



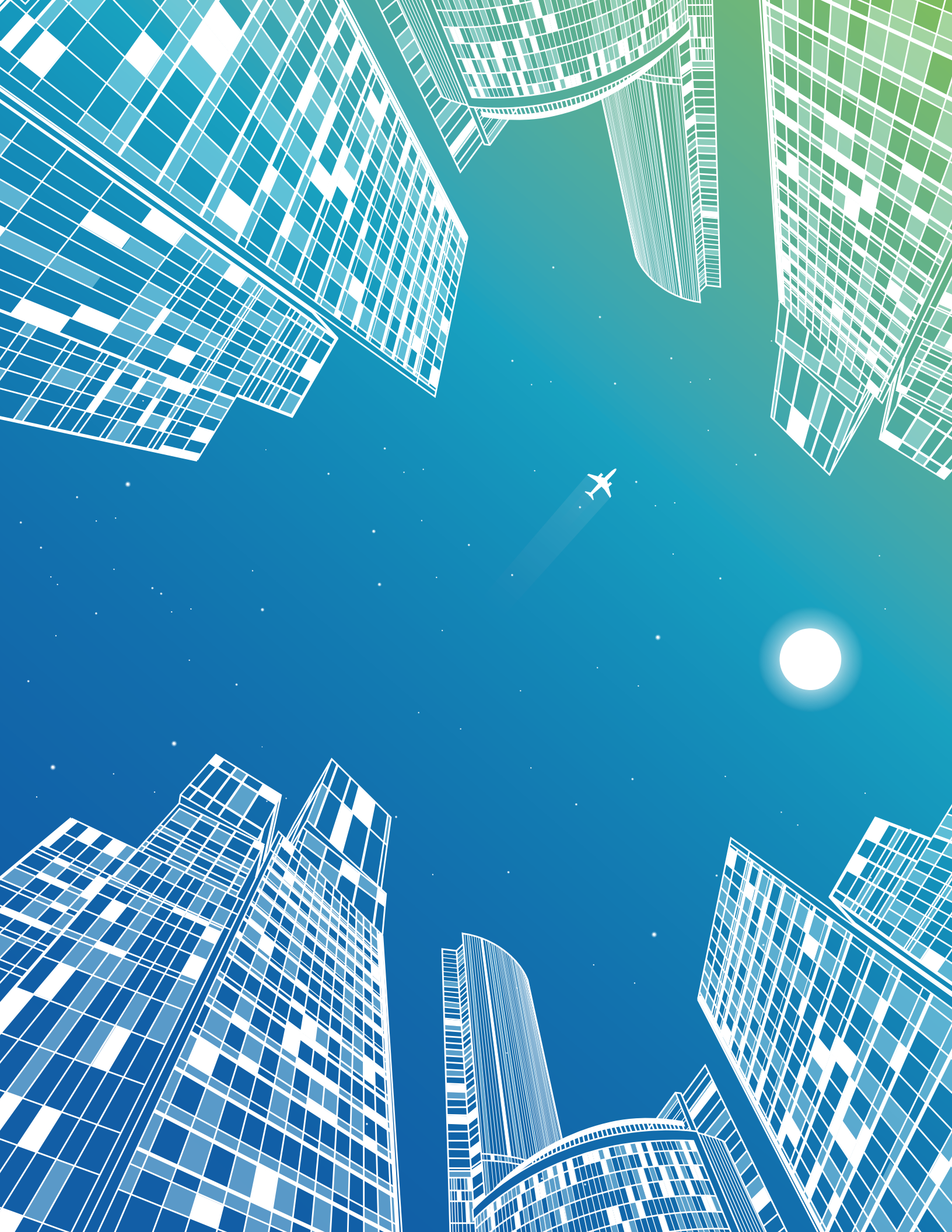
The Pursuit of Excellence

Annual Report

2016









# Table Of Contents

Company Information	i
List Of Acronyms	iii
About This Report	v
<b>1. Our Business</b>	<b>2</b>
About The Fund	3
Our Offices	5
Mission, Vision & Core Values	7
Our Achievements	9
Our Business	11
Financial and Operational Highlights	15
Chairman’s Statement	17
Board Of Directors	23
Managing Director’s Statement	29
Executive Committee	35
Our Strategy	43



## 2. Financial & Business Review

Operating Environment Review	57
Chief Financial Officer’s Report on Financial Performance	61
The Fund’s Business Review	69

## 3. Corporate Governance & Risk Management

Head of Risk’s Risk Management Report	97
Chairman’s Governance Overview	109
Board Of Directors	113

96





**4. Sustainability Report 128**

How we Approach Sustainability	129
Societal Value Creation	133
Sustainable Economic Contribution	147
Managing Our Environmental Footprint	149
Corporate Social Responsibility	153
Global Reporting Initiative	163



**5. Audited Financial Statements 170**

Report Of The Directors For The Year Ended 30th June 2016	171
Statement Of Directors' Responsibility For The Year Ended 30th June 2016	172
Report of The Auditor General On The Financial Statements of The National Social Security Fund for the Year Ended 30th June 2016	173
Statement of Changes in Net Assets Available for Benefits As at 30th June 2016	174
Statement of Net Assets Available for Benefits As at 30th June 2016	175
Statement of Changes in Members' Funds and Reserves As at 30th June 2016	176
Statement of Cash flows For the Year Ended 30th June 2016	177
Notes to the Financial Statements For The Year Ended 30th June 2016	178

## Company Information

### **NSSF Contact Information**

#### **Head Office**

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

#### **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

##### **Kasirye, 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

**Ligormac Advocates**

5th Floor Western Wing,  
Social Security House,  
P.O.Box 10946, Kampala

**Nangalwa, Rezida & Company Advocates**

Plot 9, Yusuf Lule Road,  
P.O.Box 10304, Kampala



Workers House that houses NSSF offices



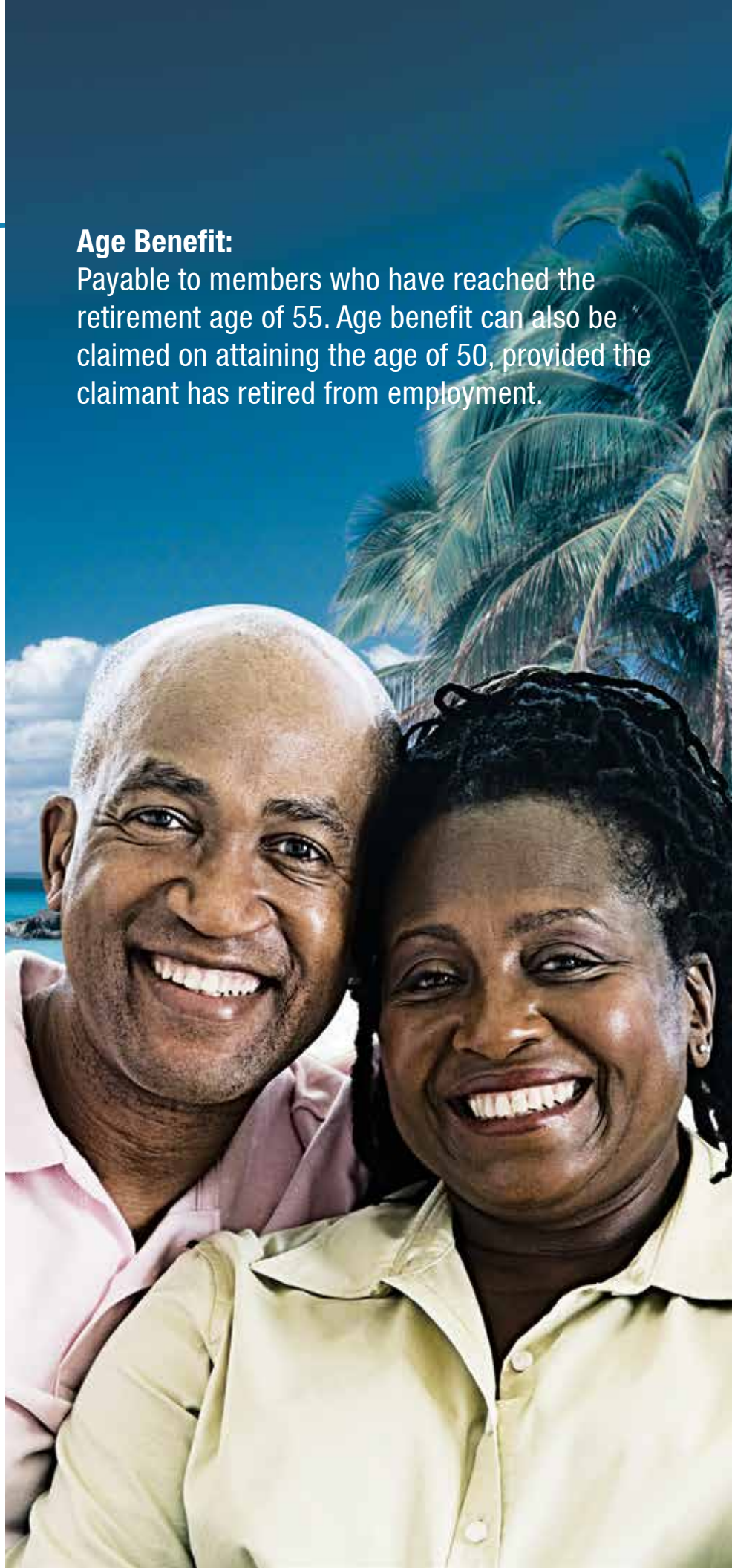
## List Of Acronyms

<b>ACCA</b>	Association of Chartered Certified Accountants	<b>IFRS</b>	International Financial Reporting Standards
		<b>IMF</b>	International Monetary Fund
<b>AMM</b>	Annual Members' Meeting	<b>KCCA</b>	Kampala City Council Authority
<b>BA.</b>	Bachelor of Arts	<b>KPI</b>	Key Performance Indicator
<b>BRITAM</b>	British–American Investments Company	<b>Kshs.</b>	Kenyan Shilling
<b>BSc.</b>	Bachelor of Sciences	<b>LHP</b>	Lubowa Housing Project
<b>CCW</b>	Customer Connect Week	<b>MBA</b>	Masters of Business Administration
<b>COFTU</b>	Central Organisation Of Free Trade Unions	<b>MoFPED</b>	Ministry of Finance, Planning and Economic Development
<b>CSR</b>	Corporate Social Responsibility	<b>MSc.</b>	Master of Science
<b>DSE</b>	Dar–Es–Salam Stock Exchange	<b>MSCI</b>	Morgan Stanley Capital International
<b>DFCU</b>	Development Finance Company of Uganda Bank Ltd	<b>NEMA</b>	National Environmental Management Authority
<b>EABL</b>	East African Breweries Limited	<b>NGO</b>	Non Governmental Organisation
<b>EIA</b>	Environmental Impact Assessment	<b>NIC</b>	National Insurance Corporation
<b>ExCo</b>	Executive Committee	<b>NOTU</b>	National Organisation of Trade Unions
<b>FCCA</b>	Fellow of the Chartered Certified Accountants	<b>NSE</b>	Nairobi Stock Exchange
<b>Fx</b>	Foreign Exchange	<b>NSSF</b>	National Social Security Fund
<b>IAS</b>	International Accounting Standards	<b>NWSC</b>	National Water and Sewerage Corporation
<b>IASB</b>	International Accounting Standards Board	<b>PDL</b>	Premier Developments Limited
<b>ICPAU</b>	Institute of Certified Public Accountants of Uganda	<b>Rwf</b>	Rwandese Franc

<b>Rd.</b>	Road
<b>RSE</b>	Rwanda Stock Exchange
<b>SAA</b>	Strategic Asset Allocation
<b>SACA</b>	Staff Administration and Corporate Affairs Committee
<b>SDG</b>	Sustainable Development Goals
<b>SME</b>	Small & Medium Enterprises
<b>STP</b>	Straight through process
<b>TBL</b>	Tanzania Breweries Limited
<b>TWIGA</b>	Tanzania Portland Cement Company Limited
<b>Tz.</b>	Tanzanian Shilling
<b>UCL</b>	Uganda Clays Limited
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UPDF</b>	Uganda Peoples Defense Forces
<b>USD</b>	United States Dollar
<b>USE</b>	Uganda Securities Exchange
<b>VPDL</b>	Victoria Properties Development Limited
<b>WHT</b>	Withholding Tax
<b>Y/Y.</b>	Year on Year

### **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.



## About This Report

*We are privileged to present our annual report for the year ended 30th June 2016, 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 2015/16.*

Our Mission as the Fund is to secure a better life for our growing membership. We have seen this come closer to realisation this financial year because we relentlessly continued in our pursuit of excellence. We have maintained and improved; the provision of quality products, great customer service and have offered competitive returns in a transparent environment.

In all we do, we lean on our core values; Customer Centricity, Innovation, Efficiency, Teamwork, Integrity for support and guidance.

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 of the different business units of the Fund and of the business as a whole.

In the corporate governance 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.

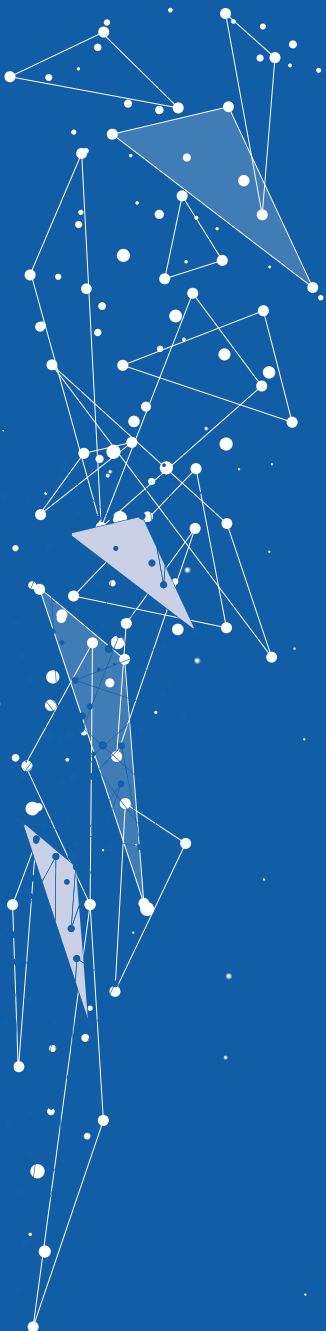
We finally explore the material sustainability issues facing the Fund and the strategic initiatives we have adopted to address them.

Reporting is an ongoing process and we encourage readers to share their feedback on the matters covered in this report through our website [www.nssfug.org](http://www.nssfug.org).





*Planning for retirement is not something we can put off until a later date. The time is now.*





# Our Business





## About The Fund

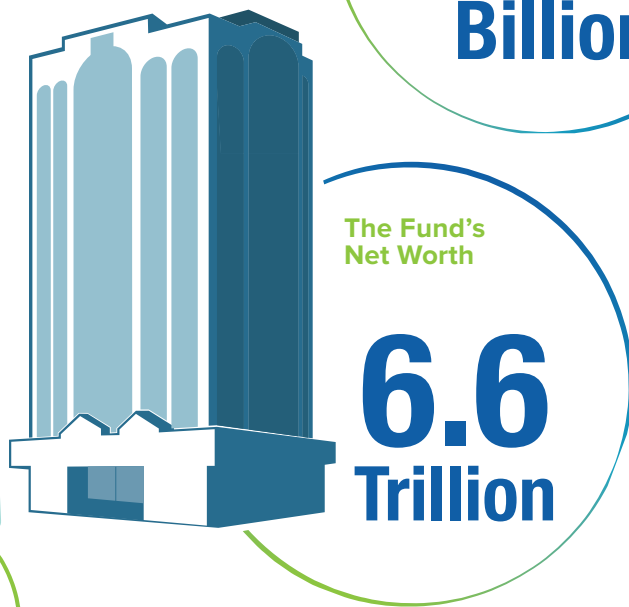
*National Social Security Fund was established by the 1985 Act of Parliament to provide for its membership, the payment of contributions to, and the payment of benefits out of the Fund and for other purposes connected therewith. The Act made the Fund a statutory body.*

Currently, the Ministry of Finance, Planning and Economic Development is responsible for policy oversight of the Fund.

Following Uganda Retirement Benefits Regulatory Authority (URBRA) Act 2011, NSSF will be forthwith regulated by URBRA.

The National Social Security Fund (NSSF) is a national saving scheme mandated by Government through the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to employees in Uganda.

It covers all employees in the private sector including Non-Government 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.



# Our Offices

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

**Masindi**  
Plot No. 54, Port Road  
P.O.Box 119, Masindi

**Hoima**  
Plot No. 54, Main Street  
P.O.Box 96, Hoima

**Fort Portal**  
Plot No. 24, Kyebambe Road  
P.O.Box 250, Fort Portal

**Mbarara**  
Plot No. 7/9, High Street  
Next to Bank of Baroda  
P.O.Box 719, Mbarara

**Kabale**  
Plot No.143, Kabale Road,  
P. O. Box 203, Kabale

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

**Entebbe**  
Imperial Mall,  
Plot M79, Lugard Avenue,  
Kampala–Entebbe Road

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

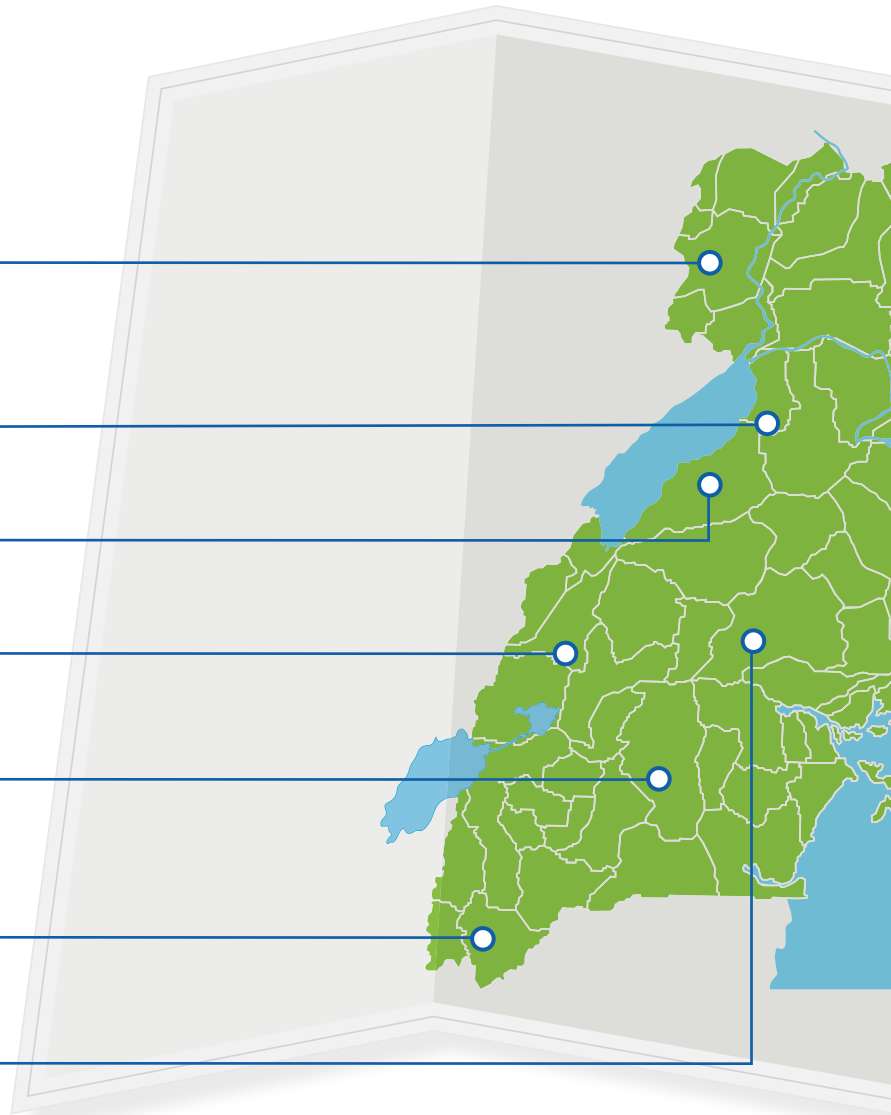
**City Branch**  
Workers' House

**Kireka Branch**  
Plot No.108 Kireka,  
Opp. Namugongo Road

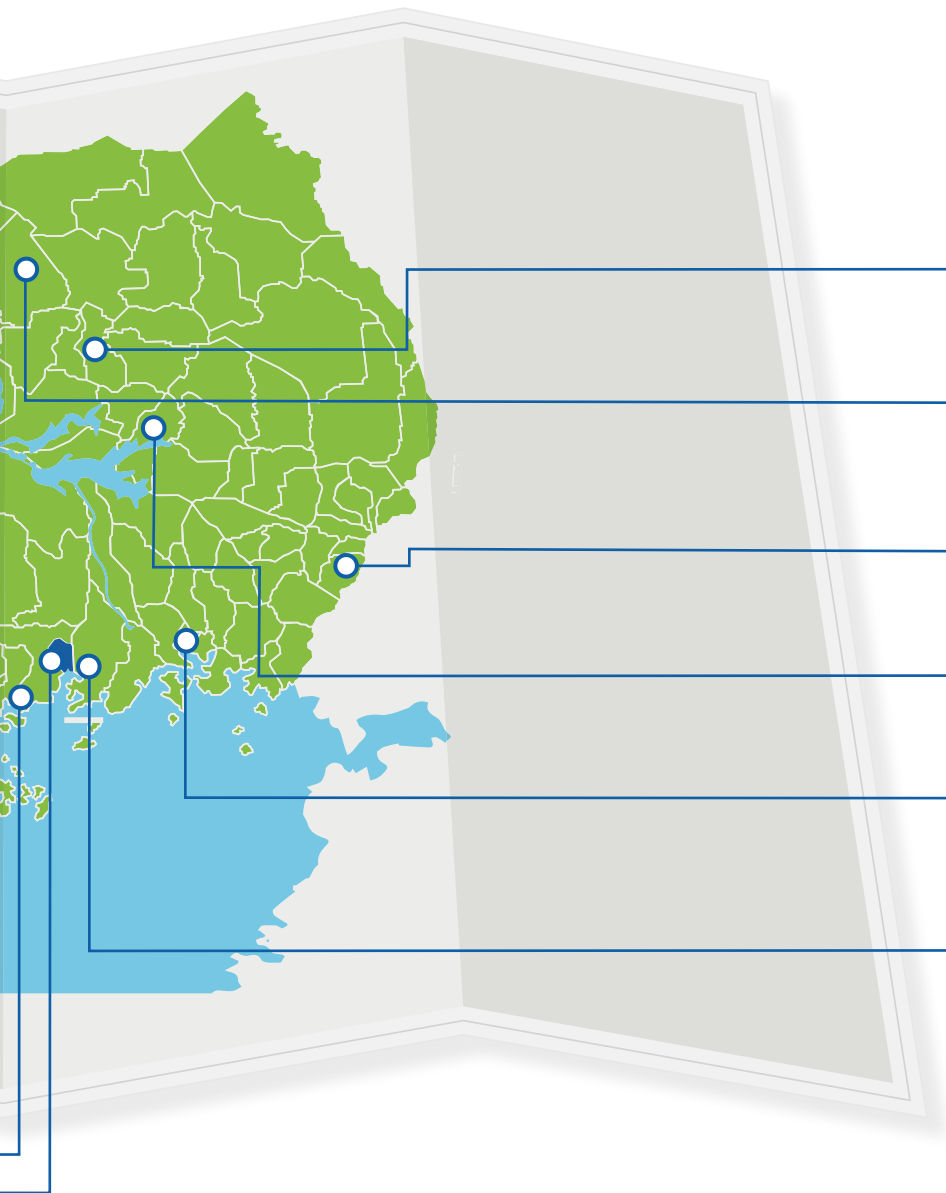
**Bugolobi Branch**  
Millenium Plaza Building

**Kawempe Branch**  
Plot No.150,  
Bombo Road

**Bakuli Branch**  
Plot No.341, Bakuli,  
Hoima Road







**Lira**

Plot No.43, Dr. Obote Avenue,  
P. O. Box 406, Lira

**Gulu**

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

**Mbale**

Plot No.31, Naboia Road,  
P. O. Box 1574, Mbale

**Soroti**

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

**Jinja**

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

**Mukono**

Bishop Tucker Road,  
Mukono

## Mission, Vision & Core Values



### Our Vision

To be the Social Security Provider of Choice.

# VISION



### Our Mission

To secure a better life for our growing membership by providing quality products, great customer service and offering competitive returns in a transparent and efficient environment.

# MISSION



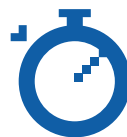
#### CUSTOMER CENTRIC

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



#### INNOVATION

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



#### 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.



#### TEAMWORK

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

ON

**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.



**INTEGRITY**

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



# Our Achievements



*Award for Excellence,  
Balance Scorecard Institute  
2016*



*Outstanding Achievement Award in  
Corporate Governance Reporting,  
FiRe Awards 2016*



1st Runner Up,  
Parastatals & Government Entities,  
FiRe Awards 2016

Outstanding Achievement Award in  
Sustainability Reporting,  
FiRe Awards 2016

Work Culture & Ethics Award,  
Public Sector, Public Service Category,  
Institute of Work Ethics

## Our Business

### Why save with NSSF?

*We are the biggest institution in the region with centers in all regions of Uganda manned by competent and energetic teams, availing our members with the very best in social security. We continue to be innovative in our products and services collecting member contribution, investing prudently and paying it out at the right time to qualifying beneficiaries in the shortest time possible.*

### How NSSF Adds Value?

Assuming three employees, Abbey(A), Betty (B) and Chris (C) **all earn a monthly income of UShs. 2,000,000** through out their careers.

According to the NSSF Act, **each is supposed to contribute 5% of their monthly income(UShs. 100,000)** to NSSF while their **employers are supposed to contribute 10% of their monthly income (UShs. 200,000)** to NSSF.

If we assume that the **average interest paid out over the years is 10%** then in a scenario where Abbey saves for 10 years, Betty saves for 20 years and Chris saves for 25 years. The value addition to each of them is provided as follows;



### Term of Employment **10 Years**

If Abbey chose to leave the company after 10 years, this would be his standing



**UShs. 12M**

Employees' Total Contribution over this term of employment



**UShs. 24M**

Employer's Total Contribution over this term of employment

**UShs. 13.1M**

NSSF's Total Contribution over this term of employment



**UShs. 49.1M**

is Abbey's accumulated NSSF savings over his term of employment

### Term of Employment **20 Years**

If Betty chose to leave the company start a business after 20 years, this would be her standing



**UShs. 24M**

Employees' Total Contribution over this term of employment



**UShs. 48M**

Employer's Total Contribution over this term of employment

**UShs. 136.4M**

NSSF's Total Contribution over this term of employment



**UShs. 208.4M**

is Betty's accumulated NSSF savings over her term of employment

### Term of Employment **25 Years**

If Chris chose to retire after 25 years, this would be his standing



**UShs. 30M**

Employees' Total Contribution over this term of employment



**UShs. 60M**

Employer's Total Contribution over this term of employment

**UShs. 206.5M**

NSSF's Total Contribution over this term of employment



**UShs. 296.5M**

is Chris's accumulated NSSF savings over his term of employment

\* The above illustration demonstrates that over time, NSSF's portion of the total benefits to the member exceeds either the employer or employee's contributions.



## 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.

### Withdrawal Benefit

Payable to a member who has attained the age of 50 years, and is out of regular employment for one year.

### 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.

### Survivors Benefit

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

### 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.

### Emigration Grant

Payable to a member (Uganda or Expatriate) who is leaving the country permanently.

### Mode of Payment

The benefits are payable in lump sum, that is the member's cumulative contributions and interest earned throughout the contributing period.

## Benefits Claim Process

### Day 1



A member submits their claim by filling a claim form and submitting it with supporting documents.

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

### Day 4–6



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

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

### Day 8–9



Payment is made on the members account.

Currently, if all submitted documents are legitimate, the payment is made within 9 days of initial submission. Our long-term target is to reduce this process to one day.

