SACA) discussed and reviewed the management composition and succession planning to ensure that the successors for key roles are identified and their performance is also assessed. This is critical for ensuring that the right structure and talent is in place to deliver on the Fund's strategy now and in the future.

## Board Performance and Evaluation

The Board evaluates its performance through a combination of both internal peer and externally facilitated assessments. During the financial year 2017/2018 there was no board evaluation conducted. However, based on the recommendations from the previous year's evaluation, we were able to implement the following;

**Recommendation:** Develop a competence framework to guide future appointment of directors and constitution of Board committees.

**Action taken in 2018:** A tailor made Induction program was put in place and includes a Trustee Certification program for all Board members.

**Recommendation:** Develop annual plans with strategic themes aligned to the needs of the business.

**Action taken in 2018:** An annual calendar and activities schedule is already in place this has enabled effective engagement before meetings.

**Recommendation:** Agree on key performance indicators and measures for the Board, Board Committees, individual directors, Chairperson and the Corporation Secretary.

**Action taken in 2018:** The recommended changes will be implemented in the upcoming Board evaluation planned for Q2 2019/2020.

**Recommendation:** Staff Administration & Corporate Affairs (SACA) should guide the development of the succession planning framework for the Board and senior management.

**Action taken in 2018:** The appraisal review system has been reviewed such that the Balance Score Card (BSC) accounts for 70% of overall performance evaluation for senior management, and 30% based on qualitative assessment, via the 360-degree reviews.

### Board Committees

The Fund has preserved four Board committees with defined terms of reference which are stipulated by the NSSF Board Charter. The Board Committees' functions shall mainly be for purposes of review, oversight and monitoring. Figure 9 illustrates the Board committees and their composition

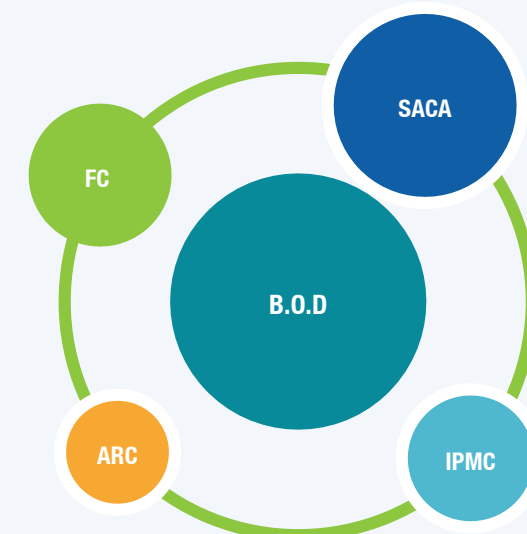
Fig. 9: Board Committees & Composition

### Board Of Directors

**Chairperson**  
Mr. Patrick Byabakama Kaberege

**Executive Director**  
Mr. Richard Byarugaba

**Non-Executive Directors**  
Mrs. Sarah Walusimbi  
Ms. Florence N. Maweje  
Mr. Wafana N. Makwasi  
Mr. Patrick Ocaillap  
Mr. Pius Bigirimana  
Mr. Andrew S. Obita  
Ms. Peninnah Tukamwesiga



### Board Committees

#### Finance Committee (FC)

##### Chairperson

Mr. Andrew Stewart Obita

##### Members

Mr. Patrick Ocaillap  
Mrs. Sarah Walusimbi  
Mr. Richard Byarugaba  
Mr. Wafana Nelson Makwasi

#### Audit & Risk Assurance Committee (ARC)

##### Chairperson

Mrs. Sarah Walusimbi

##### Members

Mr. Pius Bigirimana  
Mr. Andrew Stewart Obita  
Mrs. Florence Namatta Maweje

#### Staff Administration & Corporate Affairs Committee (SACA)

##### Chairperson

Ms. Florence Namatta Maweje

##### Members

Mr. Wafana Nelson Makwasi  
Ms. Peninnah Tukamwesiga  
Mr. Richard Byarugaba

#### Investment & Project Management Committee (IPMC)

##### Chairperson

Mr. Patrick Ocaillap

##### Members

Ms. Peninnah Tukamwesiga  
Mr. Pius Bigirimana  
Mr. Richard Byarugaba





Chairperson, ARC,  
Ms. Sarah Walusimbi.

### 1. Audit and Risk Assurance Committee (ARC)

The committee focused its attention on regulatory challenges, information security and business continuity planning and management. It encouraged the continuing improvement of capabilities and connectivity of the risk management process across the business, with emphasis on its ability to identify and assess emergent risk.

During the financial year 2017/18, the Audit and Risk Assurance Committee, commissioned KPMG to carry out an independent external quality assessment review and improvement program of the Internal Audit function in line with the requirements of the International Standards for the Professional Practice of Internal Auditing (IPPF).

According to the independent assessment, KPMG concluded that the Internal Audit function generally conforms to IIA standards and leading practices. Further, compliance with the internal control system improved throughout the three years. The organizational compliance rating was 70% in 2015/16, 75% in 2016/17 and 76% in 2017/18.

#### 2017/18 ARC Activities

The Committee held 6 meetings throughout the year and its key activities/achievements in 2017/18 were to review:

1. The internal audit charter and manual
2. The risk management policy was reviewed
3. The quarterly reports
4. Hiring a consultant to advise the committee
5. The internal processes that had been followed for the preparation of the Report and Accounts and confirming that the processes appropriately facilitated the preparation of an annual report that is 'fair, balanced and understandable.'
6. The Basis of Preparation and Accounting Judgments;
7. The year-end audit from the external auditors, including the key audit risks, the control environment and the final materiality assessment and confirming the independence of the external auditors.
8. The 2017/18 internal and external audit plan.



Chairperson, IPMC,  
Mr. Patrick Ocalap.

### 2. Investments and Project Management Committee (IPMC)

The Committee undertakes the following responsibilities and other matters within its terms of reference that may warrant its attention:

1. Recommend investment strategy, policies and guidelines to the Board for approval.
2. Review and recommends investment proposals to the Board.
3. Review and recommends project concepts, strategies and budgets to the Board.
4. Review and recommends to the Board a procurement strategy for each project.
5. Review and recommends design concepts and master plans to the Board, or changes thereto.
6. Review performance of real estate projects, equities and fixed income on a quarterly basis in line with the targets.

Investment and Projects Committee of the Board complied with its mandate for the year under review. All the scheduled meetings were held.

#### 2017/18 Activities

A total of 2.114 Trillion was invested for the financial year. The table below shows the summary of where the Funds were invested.

Table 11: The Fund's Investments during Financial Year 2017/18

Asset class	Amount (Ushs)	Percentage
Fixed Deposits	174,171,955,434	8.24%
T-bond-Uganda	804,087,234,030	38.03%
T-bond-Tanzania	156,933,791,837	7.42%
T-bond-Kenya	778,849,897,180	36.83%
Equity-Uganda	19,999,976,080	0.95%
Equity-Regional	167,532,933,489	7.92%
Fund Managers	2,350,571,320	0.11%
Land	10,600,000,000	0.50%
<b>Total</b>	<b>2,114,526,359,370</b>	<b>100.00%</b>



Chairperson, FC,  
Mr. Andrew Stewart Obita.

### 3. Finance Committee (FC)

The finance committee is mandated by the Board to perform its duties within its terms of reference. The committee is mandated to assist the Board in fulfilling its oversight responsibility as provided under the NSSF Act:

The following are the responsibilities of the Finance Committee of the Board;

1. Reviews the Fund's accounting policies and principles and assess the appropriateness of those policies to ensure that they conform to the internationally accepted accounting and reporting standards.
2. Considers budget estimates and ensure control measures are in place
3. Reviews and approves audited financial statements prepared by management
4. Reviews quarterly budget performance reports.
5. Recommends interest rate to members for declaration depending on the Fund's realized income.
6. Approves budget re-allocations and increments.

#### 2017/18 Activities included;

The Finance Committee held 5 meetings throughout 2017/18 and the key activities included:

1. Approval of the finance, tax and insurance policies
2. Approval of the operations, Information Technology and business policies
3. Approval of the amnesty and whistle blower campaigns
4. Reviewed the strategic targets for the Fund and the alignment thereof
5. Set and monitored performance measurements of the Fund for the year.



Chairperson, SACA,  
Ms. Florence N. Mawejje.

### 4. Staff and Corporate Affairs Committee (SACA)

The Staff and Corporate Affairs Committee (SACA) of the Board is responsible for all Human Resource matters and policies at the Fund. It also covers the Marketing and Communication matters at the Fund. During the 2017/2018 Financial year, SACA held 6 meetings where they considered a number of activities for recommendation to the board. The committee:

1. Reviewed and recommended to the board the NSSF department organograms and approved a structure for the whole organization.
2. Reviewed the proposed new bonus scheme.
3. Reviewed the proposed job grade structure and salary increments.
4. Reviewed the job evaluation report.
5. Considered contract renewals for statutory officers.
6. Considered appointments and contract renewals of senior staff.
7. Considered the proposed brand policy.
8. Considered the draw down product.
9. Considered the reward policy.



# Remuneration Report

## Remuneration Structure

To determine the remuneration of employees, the Fund conducts salary surveys and also runs a performance based reward system aimed at attracting, motivating and retaining talented individuals needed to deliver the Fund's objectives.

The table below shows the Fund's remuneration policy at a glance.

Table 12: The Fund's Remuneration Policy

Reward objectives	Reward principles
<b>Attract</b> Enable the Fund to recruit the right people	<b>Competitive</b> <ul style="list-style-type: none"> <li>We assess competitiveness on a total reward basis.</li> <li>Reward reflects an individual's role, experience, performance and contribution.</li> <li>Reward is set with reference to external market practice and internal relativity</li> </ul>
<b>Motivate</b> Incentivizes colleagues to deliver our business goals together	<b>Simple</b> <ul style="list-style-type: none"> <li>Reward is simple, clear and easy to understand</li> <li>We avoid unnecessary complexity</li> <li>Reward is delivered accurately</li> </ul>
<b>Recognize</b> Acknowledge individual contribution and performance	<b>Fair</b> <ul style="list-style-type: none"> <li>Policies are transparent and applied consistently and equitably</li> <li>Reward decisions are trusted and properly governed</li> <li>Reward is legal and compliant</li> </ul>
<b>Align</b> Create member value and support the achievement of business strategy	
<b>Retain</b> Foster loyalty in the Fund in order to retain high performing employees	<b>Sustainable</b> <p>Our reward framework is flexible to meet the changing needs of the business and the economy</p> <p>We reward in a responsible way</p>



Head of Remuneration Committee, Ms. Florence N. Mawejje.

The Fund's pay structure may include any or all of the following; fixed pay, performance based increment and variable pay.

### Fixed pay:

The Fund has developed a fixed pay range that is linked to an approved grading system. This is aimed at ensuring that the pay is fair and there is internal equity and consistency within the Fund. The pay is competitive compared to entities of similar nature.

### Performance Based Increments

Performance-Based Increment (PBI) is a method of remuneration used by the Fund to ensure appropriate reward for performance. It links pay progression to an assessment of individual performance usually measured against pre-agreed objectives. Pay increases awarded through PBI are normally consolidated into basic pay. The increments are based on the appraisal results for the year, the positioning of each individual in the pay grades, as well as the pay increment budget for the year. The PBI increases with performance and decreases as one's pay moves towards the maximum of the grade.

See Table 13: PBI Remuneration Policy

Table 13: The Fund's Performance Based Remuneration Policy

Performance Rating	Position in Range				
	Q1	Q2	Q3	Q4	Above Max
<b>A+</b>	11.00%	9.00%	6.00%	3.00%	0.00%
<b>A</b>	8.00%	6.00%	4.00%	2.00%	0.00%
<b>B</b>	5.00%	4.00%	2.96%	1.00%	0.00%
<b>C</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>D</b>	0.00%	0.00%	0.00%	0.00%	0.00%

### Variable Pay:

The Fund has also got annual incentives in form of bonuses paid to qualifying staff. Bonus pay is a onetime lump-sum payment and the objective is to recognize and reward employee's contributions, retain exceptional and very good performers, motivate staff and also increase productivity.

Individual employee bonus awards are based on agreed and reviewed performance and the overall contribution to the Fund's results for the year in question.

### Benefits

The Fund provides benefits in line with the market practice and the regulatory requirements.

The Fund provides medical insurance cover and death benefits to all Fund employees and their dependents.

In addition, a retirement benefit scheme "Staff Provident Fund" is provided to all the permanent staff whereas a "Gratuity Scheme" is provided for the Executive Committee (EXCO).

The Fund also provides a fitness program for all staff as the health of the workforce is very important.

Other benefits currently available to the MD; DMD and Corporation secretary include;

- Private use of a Company car
- Membership to private clubs/gyms
- Private body guard services/ personal security.

### Recognition Policy

The Fund recognizes and rewards individuals and groups of staff who make exceptional (sustained or one-off) contributions that promote the aims and objectives of the Fund, or meet exceptional short-term operational challenges. The award(s) can be given to a "Group" or an "Individual" and is(are) both financial and non-financial.

### Long service incentive

Although service may not necessarily contribute to performance automatically, the Fund does value the commitment and loyalty of long serving employees. This is done in the form of a long service award. These awards recognize service in 5-year bands, starting with the service from 10 years' service and then continuing with awards every 5 years.

### Remuneration of Statutory Appointees

The remuneration package and long term incentive for the Managing Director, Deputy Managing Director and Corporation Secretary are determined on the same basis and using the same qualifying criteria as for other employees. The appointee's remuneration is subject to an annual performance review process conducted by the Board.

This package is approved by the appointing authority, who is the Minister of Finance, Planning & Economic Development.

See Table 14: Annual Single Total Figure of Remuneration



Table 14: Annual Single Total Figure of Remuneration

Top Management	Salary (Millions)	Benefits (Millions)	Bonus (Millions)	Pension (Millions)	Gratuity (Millions)
Managing Director	574	53	132	86	114
Deputy Managing Director	464	46	107	69	92
Corporation Secretary	420	34	82	63	84

**Non-executive directors' remuneration and terms of engagement**

**Terms of Service**

All non-executive directors are provided with a letter of appointment setting out the terms of engagement. Directors are appointed by the Minister of Finance, Planning & Economic Development for a three year term which is renewable.

**Fees**

Non-executive directors receive a retainer for their service on the Board and a meeting attendance fee for Board and Board Committee meetings. Fees are paid monthly in arrears. There are no contractual arrangements for compensation for loss of office. Executive director(s) do not receive any retainer or meeting attendance fee. In determining the remuneration of non-executive directors, the Board considers the extent and nature of their responsibilities, and comparative remuneration offered by other major entities of a similar nature.

Table 15: The Fund's Remuneration Structure (Ushs)

Board Chairman	
Annual retainer	114,000,000
Fee per sitting	2,000,000
Director	
Annual retainer	90,000,000
Fee per sitting	1,528,000
Board committee	
Chairman (Fee per sitting)	2,000,000
Member (Fee per sitting)	1,528,200

Table 16: Summary of 2017/18 Board Emoluments (Ushs)

Category of Directors	Board retainer Fees & Board sitting allowance	Other benefits	Pension contributions	Total
Non - Executive	771,009,714	532,658,099	42,877,400	1,346,545,213



**LIVE YOUR DREAM LIFE BOOK YOUR DREAM HOME**

The Fund is selling 40 high-end apartments with a scenic view on plot 11, 13, 2 & 2A Ismael Rise, Mbuya at a price of UGX 650M. Each apartment is 160 sqm and comprises of a master bedroom, 2 bedrooms and a separate servants quarters all en-suite.

Amenities include a club house with a swimming pool and a fully equipped gym. 24 hour CCTV Surveillance is available on the complex.

For online booking, please visit [www.nssfug.org](http://www.nssfug.org) OR send an inquiry to [realestate@nssfug.org](mailto:realestate@nssfug.org)

**OR CALL NOW TO BOOK**  
**+256 313 331 132 or +256 782 954711**





# Role of Internal Audit



NSSF Head of Internal Audit, Mr. Geoffrey Barigye.

## Establishment of the Internal Audit Function

The Internal Audit function is established by the Board of Directors, and its responsibilities are defined by the Audit and Risk Assurance Committee of the Board as part of their oversight function.

It is the policy of the Board to establish, empower and support the Internal Audit Department in the Fund.

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the institution's operations. Internal Audit assists in accomplishing the Fund's objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Fund's internal control system, risk management and governance processes.

Internal Audit has a Charter approved by the Board of Directors. The Internal Audit Charter provides the framework that guides Internal Audit activities. The Charter states the purpose, authority and responsibility of Internal Audit.

In order to enhance the independence of Internal Audit function in the Fund, the Head of Internal Audit reports functionally to the Board (Audit and Risk Assurance Committee of the Board) and administratively to the Managing Director.

## Role of Internal Audit in the Fund

The Internal Audit function provides independent assurance on internal controls, governance and risk management processes of the Fund.



NSSF Internal Audit team during a department exercise

The role of the Internal Audit function includes;

- Assessing the soundness of the Fund's internal control system /processes and making recommendations for improvement.
- Appraising the economy, efficiency and effectiveness with which resources are employed and identifying means for improvement.
- Reviewing the systems established for compliance with the rules, regulations and laws and policies and procedures.
- Providing internal consultancy.
- Sensitizing the audit clients on the internal control system.

Overall, the internal Audit function helps the Fund to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes.

## Reporting and Monitoring

The work of Internal Audit is aligned to the strategic objectives of the Fund. On an annual basis, a risk based audit plan is developed in consultation with Management and approved by the Audit and Risk Assurance Committee of the Board.

The plan is derived from risk assessments and is aimed at covering each significant audit-able unit within the Fund.

Internal audit reports are submitted to the Audit and Risk Assurance Committee quarterly. Key audit findings are presented to Management and diligently followed up.

Management is responsible for ensuring that appropriate actions are taken to rectify any control deficiencies highlighted in the audit reports within a reasonable period.

Internal Audit assists in accomplishing the Fund's objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Fund's internal control system, risk management and governance processes.

Besides, Internal Audit follows up the implementation progress of all internal control recommendations given by the external auditors to the Fund to ensure audit issues noted are properly resolved within a reasonable period.

In addition, the Fund has the "Whistle blowing framework" for staff members to raise concerns, in strict confidence, about possible improprieties in any matters related to the Fund business. Reported cases are independently investigated in a confidential and timely manner and the investigation reports are submitted to Management and the Board.

In addition, the Fund has the "Whistle blowing framework" for staff members to raise concerns, in strict confidence, about possible improprieties in any matters related to the Fund business. Reported cases are independently investigated in a confidential and timely manner and the investigation reports are submitted to Management and the Audit and Risk Assurance Committee.

## Quality Assurance and Improvement Program

During the financial year, KPMG Uganda conducted an independent External Quality Assessment review of the internal audit function in line with the requirements of the International standards for the Professional Practice of Internal Auditing.

Accordingly, KPMG Uganda concluded that the Internal Audit Function Generally Conforms to IIA (Institute of Internal Auditors) standards and leading practices.





# Sustainability Report

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- 105** Our Achievements
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- 125** Corporate Social Responsibility
- 137** Our Environmental Footprint
- 139** Global Reporting Initiative



# DMD's Statement on Sustainability



NSSF Deputy Managing Director, Mr. Patrick Ayota

*Our aim is to make a significant contribution in creating an eco-system in which each of our stakeholders can experience a better life.*

I am proud to introduce to you the National Social Security Fund's Sustainability Report for the year ended.

2018 was a special year for the Fund, where we achieved major milestones and enhanced our quest for sustainability through critical innovations.

This report sets out a detailed analysis of key sustainability issues for our business and how the National Social Security Fund is shaping a better life for its members. Now more than ever, the world needs everyone to have social security to ensure better lives for individuals, greater equality within society, and a more prosperous, sustainable world.

During the year, we declared a record interest of 15% to our members, which was as a result of the strong performance from our investment portfolio and robust financial and strategic management from our teams

We are committed to promoting the social and environmental wellbeing of the communities in which we do business while pursuing our mission.

Our aim is to make a significant contribution in creating an ecosystem in which each of our stakeholders can experience a better life.



NSSF Beneficiaries now inspire others through their life changing stories



The Fund reached out to the less privileged children in different schools and gave them digital e-Libraries



Our staff are committed to offering seamless services to our customers

## What is in our report?

Our report is structured under three broad headings; responsible business, social responsibility and environmental footprint. Under these headings we provide insights on the initiatives taken by the Fund to address critical sustainability concerns of our stakeholders.

## Our Materiality Assessment

The evolving business landscape and trends have prompted us to review our materiality analysis and reassess our sustainability priorities. We have prioritized stakeholder issues according to their economic, environmental, social and financial impact as guided by the GRI reporting framework and have adopted the Global reporting initiatives (GRI) G3/G3.1 for purposes of this report.

Where specific central performance indicators have been omitted in this report, the reason for omission is explained in line with the principle of

**We hope to become essential to each stakeholder, from employees and customers to business partners and investors, by contributing to better tomorrows in the communities that we are privileged to serve.**

materiality. Our annual sustainability report, outlined in the GRI framework enables all stakeholders to benchmark our performance against other entities.



### Our Sustainable Business Strategy

Our business strategy is built on an unwavering commitment to operating responsibly and recognizing that we have a role to play in contributing to the societies in which we operate.

Our mission is captured by the three simple words “a better life”. Our initiatives are aimed at championing improvements to the quality of life through; Youth empowerment, Supporting innovation, Promoting education, Creating Jobs, Improving community health and Conserving the environment.

Table 2: Our Strategic Sustainable Journey

<b>What are our sustainability aspirations?</b>	We are committed to leadership in sustainability – We aim to pioneer new solutions while developing our business responsibly and increasing our economic success.
<b>What strategy are we pursuing?</b>	Our ambition is to achieve more with less. This means we create more value for our customers and the communities we operate in, and for our company – at a reduced environmental footprint.
<b>What are our priorities for the coming years?</b>	<b>Strengthen foundation</b> We already have a strong foundation with a successful record of accomplishment. On the road to our long-term goal, we intend to further improve our performance over the coming years. Our target is to achieve a gradual reduction of utility bills by 15% annually
	<b>Boost engagement</b> We want to further develop and foster the commitment of our employees to sustainability. We also plan to carry out awareness programs for all employees, tenants, service providers and contractors in order to ensure that we conserve energy and water across all our operations
	<b>Leverage on Technology</b> Continual upgrade of technology in line with international practices such as the ISO 50001 Energy Management standard in order to minimize leakages. We aim to Improve energy performance, efficiency, consumption and intensity
	<b>Maximize impact</b> We want to strengthen our contributions to addressing major global challenges and maximize the impact we can achieve with our operations, brand and technologies.



The NSSF Annual Report team poses for a photo after winning Gold at the 2018 Financial Reporting Awards

### Performance Overview

We satisfy Millions of Ugandans every year, by declaring attractive interest credited to member savings. With prudent investments and business channels driving our engine of growth, we innovatively apply our expertise to enhance member savings to deliver a better life.

An overview of our report in key areas is shown in the following graphic. More detail is further availed in the rest of the report.





## Growth Achievements

1. Overall Winner Gold  
~ **FiRe Awards 2018**
2. Silver Award Winner,  
~ **FiRe Awards 2017**



## Transparency Achievements

1. Outstanding Achievement Award in  
Corporate Governance Reporting,  
~ **FiRe Awards 2018**
2. Winner, Public Sector Category Award,  
~ **FiRe Awards 2018**



## Operational Achievements

1. Finance Team of the Year,  
~ **2018 Accountancy Service Awards**
2. Winner, Public Sector Enterprise,  
~ **Corporate Governance Awards 2018**
3. Winner, Public Service Category,  
~ **IWE, Work Culture and Ethics Awards 2017**







Head of Information Technology,  
Mr. Elijah Kitaka.

## Breaking Barriers

### The Fund in Your Back Pocket

We are living in an exponential age, which calls for dynamism in everything that we do to keep at pace with the wave of change. No matter what your business, customers all over the world are demanding anywhere, anytime access to products and information. Knowledge, innovation, technology and science are critical enablers for the achievement of the Agenda.

Mobile is the first among all information and communication technologies to reach across geographies, income levels and cultures, enabling access to basic services where traditional means have often failed.

By June 2018, there were nearly 10 Million mobile Internet connections in Uganda, a space NSSF deemed relevant to leverage in self-serving her members. Our mobile application dubbed NSSF Go enables our members access 95% of our services anytime anywhere thereby driving traffic away from our branches. Services include employer and employee registration, contributions payments, member details update and benefits tracking to mention a few.

Turnaround time in execution of core processes is very central to the organization and the member.

Technology has played a great role in this space by leveraging on systems integration with 3rd parties and artificial intelligence in order to achieve efficient and straight through processes. As a result, core processes of employer and member registration, contributions payments, member details update can now be conveniently achieved in a matter of minutes anytime anywhere as opposed to an average of 15 days for all.

Lastly, contrary to the brick and mortar approach, the tech team has promoted ubiquity through virtual private networks and cloud computing which in turn has enabled our front facing staff to use our internal applications to serve our customers anytime anywhere. The same flexibility applies to internal staff as there is no longer any need to conventionally work within the physical office space.



Brian Tindimwebwa, of the NSSF IT department, demonstrating the NSSF go app at the 2018 launch



The Fund introduced more features on the NSSF Go App



NSSF members can now update their details via the NSSF Go app



# Our Members



NSSF MD, Richard Byarugaba addressing members during the 2018 Annual Members' Meeting

## Our Approach

Meeting the needs of our members is the backbone of our business and our strategic approach is focused on achieving high levels of member satisfaction and addressing complaints satisfactorily. We track member satisfaction across our business, and use member satisfaction scores as one of our four business key performance indicators against which each staff is evaluated.

### Interactive Member Engagement and Communication

In 2018, our customer engagement activities included radio talks, road shows, employer breakfasts and television shows. Furthermore, we are increasingly using social media to engage with customers and members to get them involved in our campaigns.

Building long-term relationships with our customers is core to our growth strategy and organizational values. Customer engagement helps us to deepen our understanding of our customers and reinforce our relationship with them. The Fund constantly monitor queries sent on social media platforms i.e. Twitter, Facebook and other channels.

Social Media has also proved to be a powerful learning tool for us because it offers real time feedback on our customer demands allowing us to respond with innovative solutions.



Building long term relationships with our customers is core to our growth strategy and organization values

## Member Satisfaction

NSSF annually measures customer satisfaction, as well as development of the company's reputation and the factors that impact it, through the extensive and regular surveys. Our Customer satisfaction rate stood at 78% in 2018.

This is attributed to improved service delivery, high interest rates paid to members and quality of service rendered.

## Member Relations

The Fund has a customer-centric business model enabling it to fulfill its purpose of helping members and businesses prosper. Our customer service department works with key contacts across the entire business to answer a wide range of member queries and any complaints received. We also keep customers updated with news about our business and answer queries through social media (Facebook, Twitter), and our branch network.

We aim to provide each of our member with personalized attention that will create a memorable experience at every encounter.

The Fund's Customer Service Charter, helps us to be directly accountable to all our customers. It sets a benchmark

against which our promise and customers' experience can be measured.

## Customer Complaints

The customer service department is the first point of contact for escalated complaints from customers who wish to comment on our products, services and operations or to make an inquiry. This process generates information that helps us understand and respond to emerging customer issues.

Building long-term relationships with our customers is core to our growth strategy and organizational values. Customer engagement helps us to deepen our understanding of our customers and reinforce our relationship with them.



**Customer Connect Week**

During the year 2018 we held our Sixth customer connect week, which is an annual event where we celebrate the importance of customer service and the people who support customers on a daily basis. We also use the connect week to re-affirm our commitment to provide the best service to customers.

The theme of the customer connect week was “Evolving with the customer” and it attracted over 10,000 walk-in customers to the outdoor activity.

During this week heads of department and back office staff help to handle customer inquiries. The idea is to help all staff become well acquainted with the issues the NSSF customers’ service team face daily in dealing with real customers and real cases.

**Annual Members Meeting**

In 2018, we held our sixth annual members meeting which brought together over 2,000 members. The Annual members meeting was intended for Management to report on the performance of the Fund, communicate plans for the future and receive feedback from members in an interactive forum.

**Legacy Performance**

In financial year 2017/18, the Fund exceeded critical targets set through financial, investment and operational performance indicators. For instance, the Fund declared a record interest rate of 15% to its members. This confirms that National Social Security Fund is still one of the most profitable, efficient, secure, innovative and dynamic social security provider in the region.



NSSF Financial Literacy manager, Apollo Mbowa, training members during 2018 Customer Connect Week



Customer centricity is one of the Fund's core values



2018 Annual Members Meeting

**78%**  
score in the customer satisfaction survey

**Member Rewards**

During the annual members meeting the Fund rewarded members for their compliance. We remain committed to rewarding our members who comply with the NSSF Act by remitting their full employee contributions in time to the Fund.

**12,000**  
walk-in customers in the space of one week

We shall continue to monitor the members who comply and develop new ways of rewarding them for their compliance in 2019. Through our relationship model we endeavor to increase the compliance rates of the private sector in a bid to ensure that more employees experience a better life.

**2,000**  
members were in attendance during AMM



During Customer Connect Week, members are urged to update their details.