### Day 2–3

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



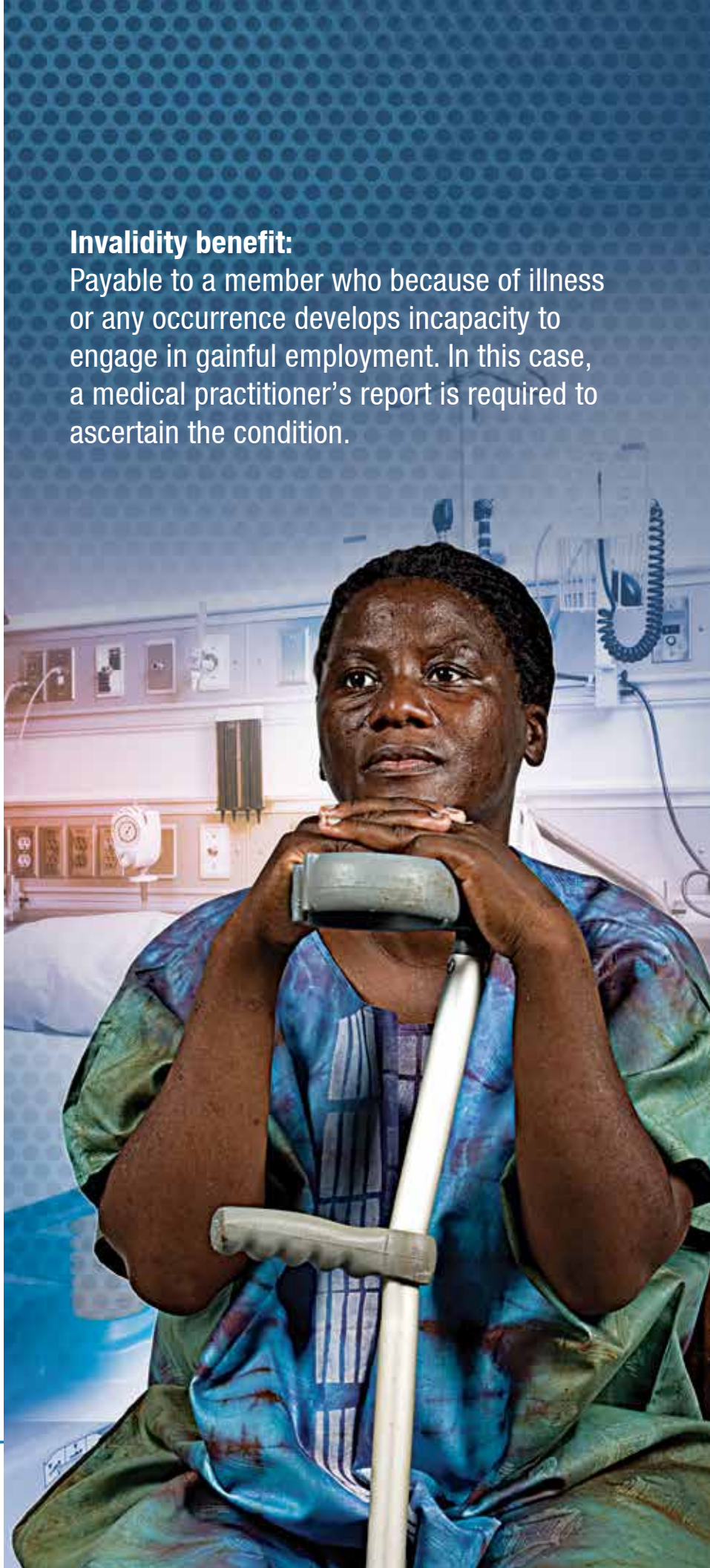
### Day 7

Once documents have been verified and proven to be legitimate, the payment process is initiated



### Invalidity benefit:

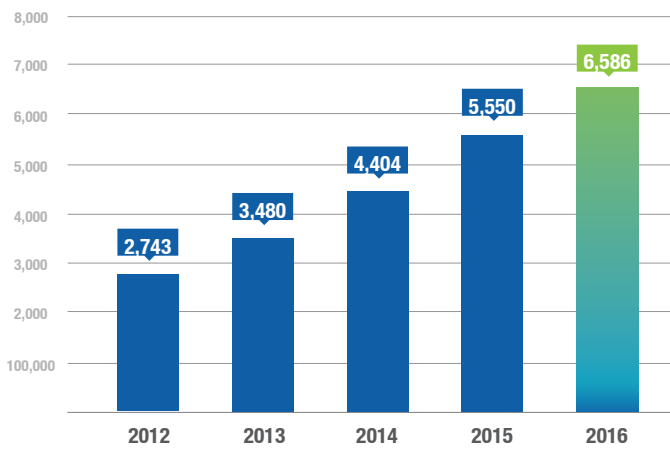
Payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment. In this case, a medical practitioner's report is required to ascertain the condition.



# Financial and Operational Highlights

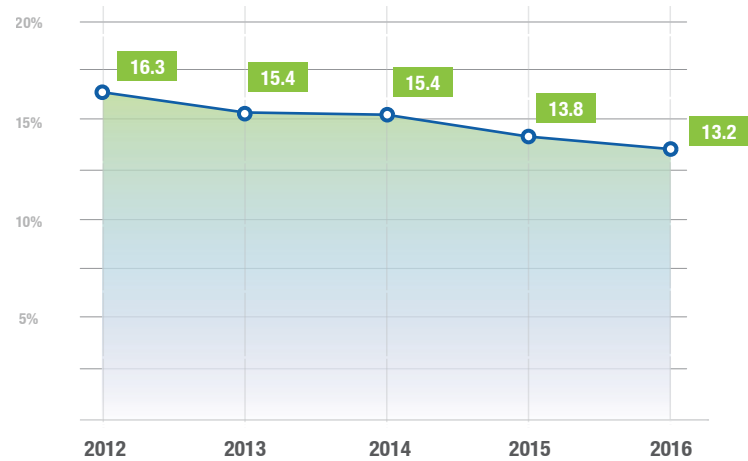
## Financial Highlights

**Asset Growth (US\$. Billions)**



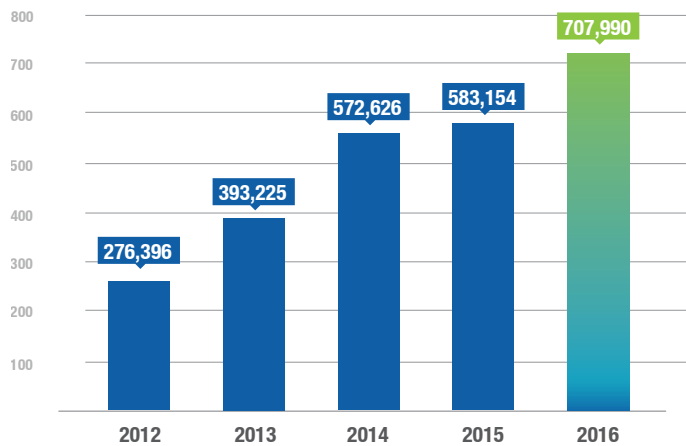
Fund Size grew by 19% from US\$. 5.6 Trillion in 2015 to US\$. 6.6 Trillion in 2016

**Cost Income Ratio (%)**



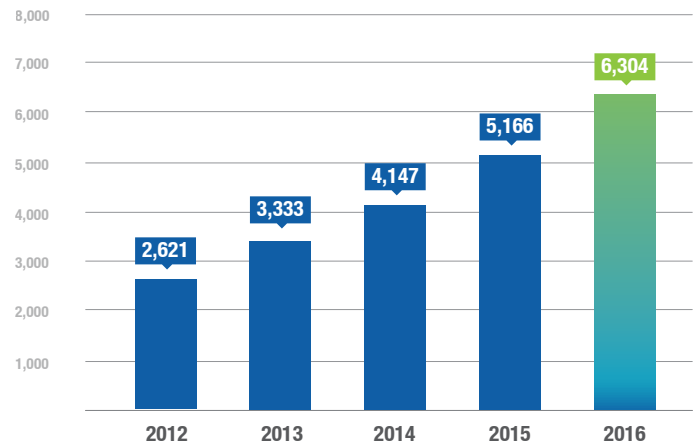
Cost Income ratio shows consistently good performance improving to 13.2% in 2016 down from 13.8% in 2015

**Realised Revenue (US\$. Million)**



Realised Revenue grew by 21% from US\$. 583 Billion in 2015 to US\$. 708 Billion in 2016

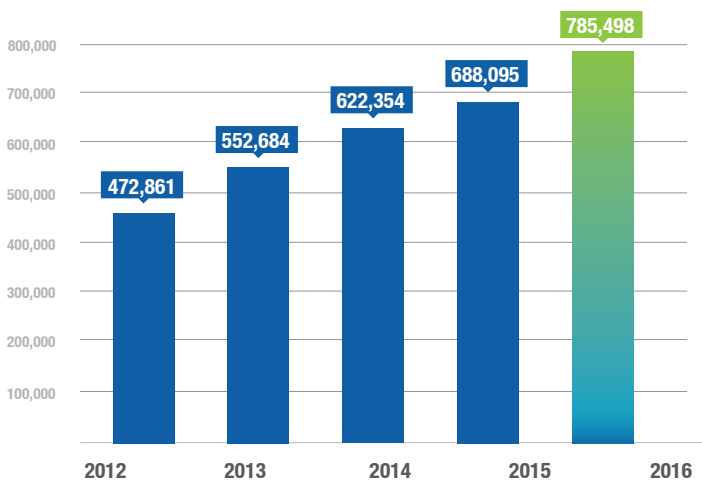
**Accumulated Members' Funds (US\$. Billions)**



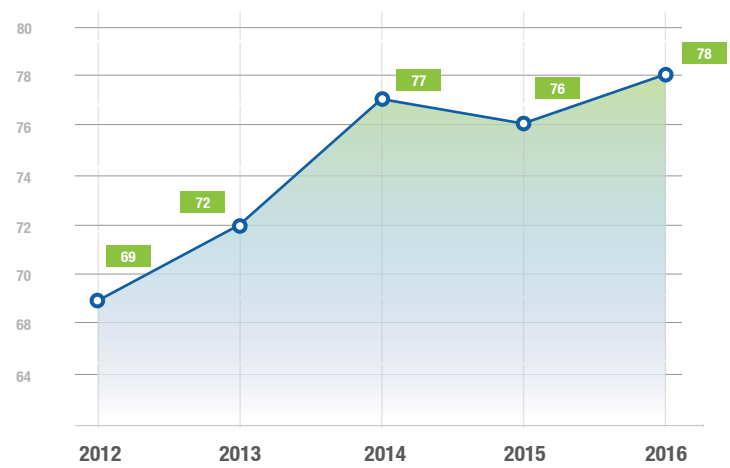
Accumulated Members' Fund grew by 22% from US\$. 5.2 Trillion to US\$. 6.3 Trillion in 2016

## Operational Highlights

**Growth in Contributions Collected (UShs. Millions)**



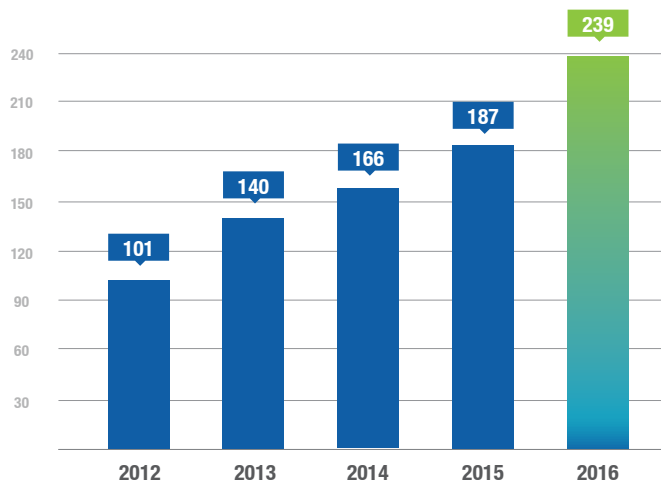
**Compliance Level over the Years(%)**



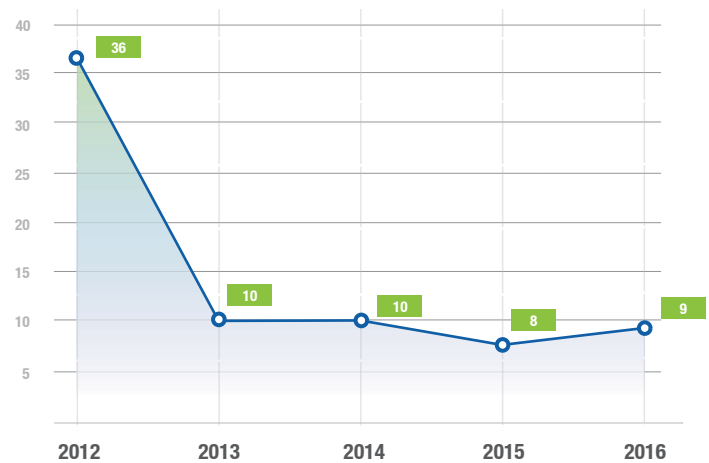
Interest credited to Members increased by 14% from UShs.. 521 Billion in 2015 to UShs. 597 Billion in 2016.

Compliance rose by 200 basis points from 76% in 2015 to 78% in 2016 leading to improved contribution levels

**Benefits Paid (UShs. Billions)**



**Benefits Turn Around Time (Days)**



Benefits paid out grew by 28% from UShs. 187 Billion in 2015 to UShs. 239 Billion in 2016.

Benefit Turnaround time Stood at 9 days. NSSF is paying more within a very short time.



# Chairman's Statement

## Total Asset Base

**19%**

2016 **6.59 Trillion**

2015 **5.55 Trillion**

## Benefits Paid Out

**28%**

2016 **238.8 Billion**

2015 **186.6 Billion**

## Member Contributions

**14%**

2016 **785.5 Billion**

2015 **688.1 Billion**

*Dear Stakeholders*

*As a representative of the Board appointed a year ago and charged with providing direction to the Fund, I must say we have embraced the task wholeheartedly.*

### The Business Environment

The business environment for the financial year 2015/16 was a challenging one: the fluctuating foreign exchange rates, slow economic growth, and poor performance of the stock markets, among other factors, posed a challenge to the Fund. Our ability to emerge with the good performance reported herein, is a testament to the resilience of the Fund, its management and staff.

The annual real GDP growth projection for FY 2015/16 was revised downward to 5.0 per cent, from the initially forecast growth rate of 5.8 per cent. Domestic economic activity has softened due in part to the delayed kick-off of some public investment projects which were planned for FY 2015/16, tight domestic financial conditions due to the tight monetary policy stance, and weak commodity prices.





As a Board, we remained committed to executing the strategic plan in place for the Fund. The tough operating environment has proved that our strategy is the right choice for the Fund.

By the end of FY 2015/2016, domestic inflation eased following seasonal peaks in December 2015. Annual headline inflation and core inflation which peaked at 8.5% and 7.6% in December 2015, declined to 5.9% and 6.9%, respectively in June 2016. The decline in headline inflation was mostly due to continued falls in prices of fuel, food crops, and other imports. Global inflation pressures remain low and below target in most Advanced Economies, mostly reflecting the sharp decline in commodity.

The strengthening of the Uganda Shilling that began in October 2015, following depreciation pressures that ensued in early 2014, continued in June 2016. In June 2016, the Shilling appreciated by 3.58%, year-on-year (y-o-y) to an average midrate of US\$ 3,466.17 per USD. The currency appreciation has not been exclusive to Uganda. Indeed, most of Uganda's trading partners' experienced similar movements in the exchange rate.

The equity market had mixed performance during the financial year, but a general decline was observed in the All Share Index (ALSI) for FY 2015/2016 closing at 1,706.81 compared to FY 2014/2015 that closed at 1,995.63.

Treasury yields maintained an upward trend during the year, with the yield curve tending to flatten. The 3months and one year yields have slightly increased by 1% from June 2015, i.e. from 15.25% in June 2015 to 16.12% (6months) and from 16.44 to 17.54% (1year) by end of June 2015.

This resilience was not by accident and demonstrates the effective leadership and direction provided by the Board. Through effective planning and execution of these plans by Management we have been able to pay our members a reasonable interest on their savings.

### Governance

The Board continued to steer the embodiment of good corporate governance principles through the entrenchment of value driven corporate governance culture throughout the organization. We also laid special

emphasis on conformity to internal controls which covers financial, operational, compliance, technology controls as well as risk management policies and systems. We continue to work closely with our regulators to ensure that our internal governance standards meet their expectations.

Furthermore, Board effectiveness is augmented by the following sub committees:

- i. Audit & Risk Assurance Committee
- ii. Finance Committee
- iii. Investments & Project Monitoring Committee
- iv. Staff, Administration & Corporate Affairs

The committees meet regularly to ensure that the Fund achieves its strategic objectives. Over the year the board effectively met those objectives.

### Legislative changes.

Under the Regulatory framework, the Uganda Retirement Regulatory Authority (URBRA) Act was enacted by the Parliament of Uganda and took effect on the 26th September 2011. The objectives of the Act are to regulate the establishment, management and operation of the retirement benefit schemes in Uganda in both the private and public sectors. And in addition, the Retirement Benefits Sector Liberalization bill is being debated in parliament.

When passed into law, the bill will have both administrative and operational impact on business and compliance with the new regulatory framework, we will no doubt test the resourcefulness of the industry to its limits.

### Strategic progress

I take this opportunity to inform you that this is the first year of implementing the Ten Year Corporate Strategic plan of the Fund (2015/16 – 2024/25). This 10th Board of Directors was appointed to office on 1st September 2015 for a three year term, and therefore this forms its first year in charge.

As a Board, we remained committed to executing the strategic plan in place for the Fund. The tough

operating environment has proved that our strategy is the right choice for the Fund. The core to our strategy is “Delivering Social Security benefits that are relevant throughout the life cycle of the members” through to a transformation of becoming more customer driven, process efficient and commercially focused.

The new Board continues to use the Balanced Score Card as a prolific tool to establish and monitor the performance of the Fund and of each individual employee effort towards meeting the strategic objectives.

My board has made it clear to all concerned that we must all pull in the same direction. The Fund is no place for saboteurs. NSSF members expect reasonable interest on their savings, no matter the circumstances. We have no intention whatsoever of disappointing them; certainly not under my watch.

Over the past year, the Fund has continued to consolidate its financial position with the asset base of US\$ 6.59 trillion. We are continuing to pay our members above inflation returns the most recent being 12.3% for 2016, compared to 6% in 2011.

I am glad to inform you that we have achieved objectives of year which is a building block to the 10 year strategic plan.

## 2016 performance and achievements

In 2016, the Fund continued to perform well and in line with the corporate objectives despite the challenging business environment.

### Highlights:

1. The Fund increased its membership size in 2016 with the total number of registered employees increasing from 1,538,865 in 2015 to 1,623,082 in 2016 reflecting a growth rate of 5%. Registered employers increased by 8% from 21,148 in 2015 to 22,770 in 2016.
2. Contributions collected grew by 14% from US\$ 688.1 billion in 2015 to US\$ 785.5 billion in 2016. This was largely due to our effective customer relationship model.
3. Total benefits paid by the Fund in 2015 to its qualifying members increased by 28% from US\$ 186.6 billion in 2015 to US\$ 238.8 Billion.
4. Total investments held by the Fund increased by 18% from US\$ 5.47 trillion in 2015 to US\$ 6.46 trillion in 2016.
5. The Fund's total asset base increased by 19% to US\$ 6.59 trillion in 2016 up from US\$ 5.55 trillion in 2015.
6. The Fund's realized revenue increased by 21% to US\$ 707.9 billion in 2016 up from US\$ 583.2 billion in 2015.
7. Return on average investment for the year was 11.3% against the annual target of 11.9%.

A table summarising the Fund's Performance follows



## The Fund's Performance Based on Strategic Objectives

	Actual 2016 US\$. Million	Actual 2015 US\$. Million	Budget 2016 US\$. Million	Actual 2016 Vs Actual 2015	Actual 2016 Vs Budget 2016
<b>1. Increase Profitability</b>					
<b>Income</b>					
Realised Revenue	707,990	583,154	624,396	21%	13%
Realized Return on Investments	11.9%	11.9%	10.7%	0.0%	1%
Total Revenue (Realised and Unrealised)	673,817	807,023	699,396	-17%	-4%
Total Return on Investments	11.3%	16.4%	11.9%	-5%	-1%
<b>Costs</b>					
Operating Costs	80,042	68,807	80,319	16%	0.3%
Operating Costs & Interest to Members' Cost	677,328	590,576	571,112	15%	-19%
<b>Net Income</b>					
Realized Revenue net of Tax	605,659	492,720	530,944	23%	14%
Unrealized Income / (loss)	(34,173)	223,869	75,000	-115%	-146%
Net Income /(Loss)	571,486	716,589	605,944	-20%	-6%
<b>Ratios</b>					
Cost Income Ratio	13.2%	14.0%	15%	0.7%	1.9%
Interest Costs to Total Costs	88%	88%	86%	0%	-2%
Expense Ratio (Annual)	1.34%	1.40%	1.37%	0.06%	0.03%
<b>Grow Investments</b>					
Total Investments	6,461,061	5,469,542	6,381,448	18%	1.2%
Fixed Income	4,940,355	4,125,460	4,422,368	20%	12%
Equities	1,066,561	899,297	1,132,316	19%	-6%
Real Estate	454,145	444,785	826,764	2%	-45%
<b>Member Return</b>					
Interest rate on member Funds	12.3%	13%	10.2%	-0.7%	2%
Interest to members	597,286	521,769	490,793	14%	22%
<b>Reserves</b>					
Increase/(Decrease) in Reserves	(105,842)	126,013	30,994	-184%	-441%
Net Profit Margin/(Loss)	-16%	16%	4%	-31%	-20%
<b>Balance Sheet</b>	<b>6,585,798</b>	<b>5,550,391</b>	<b>6,463,824</b>	<b>19%</b>	<b>2%</b>
<b>Contributions</b>					
Contributions collected	785,498	688,095	864,000	14%	-9%
Compliance Level	78%	76%	77%	2%	1%
Member's Fund Value	6,303,686	5,166,762	6,029,088	22%	5%
<b>2. Increase Customer Satisfaction</b>					
Customer Satisfaction rate	86%	88%	90%	-2%	-4%
<b>3. Business Process</b>					
Benefits Paid	238,797	186,609	210,000	28%	14%
Average Benefits Processing Days	9	8	9	13%	0.0%
System uptime	98%	98%	98%	0%	0.2%
<b>4. Organisational Capacity</b>					
Staff Satisfaction rate	86%	84%	85%	2%	1%

## Strategic Plan 2015 – 2025

The Board approved a 10 year Strategic Business Plan 2015–2025 on Thursday, 16th April 2015 dubbed Vision 2025 running from 2015/16 through 2024/25. Execution of this strategic plan should by 2025 deliver a Fund that;

- » has an asset base of US\$ 20 trillion and considered a leader in the financial services industry, a market-maker and the biggest driver of economic growth in East Africa.
- » is perceived as an innovator, ushering in an era where members' benefits are initiated and processed online in just 24 hours for various claims ranging from short-term products like health and education, insurance, medium term solutions such as Mortgages and, of course, retirement benefits
- » is the employer of choice in Uganda, attracting highly talented and motivated individuals who have established a new benchmark for organizational and cultural excellence.
- » is felt, seen and perceived positively by Ugandans

## 2017 Outlook

Our sector is growing at a high speed and with new licensed players on board coupled with advanced technology, and staying ahead will ensure our continued success. Adoption to the digital era will also go a long way in keeping us ahead.

We are the established market leaders in Uganda and the East African region at large. We are the fastest growing Fund and in a strong position to leverage on our capabilities to meet the ever divergent and evolving needs of our clients who expect us to deliver on our promise in terms of new products and services. With our new strategy in place and our commitment to a better life for our clients, we are more than confident that we will reach greater heights as we exploit the investment opportunities available for growth in the future.

## Conclusion and appreciation.

Finally on behalf of Board and myself, I take this opportunity to sincerely express our appreciation and gratitude to all stakeholders who have consistently supported, encouraged and remained loyal to the Fund.

As I look ahead to 2017, your Board is confident that the company will deliver its performance objectives. All necessary steps have been taken to 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.



**Mr. Patrick Byabakama Kaberenge**  
Chairman.



Execution of this strategic plan should by 2025 deliver a Fund that has an asset base of US\$ 20 trillion



**Board Of  
Directors**







**Mr. Patrick Byabakama Kaberenge**

**Chairman,  
Non-Executive Director,  
Private Sector Representative**

He is a management consultant and lead partner at Byabakama, Kwemala & Associates, Certified Public Accountants, Kampala.

**Experience**

He currently serves on the Boards of Uganda Energy Credit Capitalisation Company (UECCC) and National Planning Authority.

His working experience spans the better part of 40 years having previously worked at Bank of Uganda for 17 years in various positions. These include; Acting Deputy Governor, Executive Director Operations, Executive Director/Chief Internal Auditor and Director for Domestic currency issuance.

He has also served as Chief Accountant with Uganda Cooperative Transport Union (UCTU) as well as Accountant/Executive Officer in the Ministry of Finance

**Professional Qualifications**

- Chartered Banker (ACIB – UK)
- Chartered Secretary and Administrator (ACIS UK), Past Secretary ICOSA Uganda
- Chartered Transporter (MCIT – UK)
- Certified Internal Auditor (USA)
- Past President, ACCA Uganda

**Academic Qualifications**

**Bachelors of Science in Financial Services**

University of Manchester Institute of Science & Technology (UMIST)

**Masters of Science in Finance & Computing**

University of Greenwich (UK)



**Mr. Pius Bigirimana**

**Non-Executive Director,  
Government Representative  
PS, MoGLSD**

He is the Permanent Secretary, Ministry of Gender, Labour and Social Development.

**Experience**

He has worked as the Permanent Secretary in the Office of the Prime Minister (from 2008–2013), as Under Secretary at the Ministry of Health (from 2006–2008), Under Secretary at the Ministry of Public Service (from 2005–2006), Under Secretary at the Ministry of Education and Sports (from 1999–2005) and as Principal Assistant Secretary in the office of the President .

**Academic Qualifications**

**Masters in Business Administration**

Eastern and Southern Africa Management Institute (ESAMI)

**Masters of Arts in Development Administration and Management  
(Majoring in Economic & Social Policy)**

Victoria University, Manchester (UK)



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

She is the General Manager Human Resources at Centenary Bank

**Experience**

She has more than 15 years of experience in Provident Fund and Trusteeship.

For 10 years (1998 – 2009) she served as the first Chairperson of the MTN Provident Fund and participated in the structural review of the process of the Pension Sector while serving as a board member on the Federation of Uganda Employers' Governing Council.

She worked at Unilever as the Human Resources Director, Executive Board and Leadership Team member (2009 –2011). She has also served on the Board of Trustees of various provident and pensions schemes such as Unilever, CARE International in Uganda (1996–1998), The National Agricultural Research Organization (NARO) (1995–1996), Centenary Bank(current) among others.

**Academic Qualifications**

**Executive MBA in Strategic Management**

Eastern and Southern Africa Management Institute (ESAMI) + Maastricht School of Business

**Masters of Science in Human Resource Development**

University of Manchester's Institute of Development Policy Management (UK)

**Bachelor of Arts in Education**

**Post Graduate Diploma in Public Administration**

Uganda Management Institute (UMI)



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

He has been the Managing Director of the National Social Security Fund since August 2010 overseeing the turn around and transformation of the Fund over the last 6 years.

**Experience**

He also currently serves as the Chairman of the Board of Directors of Vodafone Uganda, Kulika Uganda (a charitable trust) while also serving on the Board of Directors at Uganda Clays and Governing Council at Uganda Stock Exchange

He has a wealth of experience going back more than 30 years. He has held similar positions at Afrimax Uganda, Global Trust Bank and Nile Bank.

In 2007 he also served as the Chief Operating Officer at Barclays Bank Uganda Ltd.

**Academic Qualifications**

**FCCA, Certified Public Accountant**

**Masters in Business Administration**

Edinburgh Business School (UK)

**Management Diploma**

Henley Management College (UK)

**Bachelor Of Science, Statistics and Economics**

Makerere University



**Mrs. Sarah Walusimbi**  
**Non-Executive Director,**  
**Employers' Representative**  
**FUE**

She is the legal consultant for the Federation of Uganda Employers.

**Experience**

She serves as a Board Member for Housing Finance Bank. A member of the Board of Trustees for SOS Children's Village Uganda. A Board Member at ALTX Clearing Ltd and currently Chairperson, Corporate Governance Thematic Area at the National Governing Council, Africa Peer Review Mechanism (APRM)

**Academic Qualifications**

**Masters in Business Administration (MBA)**

Eastern and Southern Africa Management Institute (ESAMI)

**Bachelors of Laws Degree**

Makerere University (Kampala)

**Diploma in Legal Practice**

Law Development Centre (Kampala)

**Diploma in International Management**

Swedish Institute of Management

**Certificate in Capital Markets & Portfolio Management**

Indian Institute of Management (India)

**Other Qualifications**

- Member, Uganda Law Society and East African Law Society
- Certified Trustee in Pension Fund Management Kenya College of Insurance
- Female Future Program: Board Dynamics and Competencies Joint Award by FUE and Oslo and Arkeshus University of Applied Science Norway

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

He is the Staff and Contractor Engagement Manager at UMEME and a member of the Central Governing Council of NOTU.

**Experience**

He has more than 20 years of experience. He is the National Treasurer of the Uganda Electricity and Allied Workers Union Board. A council member at the Association of Public Sector Union of East Africa. A member of the Board of Governors of Namilyango College and East African Labour College.

He has held various roles in UMEME and its predecessor companies including District Revenue Controller for Western Uganda and was former team manager of UMEME Sports Club. He also served as a PTA member, Aryaan Schools, Jinja.

**Academic Qualifications**

**Accredited "Master Trustee"**

Johannesburg School of Finance, South Africa

**Masters in Business Administration (Finance)**

Cambridge International College (UK)

**Bachelors of Business Administration**

Newport University (UK)

**Other Qualifications**

- Member of the Institute of Management Accountants (IMA, US). and currently pursuing IMA's Certified Management Accountancy qualification (CMA)
- Diploma in Computer Science, Higher Diploma in Business Administration and Business Accounting



**Ms. Peninnah Tukamwesiga**  
**Non-Executive Director,**  
**Workers' Representative**  
**COFTU**

She is the Head of Legal Aid at the Central Organization of Free Trade unions (COFTU) and is a lawyer and advocate of the High Court of Uganda.

**Experience**

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 also served as an advocate and legal consultant for several law firms and companies.

**Academic Qualifications**

**Masters in Law**

Makerere University (Kampala)

**Post Graduate Diploma in Legal Practice**

Law Development Centre (Kampala)

**Bachelors of Law**

Uganda Christian University (Mukono)

**Mr. Wafana Nelson Makwasi**  
**Non-Executive Director,**  
**Workers' Representative**  
**COFTU**

He is the General Secretary of the Uganda Farm and Agro-Based Workers' Union, is a member on the Public Service Negotiating, Consultative and Disputes Settlement Council In the Ministry of Public Service and is also the Deputy Treasurer General, Central Organization of Free Trade Unions (COFTU).

**Experience**

He 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

**Academic Qualifications**

**Masters in Business Administration (Management)**

**Bachelors in Business Administration (Accounting)**

**Diploma in Accountancy**

Institute of Accountants and Commerce (Kampala)

**Mr. Patrick Ocailap**  
**Non-Executive Director,**  
**Government Representative**  
**MoFPED**

He is the Deputy Secretary to the Treasury (MoFPED).

**Experience**

He is a Board Member of the Financial Intelligence Agency and the National Housing and Construction Company Ltd.

He has also served on the Boards of; National Medical Stores, Uganda Road Fund, African Institute for Capacity Development, Uganda Investment Authority, Uganda National Bureau of Standards, The NGO Board Pride Africa (U) Ltd and Pride Micro Finance Ltd.

He has also held various positions in the Ministry of Finance including; Director of Budget, Commissioner Aid Liaison Department, Principal Finance Officer/Acting Commissioner Tax Policy Department.

**Academic Qualifications**

**Masters' Degree in Development Economics**

William College Massachusetts (USA)

**Bachelors of Commerce Degree**

Makerere University (Uganda)





# Managing Director's Statement

## Realised Revenue

**21%**

2016 **708Billion**

2015 **583Billion**

## Compliance Rate

**200**

**Basis Points**

2016 **78%**

2015 **76%**

## Accumulated Member Funds

**22%**

2016 **6.3Trillion**

2015 **5.2Trillion**

*Dear Members,*

*The financial year 2015/2016 was challenging in which Uganda's economy grew by 4.6% lower than projected 5.8%. The Credit rating downgraded to negative by Moody's citing slowing economy, rising inflation and volatile and weakening shilling.*

*The pre and post elections uncertainty had a knock on effect on the business environment which increased the risk premium.*

Equity markets across East Africa declined: In Uganda, down by 14.5%; in Kenya, down by 15%; and in Tanzania, down by 9%. This impacted on the equity investment returns.





2017 presents a new dawn for our business, a perfect opportunity to build on our core values and achievements of the past six years in order to create a reputable organisation that is relevant and trustworthy to all stakeholders.

The NSSF Act empowers the Board of Directors to operate and manage the Fund in order to ensure secure, profitable and effective financial management. The Board executes this mandate by providing a strategic direction to the Fund through a Corporate Strategic Plan. In April 2015, the Board approved and rolled out a 10 year strategic business plan aimed at driving the Fund towards remaining the social security provider of choice. Financial year 2015/2016 is the first year of implementing this corporate strategic plan.

The grand strategy has the following focus areas:

- Increase customer satisfaction
- Increase profitability
- Improve productivity
- Increase innovation and product development

#### **Increase Customer Satisfaction**

Based on a survey conducted internally, we received a customer satisfaction rating of 86% compared to 88% in 2015 and against a 2016 target of 90%. Customer satisfaction is based on the NSSF customer service charter while the mystery shopper index went up from 81% in 2015 to 82% by June 2016.

The objective of the charter is to communicate to our customers the service standards we have set as well as declare our total commitment to better service delivery and to empower our customers to demand timely and quality services at all touch points.

#### **Increase Profitability**

This is measured against the return on investment and the Expense to asset ratio among other indicators. The return on investment was 11.2% against a target of 11.9% and the expense asset ratio was 1.34% in-line with the target of 1.37%.

#### **Improve Productivity**

The key result area here is the turnaround time (TAT) for benefit processing. The actual TAT was 9 days in line with the target of 9 days.

#### **Increase innovation and product development**

During the financial year, NSSF embarked on a phased distribution of Smart Cards to replace the old paper card as a form of member identification. The Smart Card is also integrated with the Interswitch banking Switch enabling members to check their NSSF balances through a network of over 300 ATM machines across the country.

Plans are in place to load more transactional features on the NSSF Smart card which will reduce dependence on cash transactions in an economy where over 95% of the transactions are cash based.

#### **Business Performance Review**

The Chairman highlighted the financial results for 2016 evidencing increase in income, asset base, member contribution, benefits payment and interest paid to members. This consistent level of high performance for the past five years has enabled us revive the Fund and prepare for liberalization. We are committed to delivering a better life for our clients.

The Fund in 2016 registered growth in key financial areas as highlighted briefly by the chairman and indicated below;

Realized revenue was USSh. 707.9 billion, 21% growth on 2015 figure of USSh. 583.2 billion. Driven by the decline in the stock prices leading to a fall in their valuation, annual total income amounted to USSh. 673.8 billion, 17% decline on 2015 number of USSh. 807.0 billion.

The Balance sheet size grew to USSh. 6.59 trillion, 2% better than budget of USSh. 6.46 trillion, and 19% better than 2015 balance sheet of USSh. 5.55 trillion. The accumulated Members balances grew to USSh. 6.30 trillion, 5% better than the budget of USSh. 6.03 trillion and 22% above USSh. 5.12 trillion balances for 2015.

Operating costs amounted to USSh. 80.0 billion, compared to USSh. 80.3 billion registered in 2015. Cost income ratio stood at 13.2%, better than budget of 15.0%, and the prior year's 14%. Expense ratio is maintained at 1.34%, better than target of 1.37% and 1.4% for 2015.



The volume of benefits paid out to qualifying members increased from 14,483 to 15,291 benefit claims and the value in absolute terms, from US\$186.6 billion to US\$238.8 billion in 2016 respectively. There was a significant reduction in the benefits Turn Around Time (TAT) from over 36 days in June 2012 to 9 days in June 2016. 97% of the benefits are paid to living members and only 3% are paid to survivors.

Member contributions grew to US\$785.5 Billion, 14% above US\$688.1 billion collected in 2015, and 9% below the target of US\$864.0 billion, for the same period. The continued growth over the years has been driven by the relationship management model introduced in 2012, and improved compliance levels which stood at 78%. Over 90% of all contributions are now coming through the E-collections channel. The usage of E-collections has risen from an average of 40% in July 2012 to over 95% as at June 2016. 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 12.3% compared to the budget of 10.2%, resulting into US\$597.3 billion 14% above US\$521.8 billion credited to member accounts in 2015.

Investment portfolio grew to US\$6.46 trillion, 1.2% better than budget of US\$6.38 trillion and 18% better than 2015 figure of US\$5.47 billion. The investment portfolio allocation remains 76.5%, 16.5% and 7.0% for Fixed Income, Equities and Real Estate respectively compared to the desired Strategic Assets Allocation (SAA) of 76%, 21% and 6% respectively. On Equities, there was an increased country diversification into Kenya, Tanzania & Rwanda markets helping to reduce the reliance on our domestic stock exchange which offers limited investment opportunities.

A summary of this financial information is provided in the following table;

#### **Outlook and strategies for 2017**

**Survivors Benefit:**  
Payable to the dependant(s) or Next of kin of a deceased member.





**Summary of the Fund's last 5-year performance.**

	Actual 2016 UShs. Million	Actual 2015 UShs. Million	Actual 2014 UShs. Million	Actual 2013 UShs. Million	Actual 2012 UShs. Million	Actual 2016 Vs Actual 2015
<b>Income Statement</b>						
Total Revenue	673,817	807,023	596,676	484,169	329,926	-17%
Realised Revenue	707,990	583,154	572,626	393,225	276,396	21%
Profit before Tax	593,775	738,216	530,714	414,225	276,300	-20%
Profit After Tax	491,444	647,782	452,417	343,300	238,837	-24%
Operating cost	80,042	68,807	66,635	77,582	53,626	-16%
<b>Financial Position (UShs.' Bn)</b>						
Total Assets	6,585,798	5,550,391	4,402,946	3,479,592	2,742,962	19%
Total Investments	6,461,061	5,469,542	4,354,172	3,362,126	2,619,236	18%
Fixed Income Investments	4,940,355	4,125,460	3,514,132	2,767,380	2,134,491	20%
Equity Investments	1,066,561	899,297	396,088	189,165	99,162	19%
Investment properties	454,145	444,785	443,953	405,582	385,583	2%
Accumulated Members' Funds	6,303,686	5,166,762	4,147,286	3,332,576	2,621,223	22%
<b>Financial Performance (%)</b>						
Return on average Investment (%)	11.3%	16.4%	12.9%	12.4%	12.3%	-31%
Cost Income Ratio (%)	13.2%	14.0%	15.2%	15.4%	16.3%	5%
Expense Ratio (%)	1.34%	1.40%	1.60%	2.20%	1.96%	-4%
<b>Member's Fund Statistics (UShs.'M)</b>						
Contributions Collected	785,498	688,095	622,354	552,684	472,861	14%
Benefits Paid	238,797	186,609	165,927	140,052	101,376	28%
Interest Credited to members	597,286	521,769	365,843	281,397	196,965	14%
Return on member's Fund (%)	12.3%	13.0%	11.5%	11.23%	10.0%	-5%
Compliance level (%)	78%	76%	77%	72%	69%	3%
Benefits Processing time (Days)	9	8	10	10	36	13%
<b>Customer Satisfaction Rate (%)</b>						
Internal Customers (Staff)	86%	84%	77%	65%	61%	2%
External Customers (Members)	86%	88%	84%	72%	49%	-2%

2017 presents a new dawn for our business, a perfect opportunity to build on our core values and achievements of the past six years in order to create a reputable organization that is relevant, and trustworthy to all our stakeholders. Our revamped brand, dedicated staff, loyal customers 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 according to an adaptation of 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 office.

### Customer perspective

In 2017, the focus is on increasing the Fund's capacity to provide a better customer experience to members. Various initiatives such as improved staff training and a queue management system have been rolled out to support this objective. Improvements in the brand image are also being targeted through improved stakeholder management. It is hoped that this will improve member's perception of the Fund.

### Financial Perspective

The Fund, board and management, have committed to achieving a strategic Fund asset size of US\$ 20 trillion by 2025. In order to achieve this the Fund asset must grow by US\$ 1.6 trillion every year through increased collections, better investment returns and maintain its aggressive cost management strategy. It is projected that this will enable the Fund to deliver a real return of at least 2% without eating up all reserves.

### Processes Perspective

Data integrity and management still remains vital to the Fund and business processes like payment of benefits and update of member accounts are closely monitored. 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 significant improvements in Benefits processing and member statement update.

### People and Systems Perspective

Good systems and processes can only be as good as the good people who manage them. The Fund has committed to develop the capacity of staff and systems to deliver its promise to members. A new e-learning system has been introduced to plug the training gaps and indeed over 60% of staff are completing at least 2 developmental

courses on the platform. The Fund has also implemented an internal succession planning strategy by encouraging mentoring and supervisor – supervisee contact. This has improved staff engagement greatly. More staff are being promoted internally – a sign of a working internal succession planning strategy. This will continue to be a focus area in 2017.

### Conclusion

- The Fund is in a strong financial position and still growing. We are on course to hit US\$ 20 Trillion, by 2025.
- We will continue to take advantage of the available investment opportunities.
- We will continue to manage our costs,
- We are committed to transparency and accountability and finally

### Appreciation

I would like to thank the Board for the critical strategic and oversight role they are playing in this exciting journey we have embarked on. I would also like to acknowledge the contribution of the staff for this outstanding performance. To our dear members, thank you for your constant loyalty and support. With this kind of performance, we will continue "To be the Social Security Provider of Choice."



**Richard Byarugaba**  
Managing Director



In 2017, the focus is on increasing the Fund's capacity to provide a better customer experience to members.



Executive  
Committee









**Mr. Richard Byarugaba**  
Managing Director

He is a statutory officer appointed in 2010 and re-appointed in 2014.

**Experience**

He has a wealth of experience going back more than 30 years. He has held similar positions at Afrimax Uganda, Global Trust Bank and Nile Bank. In 2007 he also served as the Chief Operating Officer at Barclays Bank Uganda Ltd.

He is also the Chairman of the Board of Directors; Vodafone Uganda, Kulika Uganda (a charitable trust) and also serves on the Board of Uganda Clays and Governing Council of Uganda Stock Exchange

**Academic Qualifications**

**FCCA, Certified Public Accountant**

**Masters of Business Administration**  
Edinburgh Business School (UK)

**Bachelor Of Science, Statistics & Economics**  
Makerere University



**Mrs. Geraldine Ssali- Busuulwa**  
Deputy Managing Director

She is a statutory officer appointed in 2010 and re-appointed in 2014.

**Experience**

Geraldine has a wealth of financial management experience both global and local cutting across different sectors ranging from Banking, pensions, transport, retail and service industry.

She has held a number of high profile Finance positions in the United Kingdom: Heading the Corporate Services Unit at Her Majesty's Treasury (Ministry of Finance, UK); Monopolies and Mergers Commission (Now Competition Commission) and Transport for London, to mention but a few

She acted as Managing Director of the Fund for a year in 2014. She is also a member of the board of Housing Finance Bank (5 years).

**Academic Qualifications**

**Fellow, Chartered Institute of Management Accountants (CIMA)**

**Fellow, Chartered Global of Management Accountants (CGMA )**

**Masters of Business Administration (Finance)**  
University of Manchester, Manchester Business School

**Bachelor Of Science in Maths, Economics & Statistics**  
Makerere University



**Mr. Richard Wejuli Wabwire**  
Corporation Secretary

He is a statutory officer appointed in 2014

**Experience**

He has held similar responsibilities with Uganda Breweries Limited, Century Bottlers Limited (Coca Cola SABCO), National Water and Sewerage Corporation, Kinyara Sugar Works Limited and BAT Uganda

**Academic Qualifications**

**Masters of Business Administration**  
University of Strathclyde, Glasgow (UK)

**Post Graduate Diploma in Legal Practice**  
Law Development Centre (Kampala, Uganda)

**Bachelor of Laws**  
Makerere University (Kampala, Uganda)

**Certificate in Project Management & Evaluation**  
University of Strathclyde, Glasgow (UK)



**Mr. Stevens Mwanje**  
Head of Sales And Operations

He is in charge of all members and employers interaction with the Fund.

**Experience**

He has worked with Bank of Africa (U) Ltd.

While at Bank Africa (U) Ltd, he at different times headed the Finance, Treasury and Commercial Departments.

**Academic Qualifications**

**FCCA, Certified Public Accountant**

**Masters of Business Administration**  
Edinburgh Business School (UK)

**Post Graduate Diploma in Business Management**  
University of Leicester (UK)

**Bachelor Of Arts Hons.**  
Makerere University



**Mr. Patrick Ayota**  
Chief Financial Officer

He is in charge of the Fund's Finance and Strategy function.

**Experience**

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.

**Academic Qualifications**

**Masters of Business Administration**  
University of South Carolina (USA)

**Certified Public Accountant (CPA)**

**Bachelor Of Science, Finance**  
Liberty University, Virginia



**Mr. Gerald Paul Kasaato**  
Chief Investment Officer

He is in charge of the Fund's investments activities.

**Experience**

He has previously worked as Portfolio Manager, Equities (NSSF), Finance and Investment Manager (National Housing and Construction Company) and also served as Manager Investment and Treasury (NIC) as well as similar roles in various entities in the UK

**Academic Qualifications**

**CFA, Level 3 Candidate**

**Chartered Accountant, Fellow (UK)**

**FCMI (UK)**

**CPA (Uganda)**

**Masters in Business Administration (Finance)**  
University Of Exeter(UK)

**MSc. International Finance and Investments**  
London SouthBank University (UK)

**Bachelor of Science(Hons), Accounting**  
Oxford Brookes University (UK)



**Ms. Barbra Teddy Arimi**  
Head Of Marketing & Communications

She is in charge of the Fund's marketing and brand communications.

**Experience**

She joined the Fund from Orient bank where she was Group Head Corporate Communications and Marketing.

**Academic Qualifications**

**Member of the Chartered Institute of Marketing (UK)**

**Masters of Business Administration**  
Eastern and Southern Africa Management Institute (ESAMI)

**Bachelors' Degree in Commerce (Marketing)**  
Makerere University



**Mr. Elijah Kitaka**  
Head Of Information Technology

He is in charge of the Fund's information technology function.

**Experience**

Previously spent 5 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. Worked at Barclays and Global Trust Bank prior to Google

**Academic Qualifications**

**Bachelors of Science, Computer Science**  
Makerere University



**Mr. Milton Steven Owor**  
Head Of Human Resources & Administration

He is in charge of the Fund's human resources and administration function.

**Experience**

Milton has previously worked as HR Director for General Electric Africa, HR Director Anglophone Africa at Shell, and Regional HR Director at British American Tobacco

**Academic Qualifications**

**Masters of Business Administration (Strategic Human Resources)**  
University of Leicester, UK

**Global Business Leadership (INSEAD)**

**Bachelors of Arts**  
Makerere University





**Mr. Gerald Mugabi**  
Head Of Procurement

He is in charge of the Fund's procurement function.

#### Experience

Prior Joining the Fund, he worked for UNRA, Ministry of Finance Planning and Economic Development under FINMAP

#### Academic Qualifications

**Member of the Chartered Institute of Purchasing and Supply-UK (MCIPS)**

**Master's Degree in Business Administration**  
Uganda Management Institute

**Bachelors' Degree in Commerce (Transport Economics)**  
University of South Africa (UNISA)



**Mr. Edward Ssenyonjo**  
Head Of Risk

He is in charge of the Fund's risk management team.

#### Experience

He has eight years experience in Risk and business continuity management, two years experience in internal audit as well as two years experience in customer care

#### Academic Qualifications

**ACCA**

**Certified Public Accountant**

**Member, ICPAU**

**Member, IAU**

**Master in Business Administration (Ongoing)**

**Bachelor' Of Commerce**  
Makerere University



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

He is in charge of the Fund's internal audit team.

#### Experience

He has previously worked as Acting Chief Internal Auditor/ Deputy Chief Internal Auditor (NSSF), Audit Team Leader (NSSF), Internal Auditor (NSSF), as an Accountant (Uganda Breweries Ltd) as well as Assistant Accountant (Uganda Breweries Ltd)

#### Academic Qualifications

**ACCA, Certified Public Accountant (CPA)**

**Member, ICPAU**

**Member, Institute Of Internal Auditors (IIA)**

**Master of Business Administration**  
Makerere University

**Bachelors' Degree in Commerce**  
Makerere University

**Diploma in Business Studies**  
Makerere University Business School



# Our Pursuit Of Excellence

## Deputy Managing Director's Innovation Statement



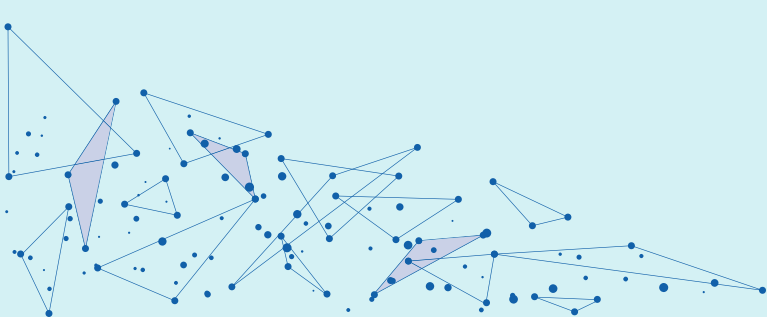
**Geraldine Ssali – Busuulwa**

Deputy Managing Director

*The Fund has undertaken Innovation as a deliberate step and critical value that must be embedded in the culture of the organisation in order to deliver excellent sustainable administrative services to our members.*

The Fund has started to realise efficient savings in the way we streamline our systems to support service delivery through innovations like E-collections, Mobile money collections, Secure Remote access services to support our Relationship Managers on the go, and much more.

The convenience and customer experience of our members while we plough back value to them is paramount.





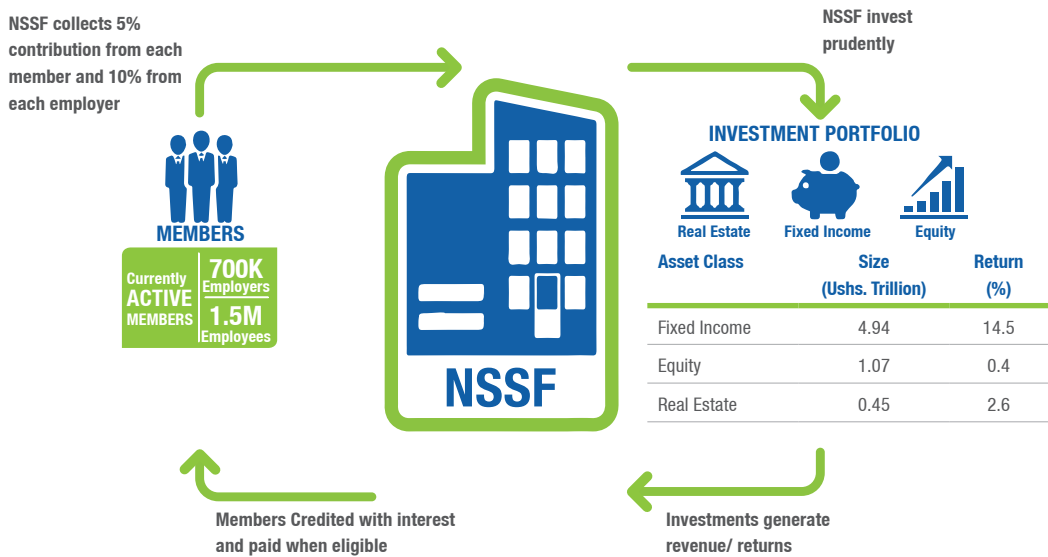
*The future belongs to those who believe in saving for retirement*

# Our Strategy

In April 2015 the Board of Directors approved the 10 years, 2015-2025, strategic plan for the Fund. In this plan four strategic targets were set.

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

The implementation of this strategy, rides on the following business model.



**NSSF Business Model**



The core strategic elements of this 10 year strategy are

#### **Vision**

To be the Social Security Provider of choice.

#### **Mission**

To be a lifetime partner for our members by providing social security benefits that are relevant and timely through innovation and service excellence.

#### **Tagline**

A better life

#### **Values**

Efficiency, Teamwork, Integrity, Innovation, Customer Centric

Development of the business strategy was guided by a detailed customer needs assessment and a critical evaluation of the Funds ability to deliver.

An internal survey identified the members as the Funds primary customer and their employers as the secondary customers. The Government, Regulators, Social Security Bodies, Unions, The Board, Staff and the Media were identified as key stakeholders.

The Customer Needs Assessment report informed the Fund that members require five (5) things from the Fund

1. Safety of their savings
2. Reasonable Returns
3. Accessibility
4. Reliability & Integrity
5. Timely good customer service

These had been captured in the previous Strategy's Customer Value proposition and were reinforced in the new 10 year strategy. The report also introduced new demands from the members that included:

1. Mid-term access that includes Health, Housing, Education and loans
2. Consistent Returns
3. Relevancy through life cycle.
4. Prudent Choice especially on how Funds are invested and decumulated.

These needs were captured during the strategy development process and formed the basis of the Customer Value Proposition for the 10 year strategic plan.



The goal is to provide a system of benefits that are relevant throughout the life cycle of the member and provide a holistic social risk management solution.

**Customer Value Proposition 2015–2025 – Our promise to our members**

Customer Need	Our Promise
Safety of Savings	Reasonable and Consistent Returns on their savings
Accessibility and Timely service	Excellence in our service delivery channels and customer relationship
Empowerment	Prudent choice offered to our members on where their savings are invested to meet their social security needs
Relevancy throughout Life Cycle	Value-adding products that cater for the short-term, medium-term and long-term social security needs of our members

A further assessment of the operational environment was carried out to understand whether the environment within which the current legislation was set up is still present today. It was discovered that customer needs and preferences have actually evolved. The old model based on paternalism, where the State provided retirement income for all citizens, is no longer tenable.

retirement benefits and provide members and employers more choice on how their savings are accumulated and decumulated. Some of these changes have begun to manifest through new legislation, which established the regulator, and a push to expand the benefits and services provided by the Fund.