Building long-term relationships with our customers is core to our growth strategy and organizational values.





Head of Human Resources & Administration, Mr. Milton Owor.

## Breaking Barriers

The success of the Fund principally depends on the energy and commitment of our staff. Our team's strategic focus is to manage processes that influence human behavior and attitude which drives the different levers for staff engagement and create an energetic and motivated environment. The priority focus on the overall Talent strategy is embedding a High-Performance Culture and enhancing Talent Development.

### High Performance Culture

Our work culture focuses on agility, customer centricity and innovation. At the Fund, the Reward and Recognition processes drive the right performance behavior for example quarterly, we identify and publicly recognize employees or groups of employees from every department who excel in what they do- Merci Recognition scheme.

In addition, the employee remuneration is market competitive, performance driven and equitable with an appropriate mix between guaranteed and variable pay. We have achieved this through external benchmarking through participation in the salary survey club and through the regular job evaluations to ensure that all the job grades are accurately aligned with the market.

## Energising Staff through Engagement

The Fund's performance bonus scheme was restructured by accelerating its increase which significantly increases the earning potential of the highest performing employees and in turn motivates staff to excel.

### Leadership:

Leadership plays a critical role in influencing high performance at the Fund as it inspires confidence in the teams and individuals to innovate and excel. We conducted a 360-degree assessment of all our senior managers where we identified the quality of leadership, key leadership strengths and areas for improvement all of which is critical to our leadership development planning and individual reward decisions.

### Talent Development

The Fund is a learning organization, offering development opportunities to all our employees to enable them meet the dynamic business challenges. The Curriculum focuses on Leadership Development and Functional/Technical Competence Development. We have partnered with Gordon Institute of Business Science (GIBS) at the University of Pretoria to deliver high end leadership development for our senior managers. Similarly, we have partnered with Harvard University, to deliver specialized leadership development interventions for a few



2018 NSSF Staff Conference

of our leaders and Strathmore University in Nairobi to deliver the NSSF Leadership Excellence Academy (LEA) to a cross section of our staff.

The e-Learning platform, Desire2Learn continues to enable us access rich learning resources from Harvard University and other soft skill sources. The ongoing learning at organizational and individual levels are a key indicator of our success.

### Growth:

The Fund has a Talent Strategy that enables it to keep its Employer Brand attractive within the market. We focus on both internal growth/promotions and external recruitments of talent with key consideration for gender diversity especially at the senior levels.

Through succession planning, we identify high potential talent and work to develop them for higher roles as it helps to retain exceptional talent within the Fund. We bolster this with the newly introduced Graduate Trainee program that enables us to attract exceptional talent.

We conducted the annual employee engagement surveys to get confidential feedback from all staff on how the organization is being led, the key areas of strength and the areas for improvement as we believe that satisfied and engaged employees will serve and drive the Fund to higher success.

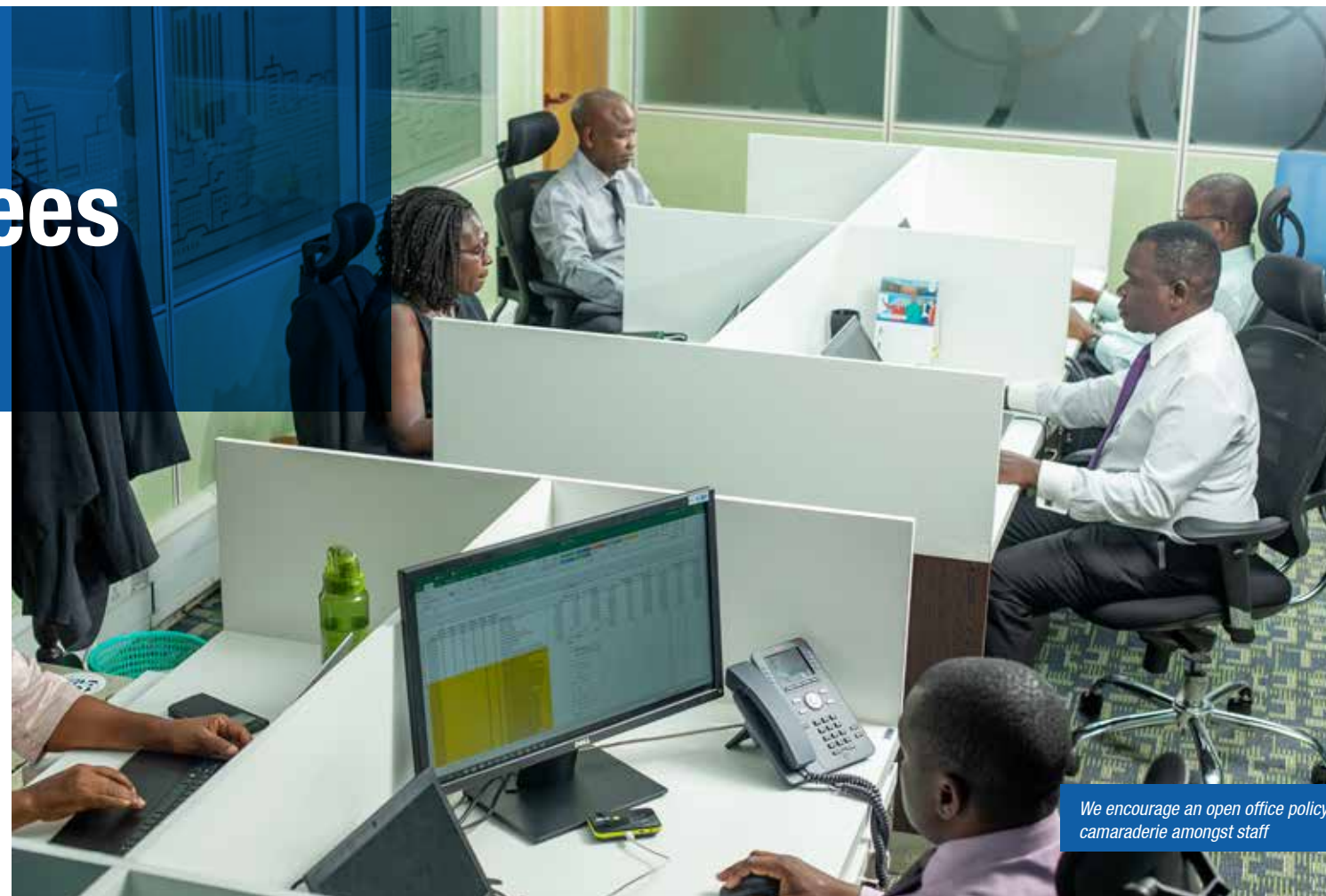
Employees rate the organization against six (6) dimensions of engagement which include Immediate Leader, Purpose / Values, Reward, Role content, workplace quality and career growth opportunities. The insight forms the input for our action planning to redress areas of concern while guarding the areas of strength. Currently the core engagement score is 89% which favorably compares with the Africa benchmark of 69% and our target is to raise our engagement score to 95%.



A staff member raises a query during the 2018 NSSF Staff Conference



# Our Employees



We encourage an open office policy to foster camaraderie amongst staff

## Our Approach

The Fund adopts a partnership model, which is essential, in ensuring that we prioritize having the right employees in the right positions. Through the HR Business Partner Model, the human resources department participates in strategic planning with each department to help the business meet present and future goals.

We are focused on culture that is a driving force behind productivity in order to create an environment where our people can reach their full potential. Our performance culture is based on continuous open feedback and an appreciation for outstanding performance, both through attractive compensation and through individual and long-term development opportunities. We strengthen our team by valuing diversity and cultural backgrounds, interacting openly and constructively with each other, and looking after the health and safety of our people.

## Human Capital Distribution

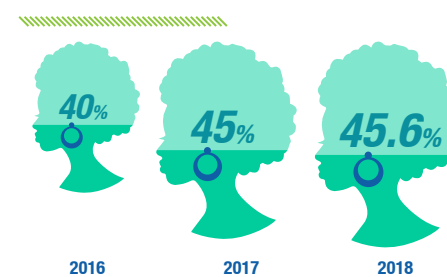
The Fund has an open attitude to diversity, which is one of the core principles guiding our operations.

The goal is to avoid any instances of discrimination due to gender, religion, race, nationality, civil status or social position.

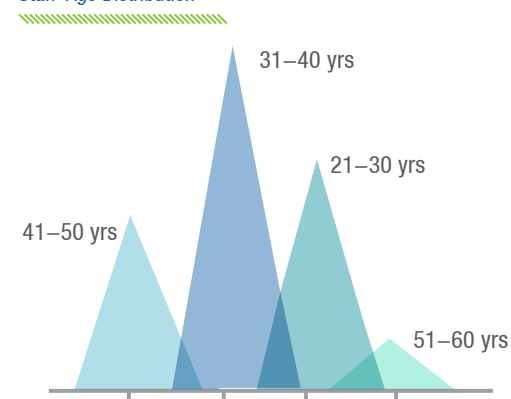
Our recruitment, selection process is done in a fair and transparent manner in a way that promotes professionalism and equality, and all our appointments are based on merit.

Of the 506 staff present during the reporting period, 55% were male and 45% were female.

% of female staff



Staff Age Distribution



## Employee Development

The Fund offers training and development programs aligned to employee's roles and responsibilities. For example, employees newly promoted to management positions receive training to foster understanding about their new role. We also support employees looking to enhance their own employability in a dynamic environment through re-skilling.

## Performance Management

Organizational, departmental and individual performance targets are set at the beginning of every financial year. In 2017/18, performance against targets was evaluated on a quarterly basis and staff were given regular feedback to ensure they realize their full potential while achieving and exceeding the targets.

## Employee Engagement

The annual employee 360-degree survey is one of the main tools we have adopted to help employees attain a well-rounded assessment of their attributes from their peers. The survey is a broad measure of staff commitment and motivation at work. Development needs are noted and addressed through such surveys.

In addition to this the Fund carries out annual staff engagement surveys. High levels of engagement help us attract, retain talent, and to deliver our goals and objectives. The survey conducted in FY2017/2018 indicated a 88% employee satisfaction rate.

During the financial year 2017/18 the Fund carried out the activities below towards staff engagement;

- An annual staff party that was held in a centralized location allowing all staff to team build.
- Departmental/ sectional team building activities held for staff to interact with their colleagues away from the day-to-day office activity.
- The annual sports day event, which allows all staff to meet, take part in fan activities and get to know their colleagues that work in far off regions of the country.
- The annual employee connect week which is designed to help management to interact with employees and create rapport that is necessary to move the Fund forward and also achieve the set out targets.
- The annual staff day in which all staff have a full day engagement with senior management in an off-site meeting.

## Employee Communication

Maintaining open channels of communication amongst members of staff is an ingrained part of the NSSF culture. NSSF has established several communication platforms to encourage employees to "speak", including online, Conference calls, print and

face-to-face communication. The intranet is the focal point of our communications with daily updates on what is happening across NSSF in Uganda and in the region.

This is also enhanced through the staff day mentioned earlier. In 2018, the Fund held its third annual staff conference which provides an opportunity for staff from across all departments to ask questions to executive management, share experiences and give direct feedback to management on various experiences.



Members of the NSSF call center team



### Employee Retention

Retention of high performing employees is critical to us. Our objective is to foster a culture of excellence within the Fund. The organization rewards employees who have stayed with the organization for more than 10 years to appreciate their loyalty.

The organization furthermore gives outstanding achiever awards to recognize exceptional employee performance and achievement. A stable and motivated workforce contributes to our aim of meeting our business objectives, as it usually creates an environment that attracts the best talent on the market.

NSSF's successful employee retention is evident from our employees' length of service. The average tenure of our employees is about 7 years with more than 56% of our employees having been with the Fund for more than five years.

### Remuneration and Benefits.

The Fund's remuneration is at par or even above similar players in the market. We provide medical insurance cover to all Fund employees and their dependents. In addition, a retirement benefit scheme "staff Provident Fund" is provided to all the non-executive staff as well as a "Gratuity Scheme" for the executive staff (EXCO). The reward structure at NSSF also includes a performance bonus scheme and is designed with the important objective of attracting and retaining talent. These benefits are in line with the market practice and regulatory requirements.

Our remuneration is tailored to enhance a performance culture and promote fairness. Our salary policy is the same in all branches and service points for all levels. There is no incident of discrimination in terms of remuneration provided to male and female employees.

### Employee Succession Planning

Our performance culture reiterates the importance of succession planning and internal promotion. The NSSF People Development and Succession Planning Framework for senior management staff has been implemented since 2012.

In view of our rapid development and increasing complexity of business requirements, we aim to help strengthen and develop the strategic leadership skills of senior management.



Mary Namungoma, the Fund's longest serving employee, celebrates 35 years of service with colleagues of the finance team.

Average Staff Tenure



- 1-4 yrs
- 5-8 yrs
- 9-12 yrs
- 13-16 yrs
- 17-20 yrs
- 21+ yrs



Staff engaged in Sports Day activities that took place at GEMs cambridge

### Health, Safety and Employee Wellbeing

We strongly believe a safe and healthy work place is a precondition for productivity of employees in order to deliver desired services to valued customers. The Fund is therefore committed to ensure a modern, healthy and safe work place for its employees. All our branches and every department of the corporate office are designed to provide a healthy ambiance characterized by a secure and hygienic environment.

### Maternity Package

We continue to provide medical insurance, group insurance and travel insurance to our staff members. In addition to the 60 working days maternity leave for all mothers, the Fund also provides a breast-feeding hour every working day for the six months after a mother resumes work after childbirth.

To support young mothers at the Fund, we have recently introduced a Crèche within our offices, to allow breastfeeding mothers to come along with their babies at the office.

With this, staff are able to apply themselves fully at work, knowing that their children are under good care of professional child-minders.

### Wellness Program

The Fund has a wellness and fitness program that is aimed to enhance our commitment to our employees' physical wellbeing. This is supposed to compliment the medical insurance benefit that we are already providing. We believe that a healthy lifestyle including regular exercise translates into increased productivity at the workplace.

### Employee counseling services

The Fund continued to offer counseling services to all staff. M/s. Healing Talk Counseling Services are available every last Friday of each month at Headquarters and at their offices at Akamwesi House in Nakawa to provide services to our staff.

### Human Rights and other Labuor issues.

In 2018, no incident of discrimination and violation involving human rights was recorded. National Social Security Fund has the following policies in operation to ensure such incidents don't occur;

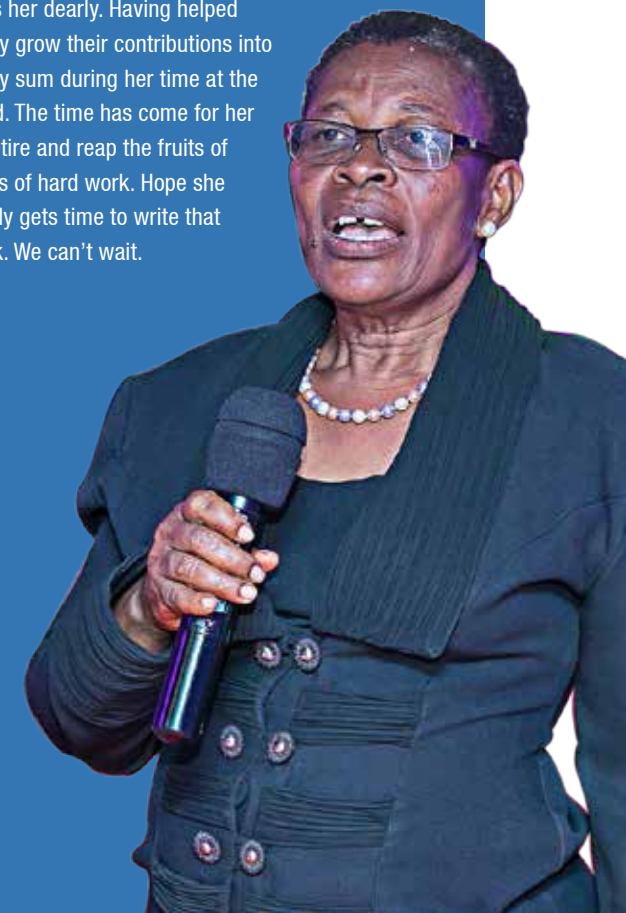
- Anti-sexual Harassment policy
- Anti-discrimination policy.

## Special Tribute

Next year, the sun will set on what will have been a 36-year epic career with the Fund. She has seen it all. From the humble beginning in the corridors of Crusader House to a desk on the 14th floor of Kampala's tallest building. Mary Namungoma is a living archive of the Funds journey. Growing from an accounts clerk to founding the Fund's investment section, this is a story of dedication, belief and selfless service to an institution that she has helped define.

Mary is remembered by her peers as the woman who just could not fail accounting exams which was uncommon at the time. To them she was simply the "Inzikuru" of professional courses. At the time of her retirement she was managing the revenue assurance section in the finance department. To many of her colleagues she is an icon, professional, mentor, mother, Senga and a portrait of how much a lady can achieve when she sets her mind to it.

Mary is a fundamental part of the Funds success story and we shall miss her dearly. Having helped many grow their contributions into a tidy sum during her time at the Fund. The time has come for her to retire and reap the fruits of years of hard work. Hope she finally gets time to write that book. We can't wait.

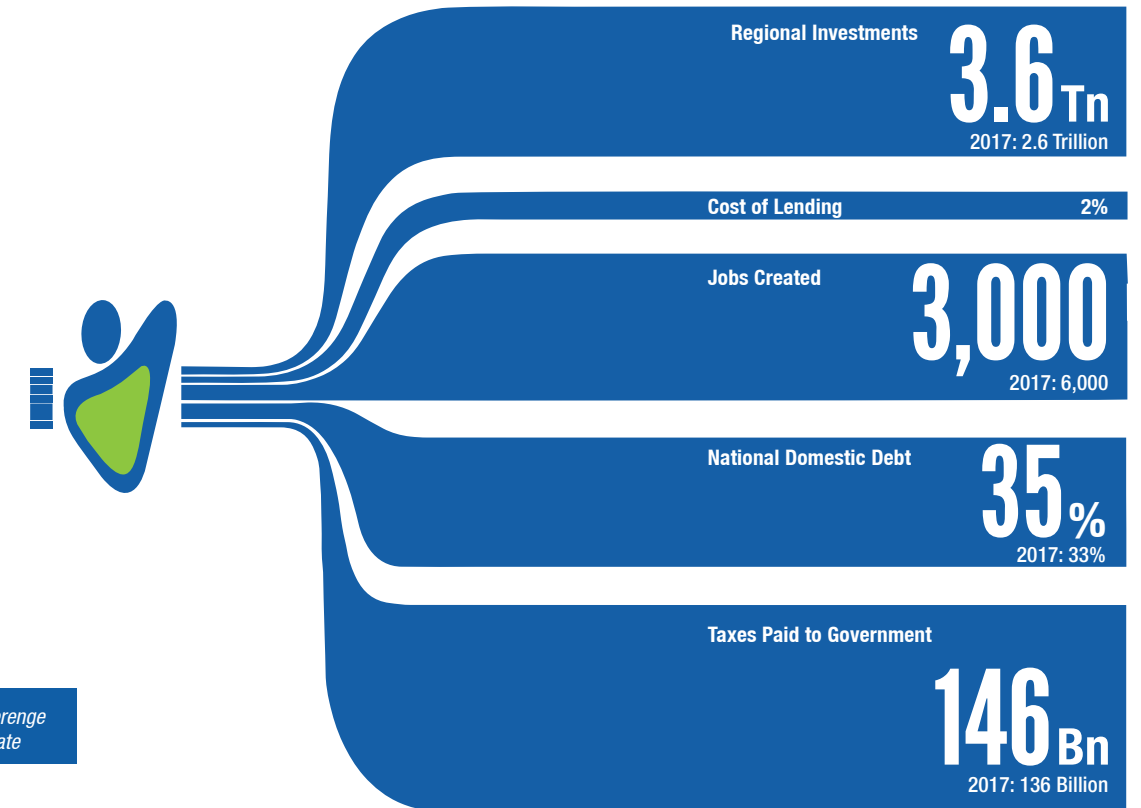






## Our Economic Contribution

Mr. Richard Byarugaba, Mr. Patrick Kaberenge announcing the 2017/18 15% interest rate



The National Social Security Fund is the largest financial institution in the country making it a critical part of Uganda's economy. The Fund is the largest investor in Uganda's bond and equity markets and has a large footprint in the real estate market.

**3.6 Tn**  
was invested in stocks and bonds, within Kenya, Rwanda and Tanzania

**146 Bn**  
was paid in taxes during the financial year

**4.6 Tn**  
was contributed to Uganda's national domestic debt

The investments, and the returns the Fund generates, additionally contribute to Uganda's fiscal revenue by way of various taxes paid, not to mention interest paid to members, salaries of our employees, and payment to suppliers of goods and services provided to the Fund.

### Value added Statement

The value added statement shows the total wealth created and how it was distributed among the key stakeholders. The stakeholders include the members, government, and NSSF employees as shown below;

- Ushs 1.1 Trillion was distributed to our members as a return on their savings in 2018 compared to Ushs 681 Billion in 2017.
- Ushs 56 Billion was paid as salaries and wages to our staff in 2018 compared to Ushs 42 Billion in 2017.
- Ushs 145 Billion was paid to government as Tax in 2018 compared to Ushs 130 Billion in 2017.

Value Addition Statement for the Year Ended 30 June 2018

	2018 Ushs'000'	2017 Ushs'000'	2016 Ushs'000'
Investment Income	1,041,983,000	845,471,620	707,989,927
Other Income (Loss)	387,590,406	27,168,320	29,878,904
Net Increase in Value of Investments	172,464,923	46,425,968	(64,051,696)
Less Expenses (Excluding staff costs & Depreciation)	(53,428,153)	(48,169,721)	(37,055,467)
<b>Wealth Created</b>	<b>1,548,610,176</b>	<b>870,896,187</b>	<b>636,761,668</b>
<b>Distribution of wealth created to stakeholders (Amounts)</b>			
Members (Interest credited to accounts)	1,100,080,203	681,404,864	<b>597,285,997</b>
Employee Salaries, Wages and Other benefits including	56,476,736	42,590,308	
Government Direct Tax	145,850,312	130,637,624	102,331,080
Retained Earnings for Future growth	240,444,091	11,003,211	(105,842,347)
<b>Distribution of wealth created to stakeholders (Percentage)</b>			
Members (Interest credited to accounts)	71%	79%	<b>94%</b>
Employee Salaries, Wages and Other benefits including	4%	5%	6%
Government Direct Tax	9%	15%	16%
Retained Earnings for Future growth	16%	1%	-17%



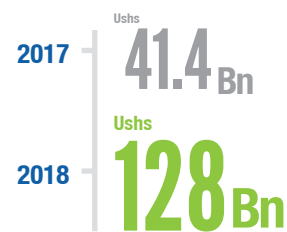
# Sustainable Value Chain



NSSF Head of Procurement, Gerald Mugabi during the 2018 NSSF Supplier Forum

*Through our purchasing procedures, we aim to treat our suppliers fairly to ensure our activities are unbiased and responsible. Our procurement requirements, include respect for the basic rights of employees, health and safety, environmental Protection and zero-tolerance on corruption and bribery. All these are set out in the code of conduct for NSSF's procurement policy.*

## Spend on Local Suppliers



**76.8%**

of our suppliers in 2018 were satisfied with the Fund's procurement processes

### Our Approach

The process for supplier selection and authorization includes checking the ongoing suitability of existing suppliers and we take in account their compliance with statutory regulations, which includes paying Taxes and NSSF for their employees. We have a controlled process for managing the proposals received from suppliers to prevent any supplier getting an unfair advantage, including scoring of suppliers' proposals

### Responsible Purchasing

We require all staff negotiating with suppliers to abide by our manual of conduct in supplier relationship, which includes the need to be professional and unbiased in all dealing, to avoid conflict of interest and to maintain confidentiality of information.

### Support of local suppliers

During the year 2018 we continued to support our local suppliers in our quest to encourage domestic growth. Our aim is to support the business in the community in which we do business. The procurement committee exercises a competitive procurement of goods and services at all times and fairness is always maintained.

### Responsible Payment

We aim to pay our suppliers in line with agreed payment terms and our standard terms are 30 days. NSSF is a stakeholder in the PPDA act, which encourages the organization to; Pay suppliers on time, give clear guidance to suppliers on payment procedures and encourage suppliers to adopt good practice with regard to their supplier payments.

### Annual Supplier Conference

In 2018, the Procurement and Disposal Unit (PDU) organized its 3rd Annual Suppliers Forum that took place at on 21st June 2018 under the theme "Supplier Collaboration and Empowerment". It attracted over 170 participants from both existing and potential suppliers of the Fund.

An effort to enhance awareness regarding the compliance requirements of the PPDA Law, as well as sensitization about the Fund's procurement and payment processes,

The event aims to recognizing the contribution of suppliers to the growth of the Fund as a business and development of competent suppliers. The forum discussed common mistakes that affect the award of tenders and the quality of products and services supplied to the Fund.

At the end of the forum forms were shared with the participants to collect feedback on how satisfied the participants were with the forum and the procurement process. 76.8% of the suppliers were satisfied with the procurement process and 71% were satisfied with the way payments are made.

# Engagement With Regulators

NSSF is committed to full compliance on all applicable legal requirements enforced by governing authorities such as Uganda Retirement Benefits Regulatory Authority, Ministry of Finance, Public Procurement and Disposal Act (PPDA), Bank of Uganda, Capital Markets Authority, Ministry of Gender and Labour, the Parliament of Uganda, National environment and management Authority and Uganda Revenue Authority.

### Our Approach

During the financial year to June 2018, there were no fines or penalties against the Fund from our regulators. This further emphasizes that the Fund is aware and compliant with the regulatory requirements of the land.

We continued to ensure that all our activities and operations comply with the existing legal and regulatory requirements through constant monitoring, evaluation, timely reporting and Auditing of all our operations. Management had several discussions with Parliament, Ministry of Labour and Gender, PPDA and URBRA on issues including, investment, procurement and engaging stakeholders concerning the Liberalization bill that was debated in Parliament.

The Cabinet, approved the Proposed Principles to Amend the National Social Security Fund Act Cap 222 and issued drafting instructions to the First Parliamentary Counsel to draft the National Social Security Fund Amendment Bill, 2018 in accordance with the approved Principles.

The approved principles aim to improve on the current saving culture in Uganda, allow the Fund to offer more products to members, permit members to have mid-term access and to improve governance by allowing more stakeholders on the Board.



URBRA CEO, Mr. Martin Nsubuga during the launch of the NSSF Financial Literacy Program



## Breaking Barriers | Escaping Our Comfort Zone

For a long time, transparency in Ugandan government agencies was unheard of. State agencies existed quietly with minimal information dispatched to the public other than what they were already known to have been set up for.

To break the monotony, we've developed and championed the application of various award winning methods in the area of product development, marketing and communications and not only to create awareness of the Fund's products and services but to also influence publics, change perceptions and ultimately have an impact on growth of the business.

Through the use of social media (facebook, twitter, Youtube), we have facilitated two way communication between the Fund and its membership. Real time feedback is received and continuous engagement beyond business hours has been realized. In addition, the Fund has reached young people, where it has ably broken down the complex subject of social security, with the intention of changing their mindsets on saving for retirement as potential future members of the Fund.

Investing in social causes in communities in which an organization operates improves its brand reputation.

Our approach to social responsibility has now extended to developing strategic partnerships with organizations to provide support to communities in the areas of education, health, youth development, and the disadvantaged.

To promote the Fund's products and services, we have employed more unconventional marketing methods that are anchored towards creating an experience for both current and potential members. This includes the award winning Friends with Benefits campaign where we've used successful NSSF beneficiaries to inspire and impart financial management and investment knowledge to Ugandans. Through this, the Fund has not only increased awareness for its products, but has also positively affected growth of contributions.

In the recent years, the Fund has been developing products and services to ease the contributions process for members. And now, for the first time in the history of social security in Uganda, our members are able to remit their social security contributions at the their own convenience, even beyond working hours with the introduction of payment platforms like mobile money and Payway.



Ms. Babra Arimi,  
Head of Marketing & Communications



The Fund holds an annual Career Expo in partnership with Daily Monitor to prepare University students for the job market



The winner and runner up of the Friends with Benefits season 2



Our Head of Marketing & Communications, Ms. Babra Arimi (L), KCCA Ag. Executive Director, Eng. Andrew Kitaka and NSSF MD, Mr. Richard Byarugaba during the launch of the NSSF Kampala Hash 7 Hills Run



# NSSF Financial Literacy



NSSF MD, Richard Byarugaba (R) and the Under Secretary of the Ministry of Education, Mr. Aggrey Kibenge (L), display the portable tablets during the launch of the E-Digital libraries at Mpumudde Seed Secondary School in Jinja



This initiative is aimed at digitizing teaching and learning in schools

## Background

The traditional education system is undergoing a transformation owing to ever-advancing technology and we are seeing more use of computing devices for teaching and learning. Unfortunately, the use of technology in Uganda's education system is almost non-existent especially in government-aided schools that are often underfunded. NSSF decided to be part of the solution to revolutionize teaching and learning in Uganda through use of technology.