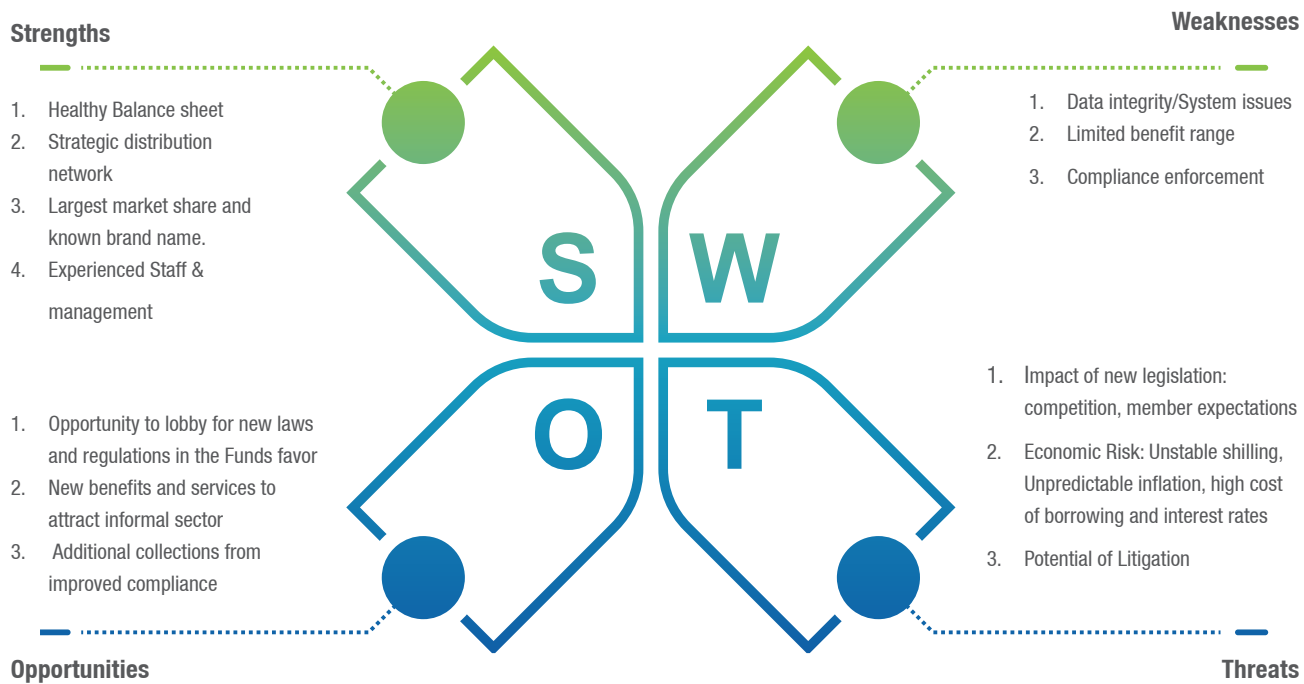
The fixed design system also has to give way for a new more dynamic retirement benefits model. Such systems would enable a customer centric approach to



Part of the top management team during a strategy session in the NSSF boardroom

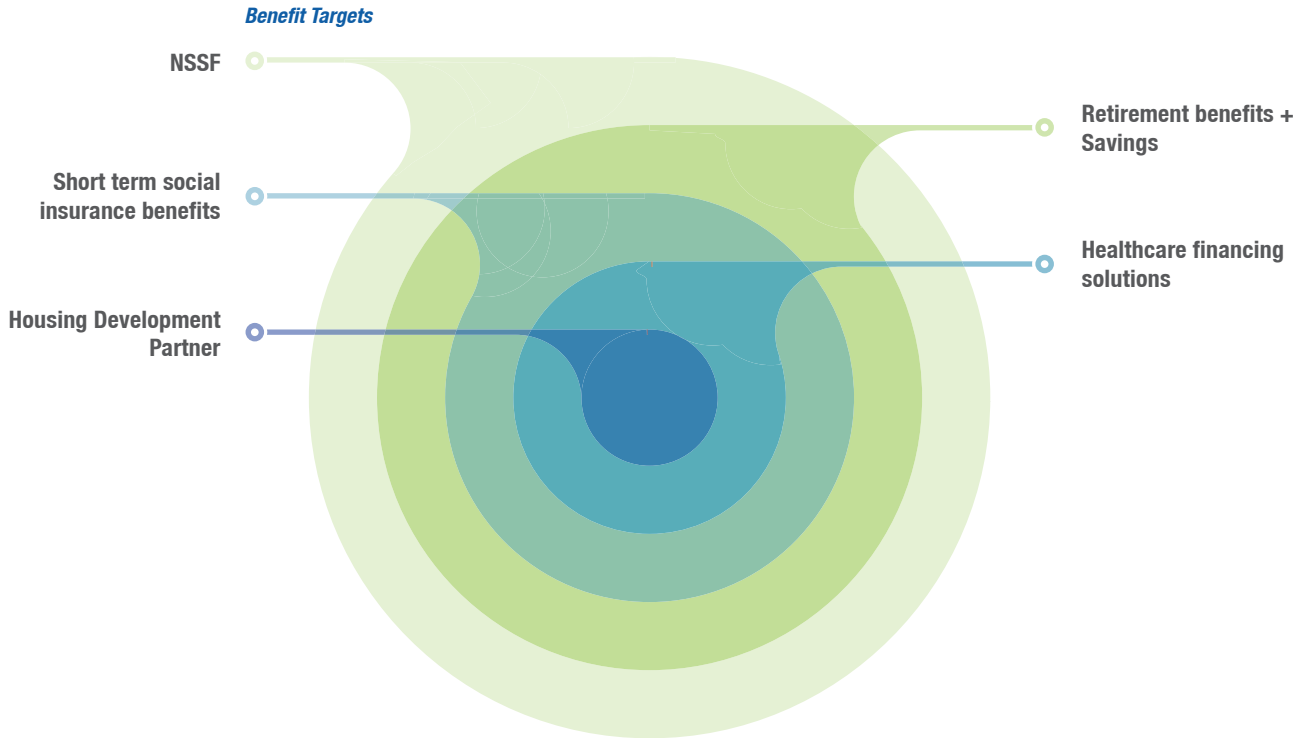
A further assessment was also carried out using the SWOT methodology

**SWOT analysis**



The business strategy was formulated to take advantage of the gains and mitigate the pains arising from this SWOT analysis. In addition to this management realized that there was a need to differentiate the Funds offering in order to maintain the Funds position as a market leader in the provision of retirement benefits in Uganda.

A differentiation plan to carve out that additional benefit which Fund members will enjoy uniquely from the rest has been included in the 10 year strategic plan. It is summarized in the following diagram.

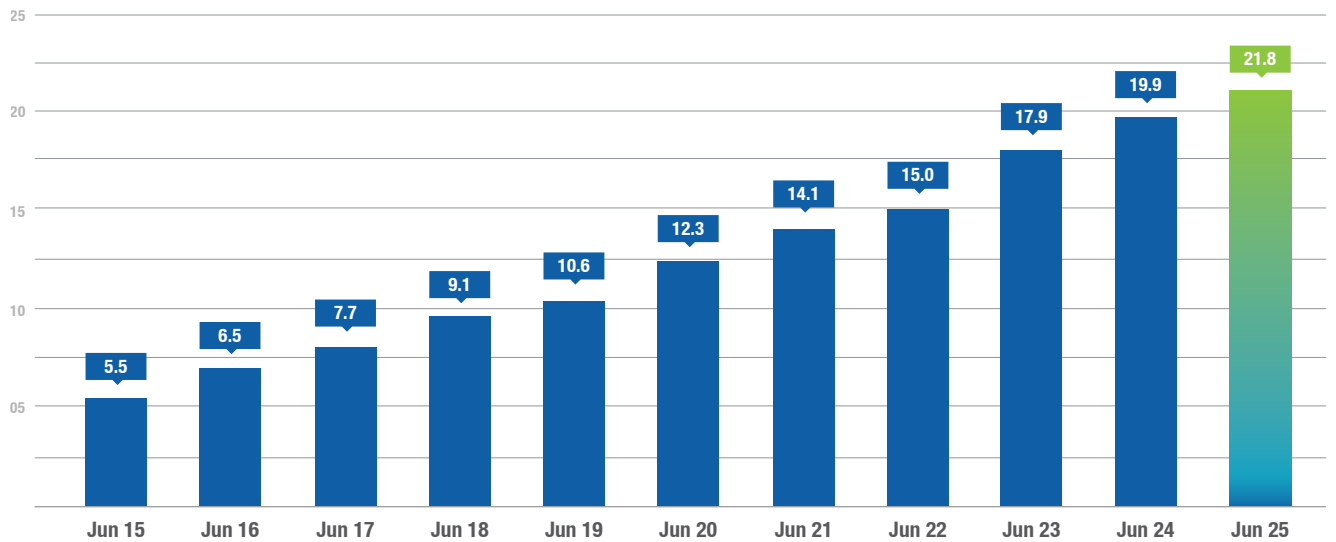


The goal is to provide a system of benefits that are relevant throughout the life cycle of the member and provide a holistic social risk management solution.

In order to achieve the projected 20 trillion by June 2025 the Fund Asset must grow to 7.7 trillion in 2017 and 9.1 trillion by June 2018. Below is a chart showing expected Asset sizes to achieve the strategic Asset size.

In order to achieve this growth the following estimate annual targets have been set

**10-Year Closing Asset Position Targets (US\$. Trillions)**





**Required Performance Levels required to achieve 2025 Vision**

Budget line	Required
Asset growth	1.386 trillion
Contributions	12% increment over FY 2014/15
Benefits paid	239 bn
Expenses cap	80 bn
Income required	608 bn
Interest to members (provisioned – net of costs)	12%

**Performance on the strategy (2015–16)**

During the Financial year 2015–16 the Fund was able to achieve a score 101% – An average performance level.

**2015/16 organisation Balanced Scorecard**

Perspectives	Weight	Objectives	Measures	Actual	2015/16 TARGET	Traffic Light Forecast
Customer	30%	Improve Customer satisfaction	Customer satisfaction index score	86%	90%	96%
			Improve brand image	Tonality score	86%	80%
						<b>97%</b>
Financial	30%	Increase contributions	% increase in contributions	12.3%	12%	102%
			% of active to total registered members	49.3%	28%	145%
			annual % increase in number of new members (Gross increase)	10.3%	12%	86%
			Employer Compliance rate	78%	77%	101%
		Increase profitability	% return to members above inflation	4.10%	2%	145%
			Average return on investment (Gross)	12.3%	14%	88%
			% of investment projects on schedule	75%	100%	75%
Reduce Costs	Expense ratio	1.34%	1.20%	89%		
						<b>109%</b>
Business Process	20%	Improve data quality	Audit opinion	unqualified	Unqualified	100%
			% of suspense above 3 months	68%	99.5%	68%
		Improve service delivery	TAT for payment of benefits	9	9	106%
			TAT for customer statement update	2	2	86%
						<b>99%</b>
People and Systems	20%	Enhance a winning culture	Number of external achievement awards won	5	3	145%
			Staff engagement index	86%	85%	102%
		Improve staff knowledge and skills	% of eligible employees trained (based on Training needs assessment)	100%	100%	100%
			% of staff completing at least 2 courses in e-learning	98%	90%	108%
						<b>100%</b>

## Breakdown of service delivery to members and employers

The Fund provides services to employers and members. This breakdown provides an evaluation of how the Fund performed with respect to these 2 categories of customers.

### Members

#### Good

- Service delivery (statement update in 1 day under Straight Through Process (STP) – Phase 2). The Fund has been able to achieve one of the strategic targets in the 2015–2025 strategic plan. Member statements are now updated within 24 hours after contributions have been received.

#### Fair

- Benefits paid in average 9 days
- Statement quality has improved due to the implementation of the STP project
- Customer service is good but needs to be standardized across the country and across all access points

#### Bad

- Unbalanced Social Risk Management regime – Mid term benefits required
- Inefficient compliance model – defaulting employers are not comprehensively managed
- Member satisfaction has stagnated around 86%
- No notifications when contributions have been paid

### Employers

#### Good

- The online platforms and payment process have made it easy to remit employees contributions.

#### Fair

- The Relationship management model that has enabled closer interaction between the employer and the Fund
- Sensitization of employers, which has greatly improved communication between the Fund and employers, can be improved

#### Bad

- Employer compliance handling is still below expectations
- Inconsistent visits by Relationship managers
- Slow issues resolution especially related to legacy data problems.

- No employer notifications. This however is to be addressed in the next implementation of STP.

The Fund has been able to make some progress on the implementation of initiatives aimed at delivering the Customer Value Proposition. A brief summary of the progress of some of these interventions is summarized below.

Need	Intervention	Status
Safety of their savings and Reasonable Returns	Interest rate guarantee of 10 year inflation + 2%	Successful but becoming increasing expensive to maintain.
Accessibility, Timely good customer service	Enhancement of customer access points, training of customer service staff	Successful. Members can access Fund services across multiple access points. The additional push is now to standardize.
Reliability & Integrity	Standardization of processes and services. Implementation of standardized policies	Partially successful. Standardization initiatives have not been implemented across the board.
Housing Benefit	Develop a strategy for providing more housing for Ugandans	Project still at initial stages
Funeral Benefit	Funeral Benefit developed. Pending management approval	

Going forward the Fund shall continue to implement the above strategic interventions and shall also implement the strategy below to resolve some of the operational challenges.

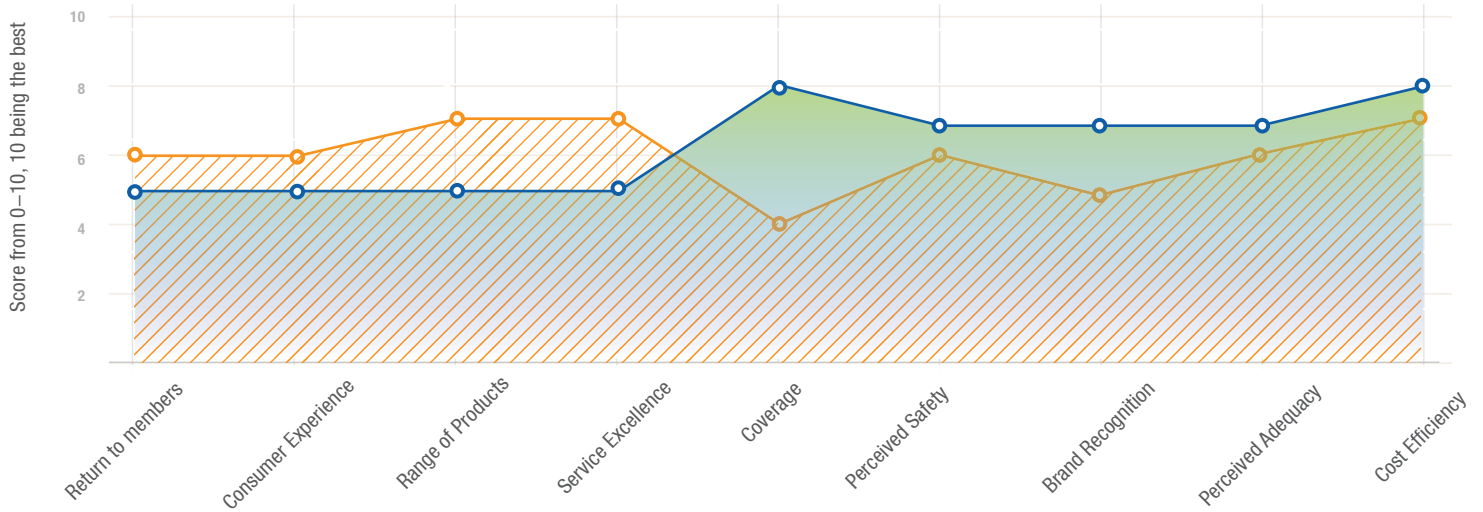
Issue	Strategy	Intended result
Membership growth, compliance and contributions collection plateauing	<ul style="list-style-type: none"> <li>• Slow down exit of benefits using Annuities and drawdowns</li> <li>Increase collections and compliance using a new sales model</li> <li>Fast track use of agents to grow recruitment and collections</li> <li>Re-design whistle blower to enable easier reporting and follow up</li> <li>Actively engage the informal savers</li> </ul>	Improved cash flow management. Improved compliance. Improved contributions collection. Better benefit payment planning.
Falling investment income. Uncertainties in the equity markets and falling returns on FI.	Actively seek out new market opportunities to give a higher return.	Earn more from investments. Maintain the inflation +2% + costs net return level
Cost management. Costs are increasing.	Reconsider interest rate provisioning rules. Cap interest rate at inflation +2%	Better cost management

**Performance on the differentiation plan**

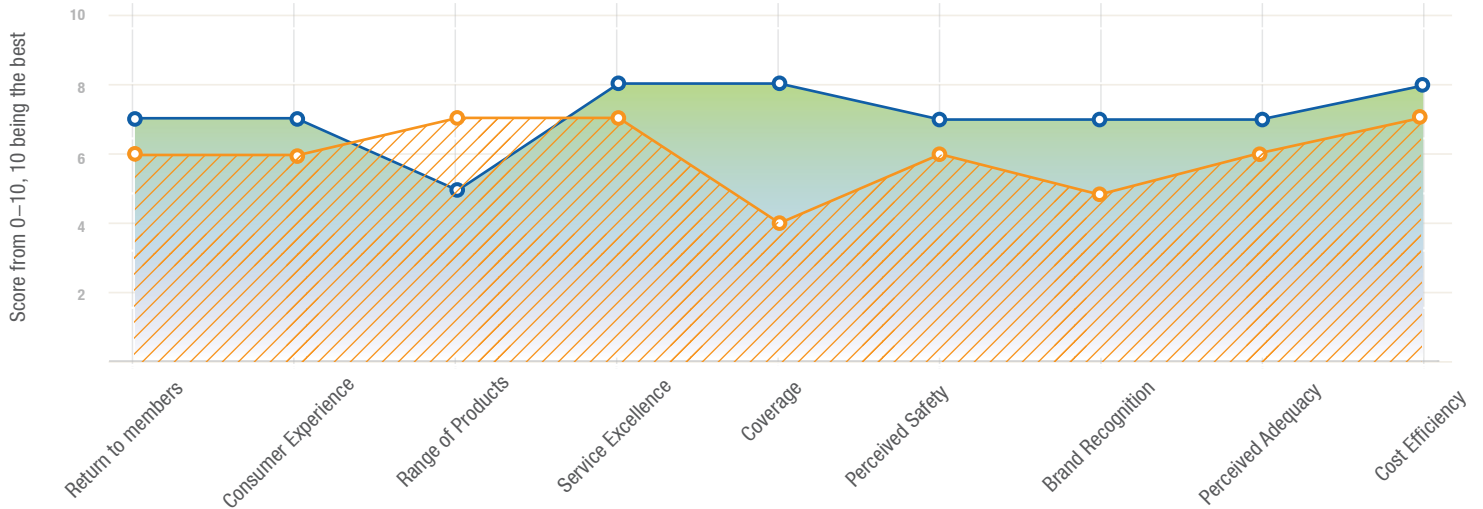
The Fund implemented a differentiation plan that has continued to improve the services provided to members. The Fund has been able to improve in the areas of

1. Customer experience
2. Return to members and
3. Service excellence

**2015**



**2016**



**Key**

- NSSF
- Best in competition





*Business strategy is the battleplan for a better future*

## Tactical responses to some of these issues

Area	Goal	Issues	Main cause	Target (2016)	Achieved (2016)	Projected (2017)	Tactical approach
Improve customer satisfaction	To ensure that members savings are preserved, Services are efficient, convenient and accessible and lastly that at all times there is additional value to members.	Plateauing member satisfaction	Benefits offered do not provide enough value add to members	90%	86%	90%	Complete strategic program enhancements to improve service delivery and introduce relevant products
Increase Contributions by 12%	Achieve a collection level that matches the strategic projections to ensure that the 20 trillion asset size is achieved by 2025.	There is an urgent need to accelerate contributions collections to match benefit payments inflation.	Brief contractions in economic growth and Benefits are growing faster than projected	12%	12.3%	10%	Propose new business model to increase collections and improve compliance.
Introduce part payment of benefits (Annuities and draw downs)							
Improve compliance rate	Achieve a compliance rate of 82% by 2025	Employer compliance rate is improving marginally.	Compliance model not effective at discovering and recovering from defaulters.	77%	78%	78%	Propose new sales model to increase collections and improve compliance. Improve management of whistle blower cases. Track reporting to resolution and establish baseline TAT.
Improve staff satisfaction	All staff are satisfied, engaged and happy to work for the Fund	Staff satisfaction levels have plateaued. Major improvements in staff welfare have a marginal impact on satisfaction levels.	Staff have higher expectations from HR. HR needs to rise and match this expectation. Initiatives like Lunch and Aerobics were good but now HR must rise to a new level.	90%	86%	90%	Introduce staff parking

Area	Goal	Issues	Main cause	Target (2016)	Achieved (2016)	Projected (2017)	Tactical approach
Improve existing staff benefits	Complete Kuboresha initiatives on change and people management	Complete implementation of Electronic Document Management System					
% implementation of corporate training plan	Equip staff with the skills to deliver the strategic objectives	Training plan not adhered to	Conflicting priorities during implementation.	98%	90%	90%	Continue to integrate coach mentor programs across the organization. Increase the number of courses on the e-learning module







# Financial and **Business Review**

## Operating Environment Review

*The Ugandan economy continued to grow, but at a moderate pace. The annual real GDP growth projection for the Financial Year 2015/16 was revised downwards to 5% but it is expected to strength gradually to 5.5% in the FY 2016/17.*

*Annual headline and core inflation which peaked at 8.5% and 7.6% in December 2015 declined to 5.9% and 6.9% respectively in June 2016 due to continued fall in prices of fuel, food crop and other imports.*

The strengthening of the Uganda Shillings that began in October 2015, following the depreciation pressures that ensued in early 2014, continued in June 2016. In June 2016, the shillings appreciated by 3.58% year on year to an average mid–rate of UGX. 3,466.17 Per USD. The currency appreciation has not been exclusive to Uganda. Indeed, most of Uganda’s trading partners experienced similar movements in the exchange rate.

A more detailed analysis of the operating environment review is given below

### Interest Rate

- Yields on government paper increased in 2016 due to increased auction sizes and underperformance in tax collections.
- CBR rate was revised downwards by 200bps to 15% in a bid to spur economic activity and private sector credit growth.
- On a quarterly basis, the yield curve shifted upwards on all tenors except on the 91Day paper. (–49bps to 118.6bps).
- Money supply, M3, growth reduced to 5.4%/y/y in April 2016 versus 7.0%/y/y in April 2015.
- Private Sector Credit growth declined to 7.1% y/y in April 2016 from 14.8%/y/y in April 2015.

### Outlook:

We expect the monetary policy stance to remain expansionary in line with the Central Bank’s view. This is however subject to the risks emanating from inflationary pressures and currency fluctuations. In line with this, the yield curve is expected to gradually shift down as the Government has reduced its domestic borrowing target

for FY16/17. (Source: GenAfrica Report, Quarter ending June 2016)

### Political and Economic update:

- Economy estimated to grow by 4.6% in FY15/16 behind 5.0% target.
- President Museveni's 5th term commences.
- Budget increased by 10.5%, new domestic debt to reduce by 55.8%.
- Oil refinery: negotiations with Russian firm, RT Global Resources end.
- Non-performing loans increased and private sector credit growth slowed due to high interest rates.
- Uganda's debt/GDP projected to rise to 44.5% by 2020.
- IMF extends Uganda's economic programme.

### Outlook:

The economy is projected to grow by 5.5% in FY16/17 driven by public investment and private sector demand. Lower domestic borrowing by the government is expected to boost private sector credit growth in the FY16/17 fiscal year. Key risks to this outlook are vulnerabilities to external shocks as global financial conditions remain uncertain. (Source: GenAfrica Report, Quarter ending June 2016)

### Equities market–Uganda

- On a quarterly basis, the Local share index recorded a 6.6% decline while the overall index was down by 5.3%.
- DFCU (–13.0%), Stanbic (–10.3%), Umeme (–9.1%), New Vision (–7.5%) and Bank of Baroda (–7.2%)

recorded losses. The rest of the stocks traded flat.

- Stanbic Bank's profitability grew by 11.6% to US\$150.8bn.
- Bank of Baroda growth in profit up by 11.7% to US\$41.2bn.
- NIC's net profit advances by 6.8% to US\$1.9bn.
- UCL records 23% improvement in profit after tax to US\$–1.2bn.
- Umeme and ERA settle dispute regarding the "growth factor".
- New IPO to be launched Quarter Four 2016 along with a mobile platform.

### Outlook:

Activity at the Uganda Securities Exchange is expected to intensify driven by low interest rates and positive sentiments as the economy continues to gain traction. However, the ensuing uncertainty in global financial conditions and lower growth in other emerging countries continue to pose as risk. (Source: GenAfrica Report, Quarter ending June 2016)

### Kenya

- Economic outlook: Economic activity may slow in the run up to the elections. Government expenditure may therefore counter the slow down and sustain growth.
- Currency outlook: KES may weaken moderately on the back of increase in commodity prices and decline in FX reserves, however IMF standby credit expected to provide cushion.
- Inflation outlook: Higher inflation expected due to long rains and 50% increase in road maintenance levy charged on petroleum products.



Activity at the Uganda Securities Exchange is expected to intensify driven by low interest rates and positive sentiments as the economy continues to gain traction.

- Interest rate outlook: Slow disbursements by government in the first quarter of the fiscal year normally sees lower money supply resulting in tightening liquidity. Government expected to front-load its borrowing needs to raise revenue and this may push up interest rates..

### Equities market–Kenya

- Bear run persists in the stock market.
- Nairobi all Share Index declined by 5% during the quarter (–4% year to date).
- NSE 20 Index dropped by 9% in the same period (–10% year to date).
- Quarter’s top gainers were Britam (+33%), Williamson Tea (+14%) and ARM Cement (+12%).
- Top decliners for the quarter were Uchumi (–43%), Flame Tree Group (–34%) and WPP Scangroup (–32%).

### Outlook:

Risk aversion by investors following events in global markets may continue to weigh down frontier markets such as Kenya and Uganda. Concerns around political risk are also acting as a deterrent to foreign investor flows with preference for other markets in Sub–Saharan Africa that are undertaking structural reforms such as Nigeria. (Source: GenAfrica Report, Quarter ending June 2016)

### Regional Markets Update

Sub–Saharan Africa (SSA) continued to register slow GDP growth with IMF forecasting economic growth to drop to its lowest level in over 2 decades to 1.4% in 2016 from 3.5% in 2015. This decline was mainly attributed to;

- declining oil prices which affected key commodity exporting economies, such as Nigeria
- terrorism and humanitarian crimes, and
- critical drought particularly in Lesotho, Malawi and Zambia.

These factors coupled with global flight to safety following challenging macroeconomic environment in this region contributed to the slowdown in foreign direct investments into the region.

The above factors point to the need for economic diversity given

- homogeneous economies such as Nigeria, Angola and South Africa who according to IMF report were expected to collectively register negative growth while
- heterogeneous economies such as Kenya, Ethiopia and Ivory Coast showed a good level of resilience.

The Sub–Saharan African currencies lost against all the major global currencies during the year as a result of;

- Strengthening of the dollar globally,
- increased outflow from the commodity dependent markets, and
- foreign investors shifting their investment portfolios to cheaper and less risky markets.

The Nigerian Naira was the worst hit currency during the year shedding 58.1% against the dollar as the country continued to experience a recessionary economic environment and reduced investor confidence prompting the Central Bank of Nigeria (CBN) to devalue the Naira.

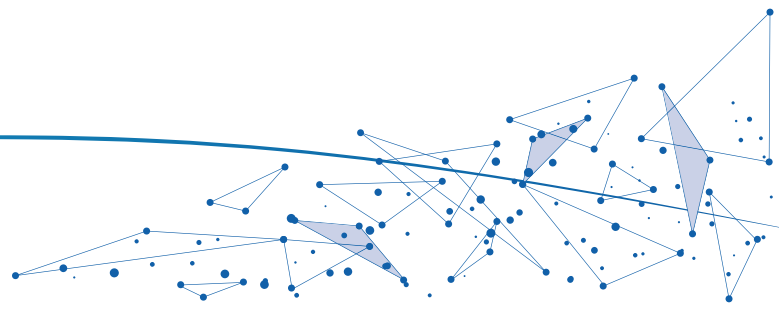
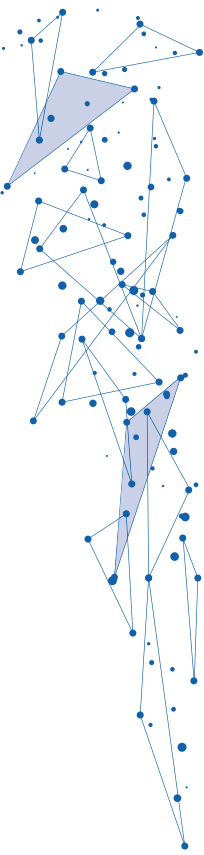
### Global Markets

- The MSCI World index gained 0.3% in the quarter (–0.6% year to date) supported by US markets.
- UK opts out of the Eurozone followed by PM David Cameron’s resignation.
- Heightened uncertainty post “Brexit” wipes out USD 3trillion from global financial markets.
- Federal Reserve unlikely to raise rates further.
- Weak manufacturing data signals slowing economy in China.
- Nigeria adopts flexible exchange rate regime.



**Outlook:**

We remain wary of global markets on account of the “Brexit” aftershocks, a shaky global political economy and the emergence of extreme populist leadership that is putting democracy to the test. This is in addition to the terror threats around the globe. *(Source: GenAfrica Report, Quarter ending June 2016)*





**Patrick Ayota**

## Chief Financial Officer's Report on Financial Performance

*In 2016 the economy witnessed some instability and volatility arising from a number of factors: the staging of a national election, a slowing and volatile global economy and the subsequent declining commodity prices resulting from slower growth in two large economies, China and Brazil.*

These had a lot of effect on the business of the Fund (Fixed Income). The challenges aligned with these developments include; Interest on government securities briskly reduced in Uganda. This prompted obtaining of more investments in other countries like Kenya which also entails the aspect of foreign exchange that greatly affects the return on these fixed incomes.

Despite our challenges, we still recorded considerably satisfactory performance on our top line numbers as further highlighted 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) of Uganda.