## Initiative

The Fund donated digital learning tablets worth Ushs450 Million to a total of 11 government aided schools to facilitate the establishment of digital libraries. The initiative is meant to enable students and teachers use digital technology in classrooms to improve the quality of learning.

The initiative was implemented in partnership with the National Curriculum Development Centre (NCDC), the authority responsible for development, management and circulation of approved national curriculum.

The Digital Libraries comprise portable computers (tablets) that are loaded with the approved National Curriculum for secondary schools for senior one to senior six. The curriculum content includes assessments.

The project is aimed at transforming and digitizing teaching and learning in schools that face the challenge of inadequate resources and facilities impairing the students' quality of education compared to their peers in privileged schools.

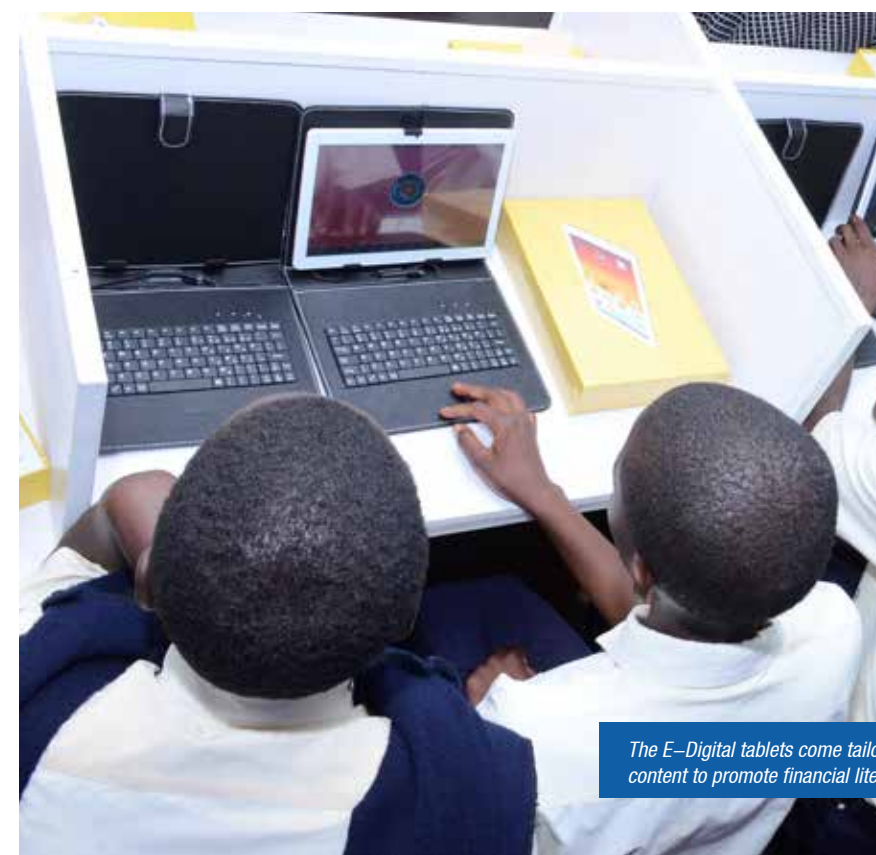
We donated 440 digital learning tablets. Each beneficiary schools received 40 tablets. We hope to support more schools starting next year in support of the National Curriculum Development Center.

450M

Uganda shillings worth of digital learning tablets were donated

11

government aided schools benefitted from the activity



The E-Digital tablets come tailored with content to promote financial literacy

The beneficiary schools are Mpumudde Seed Secondary School Jinja; Nabumali High School Mbale, Atutur Seed Secondary School in Soroti, Muni Girls Secondary School in Arua, Paicho Secondary School in Gulu, Atapara Secondary School, Sir Tito Winyi Secondary School in Hoima, Kagamba Secondary School in Mbarara. Kyenjojo Secondary School in Fort Portal and St. Charles Lwanga SS, Kasasa in Masaka.

In addition to the national curriculum, the tablets will also have tailored content to promote Financial Literacy and introduce the concept of saving among students in secondary schools.

The establishment of the digital libraries is expected to benefit more than 3500 students in Senior 4 to Senior 6 in the next one year and more than 5200 students in the next two years.

The initiative is one of the activities under the Fund's Customer Connect Week to reinforce commitment to excellent customer service to members, under the theme "Transform Tomorrow".

## Endorsement

The Under Secretary, Ministry of Education Mr. Aggrey Kibenge thanked NSSF for their efforts towards transforming teaching and learning in government secondary schools.

"With this initiative, students in government schools that do not have access to the same modern learning facilities as their peers will be able to get exposure and access to modern learning resources and tools. I look forward to a time when all our secondary schools will benefit from this type of digital technology to transform teaching and learning,".



# NSSF Friends With Benefits

## Background

Some NSSF members have successfully utilized their long term savings to transform their lives and those of their families but there are those that struggle to put their savings to good use and end up mismanaging their money or losing it in poor ventures.

As NSSF, we are working towards building capacity for our members to manage their benefits better through financial literacy trainings and ultimately transform their lives. Hence the introduction of the “Friends with Benefits” campaign.

The campaign is a platform through which NSSF beneficiaries share stories of how their lives were transformed as a result of the benefits they received, to inspire Millions of people to save and manage their finances better.

## Initiative

The objectives of the NSSF Friends With Benefits Image Campaign aimed at focusing on creating deeper financial literacy levels through telling success life lessons by NSSF beneficiaries who made wiser investments that improved their livelihood or their respective communities using their NSSF benefits they received; and further demonstrate to the public that NSSF pays out benefits to its qualifying members shortly after submitting their claims. The campaign also aimed at improving the savings culture in the country through showcasing NSSF beneficiaries who have demonstrated the capacity of saving with NSSF over their time while still in gainful employment.



NSSF DMD, Patrick Ayota (L) hands over a cheque to one of the winners of the NSSF Friends With Benefits campaign at the grand finale



Friends With Benefits TV Show hosts, Gaetano Kaggwa and Crystal Newman



The judges of the NSSF Friends With Benefits show season 2

212

stories from beneficiaries across the country were submitted for evaluation

22M

Ugandans were reached through this TV show

55M

Uganda shillings was given out as prize money

This project called out beneficiaries to come and tell their success stories of how they used their retirement benefits from NSSF to improve their lives and or their loved ones. In the recent past, there has been strong doubting sentiments from members that the Fund actually doesn't pay out benefits to its members.

We wanted to address the apathy and the perception that NSSF does not pay. We wanted people to understand the real value of saving with NSSF and create believers in the Fund.

We received over 212 stories. An evaluation team constituting 5 internal and 4 external members looked out for the top 35 stories. The team then conducted a search to verify whether these were actual NSSF members who received their benefits, conducted telephone interviews with the selected contestants among other due diligence processes.

A section of this team went out to verify these projects in the field and establish their worthiness to take part in the competition.

## Impact

The show inspired Millions of Ugandans to save for their retirement, it reached 22 Million people. At the end of the first campaign, 95% of interviewed Ugandans showed more willingness to save for their retirement.

Awareness of the NSSF benefits and knowledge of beneficiaries increased. Willingness to start a saving plan with NSSF in non-members increased to 52%. There was Growth in the voluntary business.

A total of Ushs. 55 Million was rewarded to 3 beneficiaries to further help them boost their investment projects for a better life. The winner received Ushs. 30 Million while the 2nd and 1st runner up received Ushs. 10 Million and Ushs. 15 Million respectively.



# NSSF–Daily Monitor Career Expo

## Background

Currently in its 8th year running, the expo is a careers driven annual event that takes place in the first quarter of the year at various public and private universities across the country hosted by NSSF and Monitor Publications. During this event, industry experts and entrepreneurs interface with university students and spend time making presentations on existing careers across the different industries as well as the most appropriate approach in securing opportunities.

The event is designed to prepare students for the work place and equip them with skills and knowledge to increase their employability. It also offers students professional career advice as well as an opportunity to engage with potential employers. It also provides an overview of the importance of saving with a key message to students to embrace the saving culture at an early age.

During the event, NSSF recruits and registers university finalists who are preparing to enter the job market as members into the Fund that will contribute to the Fund in the future when they are employed. The Expos are also used to drive awareness about NSSF services amongst the student community. It is critical more than ever to have such recruitment drives in order to grow our membership.

With the thousands of students leaving the university and entering the labor market every year, we not only want to build capacity of the students but also register potential new NSSF members amongst the finalists. Ultimately, we want to create awareness for and position NSSF as the best social security provider amongst the student fraternity.



During the NSSF–Daily Monitor Career Expo, the Fund recruits and registers final year university students preparing for the job market



Tony Glencross, CEO of Daily Monitor addressing the media at the launch of the NSSF–Monitor Career Expo

## Initiative

The Fund launched a University Mentorship Program to connect professionals in various fields with students across 11 universities in Uganda through an online portal for mentoring as they prepare to join the job market.

The Mentorship Program will open a whole new world of opportunities to students at universities especially finalists by learning from the best in every professional field. We had a wide range of mentors from our partners at Nation Media Group Uganda, Kampala Capital City Authority, Post Bank, Housing Finance Bank among others.

The Career Zone is a portal through which students connect with their mentors for hands–on and personal career guidance in a field of their choice.

78%

positive feedback from attendees survey

8,000

students attended across 11 universities all around the country



The Career Expo took place in eleven universities across the country

They also get access to online career advice recourse and internship opportunities and is accessible free of charge.

The NSSF–Monitor Career Expo is an annual initiative that empowers university students with knowledge to start and sustain profitable careers. It is also designed to prepare students for the work place and equip them with skills and knowledge to increase their employability as well as cultivate the spirit of entrepreneurship.

The Expo took place in 11 universities around the country namely; Makerere University, Makerere University Business School, Nkumba University, Ndejje University, Kampala International University, Kyambogo University and Muteesa I University. Others are Uganda Martyrs University Nkozi, Mbarara University of Science and Technology, Islamic University in Uganda and Gulu University.

## Impact

The NSSF Daily Monitor Career Expo attracted over 8,000 students from 11 universities across the country.

## Endorsement

Tony Glencross, the CEO of Daily Monitor said that they will continue to mobilize students and promote the initiative on their platforms including profiling the guest speakers in order to reach more students especially those whose universities are not beneficiaries this year.

“The key problem for us as employers is that students leave university unprepared for life after graduation. My message is that you do not have to wait for employment. You can either be an entrepreneur or position yourself to be employable. Either way, opportunities for the well prepared exist,” Glencross said.

Eng. Kitaka also commended both Monitor and NSSF for organizing the Expo and engaging KCCA as a major partner. “We are a perfect partner because we find a lot of synergies between youth program we are running at KCCA such as our employment bureau and what the NSSF–Monitor Career Expo offers,” he said.



# NSSF Kampala Hash Seven Hills Run



Some of the students from Kampala School for the Physically Handicapped also took part in the marathon

## Background

Kampala Capital City Authority has 79 Government grant aided primary schools with a total enrollment of close to 70,000 with an allocation of about shs500m per year. Due to the inadequate funding, most of the schools have dilapidated facilities and require refurbishment, amongst other challenges.

There are six primary schools which have asbestos sheets in some of the school building that need immediate replacement. With the current allocation of about Ushs. 500 Million, KCCA can only afford to refurbish one school every year. On top of this, there is now enormous pressure on KCCA to finance land compensation for schools sitting on land owned by private individuals.

Through this initiative, which is part of the Fund's Corporate Social Responsibility agenda to support education of the underprivileged in our society, we support KCCA efforts to provide a quality learning environment for thousands of children.

## Initiative

The Fund launched its annual charity Marathon dubbed the NSSF Kampala 7 Hills Hash Run which for the first time this year was open to the wider public. Previously, the run was only open to corporate companies that supported the cause by registering their employees as a team to participate in the run.

This year, we gave ourselves an ambitious target of raising over 500 Million to go towards schools here in Kampala and upcountry and tasked ourselves, our partners and the general public to come together to support this important cause. A conducive learning environment is important to the education of children.

Every year for the past three years, NSSF has held the exciting and challenging Seven Hills Hash Run in partnership with the Kampala Hash House to raise money for KCCA schools in Kampala.

**3,500**

runners took part in this year's marathon

**500<sub>M</sub>**

was raised for this year's initiative

**3,000**

children will be provided the best learning environment they deserve

## Endorsement

The Kampala Hash House Harriers Master, Mr. George Mbiko applauded NSSF for reaching out to needy schools in society and said that he is proud of the impact that the NSSF Seven Hills Run has had on the communities in which these schools are and has pledged to continue commitment to working with NSSF to see that the run grows bigger and attracts more participants every year in order to help refurbish more dilapidated schools across the country

The Acting KCCA Executive Director Eng. Andrew Kitaka commended NSSF for working with the authority to improve the quality of infrastructure for education, affirming that all the monies collected will be put to the right cause to ensure that pupils have conducive structures to foster a good learning environment. We have benefited from this kindness for 4 years now and I am happy to hear that they are extending this to other districts as well because the plight of school infrastructure extends beyond our beautiful city," he said.

## Impact

This year's run also expanded to include five upcountry schools on top of the KCCA public schools in Kampala. The schools that benefited include; Kampala School for the Physically Handicapped, Kansanga Primary School, Munyonyo Primary School, Nakivuubo Primary School.



Acting KCCA Executive Director, Eng. Andrew Kitaka during a light warm up before the marathon kicked off



Participants in the NSSF Kampala Hash Seven Hills Run being flagged off at the Start point at Pearl Of Africa Primary School, Nsambya



# KAVC Tournament



NSSF KAVC tournament attracted major teams from all across East Africa

## Background

The NSSF KAVC International is one of the biggest Volleyball tournaments in the region. The tournament draws in teams from East Africa. This year's tournament attracted even more teams. The tournament took place in August and there were cash prizes for the winning teams.

## Initiative

The Fund affirmed its commitment to the development of volleyball in Uganda with a sponsorship package of Shs70 Million for the 20th edition of the NSSF-KAVC International volleyball tournament.

The NSSF KAVC International also marked 10 years since NSSF entered into a partnership with Kampala Amateur Volleyball Club (KAVC) to promote the development of the game of volleyball, which was lagging behind other sports then.

Our sponsorship is premised on the view that although we are primarily a social security Fund, we recognise that we must be a "Good Corporate Citizen", playing a role in the sustainable development and well-being of the community in which we do business.

More importantly, the sports fraternity is much more aware of the importance of social

security and the significance of the culture of saving in Uganda both at individual and national level. We have reached over 10,000 people since 2014 through our customer service tent during the tournament.

The Fund continues to support the tournament because KAVC has demonstrated good accountability, professionalism in management of the tournament and integrity in delivering value for money

## Endorsement

KAVC President Amon Ainebyoona appreciated NSSF for its commitment to contribute to the growth of the sport through sponsorship of the tournament over the last 10 years.

"We have managed to reach international level all thanks to the support that NSSF has put into building volleyball. With continued support from NSSF and dedication of KAVC, we have a vision of playing at international tournaments like the FIVB Volleyball World Championship, the Olympics and Common Wealth Games."



Amon Ainebyoona, President of the Kampala Amateur Volleyball Association



Ugandan team, Eagles, taking on their Rwandan counterparts

70<sub>M</sub>

was donated as part of the sponsorship deal

30

teams from all across East Africa participated in the tournament

\$1,800

was given away in prize money

This tournament has been a linchpin for Ugandan players who have joined professional ranks after being scouted at the NSSF KAVC International. These include Cuthbert Malinga in Bulgaria, Daudi Okello in Turkey, Saviour Atama and Ivan Ongom in Rwanda. I am confident to say all the four players in Europe and elsewhere playing professional volleyball have NSSF KAVC International to thank for those contracts.

## Impact

The tournament has exposed Ugandan teams to top level competition in the region, and the sport has grown at the grassroots with primary schools' competition, and sitting volleyball (for the disabled persons) every year now being part of the tournament.

The sponsorship deal went towards purchase of technical equipment and related accessories, payment of tournament referees, trophies, cash rewards for outstanding players, publicity, security, as well as overall organization of the tournament.

The tournament has grown to become East Africa's premier volleyball club tournament, attracting the top clubs from Uganda, Kenya, Rwanda, Burundi, Tanzania, DRC and South Sudan.

Over 30 teams from Uganda, Kenya, Tanzania, Rwanda, South Sudan and Burundi participated in this year's tournament, including defending Men's Champions APR and Women's Champions Rwanda Revenue Authority, both from Rwanda.

This year, winners walked away with \$1,000 – Gold, \$500 –Silver and \$300 – Bronze, in addition to winners' trophies.



# NSSF Blood Donation Drive



A good samaritan donating blood during the NSSF Blood Donation Drive launch at Mulago Hospital



Dr. Dorothy Kyeyune, ED UBTS addressing media at the launch of the Blood Donation Drive



NSSF Marketing and Communications department scooped an award for their efforts during the Blood Donation Drive

## Background

Uganda regularly faces a shortage of safe blood, forcing the Government to issue blood donation appeals.

Only 1% of people eligible to donate blood in Uganda regularly do so, which causes frequent shortages of safe blood across the country. The people in most need of safe blood include expectant mothers, accident victims, cancer and AIDS victims.

With the total population aged between 17 to 55 years totaling to 17m, the country can only collect about 170,000 units of blood a year, compared to the recommended 300,000 units by the World Health Organization (WHO).

WHO also estimates that 5–10% of incident HIV infections may be attributed to unsafe blood transfusions. To reduce the risk of transfusion-transmitted infections, WHO encourages countries to pursue a strategy that focuses on availability of adequate supplies of blood.

## Initiative

The National Social Security Fund (NSSF)'s annual countrywide blood donation drive added over 6,196 units of blood to the National Blood Bank at the launch of the week long drive at Mulago Hospital in Kampala.

The drive is aimed at boosting blood collection across the country and is being undertaken in partnership with the Uganda Blood Transfusion Services (UBTS) under the Ministry of Health and the Uganda Red Cross Society

The Fund owes it to its members to contribute to meaningful social causes that affect them diversely. A potential blood shortage affects everyone indiscriminately regardless of stature and standing in society.

NSSF is one of the organizations that have a footprint across the country or whose business affects a wider population. We are passionate about the communities we serve and believe a healthy community is critical for the fulfillment of our mandate..

Under the theme “Stand Up for Life”, the donation drive took place at the Constitutional Square in Kampala, Workers House, Clock Tower, Mukwano Arcade and Owino Market, Kalerwe, Bwaise, Mukono, and Entebbe.

Upcountry, the donation drive was held at NSSF Branch Offices in Mbale, Mbarara, Gulu, Arua, Fort Portal, Jinja, Mukono, Kabale and Masaka as well as other high traffic areas in major towns.

**6,196**

units of blood were collected in the space of one week

**350**

people can be saved by the amount of blood collected

## Endorsement

Dr. Dorothy Kyeyune Byabazaire the Executive Director Uganda Blood Transfusion Services commended NSSF for championing this cause, saying that whereas as UBTS is mandated to collect 1,200 units of blood daily to meet the country’s demand, they are only able to collect under 800, units due to various challenges that range from access to funding and other logistics.

“Many of our international partners are cutting back their support which has left the National Blood Bank with challenges. We therefore have to start looking within the country for partners. We appreciate organizations such as NSSF that have come in to fill this void. We hope other organizations and individuals can emulate this gesture,” Dr Kyeyune said.

To qualify as a blood donor, someone has to be above the age of 17 years, weigh more than 45kg, and is in good health.

Robert Kwesiga, the Secretary General Uganda Red Cross Society said; “We appreciate corporate entities like NSSF that come on board to complement our efforts through mobilizing customers and their stakeholders to appreciate such a humanitarian cause. Donating blood saves lives and is voluntary. We therefore appreciate the spirit behind this and pray that this grows beyond the one week blood drive to something bigger which we can do every other year”.



# Our Environmental Footprint



Bujagali Falls in Jinja, Uganda

## Our Approach

NSSF seeks to optimize the use of valuable natural resources, fleet vehicles, and office facilities by conserving energy and reducing fuel consumption. We recognize energy and water management as one of the highest corporate priorities and key determinants to sustainable development within the Fund. The Fund is committed to continual improvement of energy and water management through prevention of wastages and compliance to local and national legislative and regulatory requirements.

Our maintenance manager assisted by all staff members administers our environmental management policy. Employees and contractors are responsible for performing their jobs in accordance with this policy and all other applicable NSSF policies.

## Our Environmental Risk Management Process

National Social Security Fund sees risks related to environmental, social and governance (ESG) as issues involving business strategy and the maintenance of competitiveness. Effective risk management is crucial for maintaining our stable daily operation and indicates our ability to respond and adapt to the changing environment. In order to minimize the possible disturbances to our operation during the event of disruptions, it is important to be prepared for emergency and to build resilience

An annual risk profiling is therefore conducted in order to assess the impact of the Fund activities on the environment in which it operates. The company periodically monitors the impact of these scenarios to secure future profitability and sustainable growth.

In 2018, the Fund together with NEMA conducted an environmental impact assessment of the Fund's ongoing construction projects. This complied with regulation 37 of the environmental assessment regulations, statutory instrument No.13 of 1998. The appraisal involves an objective evaluation of whether risks exist and the level of such risks for the company and the resident stakeholders and reviews the mitigates in place.

## Energy Resources Management

Our purpose is to promote sustainability and to minimize effects on the environment as the Fund fulfills its mission to provide social security to its members. The Fund is committed to continued improvement in the energy management performance through prevention of energy wastages.

**17%**  
reduction in Workers House energy consumption

**48%**  
reduction in Social Security House energy consumption

Electricity is the major source of energy supply to buildings owned by the Fund. This electrical power is supplied directly to the buildings by an 11kV UMEME distribution feeder. The feeder then distributes the power through three transformers each rated 1MVA, that step down 11kV/433V. Our major areas of energy consumption include lighting and office equipment, lift drives and chiller system.

Energy conservation is achieved through no- to low-cost facility adjustments, such as modifying HVAC settings or changing the types of bulbs used in light fixtures. Replacing the halogen lamps with energy saver lamps, upgrading to LED lighting system, installing motion sensors, Alternating switching on/off of Air conditioning plants as a way of minimizing energy and Sensitizing staff to switch off lights after work.

## Direct greenhouse gas emissions

- The biggest source of direct green house gas emissions is from the energy used in our buildings for example electricity, and reducing energy consumption is a priority for reducing the emission through;
- Use of reflectors in lighting fixtures to distribute light.
  - Painting walls and ceilings with bright colors to improve reflection
  - Use of presence detectors and photo sensors
  - Increased de-lamping especially in tenants' offices.
  - Improved lighting controls such as occupancy sensors and day-light level sensors
  - Use of variable frequency drives on the lift motors.

## Water Resources Management

Water and wastewater handling, treatment, and disposal are conducted in accordance with regulations, as identified in Section 4.2, Regulatory Compliance through Global Environmental Health and Safety.

NSSF uses the water-cooled chiller system for air conditioning. In this type of systems, chilled water is typically distributed to Heat exchangers, or coils, in Air Handling Units or other types of terminal devices, which cool the air in their respective space(s), and then the water is re-circulated back to the chiller to be cooled again. These cooling coils transfer sensible heat and latent heat from the air to the chilled water, thus cooling and usually dehumidifying the air stream.

## Paper Consumption

Our electronic mail system has been operational since 2012, which is being extensively used for internal as well as external communication. Electronic communication has substantially reduced paper consumption thereby reducing deforestation.

We aim to minimize usage of paper is encouraging our staff to print on both sides of the page. We further more encourage them to use emails as a way of sharing information.

## Waste Management

Our waste management process involves dealing with the waste generated from day to day-operational activities, food consumption, physical wear and tear of computer and office equipment, obsolete furniture and fixture and newspapers. Being a financial institution, the Fund does not deal with any hazardous waste.

Our waste is managed through the following ways below;

- Both sides of papers are used and wasted papers are collected using bins after shredding
- Toner, cartridges and newspapers are disposed off through community cleaners.
- Kampala City Council Authority manages human waste from buildings owned by National Social Security Fund.

## Climate Change

The Fund's overall strategy for addressing climate change involves;

- Reducing energy consumption
- Increasing energy efficiency,
- Having green operations. The NSSF green initiative includes enhancing its on line E channels and ensuring paperless business.

**5,500kg**  
total amount of paper used by our staff

**15%**  
decrease in water consumption at Workers House

**1%**  
increase in water consumption at Social Security House



Members of our property management team display the award they won at the 2018 Energy Awards



# Global Reporting Initiative

## Reporting in accordance with the GRI Guidelines

This Report is aligned with the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines. The index below gives full details of reporting against GRI disclosure profiles.

### Key

- Full reporting
- ◉ Partial reporting
- ⊗ Don't report, not considered to be of material importance
- ✕ Don't report, confidential information
- Don't report, will consider

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
<b>1. Strategy and Analysis</b>				
1.1	Statement from the most senior decision maker of the organization.	●	Managing Director's overview	19–24
1.2	Description of key impacts, risks, and opportunities.	●	Our Business Model National Social Security Fund Annual Report 2018	5–6
<b>2. Organizational Profile</b>				
2.2	Products, and/or services.	●	Our Business National Social Security Fund Annual Report 2018	7–8
2.3	Operational structure of the organization.	●	Governance Structure National Social Security Fund Annual Report 2018	80
2.4	Location of organization's headquarters.	●	Registered Office: Workers House	4
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	National Social Security Fund operates solely in the Uganda	4
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	Our Business Model National Social Security Fund Annual Report 2018	5–6
2.8	Significant changes during the reporting period regarding size and mode of operation.	●	Business Strategy Initiatives implemented	31–35
2.9	Awards received in the reporting period.	●	Awards received (as well as other instances of recognition).	105–106
<b>3. Report Parameters</b>				
3.2	Date of most recent previous report.	●	National Social Security Fund's Sustainability Report was last published in June 2018	
3.3	Indicate whether the Chair of the highest governance body is also an executive officer.	●	The Chair of the Fund's Board, is a non-executive officer. National Social Security Fund Annual Report 2018	82
3.4	State the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	National Social Security Fund Annual Report 2018	81
3.5	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	◉	National Social Security Fund Annual Report 2018	91

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
3.6	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Board Performance and Evaluation National Social Security Fund Annual Report 2018	90
3.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees.	◉	National Social Security Fund Annual Report 2018	83
3.8	Basis for identification and selection of stakeholders with whom to engage.	●	Our Approach to Sustainability	102

## 4. Market Presence

4.1	Standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	NSSF only operates in Uganda and complies with Uganda legislation. As such this indicator is not considered material.	4
4.2	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	NSSF only operates and recruits in the Uganda, as such this indicator is not considered material	4

## 5. Indirect Economic Impacts

5.1	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	Responsible Business	109–122
5.2	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, and other community investments, and payments to members	●	Our Economic Contribution	119–120

## 6. Water

6.1	Water sources significantly affected by withdrawal of water	◉	NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the business.	138
6.2	Percentage and total volume of water recycled and reused.	⊗	NSSF is not a major user of water, and while it is developing its reporting in relation to water, this indicator is not currently considered material to the business	138

## 7. Biodiversity and Environment

7.1	Total water discharge by quality and destination.	◉	This indicator considers the scale of impacts associated with the organization's discharge. NSSF is not a major user of water. This indication is not currently considered material to the business	138
7.2	Initiatives to provide energy-efficient or renewable energy based products and services.	◉	Our Environmental Footprint	138
7.3	Energy saved due to conservation and efficiency improvements	●	Our Environmental Footprint	138

## 8. Compliance

8.1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	◉	Engagement With Regulators	122
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Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
<b>9. Employment</b>				
9.1	Total workforce by employment type, employment contract, and region, broken down by gender	●	Employees Human Capital Distribution	115–118
9.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	●	Employees	115–118
9.3	Return to work and retention rates after parental leave.	●	The NSSF only employs people in Uganda and complies with all Uganda labor laws, including those relating to maternity and paternity leave.	118
9.4	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○	National Social Security Fund only operates and recruits in the Uganda, as such this indicator is not considered material	4
9.5	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families.	○	Employees Health, Safety and Well Being	117–118
9.7	Labor/management relations Occupational health and safety	●	Employees Health, Safety and Well Being	117–118
9.8	Percentage of employees receiving regular performance and career development reviews.	○	Employees receive regular performance and career development reviews and the process is managed by the strategy and performance department.	117–118
<b>10. Labor/ Management</b>				
10.1	Percentage of employees covered by collective bargaining agreements.	×	We encourage employees to become members of one of the trade unions recognized by the Fund.	
10.2	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	×	Minimum notice periods are defined in our Human Resource Manual	
<b>11. Occupational Health and Safety</b>				
11.1	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	●	Employees Health, Safety and Well Being	117–118
11.2	Security practices	○	The Fund has a security manager who is fully in charge of all security issues. It also employs a full-time security firm and anti-terrorism police to ensure safety of staff, assets and clients	
<b>12. Corruption</b>				
12.1	Actions taken in response to incidents of corruption.	○	NSSF only operates in Uganda and aligns practices to Uganda law. Incidences of corruption are dealt with as specified in the code of business conduct. such information is considered business confidential	4

## e-Collection Employer Portal

### The simpler way to pay your NSSF Contributions.

The new **e-Collection Employer Portal** has made contributions payment easier by enabling employers to **DIRECTLY** submit their contributions schedules to NSSF online.