Our overall profit declined during the year mainly on account of fair value losses on the equity investments (US\$. -74.4 billion). Below are the highlights;



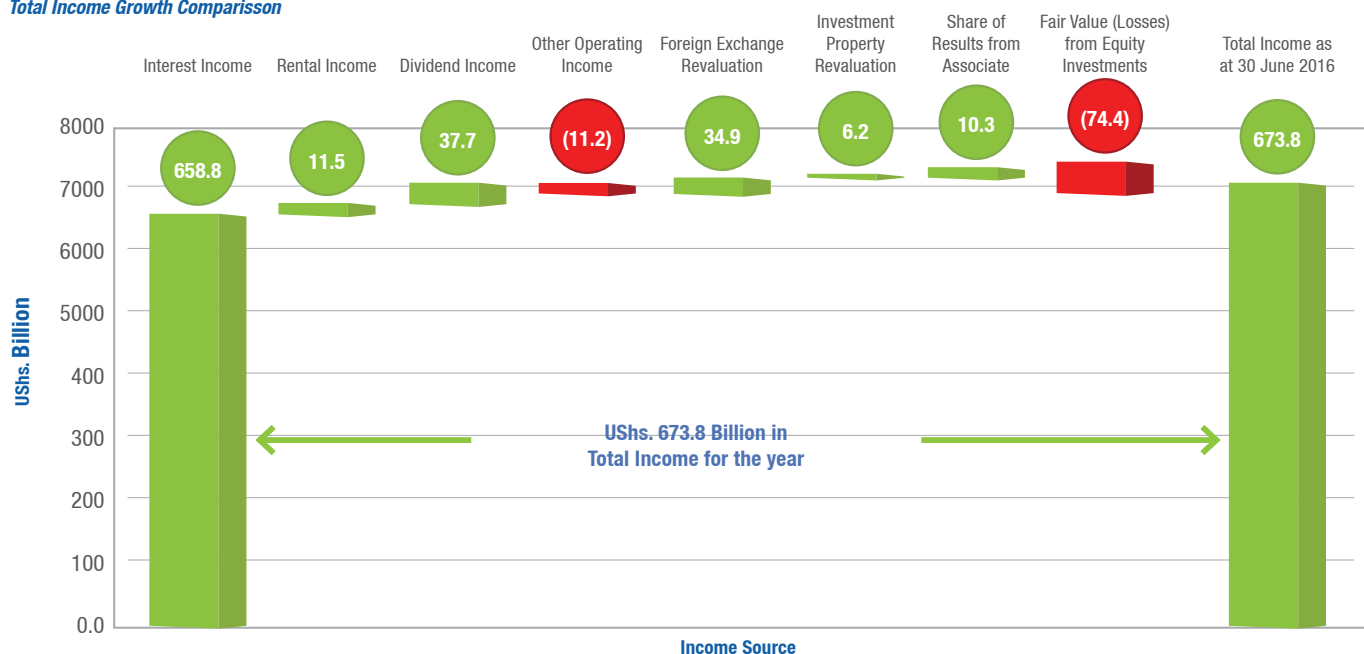
Our strategy remains intact as we continue to tap into new growth opportunities. We will continually engage our resources towards identifying, testing and introducing new innovations that will enhance efficiency, lower costs and delight customers.

### Revenue

1. Driven by the drop in stock prices and the rise in foreign currency, annual total income amounted to UShs. 673.8 billion in 2016 which is 4% below budget of UShs. 699.4 billion. Compared to 2015 total income of UShs. 807.0 billion, there is a decline of 17%.
2. Gross Interest income grew by 22% from UShs. 539.2 billion in 2015 to UShs. 658.8 billion in 2016. This represents a 13.5% better than budget position of UShs. 580.6 billion
3. Rental income amounted to UShs. 11.5 billion, 11.7% up from UShs. 10.3 billion in 2015 and 21% above the budget of UShs. 9.5 billion.
4. Dividend income went up by 12% from UShs. 33.7 billion in 2015 to UShs. 37.7 billion in 2016.
5. Other operating income declined by 120% to UShs. -44.5 billion in 2016 from UShs. 218.2 billion in 2015.

The graph below shows the build up of the Fund's total revenue for the Financial Year 2015/16

#### Total Income Growth Comparisson



### Costs Management

Annual operating costs amounted to UShs. 80.0 billion, in-line with the budget of UShs. 80.4 billion, (Including the URBRA levy of UShs. 4.6 billion that was initially unplanned but later approved by the Minister of Finance). This represents 16% increment in costs from last year which stood at UShs.68.8 billion.

Annual cost income ratio stood at 13.2%, better than budget of 15.1%, and the prior year's 14.0%. While annual expense ratio stood at 1.34%, in-line with the target and better than 1.40% for 2015.

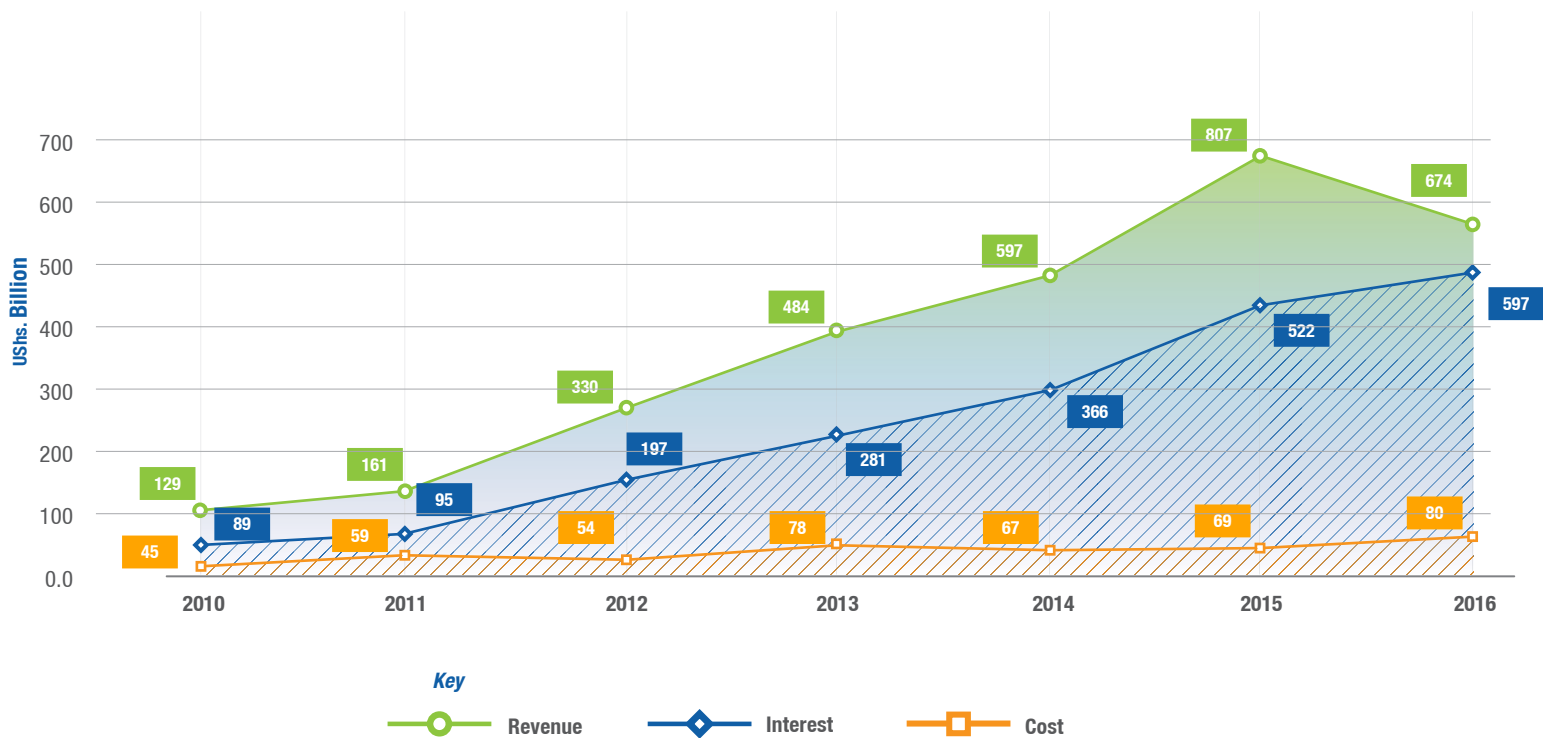
### Interest credited to members

Given the good performance in the financial year 2015/16, the Ministry of Finance Planning and Economic Development (MoFPED) approved an interest of 12.3% to be credited into members' accounts for the year. This is better than the planned 10.2%. In absolute terms this resulted into UShs.597.3 billion for 2016, 14% better than the UShs. 521.8 billion for 2015.

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

The graph below highlights the relationship between revenue, costs and interest credited to members

Revenue, Cost, Interest to members





## Financial Position

### Assets size

The Fund balance sheet increased to US\$ 6.59 trillion in 2016 representing a 19% growth on US\$ 5.59 trillion in 2015. This is 2% better than the budgeted Fund size of US\$ 6.46 trillion.

The Fund are invests in different asset classes—Fixed Income securities, Equity and Real Estate

Fixed income investments increased by 20% to US\$ 4.94 trillion from US\$ 4.12 trillion in 2015. 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 with commercial banks.

Equity Investments increased by 19% to US\$ 1.07 trillion, from US\$ 899.3 billion in 2015. This growth is mainly attributed to the acquisition of new shares. Additions include; Tanzania Portland Cement (TZS) TPCC (2,002,260 shares) for US\$ 5.0 billion and British American Investment Kenya (Britam) (KES) (1,900,000

shares) for US\$ 900 million, East African Breweries Limited of US\$ 113 billion, and PTA Bank US\$ 49 billion.

Investment properties grow by 2% to US\$ 454.1 billion from US\$ 444.8 billion in 2015.

### Liabilities

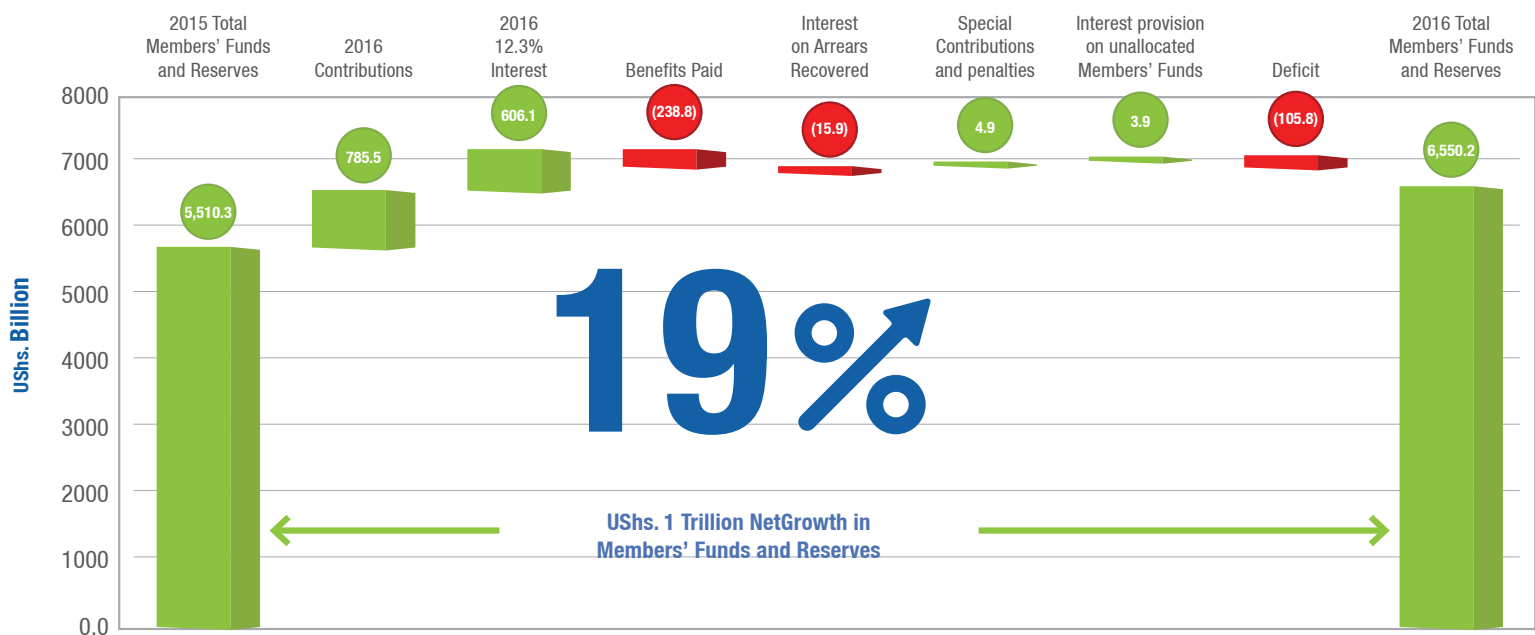
The liabilities declined by 11.1% to US\$ 35.6 billion down from US\$ 40.1 billion in 2015.

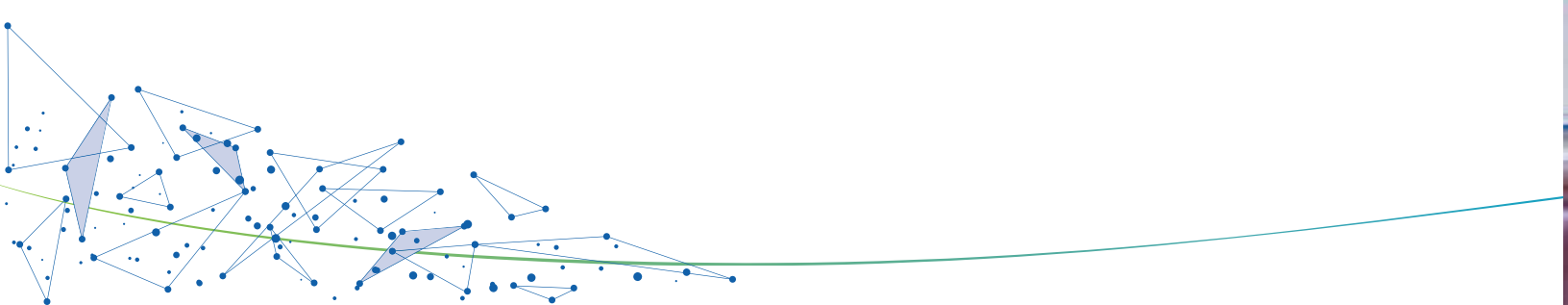
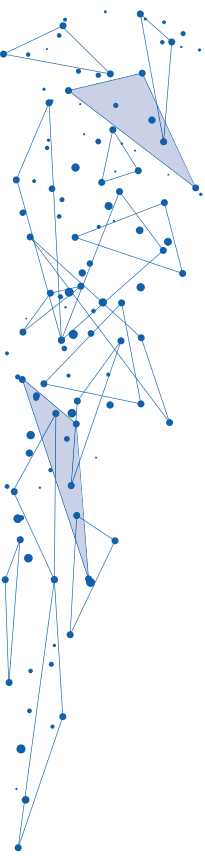
### Members Fund and Reserves.

Members' Funds and reserves increased by 18.9% to US\$ 6.55 trillion from US\$ 5.51 trillion in 2015. This is on the account of US\$ 785.5 billion in collections and total interest credited to members balance of US\$ 597.3 billion at a rate of 12.3%. This resulted into members receiving more value than planned, i.e at an interest rate of 10.2%.

The graph below shows the build up of members' fund and reserves as at June 2016

### Members' Funds and Reserves Comparison





### Cash flow analysis

The closing cash and bank balance stood at US\$ 27.8 billion, compared to US\$ 14.1 billion for 2015. The Fund generated US\$ 549.4 billion net cash flows from financing activities and used the same to finance investments specifically in fixed income and equity portfolios.

### 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 delight customers. 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.



*Patrick Ayota, Chief Finance Officer (M) brainstorming with some of his Finance Department team members*

# Our Pursuit Of Excellence

in Sales & Operations



**Stevens Mwanje**

Head of Sales and Operations

*“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.”*

*- General George Patton*

*In a nutshell, that is how the Sales & Operations Department has become the hotbed of innovations aimed at giving each of our customers a unique and personalised experience.*

Everyday, is an opportunity for this team of young, brainy and adventurous professionals to create new solutions; be they as simple as improving the lay-out of an office space or as complex as creating a new algorithm for analyzing member data-sets.

And this has resulted into a tremendous improvement on the speed and convenience of our customers' experience; be it the way we engage them through the ever evolving relationship management approaches or through the vast array of our e-services.

We envisage and are planning for an NSSF where every customer will find a comfortable corner; where each service will be delivered at the total convenience of the customer and where compliance coverage will extend to all eligible customers.

Just like General Patton said, the people at NSSF know what to do; just brace yourselves for the ingenuity





We introduced the Queue Management System to enhance customer experience across all our branches

## The Fund's Business Review

The last five years have seen the Fund grow in all dimensions. The engine of growth has been;

- Relationship Management improving compliance and contribution collected
- Prudent aggressiveness in investment leading to higher revenues
- Efficiencies leading to better cost management
- Robust customer relationship leading to higher satisfaction.

### Compliance Rating and contributions collected

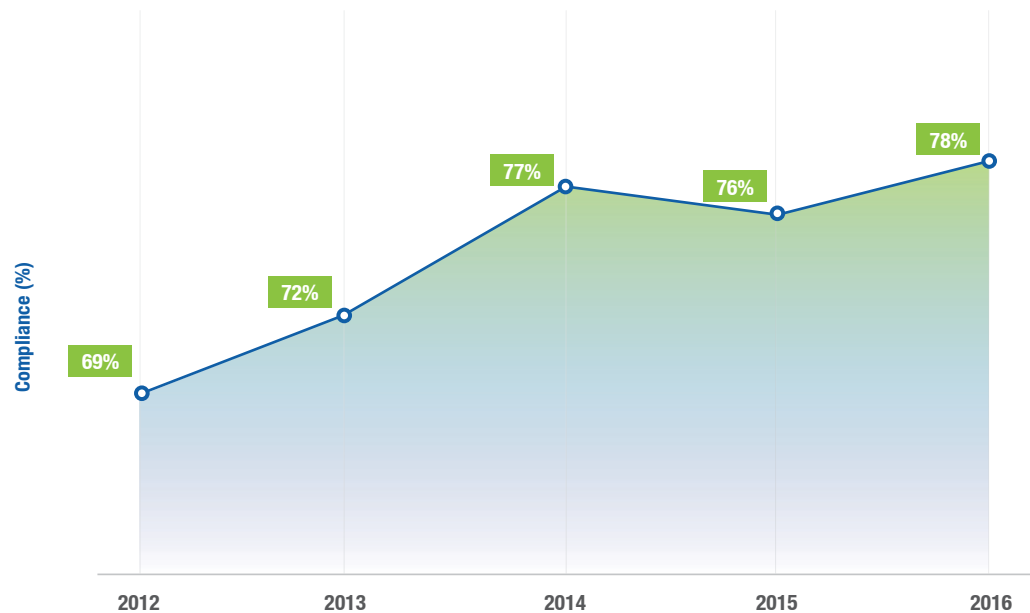
Powered by the Relationship model of management, compliance improved from 76% in 2015 to 78% in 2016 leading to improved contributions.

#### Compliance rate

Because of the improved compliance, our contributions grew by 14% to US\$. 785.5 billion up from US\$. 688.8 billion in 2015. This is a growth of 66% over the last five years. The Fund monthly contributions now average US\$. 65 Billion.

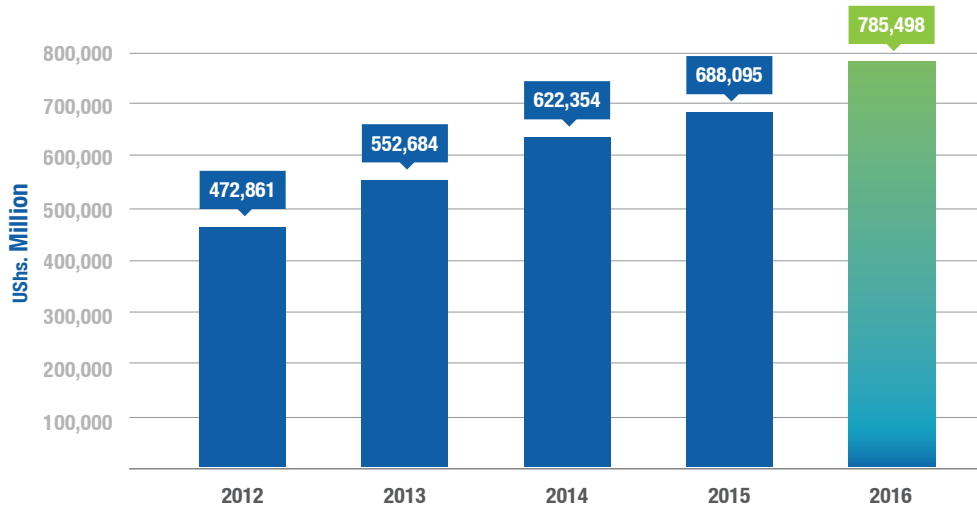
The graph below shows the compliance rates over the last five years

*Compliance levels over the years (%)*



**Contributions Received**

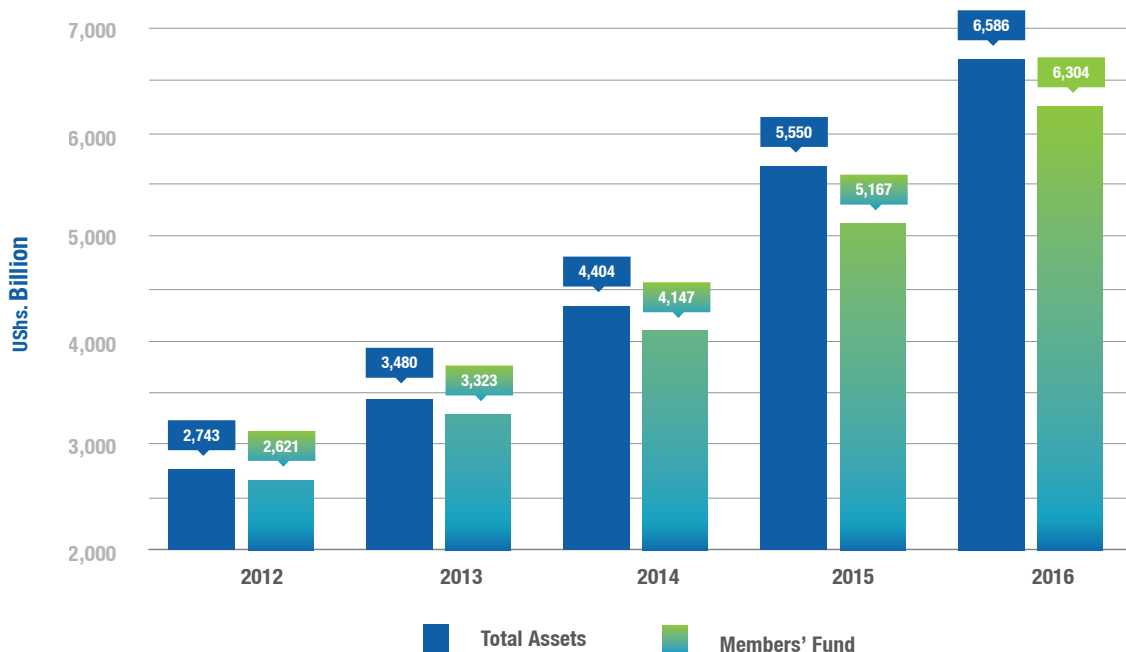
The graph below shows the contributions collected over the past five years.



The continued growth in contributions has seen the Fund grow by over 140% over the last five years through prudently investments. The Fund assets are more than adequate to cover member liabilities and we fully Funded. Members claim against the UShs. 6.6 asset base stands at 96%. The Fund is now the largest financial institution in Uganda and largest Pension Fund in East Africa.

The graph below shows a comparison between Fund assets and member liability

**Assets, Members' Funds over 5 years**



# Our Pursuit Of Excellence

in Investments



**Gerald Paul Kasaato**

Chief Investment Officer

*The Fund's investment strategy is underpinned by the Strategic Asset Allocation as documented in the Investment Policy.*

*Currently, the desired optimal asset mix is: 70% Fixed Income, 25% Equities and 5% Real Estate. As of 30th June 2016, the actual asset mix stood at: 76.5% Fixed Income, 16.5% Equities and 7.0% Real Estate.*

Therefore, the plan is to continue looking for more exposure to equities provided there is value, undertake portfolio rebalancing within the fixed income asset class and seek for more diversification opportunities within Uganda and the East African region. We also expect to continue looking for private equity opportunities.

We hold real estate assets to realize capital gains and get income. But this asset class is mainly comprised of undeveloped land. The plan is to continuously work towards unlocking the value of some of the prime land through developments. We have concepts for some and are working on others. Specifically, we are about to open the Jinja Office Complex (1500 square meters, expected to be completed by the end of October 2017) and are soon breaking ground in Mbarara, also an office block of 1200 square meters (expected to be completed by December 2018).

We plan to commence Phase II works on the Pension Towers Project (70,492 square meters), expected to be completed by 2021.



We will also be embarking on residential housing projects under the “build and sale” category. This will be done using the traditional model where we take on development and market risk, and through the “off taker” concept where we only take market risk—development risk is taken by private developers.

We expect Mbuya Soho Apartments (40 units) to be completed in the financial year 2017/2018. We also expect to break ground and commence works on: Lubowa Phase I project (334 units), and the “off taker” projects for affordable housing (at least 260 units, 2 and 3 bedroom houses).



*Lubowa Housing Project is one of our upcoming real estate project*

## Investments Returns and Revenues

The money collected from the members' contributions is then invested in three different asset classes: Fixed Income securities, Equity and Real Estate.

In 2016, the assets under management improved by 18% to US\$ 6,461 billion compared to US\$ 5,470 billion in 2015 due to capital gains on real assets, increased contributions and interest income. The fixed income portfolio increased to US\$ 4,940 billion from US\$ 4,125 billion in 2015. Equity investments increased to US\$ 1,067 billion in 2016 up from US\$ 899 billion at the end of 2015, while the real estate investments increased to US\$ 454 billion in 2016 from US\$ 445 billion in 2015.

**Table 1: Assets under management (in US\$ billions)**

Asset Class	Jun-14	Jun-15	Jun-16
Fixed Income	3,514	4,125	4,940
Equity	396	899	1,067
Real Estate	444	445	454
<b>Total</b>	<b>4,354</b>	<b>5,470</b>	<b>6,461</b>

### Asset allocation

The fixed income portfolio stood at 76.5% of total assets under management while the equity and real estate portfolios stood at 16.5% and 7.0% respectively. Compared to one year ago, the allocations to fixed income has slightly grown from 75.4 while that of equities remained flat at 16.5%, despite more additions to the equity portfolio including; PTA, Tanzania Breweries, East African Breweries, Tanzania Portland Cement and Britam. Allocation to real estate declined from 8.1% to 7.0%.

As seen in Table 2 and 3 below, the portfolio allocation is in line with the preferred strategic exposures of the current Strategic Asset Allocation (SAA).

**Table 2: Asset Class Allocation**

Asset Class	Jun-14	Jun-15	Jun-16	SAA
Fixed Income	80.7%	75.4%	76.5%	73.0%
Equity	9.1%	16.5%	16.5%	21.0%
Real Estate	10.2%	8.1%	7.0%	6.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.0%</b>

**Table 3: Summary of approved SAA**

Asset	Minimum	Optimal	Maximum
Fixed Income	60.00%	73.00%	100.00%
Equities	10.00%	21.00%	25.00%
Alternative Investment	5.00%	6.00%	12.00%

### Performance

The total portfolio returned 11.3% in 2016, compared to 16.4% in 2015. The performance of the fixed income portfolio (14.5%) in 2016 increased slightly to from 14.1% in 2015. The equities portfolio performance (0.4%) was significantly lower than the 39.8% gain in 2015. Real estate returned 2.6% in 2016, an increase of 0.3% from the previous year 2015 as shown in the table below.

**Table 4: Portfolio Return (Annual)**

Asset Class	Jun-14	Jun-15	Jun-16
Fixed Income	15.0%	14.1%	14.5%
Equity	39.6%	39.8%	0.4%
Real Estate	2.8%	2.3%	2.6%
<b>Total</b>	<b>15.5%</b>	<b>16.4%</b>	<b>11.3%</b>

### Country Allocation

Exposure to regional securities increased from 18.0% in 2015 to 30.1% in 2016. The country allocation for the entire portfolio is shown in Table 5 below. Most of the additions to the portfolio were in Kenya and Tanzania domiciled securities as shown in the table below.

**Table 5: Country Allocation**

Country Allocation	Jun-14	Jun-15	Jun-16
Uganda	81.7%	73.3%	69.9%
Kenya	18.0%	23.6%	26.4%
Tanzania	0.2%	1.8%	2.6%
Rwanda	0.0%	1.3%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Fixed Income Portfolio

The assets under management in the fixed income portfolio increased by 19.8% in 2016 to US\$ 4,940 billion compared to US\$ 4,125 billion in 2015. The Income growth as per the fixed income investments was 22.2% to US\$ 658.8 billion compared to the 14.8% as at the end of 2015 as shown in table 6 below.

**Table 6: The Fixed Income Portfolio (US\$ billions)**

Instrument	Jun-14	Jun-15	Jun-16
Fixed Deposit	682	251	274
T-Bonds	2,650	3,701	4,501
Corp Bonds	143	139	135
Corp Loans	39	34	31
<b>Total</b>	<b>3,514</b>	<b>4,125</b>	<b>4,940</b>
<b>Income</b>	<b>469.7</b>	<b>539.2</b>	<b>658.8</b>
<b>Return</b>	<b>15.0%</b>	<b>14.1%</b>	<b>14.5%</b>
<b>Portfolio Growth</b>	<b>27%</b>	<b>17%</b>	<b>20%</b>
<b>Income Growth</b>	<b>25.7%</b>	<b>14.8%</b>	<b>22.2%</b>



We will also be embarking on residential housing projects under the “build and sale” category. This will be done using the traditional model where we take on development and market risk, and through the “off taker” concept where we only take market risk—development risk is taken by private developers.