Simply visit <https://ecollection.nssfug.org>, and follow the steps below:

- Step 1:** Login with your account details (obtain from NSSF)
- Step 2:** Download a template and make a contributions schedule for your employees.
- Step 3:** Initiate the NSSF Payment.
- Step 4:** Print out the Transaction Reference Number (TRN) obtained
- Step 5:** Present the TRN together with the payment to your bank of choice.







# Audited Financials

- 145** Report Of The Directors For The Year Ended 30th June 2018
- 146** Statement Of Directors' Responsibility For The Year Ended 30th June 2018
- 147** Report of The Auditor General On The Financial Statements of The National Social Security Fund for the Year Ended 30th June 2018
- 150** Statement of Changes in Net Assets Available for Benefits as at 30th June 2018
- 151** Statement of Net Assets Available for Benefits as at 30th June 2018
- 152** Statement of Changes in Members' Funds and Reserves as at 30th June 2018
- 153** Statement of Cash Flows For the Year Ended 30th June 2018
- 154** Notes to the Financial Statements For The Year Ended 30th June 2018



## The Directors' Report for the year ended 30th June 2018

The directors submit their report together with the audited financial statements for the year ended 30 June 2018 which disclose the state of affairs of the National Social Security Fund ('the Fund' or "NSSF"), in accordance with Section 32 (Cap. 222) of the National Social Security Fund Act ('NSSF Act').

### 1. Incorporation

The Fund is a body corporate established by an Act of Parliament and is domiciled in Uganda and is licensed as a Retirement Benefit Scheme under the Ugandan Retirement Benefits Regulatory Act (2011).

### 2. Principal activity

The Fund was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. NSSF is a provident Fund (pays out contributions in lump sum). It covers all employees in the private sector including Non-Governmental Organizations that are not covered by the Government's pension scheme. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life. The Fund is financed by the employees' and employers' contributions. The total contribution is 15% of the employees' gross salary, of which 10% is paid by the employer and 5% is paid by the employee.

### 3. Results from operations

The results of the Fund are set out on page 150.

### 4. Interest to members

Interest is computed based on the opening balances of the members' Funds less benefits paid during the year. The rate paid during the year ended 30 June 2018 was 15% (2017: 11.23%).

### 5. Reserves and accumulated members' Funds

The reserves of the Fund and the accumulated members' Funds are set out on pages 151 and 152.

### 6. Unallocated members' Funds

These are collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual members' accounts.

### 7. Directors

The directors who held office during the year and up to the date of this report are set out on page 15 to page 17.

### 8. Auditors

In accordance with Section 32 (2) of the NSSF Act (Cap 222) Laws of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 30 June 2018, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

### 9. Approval of the financial statements

The financial statements were approved at the meeting of the directors held on **15 August 2018**

By order of the board,

  
 .....  
**Mr. Isaac Ogwang**  
**ACTING CORPORATION SECRETARY**

## Statement of Directors' Responsibility for the year ended 30th June 2018

The Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011 and Regulations require the directors to make available to the Fund's members and other parties, audited financial statements for each financial year which show a true and fair view of the state of affairs of the Fund as at the end of the financial year.

It also requires the directors to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund and safeguarding the assets of the Fund.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act and National Social Security Fund (NSSF) Act 1985; and, for such internal controls as directors determined are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors confirm that, during the period under review, in the execution of their duties they have complied with the duties imposed by URBRA Act and the NSSF Act. The directors also confirm that:

- Adequate accounting records were kept inclusive of proper minutes of all resolutions passed by the Board of Directors;
- They took such steps as were reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- Proper internal control systems were employed by or on behalf of the Fund;
- Adequate and appropriate information was communicated to the members including their rights, benefits and duties in terms of the rules of the Fund;
- Reasonable steps to ensure that contributions, where applicable, were paid timely to the Fund;

- Expert advice was obtained on matters where they lacked sufficient expertise;
- The rules, operation and administration of the Fund complied with the URBRA Act and all applicable legislation; and,
- Funds were invested and maintained in accordance with the Fund's investment policy statement and Investment Regulations issued by URBRA.

### Approval of the annual financial statements

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the NSSF Act. The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and its operating results.

The directors believe that the auditor was given unrestricted access to all financial information and all representations made to them during their audit were valid and appropriate.

Notwithstanding the above-mentioned information, the directors wish to draw attention to the following:

The Fund did not appoint a custodian for internally managed investments as required by section 60 (2) of the URBRA Act.

These financial statements:

- were approved by the Board of Directors on **27 August 2018**;
- are to the best of the Directors' knowledge and belief confirmed to be complete and correct; and,
- fairly represent the net assets of the Fund as at 30 June 2018 as well as the results of its activities for the period then ended in accordance with IFRS.

The Directors confirm that for the period under review, the National Social Security Fund has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act.

Nothing has come to the attention of the Directors to indicate that the Fund will not be able to meet its obligations and the requirements of the URBRA Act for the next twelve months from the date of this statement.



**Mr. Patrick Byabakama Kaberenge**  
**CHAIRMAN**



**Mr. Richard Byarugaba**  
**MANAGING DIRECTOR**



**Andrew Stewart Obita**  
**BOARD MEMBER**

**Date: 27 August 2018**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the URBRA Act and National Social Security Fund (NSSF) Act 1985



# Report of The Auditor General on the financial statements of the national social security Fund for the year ended 30th June 2018

## Opinion

I have audited the financial statements of National Social Security Fund (NSSF) which comprise the Statement of Net Assets Available for Benefits as at 30th June 2018 and the Statements of Changes in Net Assets Available for Benefits, Statement of Changes in Members' Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set on pages 154 to 214.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30th June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Uganda Retirement Benefits Regulatory Authority Act and the NSSF Act.

## Basis of Opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. [ I am independent of the Fund in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Emphasis of Matter

Without qualifying my opinion, I draw your attention to Notes 31, 32 and 35 (b) to the Financial Statements:

### i. Unallocated Member Funds

Notes 31 and 32 to the financial statements, show un-allocated member Funds of Ushs.40.85. Billion (2017: Ushs.48.4 Billion). These are contributions received from employers, which had not yet been allocated to the members' individual accounts because of incomplete members' records and errors in the members' records.

### ii. URA Tax Matter

Note 35(b) to the financial statements, indicates that the Fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses. The directors have not recognized any provision for the liability of Ushs 42.2 Billion to the URA, as management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act. The note gives details of the case and explains that the directors have disclosed the matter as a contingent liability as the ultimate outcome of the case cannot presently be determined.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters:

### i. Litigation and other Claims

The Fund has legal matters as disclosed in Note 35(c) to the financial statements. I focused on this because some of the legal matters relating to claims over the Fund's investment property are the subject of media coverage and are of interest to the Fund's members. Assessing the liabilities and contingencies that could arise from legal matters involves judgment.

I also considered the risk that the disclosures in note 35(c) to the financial statements, which are significant to the understanding of the Fund's financial exposure to litigation may not be complete.

I had to understand the Fund's processes for recording and assessing litigation provisions and contingent liabilities. I evaluated the completeness and reasonableness of the amounts recognized as litigation liabilities and contingent liabilities, including the assessment of the legal reports by the Fund's internal and external lawyers.

I obtained direct confirmations from the Fund's external lawyers and compared the confirmed positions with the Fund management's assessment of the likely outcome of the legal matters. Furthermore, I obtained written representation from the Fund's directors regarding completeness of the legal matters. I also assessed the adequacy of the Fund's disclosures in respect to litigation.

Based on the procedures performed, I noted no significant issues in the Litigation and other claims against the Fund

### ii. Accounting for investment in Associates

As at 30 June 2018, the carrying amount of investments in associates was Ushs.300 Billion. As disclosed in Note 21 to the financial statements, investments in associates are carried at cost and adjusted for post-acquisition changes in the Fund's share of net assets of the associates less any impairment in value. The financial reporting periods for the Associates is 31<sup>st</sup> December, thus necessitating the Fund to use half-year unaudited financial reports for the purpose of determining the Fund's share of post-acquisition changes in net assets of the associates.

Valuation of investments in associates was considered a key audit matter due to the significance of the Fund's interest in associates and the judgments involved in the impairment assessment of the investments. I also considered a risk that the disclosures in Note 21 to the financial statements, which are significant to the understanding of the Fund's investments in associates, may not be complete.

My audit procedures included understanding the Fund's processes for recording the Fund's share of post-acquisition changes in net assets of the associates and other changes in the carrying amount of the investments. In addition, I had to understand the Fund's processes for assessing impairment of investments in associates.

I assessed whether the computation of the Fund's share of post-acquisition changes in net assets of the associates was in accordance with the Fund's shareholding and associate's financial statements. I ascertained whether the Fund's disclosures in respect to investments in associates were adequate.

Based on the procedures performed, I noted no significant issues in relation to accounting for investment in associates and the relevant disclosures.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's information, the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, Uganda Retirement Benefits Regulatory Act, National Social Security Fund Act and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the audit of the Financial Statements

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. My objective is 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.



As part of an audit in accordance with ISAs, I exercise professional judgment 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.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern 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 as a going concern.

If I conclude that a material uncertainty exists, I am required to draw attention in my 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**John F.S. Muwanga**  
AUDITOR GENERAL

**Date: 28 August 2018**

## Statement of Changes in Net Assets available for benefits as at 30th June 2018


	Note	2018 Ushs'000	2017 Ushs'000
<b>Revenue</b>			
Interest income	5	978,134,226	781,099,059
Rental income	6	10,858,364	12,061,467
Dividend income	7	52,990,410	52,311,094
Total revenue		1,041,983,000	845,471,620
Other income			
Other operating income	8	387,590,406	27,358,145
Fair value gains from equity investments at fair value through profit or loss	18	145,800,776	21,877,461
<b>Total other income</b>		<b>533,391,182</b>	<b>49,235,606</b>
<b>Expenditure</b>			
Administrative expenses	9	(90,751,260)	(75,560,248)
Other operating expenses	10	(19,153,629)	(15,389,606)
Amortization of intangible assets	25	(1,746,833)	(1,615,894)
Depreciation on property and equipment	26	(4,012,001)	(3,644,286)
<b>Total expenditure</b>		<b>(115,663,723)</b>	<b>(96,210,034)</b>
Share of results of associates, net of tax	21	26,664,147	24,548,507
<b>Surplus from operations</b>		<b>1,486,374,606</b>	<b>823,045,699</b>
Interest transfer to members	31	(1,100,080,203)	(681,404,864)
<b>Surplus before tax</b>	<b>11</b>	<b>386,294,403</b>	<b>141,640,835</b>
Income tax expense (withholding tax as final tax)	12(a)	(145,850,312)	(130,637,624)
<b>Surplus for the year</b>		<b>240,444,091</b>	<b>11,003,211</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to surplus or deficit in subsequent years:		–	–
Items not to be reclassified to surplus or deficit in subsequent years:			
Share of other comprehensive income of an associate	21	12,430,101	(6,889,710)
<b>Total other comprehensive income for the year, net of tax</b>		<b>12,430,101</b>	<b>(6,889,710)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>252,874,192</b>	<b>4,113,501</b>
<b>Dealings With Members</b>			
Contributions received during the year	31	1,049,089,149	916,908,807
Benefits paid	31	(359,670,494)	(278,254,718)
Net dealings with members		689,418,655	638,654,089
<b>Net increase in scheme Funds during the year</b>		<b>942,292,847</b>	<b>642,767,590</b>



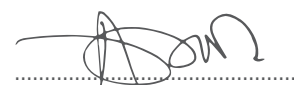
## Statement of Net Assets available for Benefits as at 30th June 2018

	Note	30 June 2018 Ushs'000	30 June 2017 Ushs'000
<b>Assets</b>			
Cash and bank balances	13	17,894,729	56,242,869
Deposits with commercial banks	14	99,835,759	224,775,364
Trade and other receivables	16	47,763,900	45,038,256
Equity securities held-for-trading	15	112,181,205	88,373,503
Tax deposit receivable	12 (c)	25,323,522	25,323,522
Investments in securities held-to-maturity	17	7,354,563,778	5,747,059,614
Equity investments at fair value through profit or loss	18	1,326,207,276	899,971,553
Loans and advances	19	22,985,894	26,879,508
Inventories (Office supplies)	20	-	1,187,303
Investments in associates	21	298,309,967	266,525,086
Capital work-in-progress	23	177,845,987	323,834,523
Investment properties	24	464,627,140	188,210,449
Intangible assets	25	6,628,743	5,770,533
Property and equipment	26	11,318,028	10,966,843
Tax claimable	28	16,929,197	13,894,092
Finance leases	27	630,000	650,000
<b>Total Assets</b>		<b>9,983,045,125</b>	<b>7,924,703,018</b>
<b>Liabilities</b>			
Other payables	29	32,956,932	28,259,109
Provisions for litigation	30	13,796,545	12,801,429
<b>Total Liabilities</b>		<b>46,753,477</b>	<b>41,060,538</b>
<b>NET ASSETS</b>		<b>9,936,291,648</b>	<b>7,883,642,480</b>
<b>Members' Funds and Reserves</b>			
Accumulated members' Funds	31	9,407,593,129	7,623,061,300
Reserve account	32	105,313,084	90,069,937
Accumulated surplus		417,845,044	177,400,953
Other reserves		5,540,391	(6,889,710)
<b>TOTAL MEMBERS' FUNDS AND RESERVES</b>		<b>9,936,291,648</b>	<b>7,883,642,480</b>

These financial statements were approved for issue by the Board of Directors on **28 August 2018** and signed on its behalf by:

  
**Mr. Patrick Byabakama Kabenge**  
 CHAIRMAN

  
**Mr. Richard Byarugaba**  
 MANAGING DIRECTOR

  
**Andrew Stewart Obita**  
 BOARD MEMBER

## Statement of changes in Members' Funds and Reserves for the year ended 30th June 2018

	Note	Reserve account Ushs 000	Accumulated members' funds Ushs 000	Accumulated surplus Ushs 000	Translation reserves* Ushs 000	Total Ushs 000
<b>At 1 July 2016</b>		<b>80,107,536</b>	<b>6,303,685,942</b>	<b>166,397,742</b>	<b>-</b>	<b>6,550,191,220</b>
Surplus for the year		-	-	11,003,211	-	11,003,211
Other comprehensive income, net of tax	21	-	-	-	(6,889,710)	(6,889,710)
Special contributions received	32(a)	5,615,923	-	-	-	5,615,923
Members' contributions received	31	-	916,908,807	-	-	916,908,807
Benefits paid to members	31	-	(278,254,718)	-	-	(278,254,718)
Interest reallocated arising from arrears recovered	31	-	4,065,342	-	-	4,065,342
Provision for interest to members	31	4,346,478	676,655,927	-	-	681,002,405
<b>At 30 June 2017</b>		<b>90,069,937</b>	<b>7,623,061,300</b>	<b>177,400,953</b>	<b>(6,889,710)</b>	<b>7,883,642,480</b>
<b>At 1 July 2017</b>		<b>90,069,937</b>	<b>7,623,061,300</b>	<b>177,400,953</b>	<b>(6,889,710)</b>	<b>7,883,642,480</b>
Surplus for the year		-	-	240,444,091	-	240,444,091
Other comprehensive income, net of tax	21	-	-	-	12,430,101	12,430,101
Special contributions received	32(a)	8,785,551	-	-	-	8,785,551
Members' contributions received	31	-	1,049,089,149	-	-	1,049,089,149
Benefits paid to members	31	-	(359,670,494)	-	-	(359,670,494)
Interest allocated to members arising from arrears recovered	31	-	4,709,663	-	-	4,709,663
Provision for interest to members	31	6,457,596	1,090,403,511	-	-	1,096,861,107
<b>At 30 June 2018</b>		<b>105,313,084</b>	<b>9,407,593,129</b>	<b>417,845,044</b>	<b>5,540,391</b>	<b>9,936,291,648</b>

\* The translation reserve comprises the Fund's share of translation differences arising from the translation of the financial statements of an associate (UMEME Limited) from its functional currency to its presentation currency.



## Statement of Cash Flows for the year ended 30th June 2018

	Note	2018 Ushs '000	2017 Ushs '000
<b>Net cash flows used in operating activities</b>	<b>33</b>	<b>(203,284,515)</b>	<b>(146,417,112)</b>
<b>Investing activities</b>			
Purchase of software	25	(2,605,043)	(2,986,183)
Purchase of property and equipment	26	(4,363,186)	(2,961,759)
Proceeds from sale of property and equipment		–	141,100
Purchase of investment properties	24	(21,784,965)	(29,845,654)
Proceeds from disposal of investment properties		500,000	–
Additions to capital work-in-progress	23	(60,927,765)	(10,134,666)
Purchase of equity investments at fair value through profit or loss	18	(185,800,294)	(101,222,750)
Purchase of shares in associates	21	–	(59,448,574)
Purchase of equity investments held for trading	15	(14,394,032)	(3,634,838)
Proceeds from disposal of equity investments held for trading	15	9,903,346	1,607,354
Purchase of held to maturity investments	17	(1,754,330,332)	(1,269,848,548)
Maturities of held to maturity investments	17	417,385,506	255,833,542
Placement of deposits with commercial banks	14	(260,697,379)	(299,342,963)
Maturities of deposits with commercial banks	14	371,462,259	355,491,755
Maturities of loans and advances	19	4,742,252	7,782,330
Interest received from held to maturity investments	17	917,274,695	633,955,164
Interest received from loans and advances	19	2,560,610	18,220
Interest received from commercial bank deposits	14	36,620,291	36,089,590
Dividends received from associates		6,476,542	15,031,369
<b>Net cash flows used in investing activities</b>		<b>(537,977,495)</b>	<b>(473,475,511)</b>
<b>Financing activities</b>			
Benefits paid out to members	31	(359,670,494)	(278,254,718)
Contributions received from members	31	1,049,089,149	916,908,807
Interest recovered on arrears		4,709,664	4,065,342
Special contributions received	32	8,785,551	5,615,923
<b>Net cash flows generated from financing activities</b>		<b>702,913,870</b>	<b>648,335,354</b>
Increase in cash and cash equivalents		(38,348,140)	28,442,731
Cash and cash equivalents at the beginning of the year		56,242,869	27,800,138
<b>Cash and cash equivalents at 30 June</b>	<b>13</b>	<b>17,894,729</b>	<b>56,242,869</b>

## Notes to the Financial Statements for the year ended 30th June 2018

### 1. Fund Information

National Social Security Fund (the "Fund") is a corporate body domiciled in Uganda. The Fund is primarily involved in collection of contributions and investment of the contributions in a professional manner to earn a good return to meet the benefit obligations to its members as stipulated under the National Social Security Fund (NSSF) Act (Cap 222). The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2018, 21,971 beneficiaries were paid (2017: 20,084).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- **Age Benefits** – payable to a member who has reached the retirement age of 55 years;
- **Withdrawal Benefits** – payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- **Invalidity benefits** – payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- **Survivors Benefits** – Payable to the dependant survivor(s) in the unfortunate event of member's death;
- **Emigration Grants** – Payable to a member (Ugandan or Expatriate) who is leaving the country for good. Such a member must have been contributing for a minimum of four financial years; else will have to forfeit the 10% employer contribution; and,
- **Exempted Employment Benefits** – Payable to a contributing member who joins employment categories that are exempted i.e. have their social protection schemes that are recognized under the existing law and are exempted from contributing to NSSF .e.g. the army, police, prison, civil service and government teaching

service employees or members of any scheme who have received exemption from the Minister responsible for Social Security in writing.

The Government is currently implementing policy reforms whose objective is a liberalized and regulated retirement benefits sector. These reforms have entailed the enactment of the Retirement Benefits Regulatory Authority Act 2011, which came into force in September 2011. The new law established a Retirement Benefits Regulatory Authority [URBRA] whose function is to regulate all retirement schemes including NSSF. Like all other schemes, the Fund has an operating license, which has since been renewed until June 2018.

The Government also tabled the Retirement Benefits Sector Liberalization Bill 2011 before Parliament. The objective of the bill was, among others, to repeal the National Social Security Fund Act. In March 2018, Cabinet approved the National Social Security Fund Amendment Bill 2018. The Cabinet's position embedded in the amendment renders the Retirement Benefits Sector Liberalization Bill 2011 before Parliament, irrelevant. The amendment seeks to permit the Fund continues as a national scheme and seal off its position as sole recipient of mandatory contributions for the country's working population.

The Fund is a defined contribution scheme which covers all employees in the private sector, with a total contribution of 15% of the employees' gross salary (employer contribution 10%, employee contribution 5%). During the year to 30 June 2018, 21,971 beneficiaries were paid (2017: 20,084).

The amendment also seeks to provide for mid-term access of voluntary benefits, enable the Fund to lend to the government, and bring on board new products including education, maternity, housing, health and unemployment.

The Fund is also listed in Class 1 of the Public Enterprises Reform and Divestiture Act as an entity in which the Government of Uganda (GoU) shall retain 100% control and/or ownership. Consequently, management's expectation is that government will do all it can to ensure that the Fund continues to exist in the new liberalized and regulated framework.

The Board of Directors assessed the implications of the above developments and determined that they do not have an effect on the Fund's going concern in the foreseeable future.

### 2. Basis Of Preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the National Social Security Fund Act (Cap 222) of Uganda.

The financial statements have been prepared on a historical cost basis except for some financial assets (equity investments held-for-trading or designated at fair value through profit or loss), and investment properties that have been measured at fair value. The financial statements are presented in Uganda Shillings (Ushs), which is the Fund's functional currency, and all values are rounded off to the nearest thousand (Ushs 000), except where otherwise indicated.



### 3. Summary Of Significant Accounting Policies

The principal accounting policies set out below have been applied consistently to all periods presented in the financial statements.

#### a. Investment in associates

An associate is an entity in which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Fund's investments in its associates are accounted for using the equity method. Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund's representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Fund's share of net assets of the associate since the acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The statement of changes in net assets available for benefits reflects the share of the results of operations of the associates. Any change in OCI of the associates is presented as part of the Fund's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Fund recognizes its share of any changes, when applicable, in the statement of changes in members' Funds and reserves. Unrealized gains and losses resulting from transactions between the Fund and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Fund's share of profit or loss of associates is shown on the face of the statement of changes in net assets available for benefits and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are not necessarily prepared for the same reporting period as the Fund. Where the reporting periods differ by over 3 months, the Fund uses half-year unaudited financial statements for the differential period, with adjustments for over/under sharing of results upon receipt of the audited financial statements being made in the subsequent period. Where necessary, adjustments are made to make an associate's accounting policies conform to those of the Fund when the associate's financial statements are used by the Fund in applying the equity method.

After application of the equity method, the Fund determines whether it is necessary to recognise an impairment loss on its investments in associates. At each reporting date, the Fund determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Fund calculates the amount of impairment as the difference between the recoverable amount of an associate and its carrying amount, and then recognizes the loss within 'Share of profit of associates' in the statement of changes in net assets available for benefits.

Upon loss of significant influence over an associate, the Fund measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of changes in net assets available for benefits.

#### b. Foreign currencies

The Fund's financial statements are presented in Uganda Shillings, which is also the Fund's functional currency.

Transactions in foreign currencies during the year are translated into Uganda Shillings at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Uganda Shillings at the exchange rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Uganda Shillings at the date when the fair value was determined.

Foreign currency gains and losses arising from settlement or translation of monetary items are recognized in the statement of changes in net assets available for benefits.

#### c. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

#### Interest Income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

#### Dividends

Revenue is recognized when the right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Rental income

Rental income from investment properties is recognized in the statement of changes in net assets available for benefits on the straight line basis over the term of the lease.

#### Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of the Fund's assets and all realized and unrealized foreign exchange differences.

#### d. Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i. Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs to the acquisition of the financial asset. The Fund's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, deposits with commercial banks, investments in government and corporate bonds and equity investments.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

» Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with changes in fair value recognized in surplus or deficit.

» Financial assets held for trading

Financial assets held for trading include securities held for trading which are equity investments held by Fund managers. Financial assets held for trading are carried in the statement of changes in net assets available for benefits at fair value with changes in fair value recognized in surplus or deficit.

» Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of changes in net assets available for benefits. The losses arising from impairment are recognized in impairment losses in the statement of changes in net assets available for benefits.

» Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Fund has the positive intention and ability to hold them to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of changes in net assets available for benefits.

» Other receivables

Other receivables are carried at amortized cost which approximates the original invoice amount less provision made for impairment losses. An allowance for impairment of other receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.



### De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

### Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as

changes in arrears or economic conditions that correlate with defaults.

» Financial assets carried at amortized cost For financial assets carried at amortized cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been

incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of changes in net assets available for benefits. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting

the allowance account. If a write-off is recovered in the future, the recovery is credited to other income in the statement of changes in net assets available for benefits.

### i. Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities include trade and other payables.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

» Trade payables

Trade payables include trade payables and are subsequently measured at amortized cost. Gains and losses on de-recognition and amortization are recognized in surplus or deficit.

» Other accounts payable

Other accounts payable are carried at amortized cost, which approximates the consideration to be paid in the future for goods and services received.

» De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or canceled or expires.

» Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### e. Fair value measurement

The Fund measures financial instruments, such as financial assets at fair value through profit or loss, and non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that

are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Fund's Management Investment Committee determines the policies and procedures for recurring fair value measurement of investment properties. The management Investment Committee delegates the role of selection of/determination of involvement of the external valuers to a Valuation Committee which is comprised of the real estate manager, finance manager, procurement manager and Legal Officer.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined every two years by the Valuation Committee and after discussion with and approval by the Contracts Committee and the Accounting Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated at each round of valuation with no single valuer performing consecutive valuations.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy



The Valuation Committee decides, after discussions with the Fund's external valuers, which valuation techniques and inputs to use for each case.

Annually, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Valuation Committee, in conjunction with the Fund's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Fund's external valuers present the valuation results to the Audit Committee and the Fund's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are

measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions – Note 4.
- Quantitative disclosures of fair value measurement hierarchy – Note 38.
- Financial instruments (including those carried at amortized cost) –Notes 15, 18 and 38
- Investment property – note 24

**e. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The cost of day-to-day servicing of the property and equipment is recognized in surplus or deficit as incurred.

Depreciation is recognized in surplus or deficit and calculated to write off the cost of the property and equipment on a straight-line basis over the expected useful lives of the assets concerned. Land is not depreciated.

The estimated annual depreciation rates for the current and comparative periods are as follows: –

	Percentage
Machinery	20 %
Motor vehicles	20 %
Furniture and equipment	12.5 %
Computer equipment	25%

Management and directors review the depreciation methods, residual value and useful life of an asset at the year-end and any change considered to be appropriate is recorded in surplus or deficit as a change in estimates.

An item of property and equipment and any significant part initially recognized is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the statement of changes in net assets available for benefits when the asset is de-recognised.

**f. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are 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 the statement of changes in net assets available for benefits in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortized at a rate of 10% per annum.

Gains or losses arising from de-recognition 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 changes in net assets available for benefits when the asset is de-recognised.

**g. Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. All of the Fund's property interests held under operating leases to earn rentals or for Capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise.

Fair values are evaluated every after two years by an accredited external, independent valuer. Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property. Any gain arising on revaluation is recognized through other comprehensive income. Any loss arising on revaluation is recognized through the surplus or deficit.

**h. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on first-in-first out principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses or the replacement cost, as appropriate.

**i. Impairment of non-financial assets**

The carrying amounts of the Fund's non-financial assets other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such condition exists, the asset's recoverable amount is estimated and an impairment loss recognized in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognized in the statement of changes in net assets available for benefits in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in the statement of changes in net assets available for benefits.

**e. Employee benefits**

**i. Gratuity**

The Fund's terms and conditions of employment provide for gratuity to qualifying employees equivalent to 20% of the monthly salary per year of service to the organization. This employment benefit is accrued on a monthly basis and paid annually in arrears. The provision in the financial statements takes account of service rendered by employees up to the reporting date and is based on the calculated staff benefits payable.

**ii. Staff provident Fund**

The Fund operates a defined contribution plan for all qualifying employees with contributions being made by the employees and a portion by the Fund on behalf of each employee. The contributions payable to the plan are in proportion to the services rendered to the Fund by the employees and are recorded as an expense under 'staff costs' in the statement of changes in net assets available for benefits. Unpaid contributions are recorded as a liability.

**l. Provisions**

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

**m. Income Tax**

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognized in surplus or deficit except to the extent that it relates to items recognized through other comprehensive income or equity, in which case it is recognized through other comprehensive income or equity.



Current tax is provided for on the surplus for the year adjusted in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided for using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end reporting date. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable surplus or deficit, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable surplus will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the

same taxable entity and the same taxation authority.

Tax is recognized as an expense/(income), except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Revenue, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or rendering of services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the statement of net assets available for benefits.

#### n. Cash and cash equivalents

Cash and cash equivalents are measured at amortized cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances that are available on demand as at the reporting date.

#### o. Capital work-in-progress

The ongoing construction/installation of capital projects are recorded at the cost to date or valuation and are only transferred into the relevant assets categories once completed and commissioned. No depreciation is computed on capital work-in-progress as these assets are not yet available for use. However, an expected impairment loss on capital work-in-progress is recognized immediately in surplus or deficit.

#### p. Members' Funds

The Fund is Funded through contributions from members and investment income.

#### i. Contributions from members

Contributions from employees remitted by the employers are recognized on a cash basis. Contributions due but not yet received at the end of the financial year are not accrued but accounted for and recognized in subsequent years when received.

#### ii. Benefit payments to members

Benefits to members are accounted for on a cash basis. Benefit payments made but not collected by members are written back in the cash book and no liability thereof recognized in the financial statements.

#### iii. Interest payments to members

Interest payable on members' accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The effective interest rate used to compute interest accrued to members is approved by the Minister of Finance, Planning & Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act and is treated as an expense.

#### q. Reserve account

The reserve account is credited with contributions that cannot be allocated to members, special contributions by non-eligible employees and amounts recovered in form of fines and penalties from employers that fail to remit members Funds as stipulated in the National Social Security Fund Act. The special contributions are credited directly to the reserve account while the fines and penalties are recognized through the statement of changes in net assets available for benefits and then appropriated from the accumulated surplus/deficit to the reserve account. Transfers from the reserve account require the approval of the Minister of Finance in accordance with the NSSF Act.

Such reversal is recognized in the statement of changes in net assets available for benefits.

#### r. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

#### Fund as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases, where substantially all the risks and rewards incidental to ownership are transferred to the Fund are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in surplus or deficit. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### Fund as a lessor

Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### s. Changes in accounting policies and disclosures

##### New and amended standards and interpretations

The Fund applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Fund has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of each amendment are described below.

##### Amendments to IAS 7 Statement of Cash flows: Disclosure initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment did not have a significant impact to the Fund's financial statements.

##### Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for unrealized losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Fund applied amendments retrospectively. However, their application has no significant effect on the Fund's financial position and performance as the Fund has no deductible temporary differences or assets that are in the scope of the amendments.

##### Annual Improvement Cycle– 2014–2016

Amendments to IFRS 12 Disclosure of interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12 The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate)

that is classified (or included in a disposal group that is classified) as held for sale. As at 30 June 2018, the amendments did not affect the Fund's financial statements.

##### » Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Fund's financial statements are disclosed below. These are the changes that the Fund reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Fund intends to adopt these standards and interpretations, if applicable, when they become effective.

##### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

##### Fund-specific IFRS 9 analysis:

NSSF holds the following financial assets:

##### Government Securities:

###### Classification:

In accordance with paragraph 4.1.2 of the new standard, Government Securities would qualify as measured at amortized cost as both of the following conditions are currently met:

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



**Impairment:**

In accordance with paragraph 5.5.1 of the new standard, a loss allowance for expected credit losses is to be recognized in respect of held-to-maturity government securities.

**Equity Investments:**

The Fund holds equity investments which are currently classified as Held for Trading and at fair value through profit or loss. A distinction is made in the financial statements between Equity Investments at Fair Value through Profit or Loss (managed by the Fund itself) and Equity Securities Held for Trading (managed by external Fund Managers).

**Classification and subsequent measurement:** In accordance with 4.1.4 of the new standard, the above instruments would be classified as measured at fair value through profit or loss with the related gains and losses recognized in surplus or deficit in accordance with paragraph 5.7.1 of the new standard.

**Loans and advances:**

As at 30 June 2018, the Fund had advanced loan facilities to Uganda Clays Limited and Housing Finance Bank Limited. Under IAS 39, the loans and advances are measured at amortized cost using the effective interest rate.

**Classification and Subsequent Measurement:** If the current business model and cash flow characteristics of the two facilities are to be maintained, the loans and advances would be financial assets measured at amortized cost as: the Fund holds all loans and advances to maturity and payments received in respect of the loans are solely payments of principal and interest.

**Impairment:**

A loss allowance is to be applied to the loans and advances in accordance with paragraph 5.5.1. Under IAS 39, the Fund has recognized impairment based on the assessment of discounted expected cash flows Vs carrying amount of the assets.

**Trade and other receivables:**

The Fund's trade and other receivables include prepayments, staff advances, dividends receivable, VAT recoverable among other debtors.

**Classification:**

Under IAS 39, these are classified as Loans and Receivables and measured at amortized

cost. Based on the known business model and cash flow characteristics of amounts comprising this grouping of financial assets, the expectation is they will be classified as "measured at amortized cost".

**Subsequent measurement:**

Subsequent measurement of the amortized cost will be in accordance with the effective interest rate method as was the case under IAS 39.

In accordance with paragraph 2.1(b), IFRS 9 does not apply to the rights and obligations under leases to which IFRS 16 Leases applies. However:

- a) finance lease receivables and operating lease receivables recognized by a lessor are subject to the de-recognition and impairment requirements of the new standard; and,
- b) lease liabilities recognized by a lessee are subject to the de-recognition requirements in paragraph 3.3.1 of the new standard

**Impairment:**

Under IAS 39, the Fund currently recognizes impairment of its trade and other receivables based on the objective evidence of days in arrears.

IFRS 9 allows for the use of a "simplified approach" for trade receivables, contract assets and lease receivables in which the entity may measure the loss allowance at amount equal to the lifetime expected credit losses for:

- a) trade receivables that result from transactions that are within the scope of IFRS 15 and that:
  - i) do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15); or
  - ii) contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.
- b) lease transactions that result from transactions that are within the scope of IFRS 16.

Currently, the Fund determines impairment provisions on trade and other receivables

based on an arrears analysis. Under IFRS 9, expected credit losses would have to be determined in accordance with paragraph 5.5.1.

**Deposits with commercial banks:**

NSSF regularly invests in time deposits with commercial banks in Uganda for the purpose of earning interest income. Under IAS 39, the deposits are classified as loans and receivables and are measured at amortized cost using the effective interest rate.

**Classification and Subsequent Measurement:** If the current business model and cash flow characteristics of the facilities are to be maintained, the deposits with commercial banks would be financial assets measured at amortized cost as: the Fund holds all the deposits to maturity and payments received in respect of the deposits solely payments of principal and interest.

**Impairment:**

A loss allowance is to be applied to deposits with commercial banks in accordance with paragraph 5.5.1. Under IAS 39, the Fund has not recognized any impairment. The nature and extent of any loss allowance is dependent mainly on the credit risk rating that would be applicable to NSSF's counterparties.

**Interest Income:**

Under IAS 39, for all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Per section 5.4.1 of the new standard, the method of calculation of interest revenue is unchanged except for:

- a) purchased or originated credit-impaired financial assets. For such financial assets, the credit-adjusted effective interest rate is to be applied to the amortized cost of the financial asset from initial recognition;
- b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the effective interest is to be applied to the amortized cost of the financial asset in subsequent reporting periods.

**Likely extent of expected credit losses (ECL):**

**Sovereign Debt:**

The financial services and investment sectors have been slow to adopt ECL modeling for sovereign debt – the lack of reliable macro-economic data and associated low level of credit risk have contributed largely to this. Management has been able to review risk-appropriate models for the computation of ECLs on sovereign debt, results have shown amounts computed ranging from 0.02% to 0.05% of exposures.

Amongst others, risk-appropriate models include those based on appropriate methodologies such as the Pluto-Tasche method which incorporate global sovereign debt delinquency history for a sufficient-enough period of time. There is a general appreciation that the credit risk rating for Ugandan sovereign debt is not expected to significantly change in the foreseeable future.

**Corporate Debt:**

Most financial institutions in Uganda offering Corporate Lending have diversified portfolios that present as multiple risk grades – arrived at through sectoral and macro-economic analysis. Portfolio quality is subject to changes which may be influenced by the economic cycle and which are also the result of internal credit assessment frameworks. Overall, ECL computations in the financial services industry have produced impairment provisions within the region of 80–120% in excess of provisions held under IAS 39.

**Trade and other receivables:**

These are primary assets arising from the day-to-day business operations of NSSF and over the years have manifested significant volatility owing to the diverse nature of transactions giving rise to balances under this caption. As such, the level and extent of impairment coverage cannot be reasonably estimated.

**Deposits with commercial banks:**

Similar to sovereign debt, the financial services and investment sectors have been slow to adopt ECL modeling for time investments – the generally low level of credit risk means that the benefits of modeling are routinely outweighed by the associated cost.

Management has been able to review risk-appropriate models for the computation of ECLs on deposits with financial institutions, results have shown amounts computed ranging from 0.005% to 0.01% of exposures.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of the standard will have no significant impact to the Fund as the recognition of revenue from rental agreements and disposal of assets that is currently being done will not change with application of the new standard.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Fund is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Other amendments and new standards which have been issued but are not yet effective, which the Fund does not expect to have an impact on the financial statements, are listed below:

- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2 1
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts—Amendments to IFRS 41
- Transfers of investment property— Amendments to IAS 401
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration1
- AIP IFRS 1 First-time adoption of International Financial Reporting standards— Deletion of short-term exemptions for first-time adopters1
- AIP IAS 28 Investments in Associates and Joint Ventures—Clarification that measuring investees at fair value through profit or loss is an investment-by- investment choice1
- IFRIC Interpretation 23 Uncertainty over income tax treatments2
- Prepayment Features with Negative Compensation—Amendments to IFRS 92
- Long-term interests in Associates and Joint Ventures—Amendments to IAS 282
- AIP IFRS 3 Business Combinations— Previously held interests in a joint operation2
- AIP IFRS 11 Joint Arrangements—Previously held interests in a joint operation2
- AIP IAS 12 Income taxes—Income tax consequences of payments on financial instruments classified as equity2
- AIP IAS 23 Borrowing Costs—Borrowing costs eligible for capitalization2
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 192
- IFRS 17 Insurance Contracts3
- IFRS 10 and IAS 28 sale or Contribution of Assets between an Investor and its Associate or Joint Venture—Amendments to IFRS 10 and IAS 284
- Conceptual Framework for Financial Reporting5
- \* 1Effective for annual periods beginning on or after date 1 January 2018
- \* 2Effective for annual periods beginning on or after 1 January 2019
- \* 3Effective for annual periods beginning on or after 1 January 2021
- \* 4Effective date deferred indefinitely
- \* 5Effective for annual periods beginning on or after 1 January 2020



#### 4. Determination Of Fair Value

The fair value of both financial/non-financial assets and fair values have been determined for measurement and/or disclosure purposes based on the methods below.

##### i. Investment properties

The Fund uses an external independent valuer with recognized professional qualification and experience to value the Fund's investment properties after every two years (previously on an annual basis). The fair values are based on the market conditions being the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. In the absence of an active price in an active market, the values are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. The yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

##### ii. Investment in debt and equity securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available for sale is determined by reference to their quoted bid prices at the reporting date, if available. The fair value for non-quoted equity instruments has been estimated using the net asset value methodology.

##### iii. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of trade and other receivables is determined at the reporting date for disclosure purposes only.

#### 5. Interest Income

	2018	2017
	Ushs 000	Ushs 000
Interest income on short term deposits with banks	22,176,101	42,951,560
Interest income on government bonds: held-to-maturity	940,388,562	719,180,580
Interest income on corporate bonds: held-to-maturity	12,368,801	15,174,775
Interest income on loans and receivables measured at amortized cost	3,200,762	3,792,144
	<b>978,134,226</b>	<b>781,099,059</b>

All interest income arises from financial assets that are not at fair value through profit or loss.

#### 6. Rental Income

	2018	2017
	Ushs 000	Ushs 000
Workers House	5,268,051	7,045,959
Social Security House	2,824,503	2,548,541
Service Charge	1,914,787	1,644,474
Others – Naguru & Yusuf Lule	851,023	822,493
	<b>10,858,364</b>	<b>12,061,467</b>

This relates to rental income earned from investment properties (refer to Note 24) owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at agreed rental charges as specified in the tenancy agreements.

#### 7. Dividend Income

	2018	2017
	Ushs 000	Ushs 000
Stanbic Bank Uganda Limited	2,346,362	1,545,017
Bank of Baroda (Uganda) Limited	374,672	124,891
New Vision Printing and Publishing Company Limited	–	750,000
DFCU Limited	3,808,025	742,794
Safaricom Limited	11,183,896	13,567,879
Equity Group Holdings Ltd	6,630,029	6,442,147
Kenya Commercial Bank (KCB)	6,744,890	6,516,750
Bank of Kigali	2,784	2,243,356
Tanzania Breweries	4,575,408	5,856,612
East Africa Breweries	3,446,791	3,287,382
Eastern and Southern African Trade and Development Bank (TDB Bank)	3,278,566	3,085,446
Other dividend income earned from Fund managers	10,598,987	8,148,820
	<b>52,990,410</b>	<b>52,311,094</b>

#### 8. Other Operating Income

	2018	2017
	Ushs 000	Ushs 000
Gain on disposal of property and equipment	–	141,100
Gain on disposal of investment property	136,360	
Clearance fees	–	40,540
Miscellaneous income	79,892	11,307,060
Fair value gains on equity investments held for trading	18,321,014	1,558,529
Gain / (loss) on disposal of equity investments held for trading	128,650	(315,322)
Notional income on staff loans	208,486	340,027
Fines and penalties from defaulting employers	1,235,369	420,985
Fair value gains on investment property	48,079,065	19,019,795
Foreign exchange (loss)/gains	319,401,570	(5,154,569)
	<b>387,590,406</b>	<b>27,358,145</b>

Miscellaneous income mainly comprises fees from sale of bid documents and insurance claims. Foreign exchange (loss)/gains arose from (depreciation)/appreciation of foreign currencies against the Uganda Shilling, which affected foreign denominated assets and liabilities.



9. Administrative Expenses

	2018	2017
	Ushs 000	Ushs 000
Staff costs (Note 9a)	56,476,736	42,590,308
Staff medical insurance	1,148,636	983,186
General staff and training expenses	6,289,388	4,443,893
Advertising and promotion	5,383,236	5,414,593
Auditors' remuneration	162,385	129,928
Bank charges and commission	9,210	199,030
Board expenses	1,005,323	847,656
Cleaning expenses	347,254	335,726
IT connectivity and Internet	694,760	521,578
Directors' allowances	813,887	508,417
Professional fees	3,441,591	2,676,786
Legal fees	1,210,936	5,087,598
Motor vehicle fuel costs, maintenance & repairs	1,063,979	916,309
Printing and stationery	698,009	736,165
Subscriptions	615,196	342,892
Telephone, fax, telex and post	773,027	769,382
Travel and subsistence costs	3,664,512	2,889,626
Commission and brokerage fees	1,533,712	1,699,354
Uganda Retirement Benefits Regulatory Authority annual levy	5,026,177	4,022,953
Other administrative expenses	393,306	444,868
	<b>90,751,260</b>	<b>75,560,248</b>
	<b>2018</b>	<b>2017</b>
	<b>Ushs 000</b>	<b>Ushs 000</b>
<b>a) Staff costs</b>		
Leave pay	819,830	626,712
Overtime expenses	76,330	106,168
Salaries and wages	46,325,518	34,800,313
Social security contributions	4,971,196	3,768,186
Contributions to the staff provident Fund	3,328,688	2,616,634
Gratuity	955,174	672,295
	<b>56,476,736</b>	<b>42,590,308</b>

Average number of employees: 549 (2017: 522)

10. Other Operating Expenses

	2018	2017
	Ushs 000	Ushs 000
Office Rent (branches)	1,911,191	4,323,330
Electricity and water	1,630,779	1,661,580
Repairs and maintenance	8,492,458	5,872,157
Insurance	2,134,954	1,302,403
Security expenses	1,579,763	1,270,934
Research and library expenses	559,071	909,082
Impairment loss provision for bad debts	2,845,413	50,120
	<b>19,153,629</b>	<b>15,389,606</b>

a) Impairment loss provision for bad debts

Rent receivable (Note 16)	2,845,413	50,120
	<b>2,845,413</b>	<b>50,120</b>

Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 June 2018		
	Up to 1 year	1 to 5 years	Over 5 years
	Ushs' 000	Ushs' 000	Ushs' 000
Branch office rentals	1,001,902	2,003,803	–
At 30 June 2017			
	Up to 1 year	1 to 5 years	Over 5 years
	Ushs' 000	Ushs' 000	Ushs' 000
Branch office rentals	1,068,623	2,137,243	–

Operating leases relate to leases of office space for different Fund branches across the country with lease terms averaging 3 years which are renewable. There are no operating lease contracts bearing terms for contingent rent payments. The Fund does not have an option to purchase the leased office space at the expiry of the lease periods and neither does it have restrictions imposed by any lease arrangements.



## 11. Surplus Before Tax

	2018	2017
	Ushs 000	Ushs 000
Amortization of intangible assets (Note 25)	1,746,833	1,615,894
Depreciation on property and equipment (Note 26)	4,012,001	3,644,286
Gain on disposal of property and equipment	–	(141,100)
Gain on disposal of investment	(136,360)	–
Auditors' remuneration	162,385	129,928
Directors' emoluments	813,887	508,417
Staff costs	56,476,736	42,590,308
Unrealized foreign exchange (gains)/loss	(319,533,484)	5,228,361
Fair value gains on equity instruments at FVTPL	(145,800,776)	(21,877,461)
Fair value gains on equity instruments held for trading	(8,775,825)	(1,558,529)
<b>Fair value gains on investment property</b>	<b>(48,079,065)</b>	<b>(19,019,795)</b>

## 12. Tax

### a. Income tax expense

The income tax expense relates to withholding tax deducted at source from interest on investments in treasury bills and bonds as a final tax as per Income Tax Act section 122(a). No other income tax is charged because the Fund has accumulated trading losses amounting to Ushs 1,202 Billion as at 30 June 2018 (2017: Ushs 908 Billion). The tax on the Fund's surplus after interest transfer to member's Funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2018	2017
	Ushs 000	Ushs 000
<b>Surplus from operations before tax</b>	<b>386,294,403</b>	<b>141,640,835</b>
Tax calculated at 30%	115,888,321	42,492,251
Tax effect of:		
Expenses relating to income taxed at source		
16,731,554		
14,764,350		
Expenses relating to government securities	177,413,720	119,928,101
Interest Income on government securities	(230,900,640)	(200,743,831)
Non-taxable income	(7,999,240)	(8,004,871)
Other non-deductible expenses	650,706	702,699
Unrecoverable withholding tax deducted at source	145,850,312	130,637,625
Prior year deferred tax under provision	31,470	–
Unrecognized deferred tax(charge)/ credit(Note 12(b))	(71,815,891)	30,861,300
<b>Tax charge</b>	<b>145,850,312</b>	<b>130,637,624</b>

### b. Deferred tax asset

Deferred tax is calculated on all temporary differences using the liability method at the principal tax rate of 30% (2017: 30%).

	At 30 June	Movement for	At 30 June
	2017	the year	2018
	Ushs 000	Ushs 000	Ushs 000
<b>Deferred tax assets</b>			
Unrealized foreign exchange losses	(36,320,157)	(50,436,141)	(86,756,298)
Provision for impairment loss on trade and other receivables	(8,546,005)	(856,457)	(9,402,462)
Bonus provision	(1,657,085)	(364,041)	(2,021,126)
Tax losses carried forward	(272,366,373)	(88,354,576)	(360,720,949)
	<b>(318,889,620)</b>	<b>(140,011,215)</b>	<b>(458,900,835)</b>
<b>Deferred tax liabilities</b>			
Unrealized foreign exchange gains	75,818,075	147,705,355	223,563,004
Fair value gains on investment properties	74,897,024	14,423,719	89,281,169
Fair value changes on equity instruments	39,752,266	43,740,233	83,492,499
Unrealized gains in investments with Fund managers	3,702,056	5,496,304	9,198,360
Accelerated depreciation	1,862,727	461,495	2,324,222
	<b>196,032,148</b>	<b>211,827,106</b>	<b>407,859,254</b>
<b>Net deferred tax asset</b>	<b>(122,857,472)</b>	<b>71,815,891</b>	<b>(51,041,581)</b>

	At 30 June	Movement for	At 30 June
	2016	the year	2017
	Ushs 000	Ushs 000	Ushs 000
<b>Deferred tax assets</b>			
Unrealized foreign exchange losses	(34,523,209)	(1,796,948)	(36,320,157)
Provision for impairment loss on trade and other receivables	(8,940,546)	394,541	(8,546,005)
Bonus provision	(1,489,711)	(167,374)	(1,657,085)
Tax losses carried forward	(245,703,910)	(26,662,463)	(272,366,373)
	<b>(290,657,376)</b>	<b>(28,232,244)</b>	<b>(318,889,620)</b>
<b>Deferred tax liabilities</b>			
Unrealized foreign exchange gains	84,421,036	(8,602,961)	75,818,075
Fair value gains on investment properties	69,191,086	5,705,938	74,897,024
Fair value changes on equity instruments	39,245,277	506,989	39,752,266
Unrealized gains in investments with Fund managers	3,702,056	–	3,702,056
Accelerated depreciation	2,101,751	(239,024)	1,862,727
	<b>198,661,206</b>	<b>(2,629,058)</b>	<b>196,032,148</b>
<b>Net deferred tax asset</b>	<b>(91,996,170)</b>	<b>(30,861,302)</b>	<b>(122,857,472)</b>



The net deferred tax asset of Ushs 51 Billion (2017: Ushs 123 Billion) has not been recognized in these financial statements because it is not probable that future taxable profit will be available against which the Fund can utilize the benefits therefrom. As at 30 June 2018, tax losses carried forward amounted to Ushs 1,202 Billion. Despite the Fund making surplus earnings, Section 22(1) and 25 of the Income Tax Act allows a deduction of interest incurred during the year of income in respect of a debt obligation. In addition, the Fund obtained a ruling from Uganda Revenue Authority in 2001 advising that interest paid to members is tax deductible. The Fund follows this ruling when preparing income tax computations and it is unlikely that the Fund will have taxable profits against which the deferred income tax asset can be utilized.

**c. Tax deposit receivable**

	2018	2017
	Ushs 000	Ushs 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed in Note 35(b), the Fund received an assessment for tax from URA on 15 April 2013 which it disputed. In accordance with the Income Tax Act, the Fund was required to pay 30% of the assessed tax before proceeding to court. The directors believe that this amount is recoverable as the deposit will either be reFunded in the event of a successful outcome, or applied toward the tax obligation in the event that the Fund is not successful in its court case.

The carrying amount of the tax deposit approximates its fair value.

**13. Cash And Bank Balances**

	2018	2017
	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	662,419	523,225
Citibank Uganda Limited	827,797	2,099,237
Housing Finance Uganda Limited (Note 34)	10,545	103,541
Stanbic Bank Uganda Limited	7,049,087	17,484,918
Standard Chartered Bank Uganda Limited	4,412,393	30,256,623
KCB Rwanda	648,436	1,322,625
Imperial Bank Limited	15,261	50,903
Ecobank Uganda Limited	346,705	236,640
Bank of Africa	241,988	566,868
Centenary Bank	434,975	298,951
DFCU Bank Limited	1,018,397	1,575,843
United Bank for Africa	14,982	45,251
Orient Bank Limited	144,584	197,749
Guaranty Trust Bank	295,635	90,142
Tropical Bank –collection account	88,448	70,122
Bank of Baroda Uganda Limited–collection account	318,156	138,154
Post Bank	690,139	104,431
Finance Trust Bank	73,054	44,505
Diamond Trust	480,645	770,065
NC Bank	79,161	73,653

	2018	2017
	Ushs 000	Ushs 000
Equity Bank	–	130,878
Commercial Bank of Africa	–	40,987
Cash at hand	8,656	17,558
Mobile Money	33,266	–
	<b>17,894,729</b>	<b>56,242,869</b>

Collecting banks are required to transfer amounts collected at the end of every week to the Fund's custodian, Standard Chartered Bank. There are no transfer charges and the banks do not pay interest on amounts held to the Fund except for Standard Chartered Bank, Citibank and Stanbic Bank which pay interest at the rates of 7%, 5% and 1% respectively. The fair value of the cash and bank balances is equal to their carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash and bank balances above.

**14. Deposits With Commercial Banks**

	2018	2017	2018	2017
	% in class	% in class	Ushs 000	Ushs 000
Barclays Bank of Uganda Limited	–	5.6	–	12,525,389
Bank of Baroda Uganda Limited	–	4.7	–	10,506,626
Post Bank Uganda Limited	–	3.8	–	8,456,057
DFCU Bank Limited	–	11.1	–	24,913,169
Housing Finance Bank Limited (Note 34)	40.3	14.8	40,247,673	33,213,725
Orient Bank Limited	–	6.9	–	15,456,882
*Standard Chartered Bank Uganda Limited	–	29.1	–	65,513,847
Commercial Bank of Africa	18.4	3.6	18,396,864	8,163,708
Finca Uganda Limited	–	6.5	–	14,516,526
Tropical Bank Uganda Limited	10.4	4.6	10,307,397	10,244,749
Equity Bank Uganda Limited	30.9	4.5	30,883,825	10,006,027
Guarantee Trust Bank	–	5.0	–	11,258,659
	<b>100</b>	<b>100</b>	<b>99,835,759</b>	<b>224,775,364</b>

\*There is a floating lien of Ushs. 29,980,000,000 placed on cash/ deposits with Standard Chartered Bank Uganda Limited. The bank balances with Standard Chartered Bank are not excluded from cash and cash equivalents for purposes of the statement of cash flows as the Deposits are sufficient to settle the lien.

	2018	2017
	Ushs 000	Ushs 000
Amounts due within three (3) months	–	–
Amounts due after three (3) months	99,835,759	224,775,364
	<b>99,835,759</b>	<b>224,775,364</b>



The change in the bank deposits during the year was as follows:

	2018	2017
	Ushs 000	Ushs 000
<b>At the beginning of the year</b>	<b>224,775,364</b>	<b>274,062,186</b>
New placements / deposits	260,697,379	299,342,963
Maturities	(371,462,259)	(355,491,755)
Interest accrued	22,176,101	42,951,560
Interest received	(36,620,291)	(36,089,590)
Foreign exchange gains/losses	269,465	-
<b>At 30 June</b>	<b>99,835,759</b>	<b>224,775,364</b>

The deposits are carried at amortized cost and made for varying periods of between 1 and 365 days depending on the cash requirements of the Fund. The weighted average effective interest rate on deposits with commercial banks as at 30 June 2018 was 14.99% (2017: 15.73%).

#### 15. Equity Securities Held-For-Trading

	2018	2017
	Ushs 000	Ushs 000
GenAfrica	7,389,300	5,544,860
Pinebridge Investments	104,791,905	82,828,643
	<b>112,181,205</b>	<b>88,373,503</b>

The investments in securities held-for-trading are equity investments managed by the Fund Managers; GenAfrica and Pinebridge Investments. The Fund Managers have the mandate to make investments at their discretion but in compliance with the Fund's investment policy.