**Performance**

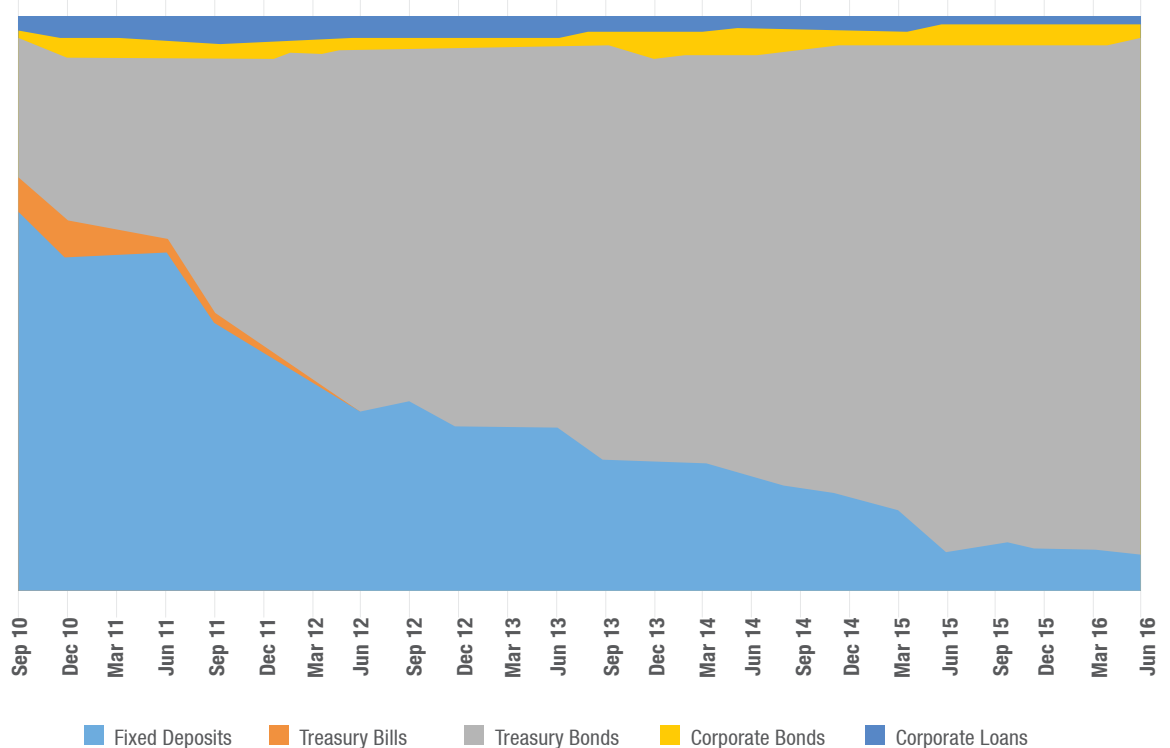
The fixed income portfolio returned 14.5% in 2016. The portfolio return was 40 basis points higher than 2015 return due to higher interest income from the high interest earning assets added to the portfolio since early 2015.

**Fixed Income Portfolio Composition**

The composition of the fixed income portfolio remained unchanged dominated by medium to longer term instruments. This is very much in line with the Fund’s strategy of investing in longer term instruments to capture the term premium and liability matching benefit that comes with such tenors.

The graph below shows the shift in investments from a portfolio dominated by short term fixed deposits to one dominated by longer term fixed income securities (treasury and corporate bonds).

*Fixed Income Portfolio Allocation*

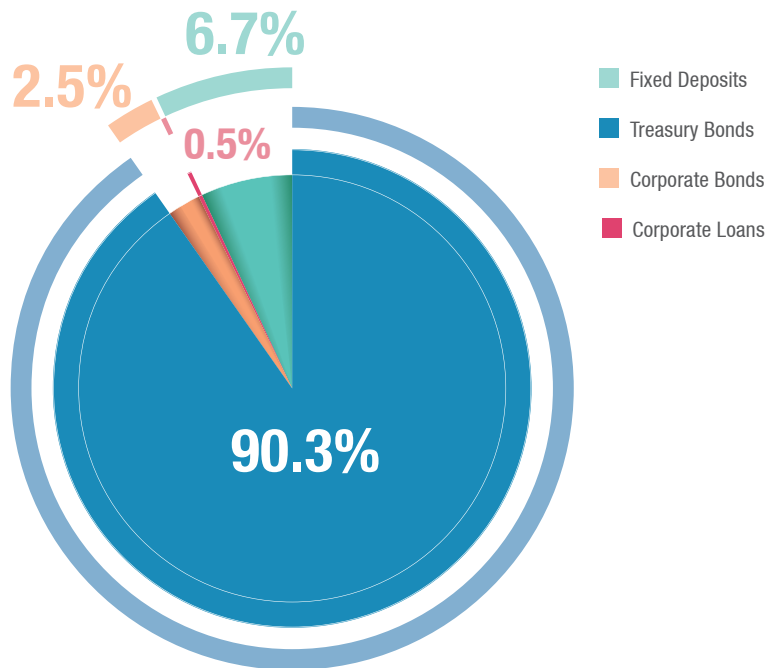


At the end of 2016, the share of Treasury bonds in the fixed income portfolio was 91%, from 90% in 2015. The weight of fixed deposits closed at 5.5%. Compared to 2015, the fixed income portfolio mix has undergone a fundamental change with Treasury bonds increasing significantly while short term fixed deposits declining.

There was reasonable regional activity in the fixed income space during the quarter to 2016 with Government of Kenya treasury and tax-exempt infrastructure bonds increasing by KSh 0.8 billion to KSh 27.8 billion. These represent the highest duration instruments and major source of currency risk. Exposure to Rwandese Government bonds increased to RWF 4.0 billion after a RWF 0.4 billion addition. Significant additions of TZS 22.9 billion were made to the tax-free high yield Tanzania bonds treasuries.



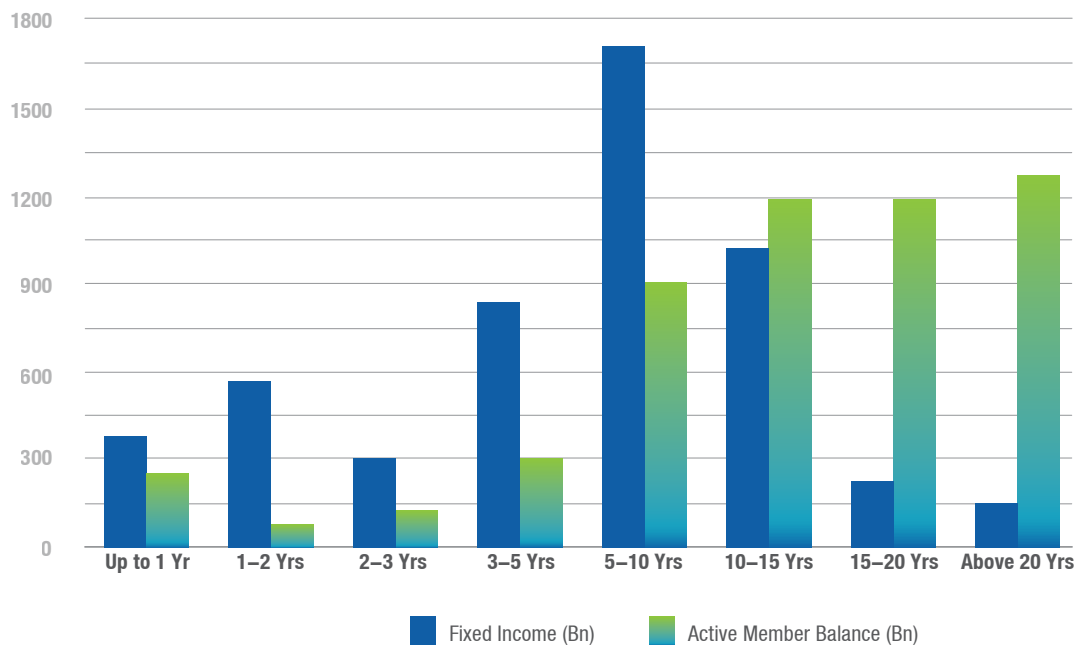
**Interest Income Distribution**



**Fixed Income Portfolio Maturity Profile**

Assets maturing between 5 – 10 years dominated the maturity structure of the fixed income portfolio. These represented 34.9% of the total fixed assets, slightly above 33.2% from 2015. Assets maturing between 5 – 10 years represented 21.0% of the total assets, almost unchanged from 2015. Exposure to assets above 15 years remains low at 5.1% only. From Fig 3, there is a clear mismatch between the maturity profiles of the assets and member liabilities.

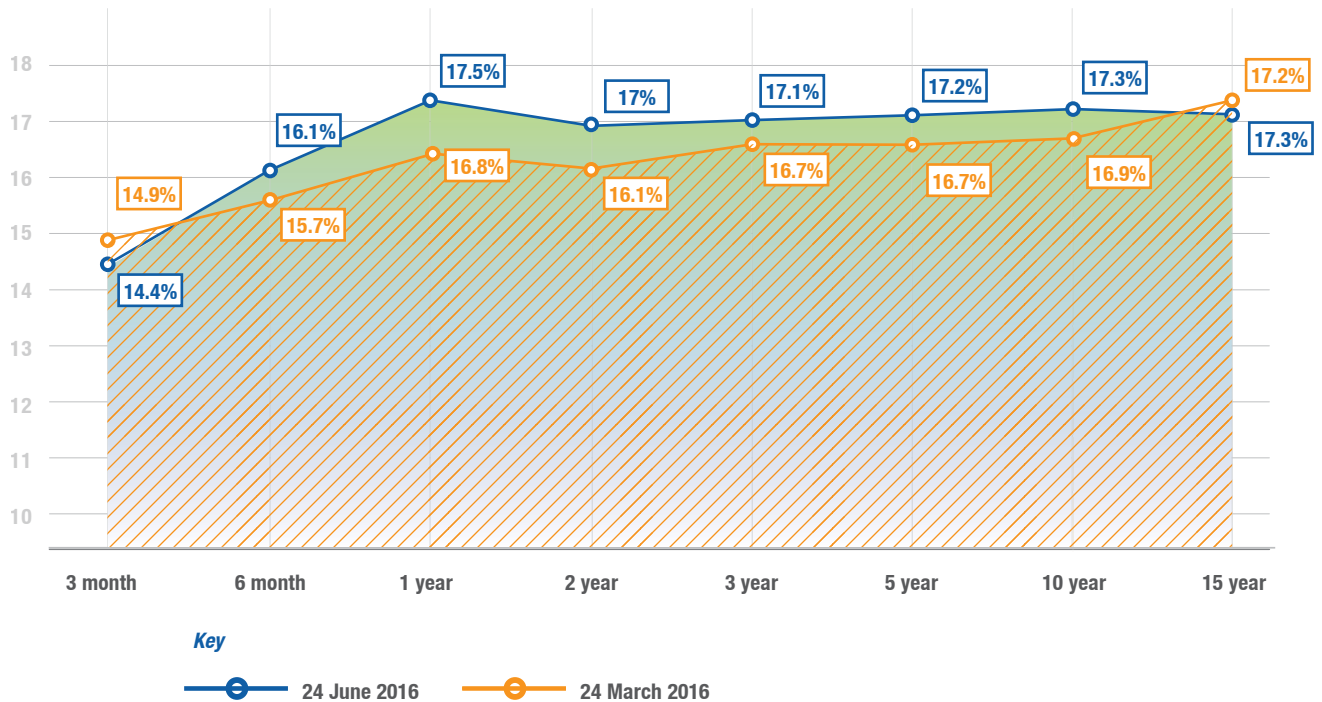
**Fixed Income Portfolio – Active Member Balance Maturity Profile**



**Regional Bond Market**

Yields across various maturities increased in all East African countries in 2016, except Tanzania. Largest increments were in Uganda, with short-term paper gaining over 115 basis points compared to 40–50 basis points on long-term treasury issues. Rates registered an uptrend in June 2016 with the 1-year yield at weighted average price posting the biggest gain in both May and June to end 2016 at 17.537 percent from 14.6 percent at the end of 2015. This was because of an increment in the auction sizes coupled with reduced demand resulting from uncertainty ahead of the Brexit vote. We expect yields to remain high due to short-term recession pressures and external uncertainties.

*Uganda Yield Curve (Quarterly)*



A cumulative total of US\$ 1.2 trillion is held in the Kenyan, Tanzanian and Rwandese bond markets by the close of the year 2015/16. Participation in long-term Government bonds has allowed the Fund an avenue to extend the overall duration of the fixed income portfolio.

In addition, the favorable tax treatment in Kenya (withholding tax rate is 10% for securities with maturities above 10 years and tax exemption for infrastructure bonds and Tanzania bonds compared to Uganda’s 20%) and higher coupons for long-dated securities makes

this avenue an attractive proposition for the Fund. At the end of year to June 2016, allocation to the regional bond market stood at 24.3% of the fixed income portfolio and 18.9% of the total portfolio.

**Looking Ahead**

We expect yields to retain current levels in Uganda and Kenya while remaining relatively high in Tanzania. Our regional focus will be more bullish about TZ — to lock in the higher bond yields before the market is opened to foreigners. Our play in Kenya will be limited

to high duration treasury instruments and infrastructure bonds. Generally, we expect more fixed income activity during the next quarter following regional fiscal budget announcements.

## Equity Portfolio

### Activity Highlights during the Period

The USE All Share Index had a down drift of 5.3%, closing at a two-year low of US\$ 1,706.8 as hard times in the banking sector culminated into declining profits and depleted capital levels. In Kenya, this was exacerbated by regulatory challenges that led to closure of Chase and Imperial banks. Market uncertainty from Brexit vote has led to foreign capital flight to safe havens in US stocks, particularly gold and government bonds. Banking counters; KCB (17.8%), DFCU (-13.0%), Stanbic (-10.3%), BOB (-7.2%) and Equity Bank (-3.3%) all recorded losses, while other industry counters that shed value were led by Umeme (-12.7%). Local equities underperformed in contrast to the cross-listed counters indicated by the 1.3% USE LCI downturn. The performance was dragged by a deep in the Nation Media Group (NMG) and Umeme stocks. NMG shut down three radio stations in Kenya and Rwanda, consolidated its television division into one station and plans to move more of its broadcasting online. The decline in Umeme was largely driven by large sales from Investec. The BAT, Kenya Airways and Uganda Clays counters closed flat over the period of 2015/16.

Market turnover on the USE reduced by 19.5% in 2016 to US\$ 41.51 billion (\$12.26 million) from US\$ 51.56 billion (\$15.23 million) in the same period in 2015. The month of May 2016 saw the highest activity as investors

positioned themselves ahead of dividend book closure dates on more liquid counters like Stanbic and Umeme. All the eight local listed counters registered trades.

UMEME maintained market dominance with a turnover of US\$ 32.24 billion (\$9.52 million) representative of 77.66% of the value traded at the bourse in the second quarter. There were more offers on Bank of Baroda, NIC and DFCU while SBU and UCL witnessed more bidders.

### Equity portfolio Performance

The Fund's equity portfolio is managed in-house and by Fund Managers. At June 2016, Pinebridge Investments and GenAfrica were our Fund Managers with aggregate portfolio closing at US\$ 84.8 billion, down from US\$ 90.1 billion, in 2015. The in-house portfolio stood at US\$ 901.4 billion, 22.8%, better than US\$ 734.3 billion, at 2015. The Fund portfolio in associates closed at US\$ 80.3 billion, 7.2% up from US\$ 74.9 billion in 2015. The investee companies include; Housing Finance Bank, TPS Serena and Uganda Clays Limited.

During the year 2016, the equity portfolio (including that of fund managers) posted a holding period return of 0.4% down from 39.8% during the previous year.

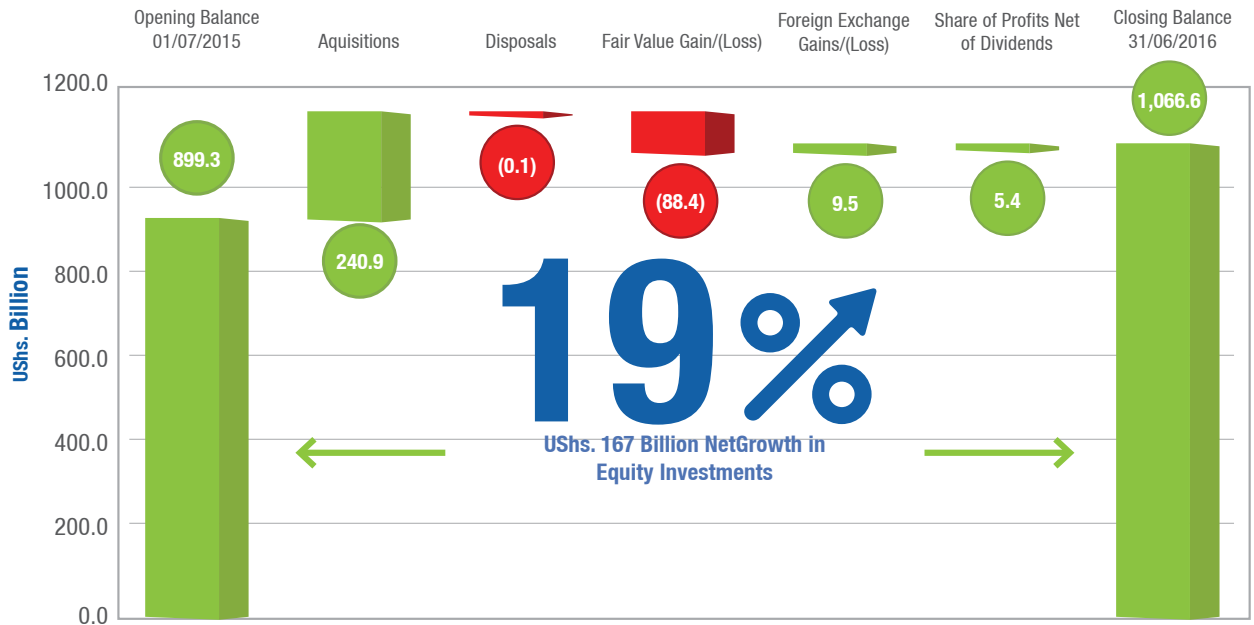
The weak performance is largely attributed to the large positions i.e. KCB, DFCU, Stanbic and Umeme, which declined by 18.7%, 13%, 10.3% and 9.1% respectively during the period. The gross dividend income recorded as at June 2016 stood at US\$ 37.7 billion.

The total portfolio value closed at US\$ 1,066.6 billion largely due to additions of BRITAM, TWIGA, TBL and EABL.

The graph below describes the composition of the equity investments as at June 2016.

**In-House Equities**

**Highlights for Performance of shares and Holdings for the period ending June 2016**



The Fund further invests the members' Funds through buying equity shares where its thereby entitled to dividends after the financial year of the company in which it holds shares or the Fund may also get interim dividends before the period ends. As the NSSF ACT Stipulates, the Fund can invest in the whole of East Africa. Therefore it holds shares both in Uganda and other countries in East Africa.

Due to inflation and the negative economic situation in Uganda during the year 2016, the Equity securities held for trading and their returns decreased by 6% and 1.3% respectively. This cause was further attached to the presidential elections that took place during the year.

However NSSF invested more Funds in other Equity shares in East African countries other than Uganda. The newly acquired shares were from the following companies;

- PTA Bank Kenya
- East African Breweries Limited
- Tanzania Portland cement
- British American Investments Company

The total Dividend income thus increased by 12%, to US\$ 37.7 billion by the end of the financial year 2016.








All new and old organizations in which NSSF holds shares are listed below with detailed information on shares held.

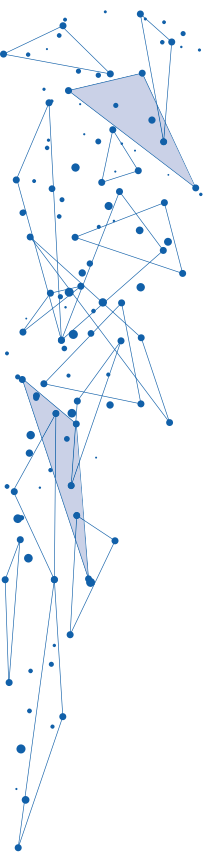








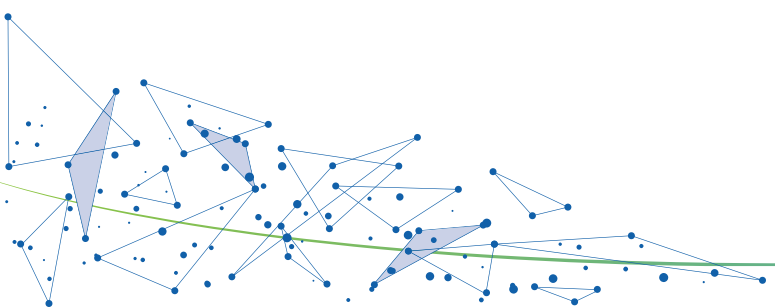
*We analyse and observe market trends before undertaking any investment*

Company	Shares Details	Company Profile
UMEME Uganda 	Holding; 15.52% Investment; US\$126.2 billion Sector; Utilities	Umeme is the largest electricity distribution company in Uganda. It is mandated to: operate, maintain, upgrade and expand the distribution network; retail electricity to its customers and to improve efficiency within the electricity distribution system.
Uganda Clays Limited  Uganda Clays Ltd	Holding; 32.52% Investment; US\$11.4 billion Sector; Manufacturing	Uganda Clays Limited, commonly referred to as Uganda Clays, is a building materials manufacturer in Uganda. The company manufactures baked clay building products, using Italian-made heavy clay processing machinery.
Tanzania Breweries 	Holding; 1.36% Investment; US\$88.2 billion Sector; Manufacturing	Tanzania Breweries Limited is a Tanzania-based brewery. The Company is engaged in the production, distribution and sale of malt beer, non-alcoholic malt beverages and alcoholic fruit beverages (AFB's) in Tanzania.
Tanzania Portland Cement 	Holding; 4.02% Investment; US\$27.8 billion Sector; Manufacturing	Tanzania Portland Cement is a trade and development financial institution in Africa. The PTA Bank is the financial arm of COMESA, but membership is open to non-COMESA States and other institutional shareholders.
Stanbic Bank Uganda 	Holding; 2.05% Investment; US\$27.3 billion Sector; Banking	Stanbic Bank Uganda Limited is incorporated in Uganda and is a licensed commercial bank. Stanbic Bank Uganda Limited is the largest bank in Uganda by assets and market capitalization.
Safaricom PLC Kenya 	Holding; 0.60% Investment; US\$147.0 billion Sector; Telecommunications	As the biggest communication company in East and Central Africa, Safaricom delights over 25.1 million subscribers, providing over 200,000 touch points for its customers and offering over 100 different products under its portfolio.
PTA Bank Kenya 	Holding; 2.32% Investment; US\$58.9 billion Sector; Banking	PTA Bank is a trade and development financial institution in Africa. The PTA Bank is the financial arm of COMESA, but membership is open to non-COMESA States and other institutional shareholders.

Company	Shares Details	Company Profile
<p>Vision Group Uganda</p> 	<p>Holding; 19.61% Investment; US\$ 8.3 billion Sector; Media</p>	<p>The Vision Group incorporated as New Vision Printing &amp; Publishing Company Limited (NVPPCL) is a multimedia business housing newspaper, magazines, internet publishing, television, radio broadcasting, commercial printing, and advertising and distribution services.</p>
<p>Kenya Commercial Bank</p> 	<p>Holding; 2.05% Investment; US\$ 71.4 billion Sector; Banking</p>	<p>KCB Group Limited, also known as the KCB Group, is a financial services holding company based in the African Great Lakes region.</p>
<p>Equity Bank Kenya</p> 	<p>Holding; 2.50% Investment; US\$ 123.9 billion Sector; Banking</p>	<p>Today, Equity Bank Limited – Uganda is one of the fastest growing banks in Uganda, with the fourth largest network of 28 branches and 29 ATMs located in all regions of the country.</p>
<p>East African Breweries Ltd</p> 	<p>Holding; 1.64% Investment; US\$ 125.7 billion Sector; Manufacturing</p>	<p>East African Breweries Limited, commonly referred to as EABL, is a Kenya-based holding company that manufactures branded beer, spirits, and non-alcoholic beverages.</p>
<p>DFCU Bank Uganda</p> 	<p>Holding; 5.93% Investment; US\$ 23.6 billion Sector; Banking</p>	<p>The Development Finance Company of Uganda Bank Limited, commonly known as DFCU Bank, is a licensed commercial bank that currently serves 120,000 customers and plays an important role in increasing accessibility to banking services and finance in Uganda</p>
<p>Centum Investments Ltd</p> 	<p>Holding; 0.73% Investment; US\$ 6.5 billion Sector; Finance</p>	<p>Centum is East Africa's leading investment company listed on the Nairobi Securities Exchange and Uganda Securities Exchange. They are an investment channel providing investors with access to a portfolio of inaccessible, quality, diversified investments.</p>
<p>British-American Investment company – Britam</p> 	<p>Holding; 0.73% Investment; US\$ 3.62 billion Sector; Insurance</p>	<p>British-American Investments Company, is a diversified financial services group and is listed on the Nairobi Securities Exchange. The group offers a wide range of financial products and services in insurance, asset management, property, and banking in the African Great Lakes region.</p>



Company	Shares Details	Company Profile
<p>Bank Of Baroda</p> 	<p>Holding; 2% Investment; US\$ 7.1 billion Sector; Banking</p>	<p>The Bank of Baroda Uganda Limited, also known as the Bank of Baroda Uganda, is a commercial bank in Uganda. It is one of the commercial banks licensed by the Bank of Uganda, the national banking regulator.</p>
<p>Bank Of Kigali– Rwanda</p> 	<p>Holding; 6.36% Investment; US\$ 55.9 billion Sector; Banking</p>	<p>Bank of Kigali is a Rwandan commercial bank with headquarters in Kigali. The bank is one of the commercial banks licensed by the National Bank of Rwanda, the country's banking regulator.</p>
<p>TPS Uganda Ltd</p> 	<p>Holding; 13.99% Investment; US\$ 7.9 billion Sector; Hospitality</p>	<p>TPS Eastern Africa Limited (TPS Eastern) is a Kenya-based company. The Company owns and operates hotel and lodge facilities in Eastern Africa, as well as serves the business and tourist markets.</p>
<p>Housing Finance Bank</p> 	<p>Holding; 50% Investment; US\$ 61.1 billion Sector; Banking</p>	<p>HFB is a full service retail bank that is primarily involved in mortgage banking. The bank is the leading mortgage lender in the country, with approximately 60 percent of all Ugandan mortgage accounts.</p>





## Real Estate Portfolio

The real estate portfolio comprises of the income–generating and non–income generating assets. The composition of the real estate portfolio at the close of 2016 is indicated in Table 7 below:

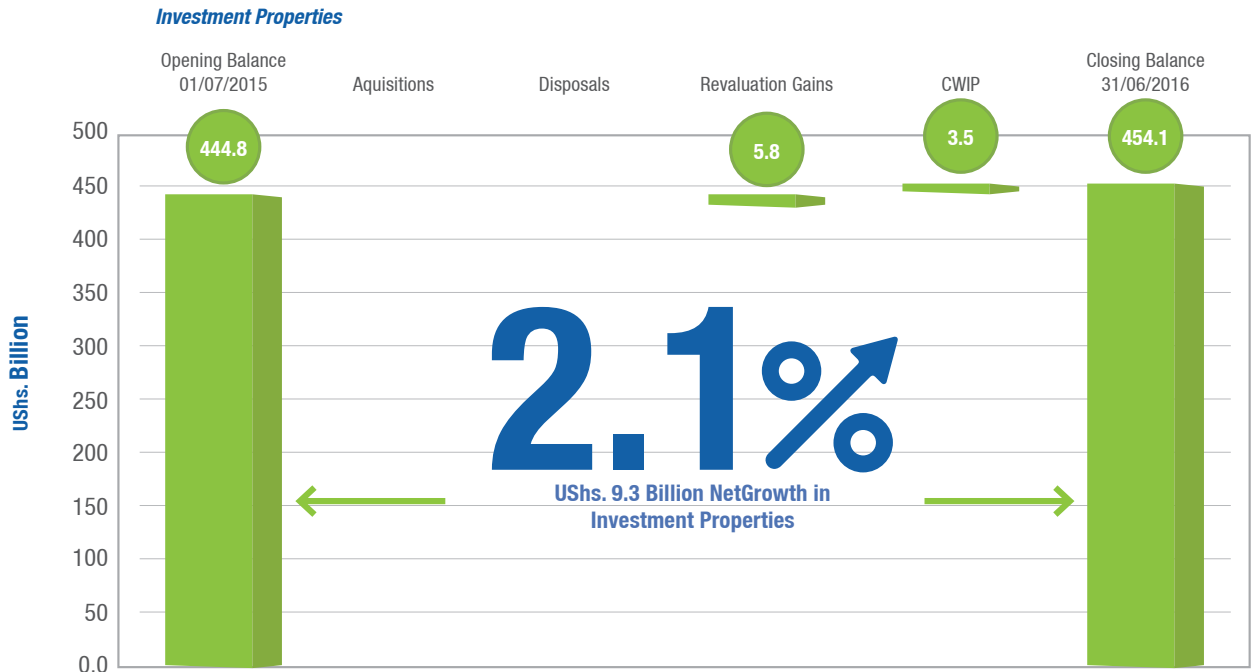
**Table 7: Real Estate Portfolio**

<b>Investment properties</b>	<b>Valuation at 30 June 14 US\$ Billion</b>	<b>Valuation at 30 June 15 US\$ Billion</b>	<b>Valuation at 30 June 16 US\$ Billion</b>
<b>Properties</b>			
Workers House	54.50	56.25	56.00
Plot 5 Mvule Rd Naguru	1.80	1.80	2.00
Land on Yusuf Lule Road	19.00	19.00	19.00
Independence Ave Arua	0.15	0.15	0.17
Land in Kisugu	0.20	0.20	0.25
Land in Kabale	0.23	0.23	0.23
Land in Jinja	0.56	0.56	–
Land in Tororo	0.19	0.19	0.17
Lumumba Avenue	62.39	–	–
Social Security House	26.00	26.00	29.00
Mbuya Property M65	3.10	–	–
Land in Mbuya	1.80	1.80	–
Land in Busiro Temangalo	15.60	21.50	24.13
Plot 16 Nakasero Rd (FRV 304)	8.20	8.20	8.40
<b>Sub Total</b>	<b>193.71</b>	<b>135.87</b>	<b>139.35</b>
	<b>June 2014 Shs'000</b>	<b>June 2015 Shs'000</b>	<b>June 2016 Shs'000</b>
<b>Capital Works in Progress</b>			
Lubowa	249.65	243.92	245.08
Lumumba	–	64.45	65.39
Mbuya	–	–	1.85
Jinja	–	–	1.13
Others	0.60	0.54	1.36
<b>Sub Total</b>	<b>250.24</b>	<b>308.91</b>	<b>314.80</b>
<b>Grand Total</b>	<b>443.95</b>	<b>444.78</b>	<b>454.14</b>

The entire real estate portfolio (including non–income–generating assets) yielded 2.6% during the financial year 2015–2016, higher than the 2.3% of the financial year 2014–2015. This return is mainly attributed to the capital gains as a result of a revaluation exercise done by Ridgeline in June 2016. The capital gains were approximately US\$ 15 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).