	% in class	% in class	Number of shares held	Market Value		
	2018	2017	2018	2017	2018	2017
					Ushs'000	Ushs'000
<b>Uganda Securities Exchange</b>						
Stanbic Bank (U) Limited	21.6	25.9	114,549,447	113,595,430	3,665,582	3,048,240
dfcu Limited	56.1	37.7	5,835,580	5,835,580	9,533,584	4,429,205
New Vision Printing and Publishing Company Limited	5.8	10.0	2,185,857	2,185,857	983,636	1,178,177
Umeme Limited	6.5	13.8	3,654,088	3,654,088	1,096,226	1,625,197
Uganda Clays Limited	1.2	1.0	9,575,568	9,575,568	205,875	114,907
Bank of Baroda	8.9	11.5	12,525,000	12,525,000	1,503,750	1,352,700
	<b>100</b>	<b>100</b>			<b>16,988,653</b>	<b>11,748,426</b>
<b>Nairobi Securities Exchange</b>						
Athi River Mining	1.3	1.3	-	1,026,025	-	838,795
Bamburi Cement Limited	4.8	4.8	220,845	465,845	1,517,095	3,131,525
Barclays Bank Kenya Limited	3.4	3.4	6,090,000	6,090,000	2,676,054	2,223,465
BAT Kenya Limited	13.0	13.0	283,700	283,700	5,358,211	8,512,909
Britam Holdings Limited	3.7	3.7	3,207,400	5,200,000	1,797,124	2,404,922
Centum Investments (ICDC)	1.8	1.8	-	720,690	-	1,149,424
CFC Stanbic Holdings	3.1	3.1	1,269,400	773,000	4,457,504	2,023,527
Co-operative Bank of Kenya	3.1	3.1	5,242,864	3,290,387	3,521,104	2,010,019
Diamond Trust Bank Kenya	8.2	8.2	948,953	947,953	7,247,195	5,397,096
East African Breweries Limited	11.1	14.2	1,116,016	1,017,666	9,336,822	9,265,940
Equity Group Holdings Limited	8.3	7.2	4,183,842	3,618,442	7,426,072	4,819,250
I&M Holdings Ltd	2.1	2.1	396,700	367,700	1,750,782	1,401,133
Kenya Airways Ltd	2.3	-	3,500,000	-	2,431,189	-
Kenya Commercial Bank	8.1	7.5	4,189,574	3,689,574	7,436,246	4,923,544
Kenya Power & lighting	0.7	1.4	2,140,750	2,830,750	566,875	890,278
Nation Media Group	1.1	2.0	260,712	310,712	900,483	1,277,113
NIC Bank Limited	1.2	1.7	260,712	863,187	1,293,595	1,105,742
Safaricom Limited	20.6	18.8	17,711,400	15,956,400	20,051,509	12,316,404
Standard Chartered Bank Kenya Ltd	2.1	2.7	227,019	227,019	1,725,042	1,755,591
	<b>100</b>	<b>100</b>			<b>79,492,902</b>	<b>65,446,677</b>



The changes in held-for-trading investments during the year were as follows:

	2018 Ushs 000	2017 Ushs 000
<b>At the beginning of the year</b>	<b>88,373,503</b>	<b>84,863,191</b>
Purchases	14,394,032	3,634,838
Disposals	(9,903,346)	(1,607,354)
Fair value gains	18,321,014	1,558,529
Foreign exchange gain/(loss)		
<b>As at 30 June</b>	<b>112,181,205</b>	<b>88,373,503</b>

The trading prices at the last date of trading for the years ended 30 June 2018 and 2017 were as follows:

	2018			2017		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Stanbic Bank (U) Limited	32.00	–	–	27.00	–	–
DFCU Limited	970.00	–	–	759.00	–	–
New Vision Printing and Publishing Company Limited	450.00	–	–	539.00	–	–
Umeme Limited	300.00	–	–	425.00	–	–
Uganda Clays Limited	21.50	–	–	12.00	–	–
Bank of Baroda (Uganda)	150.00	–	–	108.00	–	–
BAT Kenya Limited	23,069.64	600	–	29,412.16	847	–
Safaricom Limited	1,134.26	29.5	–	790.00	22.75	–
Kenya Commercial Bank	1,778.28	46.25	–	1,310.87	37.75	–
East African Breweries Limited	8,381.97	218	–	8,993.80	259	–
Bamburi Cement Ltd	7,074.69	184	–	6,458.87	–	–
Equity Group Holdings Limited	1,778.28	46.25	–	1,310.87	37.75	–
NIC Bank Limited	1,364.95	35.5	–	1,163.29	33.50	–
Barclays Bank Kenya Limited	440.25	11.45	–	345.51	9.95	–
Athi River Mining	–	–	–	711.86	20.50	–
Nation Media Group	3,460.45	90	–	3750.31	108.00	–
Diamond Trust Bank Kenya Limited	7,651.43	199.0	–	5,556.02	160.00	–
Standard Chartered Bank Kenya Limited	7612.98	198.0	–	7,222.82	208.00	–
Centum Investments (ICDC)	–	–	–	1,426.43	41.50	–
Kenya Power & lighting	265.30	6.90	–	276.06	7.95	–
WPP Scan group Limited	–	–	–	703.18	20.25	–
Co-operative Bank Kenya Limited	672.86	17.5	–	588.59	16.95	–
CFC Stanbic Holdings	3,518.12	91.5	–	2,465.48	71.00	–
Britam Holdings Limited	561.36	14.6	–	439.27	12.65	–
I&M Holdings Limited	4,421.68	115.0	–	3,576.69	103.00	–
Kenya Airways	–	–	–	175.36	5.05	–
TPS Serena Limited	–	–	–	772.63	22.25	–

	2018			2017		
	Ushs	Kshs	Tshs	Ushs	Kshs	Tshs
Kenol Kobil Limited	695.93	18.10	–	486.15	14.00	–
Tanzania Breweries Limited	28,241.4	–	16,500.0	21,551.22	–	13,400.00
CRDB Bank Plc	273.86	–	160.00	281.45	–	175.00
Tanzania Portland Cement	–	–	–	2,894.94	–	1,800.00

#### 16. Trade And Other Receivables

	2018 Ushs 000	2017 Ushs 000
Prepayments	1,776,563	2,280,852
Staff advances	107,735	108,449
Trade receivables	9,174,530	8,287,816
Contributions receivable	1,879,493	889,095
Rent receivable	4,530,076	3,501,173
Cash advances to investment managers	1,269,073	1,219,066
Deferred staff expense	609,152	817,638
Dividends receivable	34,959,876	33,604,493
VAT recoverable	4,196,659	2,223,518
Provisions for impairment loss	(10,739,257)	(7,893,844)
	<b>47,763,900</b>	<b>45,038,256</b>

The staff advances are interest free and repayable within one month through payroll deductions. The contributions receivable relate to cheque payments in previous years (2011) that were not honoured and fully recognized as a receivable, these have been fully provided for.

	2018 Ushs 000	2017 Ushs 000
<b>Provisions for impairment loss is analyzed as follows:–</b>		
At the beginning of the year	7,893,844	8,448,959
Charge for the year	2,845,413	50,120
Utilized	–	(605,235)
<b>At 30 June</b>	<b>10,739,257</b>	<b>7,893,844</b>

The provision relates to the trade receivable, contributions receivable, and rent receivable accounts. The carrying amount for trade receivables reasonably approximate their fair value due to the short-term nature of the receivables.



17. Investments In Securities Held–To–Maturity

	2018 % in Class	2017 % in Class	2018 Ushs 000	2017 Ushs 000
Treasury bonds	98.8	98	7,268,765,602	5,656,920,144
Corporate bonds	1.2	2	85,798,176	90,139,470
	<b>100</b>	<b>100</b>	<b>7,354,563,778</b>	<b>5,747,059,614</b>
The investments are analyzed as follows:				
Maturing within 3 months			247,046,309	45,505,610
Maturing after 3 months but within 1 year			910,765,604	259,682,437
Maturing after 1 year			6,196,751,865	5,441,871,567
			<b>7,354,563,778</b>	<b>5,747,059,614</b>

The change in Held–to–Maturity investments during the year were as follows:

	2018 Ushs 000	2017 Ushs 000
<b>As at 01 July</b>	<b>5,747,059,614</b>	<b>4,635,745,420</b>
Purchases	1,754,330,332	1,269,848,548
Maturities	(417,385,506)	(255,833,542)
Interest accrued	952,757,363	734,355,355
Interest received	(917,274,695)	(633,955,164)
Foreign exchange gains / (loss)	235,076,670	(3,101,003)
<b>As at 30 June</b>	<b>7,354,563,778</b>	<b>5,747,059,614</b>

The yield rates on the treasury bonds ranged from 10.81% to 21.22% (2017: 10.81% to 21.22%) and the treasury bonds have maturity periods of between 1 and 15 years. The interest rates for corporate bonds ranged from 11.5% to 14.7% (2017: 10.97% to 14.7%) and the corporate bonds have maturity periods of between 1 and 8 years.

18. Equity Investments At Fair Value Through Profit Or Loss

	2018 % in Class	2017 % in Class	2018 % Held	2017 % Held	2018 Ushs 000	2017 Ushs 000
Bank of Baroda (Uganda) Limited	0.6	0.6	2.00	2.00	7,493,438	5,395,275
DFCU Limited	4.1	2.5	7.34	5.93	54,129,314	22,381,132
Safaricom Limited	23.6	21.0	0.69	0.60	311,353,629	189,797,002
Centum Investments Limited	0.5	0.7	0.73	0.73	6,376,568	6,276,292
Stanbic Bank Uganda Limited	3.2	4.0	2.61	2.05	42,725,342	36,049,507
Cooperative Rural Dev't	2.1	–	3.38	–	27,385,600	–
Vodacom TZ shares	2.8	–	0.23	–	37,199,052	–
New Vision Printing and Publishing Company Limited	0.5	0.9	19.61	19.61	6,750,000	8,085,000
Bank of Kigali	4.1	4.9	6.36	6.32	53,843,004	44,644,820
Tanzania Breweries Ltd	12.2	13.1	1.93	1.19	160,951,975	118,531,710
Equity Bank Kenya	13.9	–	2.78	–	183,192,235	–
Equity Group Holdings Ltd	–	13.4	–	2.50	–	121,277,017
East African Breweries Ltd (EABL)	10.9	12.9	2.13	1.64	141,487,640	116,919,412
Eastern and Southern African Trade and Development Bank (TDB Bank)	8.8	11.5	3.84	3.77	126,042,710	100,631,822
Tanzania Portland Cement(Twiga)	2.0	2.9	5.28	5.00	26,666,728	26,054,460
British–American Invest (Britam)	1.7	1.9	2.03	2.03	22,089,453	17,285,286
Yield Fund	–	0.2	–	0.48	–	2,057,273
Kenya Re–Insurance	0.3	0.3	0.86	0.48	3,691,142	2,421,461
Kenya Commercial Bank	8.7	9.2	2.17	2.05	114,829,446	82,164,084
	<b>100</b>	<b>100</b>			<b>1,326,207,276</b>	<b>899,971,553</b>

All the above equity investments are traded on the Uganda Securities Exchange (USE) except for Safaricom, KCB, Kenya Re–Insurance and Equity Group which are traded on the Nairobi Securities Exchange (NSE), Tanzania Breweries, Cooperative Development Bank, Vodacom and Twiga which are traded on the Dar es Salaam Stock Exchange (DSE), Bank of Kigali which is traded on the Rwanda Stock Exchange (RSE), TDB Bank which is not traded on a stock exchange. The trading prices at the last date of trading for the years ended 30 June 2018 and 2017 were as follows:



	2018					2017			
	Ushs	Kshs	Tshs	Rwf	USD	Ushs	Kshs	Tshs	Rwf
Bank of Baroda (Uganda) Limited	150.00	-	-	-	-	108.00	-	-	-
DFCU Limited	970.00	-	-	-	-	759.00	-	-	-
Safaricom Limited	1,134.26	29.50	-	-	-	789.99	22.75	-	-
Centum Investments Limited	1,449.22	-	-	66	-	1,426.43	-	-	66
Uganda Clays Limited	-	-	-	-	-	12.00	-	-	-
Stanbic Bank Uganda Limited	32.00	-	-	-	-	27.00	-	-	-
New Vision Printing and Publishing Company Limited	450.00	-	-	-	-	539.00	-	-	-
UMEME	501.00	-	-	-	-	-	-	-	-
Kenya Re	-	-	16.00	-	-	-	20.75	-	-
Vodacom	-	-	850	-	-	-	-	-	-
Cooperative Development Bank	-	160	-	-	-	-	-	-	-
Equity Bank Kenya	1,778.28	46.25	-	-	-	1,310.87	37.75	-	-
Kenya Commercial Bank	1,778.28	46.25	-	-	-	1,310.87	37.75	-	-
Bank of Kigali	1,266.89	-	-	286	-	1,052.28	-	-	245
Tanzania Breweries Limited	28,241.40	-	16,500	-	-	21,551.22	-	13,400	-
Tanzania Portland Cement Limited	2,807.02	-	1,640	-	-	2,894.94	-	1,800	2,390
British-American Invest (Britam)	561.36	14.60	-	-	-	439.27	12.65	-	-
Eastern and Southern African Trade and Development Bank (TDB Bank)	43,761,786	-	-	-	11,273	35,075,108	-	-	-
Yield Fund	-	-	-	-	-	2,057,108	-	-	-

During the year, the Fund purchased the following shares:

	Currency	Shares	Share price	Exchange Rate	Cost Ushs 000
DFCU	Ushs	26,315,758	760.00	1.00	19,999,976
EABL	Ushs	3,880,000	241.2	36.75	34,390,649
Equity Bank	Kshs	10,500,000	49.11	37.1728	19,169,901
Kenya Reinsurance	Kshs	2,639,408	20.24	34.8553	1,862,026
Safaricom (K) Ltd	Kshs	34,249,400	25.12	35.2438	30,321,825
KCB Kenya	Kshs	2,181,400	47.05	36.7862	3,775,547
Tanzanian Breweries	Tzs	199,150	13,500	1.6187	4,351,915
Twiga TPCC	Tzs	500,000	1,460	1.6242	1,185,666
CRDB	Tzs	100,000,000	205.99	1.6099	35,759,332
Vodacom	Tzs	27,166,870	1.6824	1.7116	78,230
TDB Bank	USD	52	9737.00	3,882.27	1,965,686
					<b>185,800,294</b>

The change in the equity investments during the year was as follows:

	2018 Ushs 000	2017 Ushs 000
<b>At the beginning of the year</b>	<b>899,971,553</b>	<b>901,377,895</b>
Acquisition of new shares	185,800,294	101,222,750
Transfer to associates	(2,257,621)	(122,952,123)
Fair value gains	145,800,776	21,877,461
Foreign exchange gains/(losses)	96,892,274	(1,554,430)
<b>At 30 June</b>	<b>1,326,207,276</b>	<b>899,971,553</b>

The Fund's investments in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Fund holds less than 20% of the voting rights of the investee companies and the Fund does not have significant influence over the financial and operating decisions of the investee companies.

#### 19. Loans And Advances

	2018 Ushs 000	2017 Ushs 000
Uganda Clays Limited (Note 34)	20,592,838	20,592,838
Housing Finance Bank Limited (Note 34)	22,333,333	26,000,000
Staff loans	1,261,713	1,697,146
	<b>44,187,884</b>	<b>48,289,984</b>
Fair value of discount on staff loans	(609,152)	(817,638)
	<b>43,578,732</b>	<b>47,472,346</b>
Impairment provision for Uganda Clays Limited loan	(20,592,838)	(20,592,838)
	<b>22,985,894</b>	<b>26,879,508</b>

The impairment provision for Uganda Clays Limited loan is analyzed as follows:

	2018 Ushs 000	2017 Ushs 000
At the beginning of the year	20,592,838	20,592,838
<b>At 30 June</b>	<b>20,592,838</b>	<b>20,592,838</b>

The change in the loans and advances during the year was as follows:

	2018 Ushs 000	2017 Ushs 000
<b>At the beginning of the year</b>	<b>26,879,508</b>	<b>30,547,888</b>
Maturities (proceeds from maturing loans)	(4,742,252)	(7,782,330)
Interest accrued	3,200,762	3,792,144
Interest received	(2,560,610)	(18,220)
Fair value adjustment	208,486	340,026
<b>At 30 June</b>	<b>22,985,894</b>	<b>26,879,508</b>



The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and was repayable within 96 months in equal monthly installments commencing after a grace period of two years (effective 27 December 2013). The loan has a fixed interest rate of 15%. For the six months' period to 30 June 2018, Uganda Clays Limited made a profit before tax of Ushs 1,482 Million and its current assets exceeded current liabilities by Ushs 18,059 Million as at 30 June 2018. However, the Company has experienced financial problems since the loan was disbursed and no loan repayment had been received by 30 June 2018. Therefore, the loan has been fully impaired as recovery procedures continue to be enforced.

Housing Finance Bank Limited (the bank) has two loan facilities with the Fund of Ushs 17.5 Billion at a rate of 11.5% (2017: 11.5%) and Ushs 8.5 Billion at a rate of 15.5% (2017: 15.5%), respectively. The Loans were granted on 25 February 2011 and 16 October 2009, respectively. The loan of Ushs 17.5 Billion is repayable over a period of 15 years while that of Ushs 8.5 Billion is repayable over 10 years. Installments are due on a quarterly basis after a grace period of 24 months from the date of the first disbursement.

During the grace period, interest accrued is payable. The loans are secured by the bank's property on Plot 25, Kampala Road and identifiable and performing condominium mortgage book portfolio worth at least Ushs 10 Billion of present and future assets representing 25% of the loan sum for the duration of the loan agreement.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2017: 6.5%). The loans are issued to employees to acquire/construct houses. The loans are secured by the acquired houses and are to be paid over a period of 15 to 20 years. As at 30 June 2018, the average market rate for mortgages was 17.5% (2017: 17.5%) All the above loans and advances are measured at amortized cost with exception of the staff loans which are marked to market. Management assessed all loans outstanding as at 30 June 2018 for indicators of impairment and determined that no loans exhibited signs of impairment and as such, no provision for impairment loss has been made with exception of the Uganda Clays Limited loan which has been fully impaired.

## 20. Inventories

	2018	2017
	Ushs 000	Ushs 000
Consumables and stationery	–	1,187,303

These relate to smart cards held for distribution to members, consumables and stationery maintained by the Fund for day-to-day operations.

## 21. Investments In Associates

	Uganda Clays Limited	Housing Finance Bank Limited	TPS Uganda Limited	Umeme Ltd	Yield Fund	Total
	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000
<b>At 1 July 2016</b>	<b>11,387,110</b>	<b>61,051,531</b>	<b>7,881,121</b>	<b>–</b>	<b>–</b>	<b>80,319,762</b>
<b>Purchases</b>						
Purchase of shares	–	–	–	59,448,574	–	59,448,574
Transfer from investments at FVTPL	–	–	–	–	–	–
122,952,123	122,952,123	–	–	–	–	–
Share of profit	1,063,241	10,358,229	1,152,002	11,975,035	–	24,548,507
Share of OCI, net of tax	–	–	–	(6,889,710)	–	(6,889,710)
Less: dividends	(292,640)	(5,415,216)	(1,119,402)	(7,026,912)	–	(13,854,170)
<b>At 30 June 2017</b>	<b>12,157,711</b>	<b>65,994,544</b>	<b>7,913,721</b>	<b>180,459,110</b>	<b>–</b>	<b>266,525,086</b>
<b>Purchases</b>						
Transfer from investments at FVTPL	–	–	–	–	2,257,621	2,257,621
Share of profit / (loss)	411,123	9,488,373	1,215,600	16,068,096	(519,045)	26,664,147
Share of OCI, net of tax	–	–	–	12,430,101	–	12,430,101
Less: dividends	(325,704)	(5,980,840)	(419,777)	(2,840,667)	–	(9,566,988)
<b>At 30 June 2018</b>	<b>12,243,130</b>	<b>69,502,077</b>	<b>8,709,544</b>	<b>206,116,640</b>	<b>1,738,576</b>	<b>298,309,967</b>

As at 30 June 2018, the Fund had shareholding of 50%, 32.52%, 13.99%, 23.2% and 16.5% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited TPS Uganda Limited, Umeme Ltd and Yield Fund respectively. These investments have been accounted for under the equity method.

The Fund increased its holding in Umeme Limited to 23.2% in November 2016 and has representation on the Umeme Limited's Board hence a change from equity investments at fair value through profit or loss to investment in an associate.

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give it joint control and as such, the investment continues to be accounted for as an associate. Although the Fund holds 16.5% the Yield Fund, it has a significant influence in it due to the fact that it has a third of the Board composition. In addition, their input is sought prior to approval of significant transactions. As such, the investment is accounted for as an associate.

### Nature of activities of associates

Company	Nature of activities
Housing Finance Bank Limited	The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004.
Uganda Clays Limited	The principal activities of the company are the production and sale of a wide range of clay building products. The main items produced are roofing tiles.
TPS (Uganda) Limited	The principal activities of the company are operating and running a hotel facility in Uganda, serving the business and tourist markets.
Umeme Limited	Through a concession with the Government of Uganda, Umeme operates as the primary electricity distribution company in Uganda, responsible for distributing electricity to Ugandan residents, commercial and government entities.
Yield Fund	Yield Uganda Investment Fund specializes in investments in small and medium agri-businesses in the form of equity, semi-equity and debt. The Fund targets agriculture-related businesses across all value chains, with clear competitive advantage and ambitious local management.



	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited	Umeme Limited	Yield Fund
Principal place of business	Investment House, Plot 4 Wampewo Avenue, Kololo, P. O. Box 1539, Kampala	14 kms, Entebbe Road, Kajjansi, P. O. Box 3188, Kampala	SN Chambers, Plot 36 Nile Avenue, P. O. Box 7814, Kampala	Rwenzori House, Plot 1 Lumumba Avenue, P.O. Box 23841, Kampala	Plot M697 Equata Building UMA Showground, Lugogo, Kampala
Market price	Not Listed.	Ushs 21.5 per share	Not Listed	Ushs 300 per share	Not Listed

	Number of Shares Held		Price per Share		Fair Value	
	2018	2017	2018 Ushs	2017 Ushs	2018 Ushs 000	2017 Ushs 000
Umeme Limited	373,771,921	373,771,921	300	425	112,131,576	158,853,066
Housing Finance Bank	3,050,000	3,050,000	-	-	-	-
TPS (Uganda) Limited	19,500	19,500	-	-	-	-
Yield Fund						
Uganda Clays Limited	292,640,000	292,640,000	21.5	12	6,291,760	3,511,680
					<b>118,423,336</b>	<b>162,364,746</b>

The summary of the financial information for the investments in associates as at 30 June is as follows:

	Housing Finance Bank Limited		Uganda Clays Limited		TPS (Uganda) Limited		Umeme Limited		Yield Fund	
	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000
<b>Percentage held</b>	<b>50%</b>	<b>50%</b>	<b>32.52%</b>	<b>32.52%</b>	<b>13.99%</b>	<b>13.99%</b>	<b>23.02%</b>	<b>23.02%</b>	<b>16.5%</b>	<b>-</b>
Current assets	745,362,407	710,441,808	23,228,000	19,115,000	31,797,809	17,185,605	436,396,000	361,510,000	92,446,611	-
Non-current assets	34,066,678	42,204,020	45,149,000	47,163,000	89,921,825	78,271,845	2,137,085,000	1,809,641,000	1,236,508	-
Current liabilities	451,392,515	430,813,634	5,169,000	3,485,000	6,314,361	7,266,172	798,555,000	572,542,000	32,508	-
Non-current liabilities	192,500,210	192,532,101	31,814,000	33,490,000	41,717,184	9,663,736	1,015,781,000	1,015,975,000	-	-
Net assets	135,536,360	129,300,093	31,394,000	29,303,000	73,688,087	78,527,542	722,145,000	582,634,000	104,485,453	-
Fund's share of Net assets	67,768,180	64,650,047	10,209,329	9,529,336	10,308,963	10,986,003	166,237,779	134,122,347	17,240,100	-
Reconciliation between Carrying amount and Share of Net Assets*	1,733,897	1,344,497	2,066,865	2,628,375	(1,599,419)	(3,072,282)	39,878,861	46,336,763	(15,501,524)	-
Carrying amount in the Statement of Net Assets available for benefits	69,502,077	65,994,544	12,243,130	12,157,711	8,709,544	7,913,721	206,116,640	180,459,110	-	-
1,738,576	-	-	-	-	-	-	-	-	-	-
Revenue	47,117,016	665,549,755	14,445,000	12,861,000	18,990,468	28,094,494	735,834,000	697,478,000	112,214	-
Profit after tax from continuing operations	8,490,740	9,459,126	1,037,000	1,273,000	3,619,166	3,685,278	69,157,000	39,176,000	3,147,631	-
Other comprehensive income, net of tax	-	-	-	-	-	-	47,589,000	(35,849,000)	-	-
Total Comprehensive income	8,490,740	9,459,126	1,037,000	1,273,000	3,619,166	3,685,278	116,746,000	3,327,000	3,147,631	-
Reporting date of associate	31 December 2017	31 December 2018	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Unaudited results for 6 months	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017



In applying the equity method for all associates the Fund has used the audited financial statements for period ended 31 December 2017 in deriving the share of results for the 6 months to 31 December 2017 and the over/under sharing of results for the 6 months to 30 June 2017 as reported in the prior year financial statements of the Fund. The Fund has used unaudited results for the 6 months to 30 June 2018 in deriving the share of results for the 6 months differential period between the associates' reporting date and the Fund's reporting date.

\*Reconciliation between the carrying amount and Share of Net assets relates to the difference between the carrying amount of the investment in the Fund's Financial Statements and the Fund's share of the investee's net assets.

## 22. Other Investments

Victoria Properties Development Limited (VPDL) was incorporated in 2004 to develop the Fund's property at Lubowa for sale to the public. NSSF held a 50% equity interest in VPDL, through its wholly owned subsidiary, Premier Developments Ltd (PDL). VPDL borrowed US\$ 1 Million from Premier Developments Limited to finance its preliminary activities. VPDL entered into a contract for the design and supervision of the Lubowa Housing Project with M/s SBI Limited, at a contract price of US\$ 4.9 Million, and paid the US\$ 1 Million borrowed from PDL to SBI to deliver preliminary designs. PDL was later dissolved by the Constitutional Court, and in 2009, the shareholders of VPDL agreed to wind up the joint venture company and instead have an arm's length contract for design and supervision of the Lubowa Housing Project. The investment was therefore written off in 2009. The winding up/dissolution agreements and arm's length design/supervision contract were signed and the joint venture was finally wound up in 2009. The Fund retained 100% ownership of the land, while the other party was required to provide an arm's length contract for design and supervision of the Lubowa Housing Project.

## 23. Capital Work-In-Progress (CWIP)

	Arua	Lubowa	Lumumba	Mbuya	Jinja	Mbarara	CAPEX	Workers House	Total
Cost	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 July 2016	2,330,000	245,077,907	65,388,789	1,847,530	1,126,478	-	1,359,240	-	317,129,944
Additions	-	177,000	969,428	5,390,577	1,076,388	1,429,559	830,579	261,135	10,134,666
Transfer to inventory	-	-	-	-	-	-	(1,100,087)	-	(1,100,087)
<b>At 30 June 2017</b>	<b>2,330,000</b>	<b>245,254,907</b>	<b>66,358,217</b>	<b>7,238,107</b>	<b>2,202,866</b>	<b>1,429,559</b>	<b>1,089,732</b>	<b>261,135</b>	<b>326,164,523</b>
Additions	-	50,648,301	179,348	3,592,080	525,350	1,378,613	4,604,073	-	60,927,765
Transfer from/(to) investment Property	-	(223,000,000)	19,184,965	-	(2,728,216)	-	(111,915)	(261,135)	(206,916,301)
<b>At 30 June 2018</b>	<b>2,330,000</b>	<b>72,903,208</b>	<b>85,722,530</b>	<b>10,830,187</b>	<b>-</b>	<b>2,808,172</b>	<b>5,581,890</b>	<b>-</b>	<b>180,175,987</b>
<b>Provision for impairment</b>									
At 1 July 2017/2018	(2,330,000)	-	-	-	-	-	-	-	(2,330,000)
<b>Net carrying amount</b>									
At 30 June 2018	-	72,903,208	85,722,530	10,830,187	-	2,808,172	5,581,890	-	177,845,987
At 30 June 2017	-	245,254,907	66,358,217	7,238,107	2,202,866	1,429,559	1,089,732	261,135	323,834,523

**The Arua capital work**—in—progress relates to construction costs for a hotel at the golf course. As at 30 June 2009, construction of the hotel was near completion but modalities of share of interest in the hotel had not been finalized with the trustees of the Arua Golf Club. The Fund has estimated to incur losses as a result of the delayed implementation of this joint venture and ownership structure of the joint venture. Due to uncertainties surrounding the recoverability of these amounts, the balance was fully impaired in 2008. Management is currently negotiating with the trustees of the Golf Club with a view to finalizing the joint venture arrangements. This relates to the Lubowa Housing Estate project (LHP) and the Fund Contracted Soleh Boneh International (SBI) holdings AG Uganda as the project designer and supervisor. The expected project completion date is June 2020 and to date approximately 10% of the overall works have been completed. The Project is classified under Work in Progress as it is still under construction and its fair value cannot reliably be determined and therefore it is carried at cost until completion.

**Lumumba**— This relates to the construction and development of Pension Towers on Lumumba Avenue. Phase two commenced on 25th July with the Construction Contract awarded to China Railway Construction Engineering Group.

**Mbuya**— This relates to the Mbuya 2 Housing estate project (40 apartments). The site works are currently in progress with the following works ongoing.

**Capex**—This relates to the various CAPEX expenditure developments at the head office, designs for the biometric systems, contactless smart card solution design and development, portfolio management system, Electronic document and records management system (EDRMS) among others.



24. Investment Properties

	Valuation at 30 June 16	Additions	Disposal	Change in Fair value	Valuation at 30 June 17	Additions	Disposal	Change in Fair value	Valuation at 30 June 18
	Ushs '000				Ushs '000				Ushs '000
Workers House	56,000,000	-	-	2,000,000	58,000,000	-	-	5,098,865	63,471,915
Plot 5 Mvule Rd Naguru	2,000,000	-	-	-	2,000,000	-	-	1,500,000	3,500,000
Land on Yusuf Lule Road	19,000,000	-	-	1,000,000	20,000,000	-	-	-	20,000,000
Independence Ave Arua	170,000	-	-	-	170,000	-	-	-	170,000
Land in Kisugu	250,000	-	-	-	250,000	-	-	50,000	300,000
Land in Kabale	230,000	-	-	-	230,000	-	-	-	230,000
Land in Jinja	-	-	-	-	-	-	-	-	-
Land in Tororo	170,000	-	-	30,000	200,000	-	-	-	200,000
Lumumba Avenue	-	-	-	-	-	-	-	-	-
Social Security House	29,000,000	-	-	1,000,000	30,000,000	-	-	420,000	30,420,000
Land in Lubowa	-	-	-	-	-	11,000,000	-	39,207,009	273,207,009
Land in Mbuya	-	-	-	-	-	-	-	-	-
Jinja	-	-	-	-	-	-	-	2,728,216	2,728,216
Land in Busiro Temangalo	24,125,000	-	-	2,412,500	26,537,500	-	(363,640)	826,140	27,000,000
Nsimbe	-	29,845,654	-	12,577,295	42,422,949	-	-	977,051	43,400,000
Plot 16 Nakasero Rd (FRV 304)	8,400,000	-	-	-	8,400,000	10,784,965	-	(19,184,965)	-
<b>Total</b>	<b>139,345,000</b>	<b>29,845,654</b>	<b>-</b>	<b>19,019,795</b>	<b>188,210,449</b>	<b>21,784,965</b>	<b>(363,640)</b>	<b>48,079,065</b>	<b>464,627,140</b>

Investment properties comprise land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Stanfield certified professional valuer as at 30 June 2018. In determining the fair values of investment properties, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment.

In instances where the market value of a property could not be ascertained due to lack of information, the valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly.

Changes in fair values are recognized in surplus or deficit and included in 'other operating income'.

The impact of revaluing investment properties on surplus for the year is Ushs 48 Billion (2017: Ushs 19 Billion) as disclosed in the table above which also shows the reconciliation of the movement in the carrying amount of the investment property between the opening and closing dates.

Significant unobservable inputs		
		Range (weighted average)
Office properties	Estimated rental value	Ushs 54,348 – Ushs 62,112 (Ushs 58,230)
	Estimated rental expenditure	Ushs 21,230–Ushs. 25,237( Ushs. 23,234)
	Vacancy factor	4% – 6% (5%)
	Discount rate	7%– 8% (7%)
Land	Price per square meter	Ushs.1,500,000–Ushs.3,000,000

Valuation techniques for investment properties:	
	<b>Market Approach</b>
Land	Land was valued by the sales comparison method on the basis of its unimproved state taking into account the various categories of existing and potential use. Other factors such as location, services, accessibility, and proximity to suppliers, inputs and markets were also taken into account. Attention was paid to the concept of 'Highest and Best use' of property.
	<b>Cost Approach</b>
Buildings	Buildings, structures and services were valued at current replacement costs taking into account their depreciation



The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of investment properties included:

- Properties and their values are unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value and any other values referred to in the valuation report exclude Value Added Tax and transfer costs

The Fund generated rental income from its investment properties as shown below:

	2018	2017
	Ushs 000	Ushs 000
Workers House	5,268,051	7,045,959
Social Security House	2,824,503	2,548,541
Others –Naguru & Yusuf Lule	1,914,787	822,493
Service charge	851,023	1,644,474
	<b>10,858,364</b>	<b>12,061,467</b>

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the year as shown below:

	2018		
	Workers House	Social Security House	Total
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	1,420,138	444,224	<b>1,864,363</b>
Ground & property rent	198,356	71,118	<b>269,474</b>
Cleaning services	180,131	47,844	<b>227,975</b>
Security services	411,626	82,560	<b>494,186</b>
Electricity	766,954	300,778	<b>1,067,732</b>
Water	209,246	150,307	<b>357,553</b>
	<b>3,186,451</b>	<b>1,096,831</b>	<b>4,283,282</b>
	2017		
	Ushs 000	Ushs 000	Ushs 000
Maintenance & repairs	1,223,939	565,637	<b>1,789,576</b>
Ground & property rent	183,107	61,190	<b>244,297</b>
Cleaning services	174,481	54,801	<b>229,282</b>
Security services	281,486	83,660	<b>365,146</b>
Electricity	798,923	286,190	<b>1,085,113</b>
Water	246,397	134,270	<b>380,667</b>
	<b>2,908,333</b>	<b>1,185,748</b>	<b>4,094,081</b>

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties which did not generate rental income during the period as shown below (no expenses were incurred on properties other than those indicated in the table below):

	2018				
	Land in Lubowa	Land in Busiro Temangalo	Land in Nsimbe	Land in Kisugu	Total
	Ushs 000	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Security expenses	173,592	23,789	44,368	5,452	223,412
Demolition expenses	9,000	–	–	–	–
	<b>182,592</b>	<b>23,789</b>	<b>44,368</b>	<b>5,452</b>	<b>223,412</b>
	2017				
	Land in Lubowa	Land in Busiro Temangalo	Total		
	Ushs 000	Ushs 000	Ushs 000		
Security expenses	394,101	23,789	417,890		
Demolition expenses	9,000	–	9,000		
	<b>403,101</b>	<b>23,789</b>	<b>426,890</b>		

As at 30 June 2018, there were no restrictions on the realizability of investment property with the exception of LRV 2172 Folio 10, Plot 1 Pilkington Road which had a caveat. There was no restriction to the remittance of income and proceeds of disposal and there were no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fund has not entered into any finance lease arrangements and bears no encumbrances on its titles of ownership of the reported properties. The Fund has several tenants on its properties including Worker's House and Social Security House with tenancy agreements averaging three years in duration. The Fund maintains the properties and only charges a service fee to the tenants for auxiliary services and has, therefore, included these as investment properties in its financial statements.

Future minimum rentals receivable under non-cancellable operating leases are, as follows:

2018	Up to 1 year	1 to 5 years	Over 5 years
	Ushs'000	Ushs'000	Ushs'000
Property rentals	8,755,315	17,486,499	–
2017			
Property rentals	8,645,717	17,227,700	–



25. Intangible Assets

	2018 Ushs 000	2017 Ushs 000
<b>Cost</b>		
At the beginning of the year	22,444,698	19,458,515
Additions	2,605,043	2,986,183
<b>At 30 June</b>	<b>25,049,741</b>	<b>22,444,698</b>
<b>Amortization</b>		
At the beginning of the year	16,674,165	15,058,271
Charge for the year	1,746,833	1,615,894
<b>At 30 June</b>	<b>18,420,998</b>	<b>16,674,165</b>
<b>Net carrying amount</b>	<b>6,628,743</b>	<b>5,770,533</b>

Intangible assets mainly relate to software which makes up the Integrated Management Information System (IMIS) of the Fund.

26. Property And Equipment

	Land Ushs'000	Property & Machinery Ushs'000	Motor Vehicles Ushs'000	Furniture and Fittings Ushs'000	Computer Equipment Ushs'000	TOTAL Ushs'000
<b>Cost</b>						
At 1 July 2016	400,000	3,068,049	5,478,827	5,198,260	15,049,684	29,194,820
Additions	–	677,342	919,526	1,059,692	305,199	2,961,759
Disposals	–	(61,568)	(240,843)	(98,310)	(216,069)	(616,790)
<b>As at 30 June 2017</b>	<b>400,000</b>	<b>3,683,823</b>	<b>6,157,510</b>	<b>6,159,642</b>	<b>15,138,814</b>	<b>31,539,789</b>
Additions	–	299,017	1,506,346	1,667,436	890,387	4,363,186
Disposals	–	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
<b>As at 30 Jun 2018</b>	<b>400,000</b>	<b>3,961,240</b>	<b>7,495,248</b>	<b>7,706,532</b>	<b>15,638,984</b>	<b>35,202,004</b>
<b>Depreciation</b>						
At 1 July 2016	–	1,865,458	1,607,251	2,691,452	11,381,290	17,545,451
Charge for the year	–	443,987	1,167,129	584,773	1,448,397	3,644,286
Disposals	–	(61,568)	(240,843)	(98,311)	(216,069)	(616,791)
<b>As at 30 June 2017</b>	<b>–</b>	<b>2,247,877</b>	<b>2,533,537</b>	<b>3,177,914</b>	<b>12,613,618</b>	<b>20,572,946</b>
Charge for the year	–	499,777	1,439,261	724,403	1,348,560	4,012,001
Disposals	–	(21,600)	(168,608)	(120,546)	(390,217)	(700,971)
<b>As at 30 June 2018</b>	<b>–</b>	<b>2,726,054</b>	<b>3,804,190</b>	<b>3,781,771</b>	<b>13,571,961</b>	<b>23,883,976</b>
<b>Net carrying amount</b>						
As at 30 June 2018	400,000	1,235,186	3,691,058	3,924,761	2,067,023	11,318,028
As at 30 June 2017	400,000	1,435,946	3,623,973	2,981,728	2,525,196	10,966,843

27. Finance Leases

	Valuation as At 30 June 2017 Ushs 000	Change in fair value Ushs 000	Valuation as At 30 June 2018 Ushs 000
Plot 47 Masaka K'la rd	220,000	20,000	240,000
Plot 87 Churchill Gulu	180,000	10,000	190,000
Plot 8 Msk CL. Mbarara	250,000	(50,000)	200,000
	<b>650,000</b>	<b>(20,000)</b>	<b>630,000</b>

The Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. These were reclassified from property and equipment. The lease terms for Plot 47 Masaka K'la RD, Plot 87 Churchill Gulu and Plot 8 Masaka CL. Mbarara are 49 years, 99 years and 49 years respectively. The lease payments were made at inception and the Fund does not make periodic payments for the finance leases. The Fund pays renewal fees for these leases to the respective land boards.

The properties have not been pledged as security for liabilities.

The fair values of the Finance Leases were assessed by Stanfield certified professional valuer as at 30 June 2018. In determining the fair values of the Finance Leases, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment.

Net carrying amounts of Finance Leases at cost:

If the Finance leases were measured using the cost model, the carrying amounts would be as follows:

At 30 June 2018	Cost Ushs 000	Accumulated Depreciation Ushs 000	Net Carrying Amount Ushs 000
Plot 47 Masaka K'la rd	220,000	–	220,000
Plot 87 Churchill Gulu	180,000	–	180,000
Plot 8 Msk CL. Mbarara	250,000	–	250,000
	<b>650,000</b>	<b>–</b>	<b>650,000</b>

At 30 June 2017	Cost Ushs 000	Accumulated Depreciation Ushs 000	Net Carrying Amount Ushs 000
Plot 47 Masaka K'la rd	220,000	–	220,000
Plot 87 Churchill Gulu	180,000	–	180,000
Plot 8 Msk CL. Mbarara	250,000	–	250,000
	<b>650,000</b>	<b>–</b>	<b>650,000</b>



## 28. Withholding Tax Claimable

	2018	2017
	Ushs 000	Ushs 000
Withholding tax claimable	16,929,197	13,894,092

This relates to tax withheld at source claimable from Uganda Revenue Authority.

## 29. Other Payables

	2018	2017
	Ushs 000	Ushs 000
Accounts payable	24,546,950	17,853,187
Accrual for legal costs	4,677,430	6,963,360
Alcon retention payable	2,333,846	2,165,511
Deferred income	1,067,791	837,746
WHT payable	330,915	439,305
	<b>32,956,932</b>	<b>28,259,109</b>

The accounts payables are interest free and not overdue. Deferred income relates to advance rent payments from customers as required by the Fund's rental agreements.

The accrual for legal costs is analyzed as follows:

	2018	2017
	Ushs 000	Ushs 000
<b>At the beginning of the year</b>	<b>6,963,360</b>	<b>4,105,840</b>
Payments made during the year	(2,330,159)	(335,099)
Reversal of previous provisions	-	(1,894,979)
Increase in accrual during the year	44,229	5,087,598
<b>At 30 June</b>	<b>4,677,430</b>	<b>6,963,360</b>

The accrual for legal costs relates to fees for the lawyers who handled the Alcon case disclosed in Note 30 and other legal fees relating to other cases based on the fee notes raised by the lawyers. The fee notes relating to the Alcon case have been referred to court for assessment of reasonableness before they can be paid.

## 30. Provisions For Litigation

	2018	2017
	Ushs 000	Ushs 000
<b>Alcon International Limited</b>		
At the beginning of the year	12,801,429	12,277,112
Foreign exchange losses	995,116	524,317
<b>At 30 June</b>	<b>13,796,545</b>	<b>12,801,429</b>

This suit arises out of a contract entered into between Alcon International Limited ("Alcon") and the Fund for construction of the Workers House.

The suit is for recovery of unpaid money for construction work done by Alcon on the Workers' House, recovery of the value of Plant, Equipment, Machinery and Building materials left at the site, special and general damages, interest and costs of the suit. The value of the claim is USD 7,466,042. (United States Dollars Seven Million Four Hundred Sixty Six Thousand Forty Two)

The matter first proceeded to arbitration in which an arbitrary award was made in favour of Alcon. The Fund challenged the award up to the Supreme Court.

On 5 February 2013, the Supreme Court delivered its judgment remitting the case for trial in the High Court.

The provision of USD 3,553,731 is for works performed by Alcon and certified that had not been settled by the Fund.

Management is of the opinion Alcon's claim has no chance of success for the balance owing to the Supreme Court's findings of fraud and lack of a cause of action for breach of contract which are binding on the High Court.

## 31. Accumulated Members' Funds

	2018	2017
	Ushs 000	Ushs 000
At the beginning of the year	7,623,061,300	6,303,685,942
Contributions received during the year	1,049,089,149	916,908,807
Interest on arrears	4,709,663	4,065,342
Interest allocation for the year	1,090,403,511	676,655,927
<b>Members' Fund liability before benefit payments</b>	<b>9,767,263,623</b>	<b>7,901,316,018</b>
<b>Benefits paid during the year</b>		
Age benefits	(128,626,447)	(82,266,882)
Withdrawal benefits	(96,224,114)	(79,656,329)
Exempted employee benefits	(51,089,384)	(37,634,757)
Invalidity benefits	(25,073,712)	(18,461,295)
Survivors benefits	(8,521,505)	(9,287,233)
Emigration grant benefits	(50,135,332)	(50,948,222)
<b>Total benefits payments</b>	<b>(359,670,494)</b>	<b>(278,254,718)</b>
<b>At 30 June</b>	<b>9,407,593,129</b>	<b>7,623,061,300</b>

### Interest to members:

	2018	2017
	Ushs 000	Ushs 000
Prior year under provision of interest to members	(3,219,096)	(402,460)
Charge to surplus or deficit	1,100,080,203	681,404,864
<b>Total Interest available to members</b>	<b>1,096,861,107</b>	<b>681,002,404</b>



<b>Interest to members:</b>		
	<b>2018</b>	<b>2017</b>
<b>Allocated as follows:</b>		
<b>To member Funds</b>		
Opening provision balance	(3,219,096)	(402,460)
Charge to surplus or deficit	1,093,622,607	677,058,387
	<b>1,090,403,511</b>	<b>676,655,927</b>
<b>To reserves</b>		
Opening provision balance	–	–
Charge to surplus or deficit	6,457,596	4,346,477
	<b>6,457,596</b>	<b>4,346,477</b>
<b>Total provision</b>	<b>1,096,861,107</b>	<b>681,002,404</b>
<b>Total charge to surplus or deficit</b>		
Allocated to Members Fund	1,093,622,607	677,058,387
Allocated to reserves	6,457,596	4,346,477
	<b>1,100,080,203</b>	<b>681,404,864</b>

The accumulated members' Funds are made up of members' accounts which comprise all standard voluntary and supplementary contributions and interest on the contributions less benefits paid in accordance with Section 34 (1) of the National Social Security Fund Act, (Cap 222).

Interest provision for allocation to members is declared by the Minister in accordance with section 35 (2) of the National Social Security Fund Act, (Cap 222). For the year ended 30 June 2018, the Minister for Finance, Planning & Economic Development approved an interest rate of 15% (2017: 11.23 %) to be calculated and added to the members' Funds. Included in the accumulated members' Fund balance is Ushs 40.85 Billion (2017: Ushs 48.4 Billion). These relate to collections received from employers that have not yet been allocated to individual member accounts due to incomplete details of the members. Management has put in place mechanisms to continuously follow up the missing details from the employers in order to update the individual member accounts.

### 32. Reserves

		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>Ushs 000</b>	<b>Ushs 000</b>
Special contributions	(a)	55,804,847	47,019,296
Unallocated members' contributions	(b)	49,508,237	43,050,641
		<b>105,313,084</b>	<b>90,069,937</b>

#### a) Special contributions

	<b>2018</b>	<b>2017</b>
	<b>Ushs 000</b>	<b>Ushs 000</b>
At the beginning of the year	47,019,296	41,403,373
Special contributions received	8,785,551	5,615,923
<b>At 30 June</b>	<b>55,804,847</b>	<b>47,019,296</b>

In accordance with Section 13 (1) and Section 14 (1) of the National Social Security Fund Act, (Cap 222), special contributions by non-eligible employees are recognized directly in reserves since they relate to members' contributions and not operating results of the Fund.

<b>b) Unallocated members' contributions</b>	<b>2018</b>	<b>2017</b>
	<b>Ushs 000</b>	<b>Ushs 000</b>
At the beginning of the year	43,050,641	38,704,163
Provision for interest on unallocated members' contributions	6,457,596	4,346,477
	<b>49,508,237</b>	<b>43,050,640</b>

The movement in the provision for interest on unallocated members' contributions was as follows:

	<b>2018</b>	<b>2017</b>
	<b>Ushs 000</b>	<b>Ushs 000</b>
<b>At the beginning of the year</b>	<b>18,458,140</b>	<b>14,111,663</b>
Charged to surplus or deficit	6,457,596	4,346,477
<b>At 30 June</b>	<b>24,915,736</b>	<b>18,458,140</b>

As at 30 June 2018, the Fund had unallocated members' contributions of Ushs 49.5 Billion that formed part of the reserve account. As at 30 June 2007, the unallocated members' contributions amounted to Ushs 360 Billion and through the measures taken by management to identify the respective members to whom the amounts belonged, the unallocated amounts gradually reduced over the years to Ushs 24.6 Billion as at 30 June 2012.

The directors believe that, in addition to putting in place measures to curtail the growth of the unallocated amounts, the Fund had exhausted all possible measures to identify the members to whom these amounts belonged and accordingly resolved to transfer the Ushs 24.6 Billion to the reserve account in accordance with Section 36 (1) (b) of the NSSF Act. In the event that a member of the Fund presents adequate documentation to prove that there are contributions that should have been credited to their account, NSSF will transfer the contributions from the reserve account to the members' account following approval by the Minister of Finance as stipulated in Section 36 (2) of the NSSF Act. There was no transfer of these Funds during the year. Interest is accrued on these balances as stated under note 31 above.



### 33. Net Cash Used In Operating Activities

	Note	2018 Ushs'000	2017 Ushs'000
<b>Surplus from operations</b>		<b>1,486,374,606</b>	<b>823,045,699</b>
Depreciation on property and equipment	26	4,012,001	3,644,286
Gain on disposal of property and equipment	8	–	(141,100)
Gain / (loss) on disposal of equity investments held for trading	8	(128,650)	315,322
Reversal of previous provisions	29	–	(1,894,979)
Gain on disposal of investment property	8	(136,360)	–
Amortization of intangible assets	25	1,746,833	1,615,894
Share of results of associates	21	(26,664,147)	(24,548,507)
Staff loans fair value adjustment	8	(208,486)	(340,027)
Unrealized foreign exchange (gains) / loss on equity investments at fair value through profit or loss	18	(96,892,274)	1,554,430
Unrealized foreign exchange (gains) / loss on held to maturity investments	17	(235,076,669)	3,101,003
Unrealized foreign exchange (gains) / loss on held for trading investments	15	(996,002)	75,701
Unrealized foreign exchange gains on deposits with commercial banks	14	(269,465)	–
Fair value gains on investment properties	24	(48,079,065)	(19,019,795)
Fair value gains on equity investments held for trading	15	(18,321,014)	(1,558,529)
Fair value gains on equity investments at fair value through profit or loss	18	(145,800,776)	(21,877,461)
Fair value loss on finance leases	27	20,000	–
Interest income on loans & advances	19	(3,200,762)	(3,792,144)
Interest income on held to maturity investments	17	(952,757,363)	(734,355,355)
Interest income on commercial bank deposits	14	(22,176,101)	(42,951,560)
Withholding tax on investments paid at source	12(a)	(145,850,312)	(130,637,624)
Provision for litigations	30	995,116	524,317
Write off of inventory		1,100,087	–
<b>Changes in working capital</b>			
Decrease / (increase) in inventories	20	87,217	(87,214)
Increase in trade and other receivables	16	(2,725,644)	(2,190,932)
Increase in other payables	29	5,137,126	4,490,494
Increase in WHT claimable	28	(3,474,411)	(1,389,031)
<b>Net cash used in operating activities</b>		<b>(203,284,515)</b>	<b>(146,417,112)</b>

### 34. Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties. For further information regarding the outstanding balances at 30 June 2018 and 2017, refer to Notes 13, 14, 17, 19 and 21:

	2018 Ushs'000	2017 Ushs'000
<b>Bank balances</b>		
Housing Finance Bank Limited	10,545	103,541
<b>Loans and Advances</b>		
Housing Finance Bank Limited	22,333,333	26,000,000
Uganda Clays Limited	20,592,838	20,592,838
Staff loans to key management staff	432,809	530,012
	<b>43,358,980</b>	<b>47,122,850</b>
<b>Corporate Bonds</b>		
Housing Finance Bank Limited	528,065	2,644,538
<b>Fixed deposits</b>		
Housing Finance Bank Limited	40,247,673	33,213,725
<b>Treasury Bonds</b>		
Government of Uganda	5,213,531,235	4,008,618,804
<b>Dividends receivable (Associate Companies)</b>		
Housing Finance Bank Limited	8,183,241	5,415,216
Uganda Clays Limited	248,744	1,119,402
TPS (U) Limited	–	292,640
<b>As at 30 June</b>	<b>8,431,985</b>	<b>6,827,258</b>
<b>Other related party transactions during the year:</b>		
<b>Housing Finance Bank Limited</b>		
Interest income on loans and advances	3,070,844	3,644,400
Interest income on corporate bonds	153,370	427,039
Interest income on term deposits	2,783,314	4,278,756
	<b>6,007,528</b>	<b>8,350,195</b>
<b>Dividend Income</b>		
TPS (U) Limited	419,777	1,119,402
Umeme Limited	2,840,667	7,026,912
Uganda Clays	325,704	292,640
Housing Finance	5,980,840	5,415,216
	<b>9,566,988</b>	<b>13,854,170</b>
<b>Government of Uganda</b>		
Withholding tax expense for the year	145,850,313	130,637,624
Interest income on treasury bonds	643,933,725	562,403,699



**a. Housing Finance Bank Limited**

The Fund has 50% shareholding in Housing Finance Bank Limited (the bank).

**Bank balances** – The bank balances relate to balances on the current accounts held by NSSF in the bank. These accounts are non-interest bearing.

**Fixed deposits** – The Fund has fixed deposit placements with the bank maturing within a period of 365 days.

**Corporate bonds** – Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of Ushs 17.5 Billion repayable over a period of 15 years while that of Ushs 8.5 Billion is repayable over 10 years at rates of 13.5% and 13.75% respectively

**Loans** – Loans to the bank are at interest rates ranging between 11.5% and 15.5%. Refer to Note 19 for the terms and conditions of the facilities.

**b. Uganda Clays Limited**

The Fund has 32.5% shareholding in Uganda Clays Limited. Refer to Note 19 for the terms and conditions of the loan facility. The outstanding amount on the loan facility as at 30 June 2018 amounted to Ushs 20.6Billion (2017: Ushs 20.6Billion)

**c. TPS** –The Fund has 13.9% shareholding in TPS.

**d. Government of Uganda**

The Government has 100% control of the Fund. The Fund invests in treasury bonds issued by the Government which have the terms and conditions presented in Note 17. Other significant related party transactions with the Government of Uganda include payment of taxes (Pay as-You-Earn (PAYE), VAT and withholding tax on local supplies and professional services), utility costs and rental income earned from government ministries that occupy the Fund's properties.. Rental income for the year amounted to Ushs 5 Billion (2017: Ushs 4.9 Billion)

**e. Terms and conditions**

Other than the terms disclosed above, there have been no guarantees provided or received for any of the above related party balances. As at 30 June 2018, except for the amount due from Uganda Clays Limited, which had been fully provided for, the Fund had not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**f. Compensation for key management personnel and directors' emoluments**

	2018	2017
	Ushs'000	Ushs'000
<b>Non-executive directors' emoluments:</b>		
Directors' allowances	813,887	508,417
<b>Key management remuneration:</b>		
Salaries and allowances	5,190,753	3,540,787
Gratuity	955,174	672,295
	<b>6,145,927</b>	<b>4,213,082</b>
<b>Total compensation for key management personnel</b>	<b>6,959,814</b>	<b>4,721,499</b>

The amounts disclosed above are the amounts recognized as an expense during the reporting period related to key management personnel and directors.

**35. Contingent Liabilities**

- a. The Fund is a litigant in various cases for breach of contract arising in the normal course of business. The directors are of the view that the Fund has high chances of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Fund's operation. The directors are confident that the Fund shall receive favourable ruling from the outstanding cases. Information on these cases has not been disclosed as the directors consider that the disclosure of the information could prejudice the Fund's position. The cases in which the Fund is a litigant mainly relate to alleged breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.
- b. The Fund objected to a tax assessment by Uganda Revenue Authority (URA) on 15 April 2013 on the grounds that URA's tax computations wrongly disallowed expenses that are deductible for tax purposes. Management believes the tax treatment adopted by NSSF is in accordance with the provisions of Section 22(1)(a) and Section 25 of the Income Tax Act which allows a deduction for interest incurred during the year of income in respect of a debt obligation. Guidance received from the URA in 2001 allowed for these expenses to be deductible for tax purposes. There have been no changes to those sections of the Income Tax Act. The Fund has treated the interest incurred in the past in exactly the same way.

The Fund filed a suit with the High Court Commercial Division to challenge the assessment. During the mediation process, both parties agreed to reduce the taxes in dispute from Ushs.84.4 Billion to Ushs.42.2 Billion. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognized any provision for liability to the URA.

In accordance with the Income Tax Act the Fund was required to pay 30% deposit of the assessed tax as disclosed in Note 12(c). Payment of this deposit is not an admission of guilt but purely a statutory payment.

The ultimate outcome of this case cannot presently be determined. Accordingly, these matter has been disclosed as a contingent liability as the Fund currently has a possible obligation but the existence of any obligation to URA will be confirmed only by the decision of the court. There has not been a change in the proceedings since the prior year.

- c. The Fund is also a defendant on various legal actions arising from its investment property, mainly land. The Fund has been advised by its legal counsel that it is unlikely that actions from the cases will succeed. Accordingly, no provision nor disclosures for these liabilities have been made in these financial statements.



36. Use Of Estimates And Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates

The accounting policies that involve high judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- i. Impairment** – The Fund regularly reviews its assets and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Further information on impairment is disclosed in Notes 16 and Note 19.
- ii. Determining fair values** – The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Further information on determination of fair value is disclosed in Notes 24 and 38.

- iii. Provisions and contingencies** – A provision is recognized if, as a result of past events, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management has made judgments in determining the provisions presented in Note 30.
- iv. Valuation of Investment properties**– The Fund carries its investment properties at fair value, with changes in fair value being recognized in surplus or deficit. The Fund engaged an independent valuation specialist to assess fair value as at 30 June 2018 The investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties are provided in note 24.
- v. Determination of significant influence**– Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity and when the Fund’s representation on the Board of the Investee Company is 20 to 50 percent for investees where the shareholding is below 20 percent.
- vi. Lease classification**– Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Fund. The carrying amounts are disclosed in note 27.

37. Financial Risk Management

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk,
- Liquidity risk,
- Credit risk, and
- Capital management risk.

Included below is information about the Fund’s exposure to each of the above risks, the Fund’s objectives, policies and processes for measuring and managing the risks and the Fund’s management of capital.

Risk management framework

The Fund’s Board of Directors has overall responsibility for the establishment and oversight of the Fund’s risk management framework. The Board has established an Audit and Risk Committee, and the Risk Department, which are responsible for developing and monitoring the risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Fund’s risk management policies are established to identify and analyze 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 standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Fund’s Audit and 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 Audit and Risk Committee is assisted in these functions by Internal Audit and Risk functions.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

**a. Market risk**

Market risk is the risk that changes in market prices, such as investment prices, interest rates and foreign exchange rates will affect the Fund’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimizing the return on investment.

**Management of market risks**

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse movements in the market variables such as equity, bonds and property prices, currency exchange rates and interest rates.

The Board grants authority to take on market risk exposure to the Management Investment Committee (MIC). This committee manages this risk through the guidelines set out in the Fund’s investment policy.

**Equity price risk**

The Fund is exposed to equity securities price risk through its investments in quoted and unquoted shares. The Fund’s Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund’s investment policy. All shares held by the Fund are either quoted or traded on the Uganda, Dar es salaam, Rwanda and Nairobi Securities Exchanges.

The table below shows the effect of share price sensitivity on the surplus before tax based on the share price volatility as at 30 June 2018:

Type of Investment	Change in share price %	Effect on surplus before tax
	Ushs 000	Ushs 000
Equity securities held-for-trading	+/-5%	+/-5,609,060
Equity investments at fair value through profit or loss	+/-5%	+/-65,832,379

**Property price risk**

The Fund is exposed to property price risk through its investments in real estate properties. The Fund’s Investment committee diversifies its portfolio. Diversification of the portfolio is done in accordance with the guidelines set out in the Fund’s investment policy.

The table below shows the effect of property price sensitivity on the surplus before tax based on the property price volatility as at 30 June 2018:

	Change in property price %	Effect on surplus before tax
	Ushs 000	Ushs 000
Investment property	+/-5%	+/- 23,398,813

**Currency risk**

The Fund is exposed to currency risk through transactions in foreign currencies. The Fund transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Fund ensures that its net exposure is kept to an acceptable level by matching foreign currency assets to liabilities when considered appropriate. Monitoring of foreign currency fluctuations is done through the Management and Investment Committee. The Fund operates wholly within Uganda and its assets and liabilities are reported in Uganda Shillings, although it maintains some of its assets and trades with banks in foreign currencies.