Below is the graph indicating the buildup of the investment properties (including the capital works in progress) for the financial year 2015–2016.



**Residential Sub-sector.**

According to Knight Frank there is demand for residential houses in the greater Kampala Metropolitan areas of Kira, Naalya, and Najjera which are becoming increasingly popular for middle income home owners. Land tenure in these suburbs also tends to be “Private Mailo” which is considered an advantage for many home buyers who believe mailo tenure is in perpetuity, and is generally considered a “safer” tenure to have, as opposed to leasehold titles.

However, there has been a noticeable decline in sales activity in the high end residential sales market during the financial year 2015–2016. Marketing periods for prime property are taking much longer to register interest from potential buyers, and there are few buyers with the capacity to close deals at asking prices. This has led to a downward correction in the market prices of approximately 10%– 15% being achieved in sales prices.

**Real Estate Competition Watch**

The real estate market continues to witness competing developments to our proposed Pension Towers, Lubowa, Temangalo and Mbuya II housing projects. These include the planned Nakawa Naguru Housing Estate with a planned 2000 Housing Units, the proposed Centum project in Entebbe, and the 104 National Housing flats in Bugolobi, which are almost complete. These pose the biggest threat to our planned projects. Below is a table showing different projects in the works that pose this threat.

**Table 8: Different on-going projects**

Development	Type	Location	Number of Units
Speke Apartments	Apartments	Wampewo Avenue	75
Ssanga Apartments	Apartments	Nakasero	28
Cananze Construction	Apartments	Kanjokya	12
Property Services	Apartments	Mulago	15
Dashen Limited	Maisonettes	Luzira	16
NHCC	Apartments	Lubowa	300
Centum Investments	Mixed Development	Garuga Entebbe	Over 500
HL Investments	Apartments	Naalya	160 units
Alpine Coolers	Maisonettes & Apartments	Munyonyo	Over 50
Opec Prime properties	Apartments and Maisonettes	Nakawa Naguru	Over 1000
Pine Estate	Apartments & Bungalows	Kiira	Over 400

**Real Estate Strategy and Status of the current projects**

The real estate portfolio currently stands at 7.0% of the Fund's total assets under management. The Fund's strategic asset allocation gives an optimal allocation of 6%.

A number of projects are in the pipeline and below is the current state of those projects.

**NSSF Mbarara Mixed–Use Development.**

A proposed modern Retail and office complex comprising four (4) floors with a total built–up area of approximately 1,500m<sup>2</sup>. The retail and office space on offer is approximately 1,200m<sup>2</sup>.

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

**The progress so far**

Construction works have commenced with the contractor currently on site. Estimated time of completion is October 2018.



**Floor space:**

1200 sq. meters of retail and office space on offer



**Property Specs:**

- 4 Floors
- More than 40 Parking spaces



**Location:**

Plot 6A, Galt Road, Mbarara, Uganda



**NSSF Jinja Mixed Project.**

A proposed mixed development project in the heart of Jinja town on Plot 2 Lubas Road, is a commercial building that is being constructed on 1500sqm of land in one of Uganda’s largest towns.

**The progress so far**

Construction is ongoing with the estimated completion date being the end of November 2017. Presently, the Fund is in advanced talks for letting the space; with a restaurant, bank and pharmaceutical showing interest.



**Floor space:**  
minimum of 100 sq meters per shop



**Property Specs:**  
4 Floors.



**Location:**  
Plot 2-4, Lubas Road,  
Jinja, Uganda



### NSSF Mbuya 2 Project, Jinja.

The Mbuya Soho Courts is a proposed project on Plot 11 Ismael Rise, 13 Ismael Road, 2 & 2A Nadioppe Road, Mbuya, a Kampala Suburb. The houses are set to be affordable first class residential apartments. This project will contribute to reducing the housing deficit in Kampala.

#### The progress so far

Construction is ongoing – estimated at approximately 50% complete. All 4 blocks are currently being roofed. Estimated time of completion is June 2018. Pre-sales are currently underway, with approximately 25% of the apartments booked in just over 2 months.



#### Floor space:

- 3 Bedrooms
- 2 Bathrooms
- Servants' Quarters



#### Property Specs:

- 40 high-end apartments
- Club House
- Swimming Pool
- Gym



#### Location:

Plot 13 Ismael Rise,  
Plot 2 & 2A Nadioppe Road, Mbuya  
Kampala, Uganda





Table 9: NSSF Real Estate Projects Brief

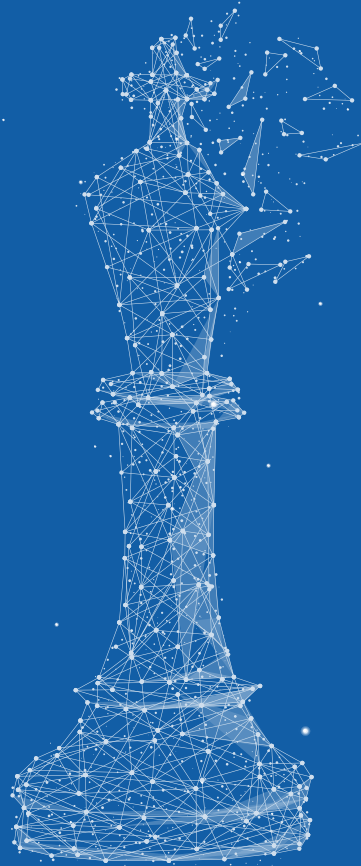
No.	ACTIVITY	STATUS
1. (a)	<b>Pension Towers (Phase 2 Works and Project Feasibility)</b>	<ul style="list-style-type: none"> <li>• The Board approved the direct procurement of M/S ROKO at a cost of US\$ 293 Billion.</li> <li>• A PP Form 5 starting the procurement was signed</li> <li>• The contract with the TPPP – De Point Consultants for the procurement of the contractor was signed.</li> <li>• Consultative meeting with the PPDA headed by their Executive Director was held at the pension Towers site.</li> <li>• Justifications for the process from the consultant and MoWT were sent to PPDA for review</li> <li>• The project consultant M/s Ssentogo and partners is concluding the tender documents ready for dispatch.</li> <li>• All documents were sent to TPPP to begin procurement.</li> <li>• However, the TPP and Management have different views on suitable procurement method.</li> </ul>
1. (b)	<b>Pension Towers (Purchase of Plot 16 &amp; 18 Nakasero)</b>	<ul style="list-style-type: none"> <li>• On 8th December 2015 the vendor of Plot 18 proposed the cost of the land for US\$ 11 Billion.</li> <li>• CGV valued the plot at US\$ 10.12 billion and we have communicated this in our offer to the trustees.</li> </ul>
2. (a)	<b>Lubowa Housing Project – Phase 1</b>	<ul style="list-style-type: none"> <li>• The LHP Master plan was approved by the Wakiso District Local Authority in May 2013.</li> <li>• Contracts committee awarded 4 contracts to 4 bidders for the 4 lots. The Best Evaluated Bidder Notice was signed on the 27th of April 2016.</li> <li>• A due-diligence of the contractors was done and concluded successfully</li> <li>• Draft contracts have been sent to the successful bidders.</li> <li>• The contracts are going to be sent to SG this week.</li> </ul>



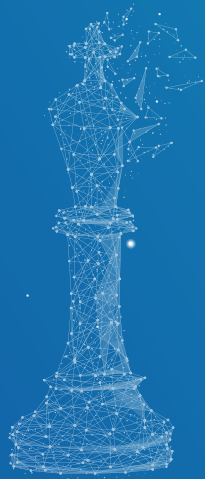
No.	ACTIVITY	STATUS
2. (b)	<b>Lubowa Housing Project Phase 1: Purchase of Land (Plot 1317) at Lubowa</b>	<ul style="list-style-type: none"> <li>• The Fund's 563 acres of land is constituted of two separate tracts of land.</li> <li>• Bridging the two tracts of land is Plot 1317 (36.80 acres) owned by Uganda Company Holdings Ltd.</li> <li>• The Project Consultants during the initial stages of design/ planning that it would have been good if the whole 563 acres of land was a single tract.</li> <li>• In February 2013 the board had initially approved its acquisition but later in April 2015 when approving the budget rejected the proposal</li> <li>• The board approved the purchase of an easement area for the access roads, water and sewerage.</li> <li>• The vendor rejected this option as this takes away the most prime area on his land.</li> <li>• We now have two options, either we redesign the project to create two sets of lagoons or engage NWSC to effect the easement on our behalf since after laying the infrastructure it becomes property of NWSC.</li> <li>• We approached NWSC on the easement and they advised that they can help once we break ground.</li> <li>• We have resubmitted the paper to the board for second consideration.</li> </ul>
2. (c)	<b>Lubowa Housing Project – Phase 1 SBI Claim</b> <ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• The Project consultant (SBI) has made a claim for additional project consultancy fees of up to US\$5.0 Billion.</li> <li>• The Fund reviewed the claim and responded communicating that some grounds for the claim were unfounded and others especially in the supervision could be considered.</li> <li>• The Consultant has declared a dispute for the items we were not in agreement, with an amicable settlement of the issues within 28 days and a right to go to arbitration thereafter.</li> <li>• For the items that a variation would be considered, SBI submitted a claim worth 48Bn. We reviewed it and offered US\$2.15 Bn.</li> <li>• Consultations with Solicitor General were done and SG agreed with Fund but advised that we seek CGV's input. SGV set up a committee.</li> </ul>

No.	ACTIVITY	STATUS
2. (d)	<b>Lubowa Housing Project LHP Boundary Wall</b>	<ul style="list-style-type: none"> <li>• Due to numerous encroachers surfacing on the Fund's Lubowa land, it was decided that the land be 'physically secured' using a perimeter wall.</li> <li>• The Fund signed on a Structural Engineer and Land Surveyor on short term contracts (Up to 4 Months) to help execute and supervise the project.</li> <li>• The structural designs were done and a survey was also completed.</li> <li>• A letter was sent to UPDF's Engineers Brigade to kick off negotiations on the construction of the wall. We are awaiting a response.</li> <li>• The alternative plan is to use up to 10 no. contractors to erect this wall of approximately 12km.</li> </ul>
2. (e)	<b>Lubowa Housing Project UN Common Premises</b>	<ul style="list-style-type: none"> <li>• The Fund has been in talks with The UN and the Government of Uganda (through the Ministry of Foreign Affairs) for several years.</li> <li>• The 3 parties are still discussing the final terms and conditions for the development of the project.</li> <li>• The contracts are being reviewed by the Solicitor General. We are hopeful to have them signed before the UN day of 24th October 2016.</li> </ul>
2. (f)	<b>Lubowa Housing Project Diplomatic Enclave</b>	<ul style="list-style-type: none"> <li>• In its LHP master plan, an area was proposed to be converted into a diplomatic enclave for embassies and consulates.</li> <li>• The Fund is interested and has been in talks with the Ministry of Foreign Affairs to effect the enclave.</li> <li>• The Team made a presentation to the Diplomatic Corps and Ministry of Foreign affairs officials in June 2015.</li> <li>• For this to be feasible, MOFA should present at least 10 interested parties.</li> <li>• This project is also informally tied to the success of the UN Project.</li> </ul>
2. (g)	<b>Lubowa Housing Project Marketing and Branding Consultant</b>	<ul style="list-style-type: none"> <li>• The original tender for the Marketing and Branding which was in June 2015 did not return any successful bidders.</li> <li>• The TPPP had to re-tender the services with a change in the Terms of Reference.</li> <li>• A prequalification of 2 service providers was done and the bidding process is to begin at the start of this week.</li> </ul>
3. (a)	<b>Temangalo Housing Project – Phase1</b>	<ul style="list-style-type: none"> <li>• A TPPP to procure a contractor and consultant for the project was procured. The Board directed that they first handle the Mbuya Project before they can begin on Temangalo Phase 1.</li> <li>• Considering a Private Equity arrangement with two developers.</li> <li>• We are also exploring the opening up with specific terms of reference as an alternative.</li> </ul>

No.	ACTIVITY	STATUS
3. (b)	<b>Temangalo Housing Project (Compensation for Land Swap)</b>	<ul style="list-style-type: none"> <li>• Arbitration award completed.</li> <li>• The implementation of the award was handled by a survey firm SM Cathan Ltd.</li> <li>• Management together with a representative of the IPMC visited the land together with the Surveyor</li> <li>• The Board had negotiations Nzeyi to agree on the proposed swap but failed to agree mainly on the suitability on some of the parcels proposed for swapping</li> <li>• The matter has been referred to court for a resolution</li> </ul>
4.	<b>Off-Taker Concept</b>	<ul style="list-style-type: none"> <li>• The Fund called for suitable developers to get into contract with. The developers would develop at least 100 units of housing on suitably located land and then sell the units to the Fund at a pre-agreed cost of between UShs. 80M–150M.</li> <li>• Prequalification has been completed.</li> <li>• The prequalified developers presented detailed concepts which were evaluated and cleared.</li> <li>• Contracts committee approved 3 developers for the concept.</li> <li>• The BEBN expired without any complaints.</li> <li>• A detailed concept paper for all the 3 projects has been prepared for IPMC's consideration on 11/08/2016</li> </ul>
5. (a)	<b>Workers House (Enhancement of Parking)</b>	<ul style="list-style-type: none"> <li>• The Fund is in talks with a parking structure developer (Mercantile Properties) with a view to acquiring up to 200 car parking spaces, in order to enhance the marketability of Workers House.</li> <li>• In addition, after an advert was placed in the local papers, the Fund is looking to purchase a plot of land (Plot 2 Portal Avenue), opposite workers house. This would serve for parking to better enhance Workers House. An offer of UShs. 8.29 Billion was made. We are awaiting a formal acceptance.</li> </ul>
6. (b)	<b>Workers House (Safety Enhancement)</b>	<p>The Fund is looking to enhance safety at Workers House through blocking off any avenues for suicide jumpers.</p> <p>PP Form 5 was signed off</p> <p>Procurement commenced and a contract was awarded. Solicitor General cleared the contract and it was signed off.</p> <p>Works are ongoing.</p> <p>The overall strategy of the Fund's real estate projects is to become cost leaders in the industry by offering competitive prices in well-planned neighborhoods. This can be achieved through leveraging economies of scale and marketing/ sale of NSSF housing projects as a unique and complete life style, along with innovative approaches such as the off taker concept.</p>





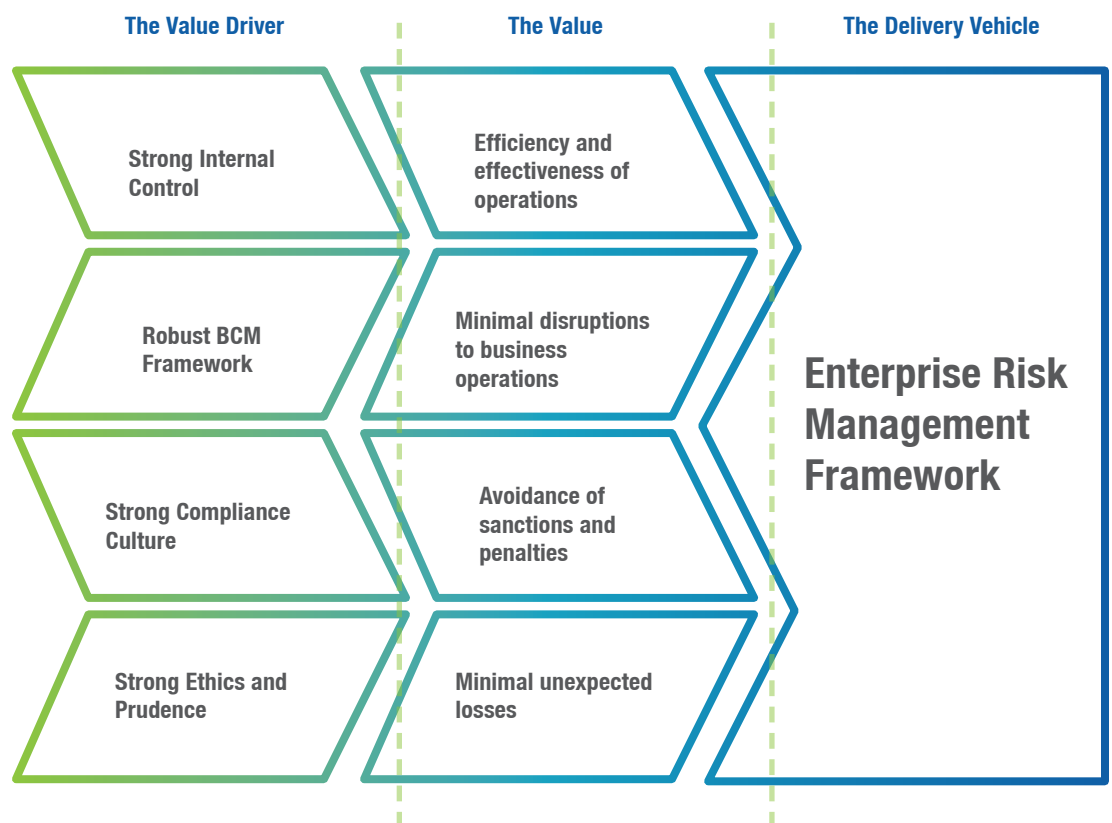


# Corporate Governance and Risk Management



**Edward Ssenyonjo**  
**Head of Risk's**  
**Risk Management Report**

*At the Fund we take pride in our robust risk management framework which is aligned to the business strategy. The strategy formulation process encompasses an identification and assessment of potential risk exposures and development of mitigations strategies. This increases the chances of the Fund attaining its goals and objectives and limits variability of expected outcomes.*





The NSSF risk management culture is underpinned by the positive control environment, which involves awareness, attitude, actions and the operating philosophy of management and the Board.

In addition to the traditional defensive role of risk management, we look at risk management as way of creating value for the Fund. This is driven by our fiduciary responsibility of preservation of members' value.

The strong internal control systems, the robust Business Continuity Management (BCM), the strong compliance culture and the strong ethical and prudent decision-making processes ensure efficient and effective business operations, minimize disruptions to business operations in face of a disaster, avoid penalties and sanctions, as well as minimizing unexpected losses, respectively. This consequently enhances the reputation of the Fund and builds a strong brand equity.

### **Risk management culture**

The NSSF risk management culture is underpinned by the positive control environment, which involves awareness, attitude, actions and the operating philosophy of management and the Board. The Board sets a clear tone for effective risk management and has set up appropriate structures, at both Board and management levels that are responsible for oversight and implementation of risk control activities respectively.

Strategic and operational initiatives as well as investments are subject to a rigorous risk assessment process before decisions are made. This does not only ensure preservation of member Funds, but also ensures growth of Fund assets.

Inherent risks in all the key processes of the Fund are identified, assessed and documented in the Risk registers. Risk management at the Fund is not a “one-man show”, it is a holistic process that involves all employees of the Fund, each playing a distinct role. Each Head of Unit/Department, referred to as Risk Owner, takes full responsibility and accountability for the risks and controls within his/her Unit/Department.

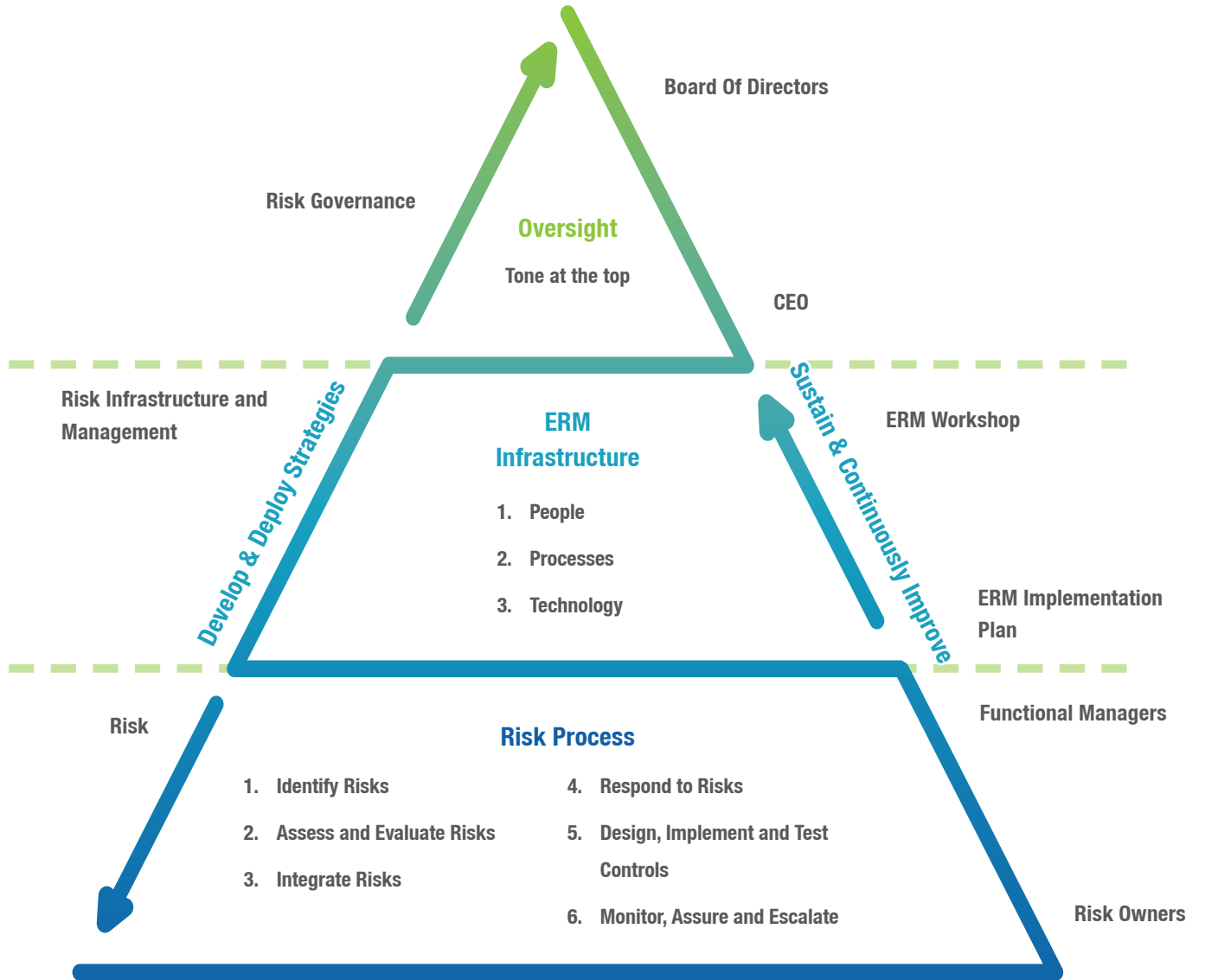
Risk management is incorporated within the Fund's performance management framework, with specific measures and targets. In addition, all employees are required to sit a BCM Knowledge Quiz. At the end of each year, the results of risk management and BCM Knowledge Quiz are incorporated in each employee's performance appraisal results. This has enhanced the culture of risk management in the Fund.

### **Risk and Control Framework**

#### **Operational model**

Risk management in the Fund is supported by a comprehensive Risk and Control Framework aligned to the principles of the COSO (Committee of Sponsoring Organizations of Tradeway Commission), with exceptions to the requirements of the Sarbanes Oxley (SOX) Act.

COSO framework





**Risk management structures**

Under the oversight and direction of the Board of directors, three separate groups (or lines of defense) exist within the Fund to ensure effective management of risk and control implementation and monitoring.

The separation of roles among the three lines of defense increases the opportunity for the Board of directors to receive unbiased information about the Fund’s significant risks, and about how management is responding to those risks.

**The three lines of defense**

**03: Internal Audit**

Provides assurance to the Board on the effectiveness of controls & operations



**02: Internal Control (Risk & Compliance)**

Support management by bringing expertise in identification, assessment and monitoring of risk exposure

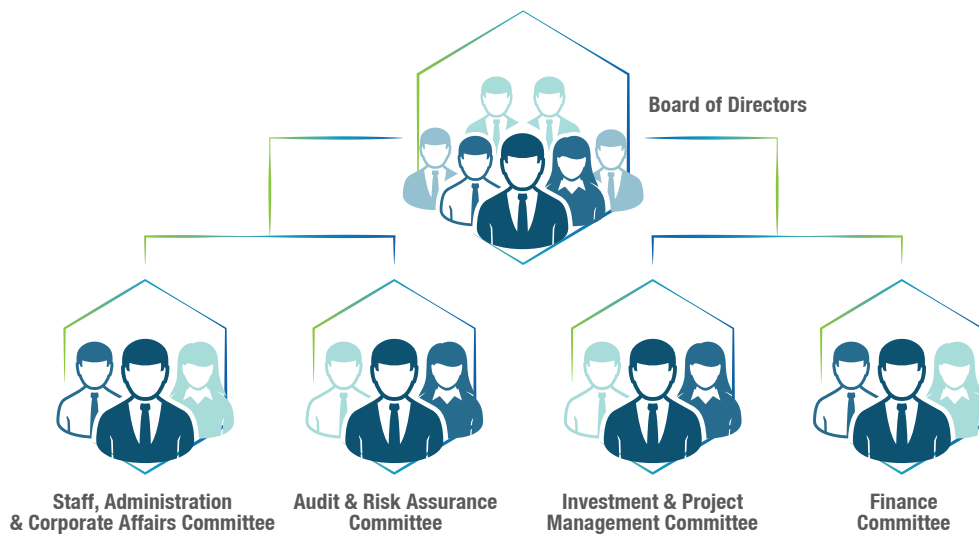
**01: Operational Management**

Own the risk, design and execute control activities to mitigate the risk

**Board and Board Committees**

The Board of Directors has the ultimate responsibility for good corporate governance and risk management. However, for the purpose of ensuring effectiveness in execution of its governance and risk management responsibilities, the Board established specialized committees, which include the 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 certain 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



### Executive management

The Executive Committee (ExCo), comprising the Managing Director, the Deputy Managing Director, the Corporation Secretary, and all the Heads of departments, is the highest decision-making and authoritative body at Management level. The Managing Director is the Chairman of the Executive Committee and presides over all Executive management meetings.