The Fund had the following currency positions as at 30 June 2018. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Rwf	Total
<b>Financial assets</b>					
Cash and bank balances	1,345,859	1,450,841	1,883,343	648,436	5,328,479
Equity securities held-for-trading	–	84,725,360	14,398,579	–	99,123,939
Trade and other receivables	–	2,221,650	4,958,127	2,527,653	9,707,430
Investments in securities held-to-maturity	–	1,230,821,284	546,378,683	21,174,789	1,798,374,756
Equity investments at fair value through profit or loss	116,483,008	776,643,547	252,203,355	53,843,004	1,199,172,914
<b>Total assets</b>	<b>117,828,867</b>	<b>2,095,862,682</b>	<b>819,822,087</b>	<b>78,193,882</b>	<b>3,111,707,518</b>
<b>Financial liabilities</b>					
Other payables	(7,244,963)	–	–	–	(7,244,963)
	<b>(7,244,963)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7,244,963)</b>
<b>Currency gap At 30 June 2018</b>	<b>110,583,904</b>	<b>2,095,862,682</b>	<b>819,822,087</b>	<b>78,193,882</b>	<b>3,104,462,555</b>

The Fund had the following currency positions as at 30 June 2017. All balances are in Ushs'000's.

	USD	Kshs	Tshs	Rwf	Eur	Total
<b>Financial assets</b>						
Cash and bank balances	25,727,588	834,773	7,661,286	–	–	34,223,647
Equity securities held-for-trading	–	65,446,677	11,178,400	–	–	76,625,077
Trade and other receivables	3,104,202	104,504	5,941,400	2,128,472	–	11,278,578
Investments in securities held-to-maturity	–	1,281,125,864	348,405,524	18,769,954	–	1,648,301,342
Equity investments at fair value through profit or loss	100,631,823	533,260,702	144,586,170	44,644,820	2,057,273	825,180,788
<b>Total assets</b>	<b>129,463,613</b>	<b>1,880,772,520</b>	<b>517,772,780</b>	<b>65,543,246</b>	<b>2,057,273</b>	<b>2,595,609,432</b>
<b>Financial liabilities</b>						
Other payables	(645,562)	–	–	–	–	(645,562)
	<b>(645,562)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(645,562)</b>
<b>Currency gap At 30 June 2017</b>	<b>128,818,051</b>	<b>1,880,772,520</b>	<b>517,772,780</b>	<b>65,543,246</b>	<b>2,057,273</b>	<b>2,594,963,870</b>

The table below indicates the currencies to which the Fund had significant exposure at 30 June on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement of the currency rate against the Uganda Shilling, with all other variables held constant, on the statement of changes in net assets available for benefits (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

A negative amount in the table reflects a potential net reduction in the surplus for the year and equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Uganda Shilling would have resulted in an equivalent but opposite impact.

Currency	Change in currency rate in %	Effect on surplus before tax	Change in currency rate in %	Effect on surplus before tax
	2018	2018	2017	2017
	Ushs '000		Ushs '000	
USD	+/-5%	+/-5,859,165	+/-5%	+/-6,440,903
KES	+/-5%	+/- 104,793,134	+/-5%	+/- 94,038,626
TZS	+/-5%	+/- 40,991,104	+/-5%	+/- 25,888,639
RWF	+/-5%	+/- 3,909,694	+/-5%	+/- 3,277,162
EUR	+/-5%	+/- 112,881	+/-5%	+/- 102,864

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
	Ushs		Ushs	
KES	35.91	34.73	38.45	34.52
USD	3670.91	3,602.25	3882.27	3,522.54
TZS	1.63	1.6083	1.71	1.5975
EUR	4,390	4,132	4,515	4,115
RWF	4.30	4.283	4.43	4.295

#### Interest rate risk

In broad terms, interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in interest rates. The Fund's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Fund's business strategies. In order to minimize interest rate risk, the Fund has a policy whereby the approved investment commitments are matched to members' Funds.

The Fund does not account for any fixed rate or variable rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the reporting date will not affect the Fund's surplus or deficit but would change the future performance of the Fund. The financial assets held at variable interest rates relate to the corporate bonds for African Development Bank (ADB). These balances are not significant when compared with the total financial assets of the Fund as at year-end, hence a change of 1 basis point in the interest rate for these instruments would have an insignificant effect on the statement of changes in net assets available for benefits.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing dates and the maturity dates. All balances are in Ushs 000.



2018 Assets	<3 months	3–12 months	> 1 year	Non–Interest bearing	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cash and bank balances	12,308,698	–	–	5,614,310	17,923,008
Deposits with commercial banks	–	99,835,759	–	–	99,835,759
Equity securities held–for–trading	–	–	–	112,181,205	112,181,205
Trade and receivables	–	–	–	41,181,526	41,181,526
Investments in securities held–to–maturity	247,046,309	910,765,604	6,196,751,865	–	7,354,563,778
Equity investments at fair value through profit or loss	–	–	–	1,326,207,276	1,326,207,276
Loans and advances	–	–	22,985,894	–	22,985,894
<b>Total assets</b>	<b>259,355,007</b>	<b>1,010,601,363</b>	<b>6,219,737,759</b>	<b>1,485,184,317</b>	<b>8,974,878,446</b>
<b>Liabilities</b>					
Other payables	–	–	–	(31,853,816)	(31,853,816)
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(31,853,816)</b>	<b>(31,853,816)</b>
<b>Gap as at 30 June 2018</b>	<b>259,355,007</b>	<b>1,010,601,363</b>	<b>6,219,737,759</b>	<b>1,453,330,501</b>	<b>8,943,024,630</b>

2018 Assets	<3 months	3–12 months	> 1 year	Non–Interest bearing	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cash and bank balances	49,018,424	–	–	7,224,445	56,242,869
Deposits with commercial banks	–	224,775,364	–	–	224,775,364
Equity securities held–for–trading	–	–	–	88,373,503	88,373,503
Trade and other receivables	–	–	–	39,716,248	39,716,248
Investments in securities held–to–maturity	45,505,610	259,682,437	5,441,871,567	–	5,747,059,614
Equity investments at fair value through profit or loss	–	–	–	899,971,553	899,971,553
Loans and advances	–	–	26,879,508	–	26,879,508
<b>Total assets</b>	<b>94,524,034</b>	<b>484,457,801</b>	<b>5,468,751,075</b>	<b>1,035,285,749</b>	<b>7,083,018,659</b>
<b>Liabilities</b>					
Trade payables	–	–	–	(26,982,055)	(26,982,055)
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(26,982,055)</b>	<b>(26,982,055)</b>
<b>Gap as at 30 June 2017</b>	<b>94,524,034</b>	<b>484,457,801</b>	<b>5,468,751,075</b>	<b>1,008,303,694</b>	<b>7,056,036,604</b>

**b. Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. It includes both the risk of being unable to Fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

**Management of liquidity risk**

The Fund has access to a diverse Funding base. Funds are raised mainly from members' contributions and reserves. The Fund continually assesses liquidity risk by identifying and monitoring changes in Funding required in meeting business goals and targets set in terms of the overall Fund strategy. In addition, the Fund has a Management Investment Committee that meets on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

**Exposure to liquidity risk**

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2018 to the contractual maturity date. All balances are in Ushs 000.

At 30 June 2018	Matured	<3 months	3–12 months	1–5 years	> 5 years	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
<b>Financial assets</b>						
Cash and bank balances	17,894,729	–	–	–	–	17,894,729
Deposits with commercial banks	–	–	99,835,759	–	–	99,835,759
Equity securities held–for–trading	–	–	–	112,181,205	–	112,181,205
Trade and other receivables	–	–	41,181,526	–	–	41,181,526
Investments in securities held–to–maturity	–	92,337,840	910,765,604	4,724,244,546	8,947,175,559	14,674,523,549
Equity investments at fair value through profit or loss	–	–	–	–	1,326,207,276	1,326,207,276
Loans and advances	–	–	2,740,365	27,745,421	1,559,757	32,045,543
<b>Total financial assets</b>	<b>17,894,729</b>	<b>92,337,840</b>	<b>1,054,523,254</b>	<b>4,864,171,172</b>	<b>10,274,942,592</b>	<b>16,303,869,587</b>
<b>Financial liabilities</b>						
Other payables	–	(19,931,423)	–	(11,922,393)	–	(31,853,816)
<b>Financial liabilities</b>	<b>–</b>	<b>(19,931,423)</b>	<b>–</b>	<b>(11,922,393)</b>	<b>–</b>	<b>(31,853,816)</b>
<b>Liquidity gap as at 30 June 2018</b>	<b>17,894,729</b>	<b>72,406,417</b>	<b>1,054,523,254</b>	<b>4,852,248,779</b>	<b>10,274,942,592</b>	<b>16,272,015,771</b>

At 30 June 2017	Matured	<3 months	3–12 months	1–5 years	> 5 years	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
<b>Financial assets</b>						
Cash and bank balances	56,242,869	–	–	–	–	56,242,869
Deposits with commercial banks	–	–	224,775,364	–	–	224,775,364
Equity securities held–for–trading	–	–	–	88,373,503	–	88,373,503
Trade and other receivables	–	–	39,716,248	–	–	39,716,248
Investments in securities held–to–maturity	–	462,158,168	1,386,474,503	1,848,632,670	5,545,898,011	9,243,163,352
Equity investments at fair value through profit or loss	–	–	–	–	899,971,553	899,971,553
Loans and advances	–	–	–	–	36,287,336	36,287,336
<b>Total financial assets</b>	<b>56,242,869</b>	<b>462,158,168</b>	<b>1,650,966,115</b>	<b>1,937,006,173</b>	<b>6,482,156,900</b>	<b>10,588,530,225</b>
<b>Financial liabilities</b>						
Other payables	–	(14,704,943)	–	(12,277,112)	–	(26,982,055)
<b>Financial liabilities</b>	<b>–</b>	<b>(14,704,943)</b>	<b>–</b>	<b>(12,277,112)</b>	<b>–</b>	<b>(26,982,055)</b>
<b>Liquidity gap as at 30 June 2017</b>	<b>56,242,869</b>	<b>447,453,225</b>	<b>1,650,966,115</b>	<b>1,924,729,061</b>	<b>6,482,156,900</b>	<b>10,561,548,170</b>

**c. Credit risk**

Credit risk is the risk of financial loss to the Fund if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans and advances, trade and other receivables, deposits with commercial banks and investments in government and corporate bonds. For risk management reporting purposes, the Fund considers all elements of credit risk exposure such as individual obligator default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

**Management of credit risk**

The Board of Directors has delegated responsibility for the management of credit risk to its Management Investment Committee. The Investments Department is responsible for oversight of the Fund's credit risk, including:

- Formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting. Documentary, legal procedures and compliance with regulatory and statutory requirements is done in consultation with the Fund's Legal and Compliance Department.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to the Management Investment Committee. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing compliance of investment mix with agreed exposure limits, including those for selected industries, country risk and product types. The Fund's Investment Committee is responsible for monitoring the credit quality of investments and ensuring that appropriate corrective action is taken and providing advice, guidance and specialist skills to business units to promote best practice throughout the Fund in the management of credit risk.

The Investment department is required to implement the Fund's credit policies and procedures, with credit approval authorities delegated from the Fund's Board of Directors. The Investment department is responsible for the quality and performance of the Fund's investment portfolio and for monitoring and controlling all credit risks in the Fund's portfolio, including those subject to Board approval.

Regular audits of the Investment department and the Fund's credit processes are undertaken by the Internal Audit department.

**Exposure to credit risk**

The carrying amounts of financial assets represents the maximum credit exposure. The maximum credit exposure as at the reporting date was:

	Note	2018 Ushs 000	2017 Ushs 000
Bank balances	13	17,886,073	56,225,311
Deposits due from banks	14	99,835,759	224,775,364
Trade and other receivables	16	41,181,526	39,716,248
Investment securities held-to-maturity	17	7,354,563,778	5,747,059,614
Loans and advances	19	22,985,894	26,879,508
		<b>7,536,453,030</b>	<b>6,094,656,045</b>

The concentration of credit risk for loans at amortized cost as at the reporting date was:

	2018 Ushs 000	2017 Ushs 000
Housing Finance Bank Limited	22,333,333	26,000,000
Staff loans	652,561	879,508
	<b>22,985,894</b>	<b>26,879,508</b>

The aging of loans at amortized cost as at the reporting date was as follows:

	30 June 2018		30 June 2017	
	Gross	Impairment	Gross	Impairment
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Neither past due nor impaired	22,985,894	–	26,879,508	–
Past due 30–60 days	–	–	–	–
Past due 31–120 days	–	–	–	–
Past due 120–360 days	20,592,838	(20,592,838)	20,592,838	(20,592,838)
More than a year	–	–	–	–
	<b>43,578,732</b>	<b>(20,592,838)</b>	<b>47,472,346</b>	<b>(20,592,838)</b>

As at the reporting date, there were no impairment loss allowances in respect of held to maturity investments.

The concentration of credit risk for trade and other receivables as at the reporting date by type of receivables was as follows:

	2018 Ushs 000	2017 Ushs 000
Rent receivable	4,636,719	3,501,173
Contributions receivable	889,095	889,095
Staff advances	107,735	108,449
Cash advances to investment managers	1,269,073	1,219,066
Dividends receivable	34,337,967	33,604,493
Trade receivables	9,244,300	8,287,816
Provision for Impairment losses	(10,739,257)	(7,893,843)
	<b>39,745,632</b>	<b>39,716,249</b>

The aging of trade and other receivables as at the reporting date was as follows:

	30–Jun–18		30–Jun–17	
	Gross	Impairment	Gross	Impairment
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
Neither past due nor impaired	33,367,077	–	36,412,981	–
Past due 30–60 days	2,836,293	–	1,851,717	–
Past due 31–120 days	1,888,646	–	904,072	–
Past due 120–360 days	3,089,510	–	547,479	–
Past due 360 days	10,739,257	(10,739,257)	7,893,844	(7,893,844)
	<b>51,920,783</b>	<b>(10,739,257)</b>	<b>47,610,093</b>	<b>(7,893,844)</b>



Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due by 360 days.

The allowance account in respect of trade and other receivables (as per Note 16) is used to record impairment losses unless the Fund is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off against the financial asset directly.

**d. Categories of financial assets and financial liabilities**

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of net assets available for benefits are analyzed as follows:

	Carrying Amount		Fair value	
	2018 Ushs 000	2017 Ushs 000	2018 Ushs 000	2017 Ushs 000
<b>FINANCIAL ASSETS</b>				
<b>Held-for-trading</b>				
Investment securities held-for-trading	112,181,205	88,373,503	112,181,205	88,373,503
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	1,326,207,276	899,971,553	1,326,207,276	899,971,553
<b>Loans and receivables</b>				
Deposits with commercial banks	99,835,759	224,775,364	99,835,759	224,775,364
Cash and bank balances	17,923,008	56,242,869	17,923,008	56,242,869
Trade and other receivables	41,181,526	39,716,248	41,181,526	39,716,248
<b>Loans and advances</b>	<b>22,985,894</b>	<b>26,879,508</b>	<b>22,707,765</b>	<b>27,301,590</b>
<b>Total</b>	<b>181,926,187</b>	<b>347,613,989</b>	<b>181,648,058</b>	<b>348,036,071</b>
Held-to-maturity investments	7,354,563,778	5,959,877,041	7,465,573,556	6,055,235,074
<b>Total financial assets</b>	<b>8,974,878,446</b>	<b>7,295,836,086</b>	<b>9,085,610,095</b>	<b>7,391,616,201</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities measured at amortized cost</b>				
Other payables	31,853,816	26,982,055	31,853,816	26,982,055

**e. Capital management**

The primary source of capital used by the Fund is member contributions and income from investments. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses.

The process is ultimately subject to approval by the Board. There have been no significant changes in the Fund's capital management policies and processes and capital structure during the past year and previous year. An important aspect of the Fund's overall capital management process is the setting of target risk and inflation adjusted rates of return, which are aligned to performance objectives and ensure that the Fund is focused on the creation of value for the members.

The Fund's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate actions that will provide the target return in light of changes in economic conditions and risk characteristics.

The Fund seeks to optimize the structure and investment of capital to ensure that it consistently maximizes returns to its members within an acceptable risk appetite. The NSSF Act provides that members must be provided with a minimum return of at least 2.5%. An interest rate of 15% was declared for the year 2018 (2017: 11.23%).

**38. Fair Value Measurement**

Fair values of cash and deposits with commercial banks, trade receivables, loans and advances and other payables reasonably approximate their carrying amounts largely due to the short-term maturities of these instruments and/or because they carry interest rates that reasonably approximate market rates.

The carrying amounts of equity securities held for trading and at fair value through profit of loss are the same as their fair values since the instruments are presented at fair value.

The financial instruments whose fair values differ from the carrying amounts as shown in the statement of net assets available for benefits are analyzed as follows:

	30 June 2018		30 June 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Investment securities held to maturity	7,354,563,778	7,465,573,556	5,747,059,614	6,055,235,074

**Valuation techniques**

Description of valuation techniques used and key inputs to valuation for investment properties are disclosed under note 24, and below for held to maturity investments (Government debt securities and Corporate bonds) and investments at fair value through Profit or loss:

**Government debt securities**

–Government debt securities are bonds issued by sovereign governments i.e. Uganda, Kenya, Tanzania, Rwanda with fixed interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

**Other debt securities**

Most of these instruments are standard fixed rate securities made up of majorly corporate bonds. The Fund uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value. Corporate bonds are generally Level 2 instruments where usually there is not sufficient third party trading data to justify Level 1 classification. The corporate bonds held by the Fund have sufficient third party trading and have therefore been considered Level 1

**Equity instruments**

The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. Units held in Funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions. Such instruments are generally Level 2. Equity instruments in non-listed entities include investment in private equity Funds are initially recognized at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as Level 3. The Fund does not hold equity investments that would be valued at cost due lack of reliable information to value them.

The following table provides the fair value measurement hierarchy of the Fund's assets and liabilities measured at fair value or those for which fair value is disclosed:

**As at 30 June 2018**

Fair value measurement using					
	Date of valuation	Total	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Ushs '000	Ushs '000	Ushs '000	Ushs '000
<b>Assets measured at fair value</b>					
Investment at fair value through profit or loss (Note 18)	30-Jun-18	1,326,207,276	1,200,164,566	126,042,710	–
Quoted equities—held for trading (Note 15)	30-Jun-18	112,181,205	112,181,205	–	–
Investment Properties (Note 24)	30-Jun-18	464,627,140	–	–	464,627,140
<b>Assets for which fair values are disclosed</b>					
Investment securities held to maturity	30-Jun-18	7,465,573,556	7,465,573,556	–	–

There have been no transfers between the levels during the period.

**As at 30 June 2017**

Fair value measurement using					
	Date of valuation	Total	Quoted price in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
		Ushs '000	Ushs '000	Ushs '000	Ushs '000
<b>Assets measured at fair value</b>					
Investment at fair value through profit or loss (Note 18)	30-Jun-17	899,971,553	797,282,458	102,689,095	–
Quoted equities—held for trading (Note 15)	30-Jun-17	88,373,503	88,373,503	–	–
Investment Properties (Note 24)	30-Jun-17	188,210,449	–	–	188,210,449
<b>Assets for which fair values are disclosed</b>					
Investment securities held to maturity	30-Jun-17	6,055,235,074	6,055,235,074	–	–

**Level 3 reconciliation**

The following table shows a reconciliation of all movements in the fair value of items categorized within Level 3 between the beginning and the end of the reporting period:

	Investment properties
<b>2018</b>	<b>Shs'000</b>
<b>At 1 July 2017</b>	<b>188,210,449</b>
Total gains in surplus or deficit	48,079,065
Purchases	21,784,965
Sales	(363,640)
Reclassifications	206,916,301
<b>At 30 June 2018</b>	<b>464,627,140</b>
<b>Total gains for the period included in surplus or deficit for assets at the end of the reporting report (Note 24)</b>	<b>48,079,065</b>
<b>2017</b>	
<b>At 1 July 2016</b>	<b>139,345,000</b>
Total (loses)/gains in surplus or deficit	19,019,795
Purchases	29,845,654
<b>At 30 June 2017</b>	<b>188,210,449</b>
<b>Total gains for the period included in surplus or deficit for assets at the end of the reporting report (Note 24)</b>	<b>19,019,795</b>

**Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy**

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2018 and 2017 are, as shown below:

Description	Input	Sensitivity used*	Effect on the Fair value
			Ushs,000
<b>Workers house</b>	Estimated rental value	2018: 10%	13,248,000
		2017:10%	11,923,200
	Estimated rental expenditure	2018:10%	6,372,000
		2017:10%	5,734,800
	Vacancy factor	2018:1%	1,404,000
		2017:1%	1,263,600
Discount factor	2018:1%	7,610,400	
	2017:1%	6,849,360	
<b>Social Security house</b>	Estimated rental value	2018: 10%	3,816,000
		2017:10%	3,739,680
	Estimated rental expenditure	2018:10%	828,000
		2017:10%	811,440
	Vacancy factor	2018:1%	421,200
		2017:1%	412,776
Discount factor	2018:1%	4,064,400	
	2017:1%	3,983,112	



\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value

No sensitivity analysis was done for the other properties as these were revalued using the sales comparison approach which was considered to be the most appropriate to determine the fair values of the properties that were mainly composed of vacant land with no establishments to warrant use of other methods with varying inputs.

### 39. Maturity Analysis Of Assets And Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 30 June 2018

	Within 12 months	After 12 months	Total
	Ushs'000	Ushs'000	Ushs'000
<b>ASSETS</b>			
Cash and bank balances	17,894,729	–	17,894,729
Deposits with commercial banks	99,835,759	–	99,835,759
Trade and other receivables	47,763,900	–	47,763,900
Equity securities held–for–trading	–	112,181,205	112,181,205
Tax deposit receivable	–	25,323,522	25,323,522
Investments in securities held–to–maturity	1,157,811,913	6,196,751,865	7,354,563,778
Equity investments at fair value through profit or loss	–	1,326,207,276	1,326,207,276
Loans and advances	1,563,265	21,422,629	22,985,894
Investments in associates	–	299,635,870	299,635,870
Capital work–in–progress	–	177,845,987	177,845,987
Investment properties	–	464,627,140	464,627,140
Intangible assets	–	6,628,743	6,628,743
Property and equipment	–	11,318,028	11,318,028
Tax claimable	–	16,929,198	16,929,198
Finance leases	–	630,000	630,000
<b>Total assets</b>	<b>1,324,869,566</b>	<b>8,659,501,463</b>	<b>9,984,371,029</b>
<b>LIABILITIES</b>			
Other payables	32,956,932	–	32,956,932
Provisions for litigation	13,796,545	–	13,796,545
<b>Total liabilities</b>	<b>46,753,477</b>	<b>–</b>	<b>46,753,477</b>

As at 30 June 2017

	Within 12 months	After 12 months	Total
	Ushs'000	Ushs'000	Ushs'000
<b>ASSETS</b>			
Cash and bank balances	56,242,869	–	56,242,869
Deposits with commercial banks	224,775,364	–	224,775,364
Trade and other receivables	45,038,256	–	45,038,256
Equity securities held–for–trading	–	88,373,503	88,373,503
Tax deposit receivable	–	25,323,522	25,323,522
Investments in securities held–to–maturity	305,188,047	5,441,871,567	5,747,059,614
Equity investments at fair value through profit or loss	–	899,971,553	899,971,553
Loans and advances	3,893,614	22,985,894	26,879,508
Inventories (Office supplies)	1,187,304	–	1,187,304
Investments in associates	–	266,525,086	266,525,086
Capital work–in–progress	–	323,834,522	323,834,522
Investment properties	–	188,210,449	188,210,449
Intangible assets	–	5,770,533	5,770,533
Property and equipment	–	10,966,843	10,966,843
Tax claimable	–	13,894,092	13,894,092
Finance leases	–	650,000	650,000
<b>Total assets</b>	<b>636,325,454</b>	<b>7,288,377,564</b>	<b>7,924,703,018</b>
<b>LIABILITIES</b>			
Other payables	28,259,109	–	28,259,109
Provisions for litigation	12,801,429	–	12,801,429
<b>Total liabilities</b>	<b>41,060,538</b>	<b>–</b>	<b>41,060,538</b>

### 40. Establishment

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

### 41. Subsequent Events

There were no material events occurring after the reporting date which had an impact on the financial position or results of the Fund.

## Appendix II: Company Information

### NSSF Contact Information

#### Head Office

14th Floor, Workers House  
Plot No.1 Pilkington Road  
P.O.Box 7140, Kampala  
Tel: +256 313 331755/  
+256 417 331755  
Email: customerservice@nssfug.org

#### Auditor

##### The Auditor General

Office of the Auditor General  
Finance Building, Apollo Kaggwa Road  
P.O.Box 7083, Kampala

#### Delegated Auditor

##### KPMG

Certified Public Accountants  
3rd Floor, Rwenzori Courts  
Plot 2 & 4a, Nakasero Road  
P.O.Box 3509, Kampala

#### Main Bankers

##### Stanbic Bank Uganda Limited

Plot 17 Hannington Road,  
P.O.Box 7131, Kampala

##### Standard Chartered Bank Uganda Limited

Speke Road,  
P.O.Box 7111, Kampala

##### Housing Finance Bank Limited

Plot 25 Kampala Road,  
P.O.Box 1539, Kampala

##### Tropical Bank Limited

Plot 27, Kampala Road  
P.O.Box 9485, Kampala

##### CitiBank Uganda Limited

Centre Court, Plot 4 Ternan Avenue, Nakasero  
P.O.Box 7505, Kampala

##### Bank of Baroda Uganda Limited

Plot 18 Kampala Road,  
P.O.Box 7197, Kampala

##### Barclays Bank of Uganda Limited

Plot 2A & 4A Nakasero Road,  
P.O.Box 7101, Kampala

##### DFCU Bank Limited

Impala House,  
Plot 13 Kimathi Avenue,  
P.O.Box 70, Kampala

#### Advocates

##### Sebalu & Lule Advocates

S&L Chambers  
Plot 14, Mackinon Road  
P.O.Box 2255, Kampala

##### Kiwanuka & Karugire Advocates

Plot 5A2 Acacia Avenue,  
P.O.Box 6061, Kampala

##### Kampala Associated Advocates

Plot 14, Nakasero Road,  
P.O.Box 9566, Kampala

##### Kasiry, Byaruhanga & Company Advocates

Plot 33, Clement Avenue,  
P.O.Box 10946, Kampala

##### GP Advocates

(Formerly Omunyokol & Company Advocates)  
Colline House, 3rd Floor  
Plot 4, Pilkington Road,  
P.O.Box 6737, Kampala

##### Nangalwa, Rezida & Company Advocates

Plot 9, Yusuf Lule Road,  
P.O.Box 10304, Kampala

## Appendix III: Financial Definitions

#### Total Revenue (Ushs)

Income generated from various investment activities associated with the main operations of the Fund and shown before any costs or expenses are deducted.

#### Realized Revenue (Ushs)

Profits or Income from completed transactions.

#### Unrealized Revenue (Ushs)

Profits or Income occurring on paper, but the relevant transactions not yet completed. Also called paper profit or paper Income, because it is recorded on paper but has not actually been realized. It includes gains on; Revaluation, Equity Investments and Foreign Exchange.

#### Cost of Administration

Total Operating costs / expenses, associated with company management, direction, policy or business activities / Operations.

#### Accumulated Members' Funds

Total Amount of money collected over a period of time from employees and other contributors in the private sector plus interest credited to members over time.

#### Interest to Members

Amount credited to members accounts based on the income earned from various investments.

#### Asset Growth

Movement in Total Assets.

#### Return on Average Investment (%)

Gain generated on an investment relative to the amount of money invested.

#### Cost Income Ratio (%)

Total Operating Costs expressed as a percentage of Total Income.

#### Return on Member's Fund (%)

Gain generated in the period expressed as a percentage of Member Fund balance.

#### Compliance Level (%)

Active members contributing consistently as a percentage of total active members.

#### Strategic Assets Allocation

A portfolio strategy that involves setting target allocations for various asset classes and re-balancing periodically.

#### Dividend Income

A distribution of a portion of a company's earnings, decided by the board of directors, paid to a class of its shareholders.

#### Share of Results/ Profits from Associate

A portion, allocation or share of Investee company profits in which the Fund owns a significant portion of voting shares (20 – 50%).

#### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### Investment Portfolio

A compilation of Investment assets designed to achieve a specific investment objective based on parameters such as risk tolerance, time horizon, asset preference, and liquidity needs with a potential to achieve the desired returns, while minimizing risk and volatility through proper diversification and balance.

#### Fixed Income Portfolio

Assets or securities in an Investment portfolio paying regular income in the form of coupon, interest and principal at maturity.

#### Equity Portfolio

Stock or any other security in an investment portfolio representing an ownership interest in Investee companies.

#### Real Estate Portfolio

Physical Securities and Assets in Investment portfolio purchased, owned, sold, managed for rental income for a profit.

#### Convexity

Convexity is a measure of the degree of the curve, in the relationship between bond prices and bond yields. It demonstrates how the duration of a bond changes as the interest rate changes. We use it as a risk-management tool, to measure and manage out portfolio's exposure to interest rate risk.

#### Sharpe Ratio

Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Subtracting the risk-free rate from the mean return allows us to better isolate the profits associated with risk-taking activities. The greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.





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