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



### Risk management policy & procedures

The risk management framework is supported by a Fund-wide risk management policy and risk procedures, and the Business Continuity Management framework. The Risk management policy and procedures provide guidance to staff as regards to identification, assessment, control, monitoring and reporting of risks.

The Business Continuity management framework provides guidance on how to minimize disruptions to business operations during a potentially disastrous incident.

### Risk management process

We follow a disciplined and systematic approach of risk management that involves identification, assessment, treatment, awareness, monitoring and reporting of risks.



The Fund’s risk management process explained:

Stage	How it is done:
<b>Risk identification</b>	<ul style="list-style-type: none"> <li>• This is about identifying what can prevent the Fund from achieving its corporate objectives.</li> <li>• It involves reviewing all processes, systems and products/projects of the Fund, with a view of identifying critical risks that could hinder achievement of Fund objectives.</li> <li>• It is undertaken in workshops, by interviews, questionnaires and monitoring developments in the environment</li> </ul>
<b>Risk assessment</b>	<ul style="list-style-type: none"> <li>• Involves analysing the likelihood and impact (financial &amp; non-financial) of crystallization of a given risk</li> <li>• The analysis of likelihood and impact of risks enables proper rating of risks (Extreme, Very high, High, Medium or low), for proper prioritization.</li> </ul>
<b>Risk treatment</b>	<ul style="list-style-type: none"> <li>• This involves deciding on the risk management strategy (Accept, Transfer, Avoid or Reduce the risk) depending on the level of risk and the Fund’s internal capacity regarding managing of that particular risk</li> <li>• For risks that have been rated as higher than ‘low’, the Fund puts in place controls measures to reduce them to acceptable level, or transfer (outsource) the management of such risks to third parties</li> <li>• The risks that are considered as ‘low’, the Fund may put in place mechanisms for monitoring them to ensure that they do not deteriorate into medium or high risks.</li> </ul>
<b>Risk monitoring &amp; reporting</b>	<ul style="list-style-type: none"> <li>• Structures and systems are in place to ensure monitoring of risk and reporting at all levels of the Fund, both periodically and ad hoc to both Management and Board committees</li> </ul>

### The NSSF Risk Environment

The major risk categories facing the Fund include those indicated below

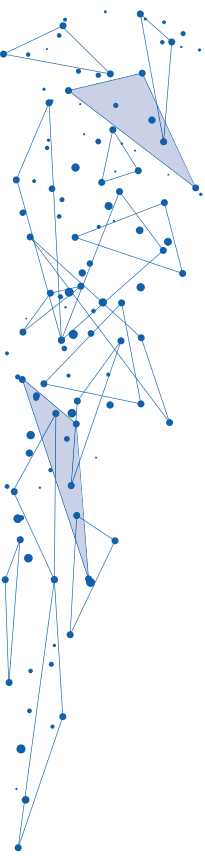


### How we respond to identified risks

In order to ensure appropriate focus, risks are categorized in the Fund as indicated below, and the different risk categories are managed at different levels:



Risk category	Level	Brief Description	How the risk mitigated
<b>Strategic risk</b>	<b>Strategic</b>	Strategic risk is the current and prospective impact on earnings or assets arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry/ environmental changes	<ul style="list-style-type: none"> <li>Managed through periodic strategy reviews and involvement of board committees in strategic decisions.</li> </ul> <p>Consistently communicating and applying strategic goals, objectives and corporate culture throughout the Fund.</p> <p>Adopting management information systems that effectively support strategic initiatives and ensuring that strategic initiatives are supported by sound due diligence and strong risk management systems.</p>
<b>Reputation risk</b>		Reputation risk is a risk of loss resulting from damages to a firm's reputation as a result of lost revenue, increased costs or destruction of shareholder value etc.	Reputation risk emanates from crystallization of primary risks like non-compliance with regulations (compliance risk), undertaking wrong strategic decisions (strategic risk), significant or major breakdown in service delivery (operational risk) etc.
<b>Market risk</b>	<b>Tactical</b>	Market risk arises from changes in market variables such as interest rate, equity price and foreign exchange rate	The Fund uses various models to monitor and assess the level of exposure to market risk and deal with those exposures
<b>Compliance risk</b>		Compliance risk emanates from non-conformity to standards, guidelines, policies, procedures, regulations, laws etc. Non-compliance with laws or regulations may lead to severe repercussions e.g. sanctions or penalties; consequently affecting the image/reputation of the Fund	A compliance management framework is in place that identifies potential compliance exposures, documents them and develops appropriate response strategies.
<b>Information security risk</b>		Information security risk is the risk that the integrity, reliability and availability of information will be compromised	Strong security infrastructure is in place, that is monitored and tested on a regular basis to determine its resilience and robustness
<b>Financial crime risk</b>		This is a non-violent offense committed by individuals that results in a financial loss	The Fund has put in place various policies and procedural mechanisms to address these vices.
<b>Credit risk</b>		Credit risk is a risk of financial loss resulting from the failure of an obligor /debtor to fully honour financial or contractual obligations to the lender.	The Fund undertakes a detailed evaluation, based on the CAMEL (Capital adequacy, Asset quality, Management stability, Earnings and Liquidity) model, of each the financial institution's performance, to establish its credit risk before making any deposit placement.
<b>Liquidity risk</b>		Although the Uganda Retirement Benefits Regulatory Authority (URBRA) Act bars the Fund from carrying out lending activities, the Fund considers potential failure by any financial institution which holds it Funds in form of fixed deposits, to pay back that money, as credit risk.	
<b>Liquidity risk</b>	Liquidity risk is the potential that the Fund will be unable to meet its commitments/ obligations as they fall due. The ability to meet all financial obligations as and when they fall due is an indicator of the Fund's strong financial position	The Fund always ensures that its liquidity position is strong by continuously monitoring its liquidity position and employing a number of liquidity risk models to predict future liquidity constraint so that appropriate contingent plans can be put in place to avert potential liquidity crisis or invest surplus cash to earn a return	
<b>Operational risk</b>	<b>Operational</b>	Operational risk is the risk of failed or inadequate internal processes, systems, people or external events	The Fund has adequate policies and procedures that provide guidance on all processes and act as a system of internal controls. Additionally, a significant number of process flows has been automated to reduce risks associated with human errors and potential dishonest actions as well as enhancing operational efficiency.



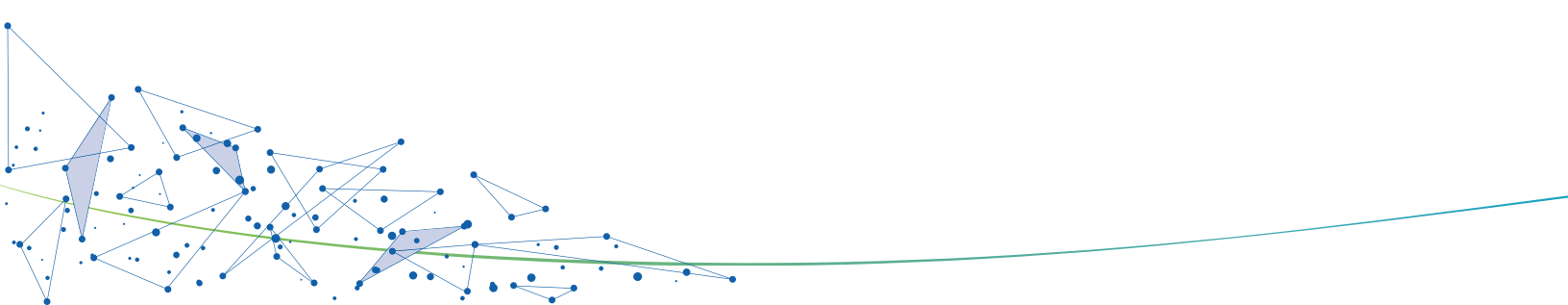
## Business Continuity Management

Disasters have a potential to compromise the going concern of any entity that is why the Fund developed a comprehensive Business Continuity Management framework (BCMF). The Fund's BCMF is aimed at enhancing the Fund's resilience and robustness to withstand and/or respond effectively to any potentially disruptive event.

The BCM and Disaster recovery capabilities of the Fund have been subject to annual tests to assess their resilience and robustness should a disaster happen. The last BCM and Disaster recovery test was conducted on May 25, 2016 and it was largely successful, demonstrating our capability to minimize impact and ensure recovery business operations within the shortest time possible.

The Fund has a Crisis Management Committee that oversees the Crisis Management Plan; comprising the Managing Director, as the Chairman, and other members of Executive Management. The Crisis Management committee has a clear and elaborate communication strategy.

Additionally, the Fund has a fully-fledged Disaster Recover Centre, situated a considerable distance away from the primary site at Workers House in Kampala.





*Planning for future generations, both personal and business, is a cornerstone of what we do as the National Social Security Fund*

# Our Pursuit Of Excellence

in Legal & Board Affairs



**Richard Wejuli Wabwire**

Company Secretary

*The Legal and Board Affairs Department has a staff compliment of 14 , organized to deliver services based on the Funds organizational structure.*

*The department's primary mandate is to pro-actively manage the Fund's legal risk by providing legal solutions to facilitate the Fund's business.*

As the Board Secretariat, we also have primary responsibility for coordinating, managing and supporting the Board's work Agenda at the Fund.

We operate on the norms of private legal practice to support timely and superior completion of various businesses and transactions in which the Fund gets involved.

During the year 2015/16 we extended pro bono services to 102 clients/members and participated in several roadshows at which we sensitized members/customers on the Fund's business as well as clarified on various issues that were raised by the members during these engagements.

In exercise of our mandate to handle litigation at the Fund, as at 30th June 2016, we handled a total number of 76 cases filed in courts of law for and against the Fund.



63.2 % of the cases were handled by in-house Counsel. Judgment/Rulings were delivered in 7 cases and the Fund recorded an 85.7% success rate. All adverse Judgments were appealed against.

Success for the financial year 2016/17, will be measured against achievement of the following high level objectives;

- Excellence in customer service delivery to both internal and external customers
- Development and submission of appropriate recommendations and input to the pensions sector regulatory reforms process
- Improvement of compliance with policy and regulatory requirements through enhanced internal control
- Implementation of process efficiencies and greater use of technology to support delivery of legal services
- Development of our human resource capital to brace in-house capacity to handle legal matters.





**Patrick Kaberege**  
**Chairman's**  
**Governance Overview**

*For the last six years, the National Social Security Fund (The Fund) has based its core values around Quality, Value creation, Customer centricity, Innovation, Team work and Trust. These values have played a key role in underpinning the integrity of our service, brand and way of doing business, giving a real point of difference and special culture.*

*We see these values as key to the way we work with our customers, our suppliers and our colleagues across the Fund. They go to the heart of how we behave as an organisation.*



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, including transparency and accountability.

As the Board of Directors (The Board), these values support and inform the way we review and debate our plans and ensure the right environment for decision-making and challenge in all areas of strategy, performance, responsibility and accountability.

As the Board, how can we use these values to our advantage? How can we ensure that we remain trusted and respected not only for what we do and the integrity of the decisions we make, but how we take those decisions? Do we as the Board set a clear example from the top which will reinforce a culture of trust and integrity in line with our values and ensure the future success of the Fund?

These are the questions that we as the Board look to everyday to guide our actions and decisions.

#### **This year's report – Key Activities**

Following the positive feedback and recognition we received around the quality and level of openness relating to reporting on governance and our Board activities last year, this year we are providing

- enhanced integration across the report;
- greater insight into our Board strategy discussions;
- further disclosure from our Audit Committee,
- greater depth to our remuneration disclosure and targets

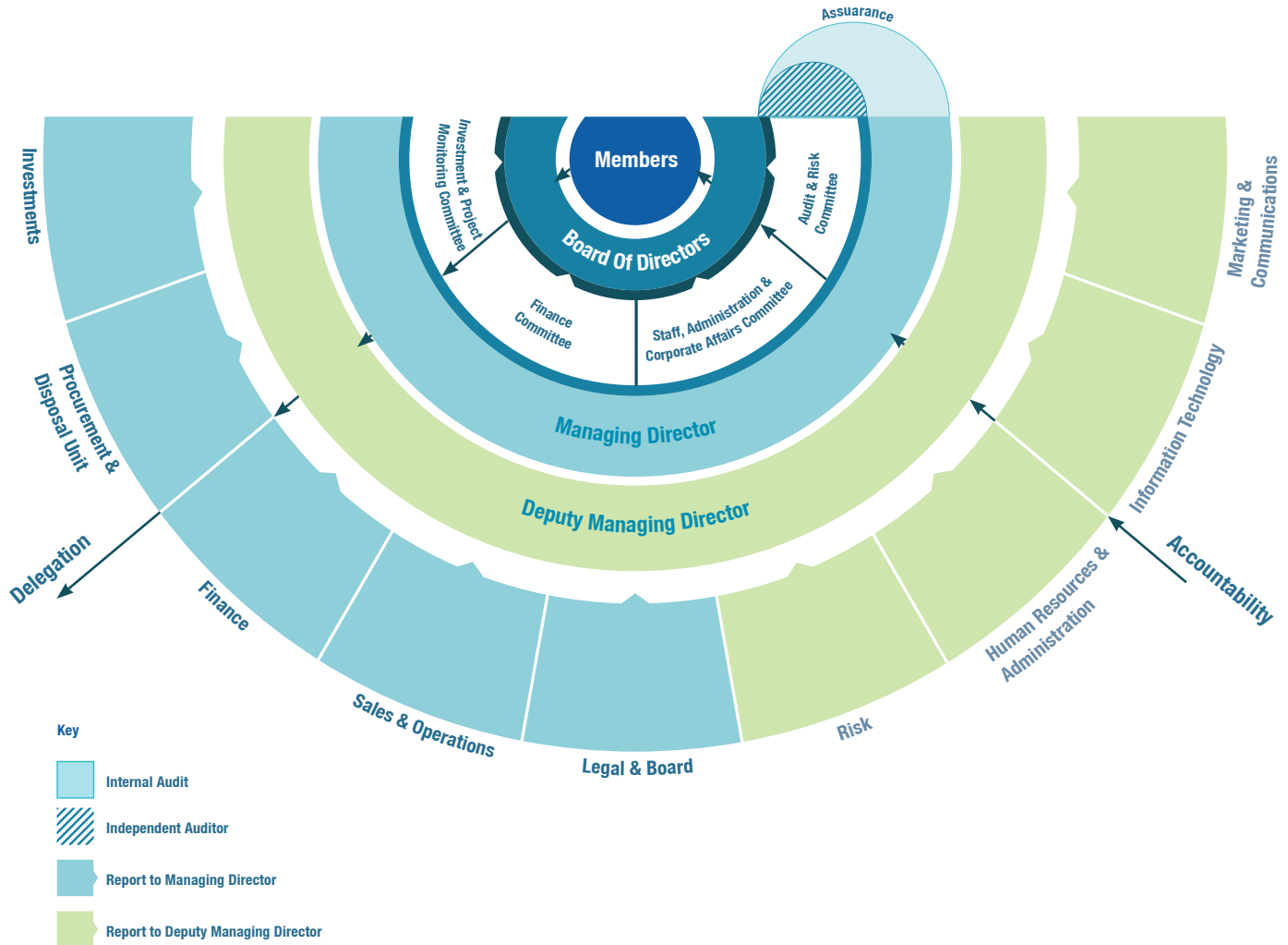
#### **As a Board we regularly discuss and review:**

- Our performance today and our progress towards our goal to become the social security provider of choice.
- Our brand and reputation and how we can ensure that our behaviours and processes protect us for the future.
- Our people, and how we can create a high performing team, potential for future development and succession along with appropriate motivation and reward.
- Our customers, suppliers and local communities ensuring we treat them all fairly and respectfully.
- Our Members and how we can communicate openly on the way we manage and challenge the business

### Governance structure

The diagram 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 (CEO) and illustrates the flow of delegation from Members. We have robust processes in place to ensure that the delegation flows through the Board and its committees to the CEO and Executive Committee (ExCo) into the organisation. 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.

The Fund complied with all applicable principles and guidelines on corporate governance for the period under review

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

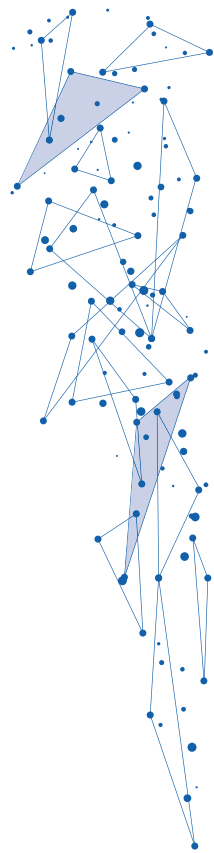
### **Compliance with Laws and Regulations**

The Fund's activities are regulated by the Uganda Retirement Benefits Regulatory Authority (URBRA).

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, including 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 has, throughout the period under review, complied with all applicable laws and regulations.







## Board Of Directors



The Board's primary responsibility is to represent the Fund's members. It is accountable to them for creating and delivering value through the effective governance of the Fund.

### Role of the Board

The Board's primary responsibility is to represent the Fund's members. It is accountable to them for creating and delivering value through the effective governance of the Fund. This role requires a high-performing Board, with all Directors contributing to the Board's collective decision-making processes.

The Board seeks to achieve this by setting out the Fund's strategy, monitoring its strategic objectives and providing oversight of its implementation by the management team. In establishing and monitoring the Fund's strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment.

### Matters reserved for the Board

A number of key decisions and matters are reserved for and dealt with exclusively by the Board.

These include matters relating to approval of:

- Fund investments, material disposals and major capital projects.



*NSSF Board Members having a light moment during one of the board meetings*

- The Fund budget and annual capital expenditure plan.
- Major changes to the Fund’s management and control structure.
- The risk management policy.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and law.

Beyond those matters, the Board has delegated all authority to achieve the corporate purpose to the Managing Director (CEO), who takes all decisions and actions which, in the CEO’s judgment, are reasonable having regard to the limits imposed by the Board.

The CEO remains accountable to the Board for the authority that is delegated and for the performance of the Fund. The Board monitors the decisions and actions of the CEO and the performance of the Fund to gain assurance that progress is being made towards the corporate purpose within the limits imposed through the Fund’s governance assurance framework.

The Board also monitors the performance of the Fund and assesses its risk profile through its committees.

The CEO is required to report regularly in a spirit of openness and trust on the progress being made by the Fund. The Board and its committees determine the information required from the CEO and any employee or external party, including the External Auditor. Open

dialogue between individual members of the Board and the CEO and other employees is encouraged to enable Directors to gain a better understanding of the Fund’s business.

#### **Independent Advice**

The Board and its committees may seek advice from independent experts whenever it is considered appropriate. Individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Fund’s expense.

#### **Board Strategy and Delegation of Authority**

The Fund takes its strategic direction from the Board of directors. The Managing Director and the Executive management committee are responsible for overseeing the Fund’s day-to-day operations and implementing the Board’s decisions.

Day-to-day responsibilities of the Fund are delegated to management, under the overall leadership of the Managing Director, who regularly reports to and interacts with the Board and board committees.

A delegation of authority framework has been implemented within all operating groups to sub-allocate the accountability of the Board and executive management.

The diversely skilled Board directs the Fund’s integrated strategy. Smaller, more focused board committees

ensure that material issues are quickly and thoroughly addressed. In this way the Board is well poised to support and complement the elements of an effective integrated reporting process.

With the strategy being guided centrally, the board committees are agile enough to direct attention to any element of the integrated approach

### **Board composition**

The Board currently has 9 members, each of whom are appointed by the Minister responsible for Social Security, currently the Minister for Finance, and Planning & Economic Development for a three year term which is renewable. This number includes 1 Executive Director and 8 Non-executive Directors who represent each of the key stakeholder groups of members, employers and government.

The Chairman is an independent non-executive Director and is responsible for leading the Board and for its effectiveness.

The Board performs its functions in consultation with the Minister responsible for Social Security.

### **Directors' Independence**

The Non-executive 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 objective, unfettered or independent judgment.

The independence of each Non-Executive Director is assessed annually by the Board as part of its annual Board Effectiveness Review and in conducting its current assessment, concluded that all Non-Executive Directors continue to bring strong independent oversight and continue to demonstrate those qualities and behaviors it considers essential to be considered independent as set out in the Board terms of reference.

### **Chairman**

The Chairman, Patrick Kaberege, is considered by the Board to be independent. He was appointed Chairman of the Board from 31 March 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 collegial 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 CEO and providing close oversight, guidance, advice and leadership to the CEO and management.
- Ensuring the provision of accurate, timely and clear information.
- Setting agendas for meetings of the Board, in consultation with the CEO and the Company 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 shareholders.

### **Managing Director**

The Managing Director, Richard Byarugaba, is the only Executive Director on the Board. He was appointed as Managing Director and has been a Board Member since 1 December 2014.

The Managing Director's roles include:

- Running the day to day business of the Fund within the authority delegated to him by the Board
- Ensuring implementation of policies and strategy across the Fund as set by the Board.
- Day-to-day management of the executive and senior management team
- Leading the development of senior management within the Fund with the aim of assisting the training and development of suitable individuals for future director roles.
- Ensuring that the chairman is kept apprised in a timely manner of issues faced by the Fund and of any important events and developments

#### **Role of the Non-Executive Directors:**

The Non-Executive Directors fulfil a key role in corporate accountability.

The role of the Non-Executive Directors is to;

- Participate in 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 interests 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, constructive and informed comments
- 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.

#### **Director Skills, Experience and Attributes**

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required in order to effectively govern the business.

The Board and its Committees work to ensure that the Board continues to have the right balance of skills, experience, independence and industry knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

In order to govern the Fund effectively, Non-executive Directors must have a clear understanding of the Fund's overall strategy, together with knowledge about the Fund and the industry in which it operates. Non-executive Directors must be sufficiently familiar with the Fund's core business to be effective contributors to the development of strategy and to monitor performance.

Part of the required understanding of strategy and the core business is the requirement to understand the risks that the Fund faces and the processes in place to mitigate and manage those risks. We operate in an uncertain external environment, and the Fund is exposed to many material risks across its operations, including some that are systemic, such as financial risks and legislative changes. All those risks are factored into the Board's approach to strategy and its assessment of an optimized portfolio.

The Board terms of reference require that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively, and are free to question or challenge the opinions of others.

Directors must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each Director must ensure that no decision or action is taken that places his or her interests above the interests of the Fund.



In order to govern the Fund effectively, Non-executive Directors must have a clear understanding of the Fund's overall strategy, together with knowledge about the Fund and the industry in which it operates.



The Board and its committees are supplied with full and timely information, including detailed financial information, to enable the Directors discharge their responsibilities.

The Board considers that each of the Non-executive Directors has the following attributes:

- Time to undertake the responsibilities of the role.
- Unquestioned honesty and integrity.
- A willingness to understand and commit to the highest standards of governance.
- An ability to apply strategic thought to relevant matters.
- An ability to consider materiality and risk tolerance as key considerations in decision-making.
- A preparedness to question, challenge and critique.
- Experience of managing in the context of uncertainty, and an understanding of the risk environment of the Fund, including the potential for risk to impact our environment, community, reputation, regulatory, market and financial performance.

The Executive Director brings additional perspectives to the Board through a deeper understanding of the Fund's business and day-to-day operations.

### Board Appointments and Resignations

The appointment of directors is governed by the National Social Security Fund Act and is subject to a "fit and proper persons test" under the provisions of the Uganda Retirement Benefits Regulatory Authority and in line with the applicable legislation and regulations.

Directors are appointed by the Minister responsible for Social Security, currently the Minister for finance, and Planning & Economic Development for a three year term which is renewable 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 his or her office.

### Access to information and training

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 Company 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 a meeting of the committee

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

### 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 Non-Executive 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.

### Continuous Professional Development Program.

As part of the Continuous Professional Development Program, the Board members from time to time receive presentations from Senior Executives in the Fund on matters of significance.

Financial plans, including 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.

The Board attended the following trainings during the year;

#### **Governance, strategy & risk for board members**

The purpose of this training was to help Directors clarify their governance mission, understand strategy, risk and thereby maximize their effectiveness and impact by outlining the governance, strategy and risk oversight obligations of the Board and exposing the Directors to the latest thinking which will enable them to develop a strategic mindset and provide them with practical tools needed to determine and drive the strategic direction of the Fund

#### **Investment Strategy Workshop**

This took place at in Entebbe on 31 March 2016 and covered the following areas;

- Portfolio objectives – return and risk, setting benchmarks and measuring risk and return
- Managing risk and return through diversification
- Major asset classes and their generic characteristics – fixed interest: equity, money market, property and alternative assets
- Asset classes in east African context
- Asset allocation: Strategic and tactical regulatory guidelines
- Portfolio mix and expected returns
- The Fund and the economy – managing stakeholder expectations

This training was designed to give the Directors a good

understanding of the Fund's investment activities and enable them make more informed strategic decisions.

#### **Trustee Training Program**

This took place from 11th to 15th January 2016 in Johannesburg South Africa. It entailed

- Fiduciary duties and Fund governance
- Investment Fundamentals for trustees
- Fund investment management

#### **Succession Planning**

The Board is ultimately responsible for succession planning for directorships and key management roles. During the year, the Board and the Staff and corporate affairs committee discussed and reviewed the management composition and succession planning to ensure that the successors for key roles are identified and their performance are 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 Meetings and Attendance

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Fund to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the reporting year, the Board met 11 times.

Members of the Executive committee and other members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of the Fund's business and matters reserved for the Board, including the approval of budgets, annual Financial Statements and strategy.

Attendance at Board and standing Board committee meetings during financial year 2015/16 is set out in the table below.

### Board and Board Committee Meeting Attendance

Directors	Full Board		Audit and Risk Committee		Investment and Project Management Committee		Staff and Corporate Affairs Committee		Finance Committee	
	Attendance Rate	Number of Meetings	Attendance Rate	Number of Meetings	Attendance Rate	Number of Meetings	Attendance Rate	Number of Meetings	Attendance Rate	Number of Meetings
<b>Patrick Byabakama</b>	100%	11/11	–	–	–	–	–	–	–	–
<b>Pius Bigirimana</b>	82%	9/11	33%	1/3	–	–	–	–	100%	6/6
<b>Florence N. Maweje</b>	73%	8/11	67%	2/3	83%	5/6	100%	11/11	–	–
<b>Wafana N. Makwasi</b>	91%	10/11	–	–	–	–	–	–	–	–
<b>Andrew S. Obita</b>	82%	9/11	100%	3/3	–	–	–	–	–	–
<b>Peninnah Tukamwesiga</b>	55%	6/11	–	–	–	–	91%	10/11	100%	6/6
<b>Patrick Ocailap</b>	82%	9/11	–	–	50%	3/6	82%	9/11	100%	6/6
<b>Sarah Walusimbi</b>	55%	6/11	100%	3/3	–	5/6	91%	10/11	–	–
<b>Richard Byarugaba</b>	100%	11/11	–	–	91%	10/11	–	–	–	–

### Conflict of Interest Management.

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 leader 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 board secretary circulates a conflict of interest form to any person attending the meeting

- iii. The chairperson shall require any person who has conflict of interest to recuse himself from the deliberations or decision on the specific agenda item

### Board Activities.

	Activities/Discussion	Actions Arising	Progress
<b>Strategy</b>	Approved the 10 year Strategic Business Plan (Vision 2025)	Increase funds available for investment through growth in member contributions collected	Fund asset base grew by 19% from 5.6 trillion to 6.6 Trillion
	Set the 10 year targets to be achieved by the Fund which include:	Growth in membership size through growth in member registration	Grew Staff satisfaction rating from 84% in 2014/15 to 86%
	Growth in Fund asset base to 20 Trillion	Continue to invest for growth	Fund increased its membership and total number of employees registered by 5% from 1.5M to 1.62M
	Achieve a turn around time (TAT) for benefits payments of one day		
	Member statements to be updated in one day		
	Achieve a customer satisfaction rating of 95%		
	Achieve a Staff satisfaction rating of 95%		
<b>Customers</b>	Reviewed the Fund strategy on customers and performance and agreed the 2016/17 targets Greater customer engagement	Continue to focus on further product improvement and improved customer experience at the customer service centers  Investigate opportunities for innovative customer communication and reward programmes	Embarked on a phased distribution of Smart Cards that enable members to check balances through a network of ATM machines
	<b>Member Engagement</b>	Encouraged strong engagement with Members	Actively support engagement opportunities
Reviewed feedback from members in the Annual General Meeting (AGM)		Focus on addressing issues specifically raised by members in the AGM	

## Board Performance and Evaluation

The Board evaluates its performance through a combination of both internal peer and externally facilitated assessments.

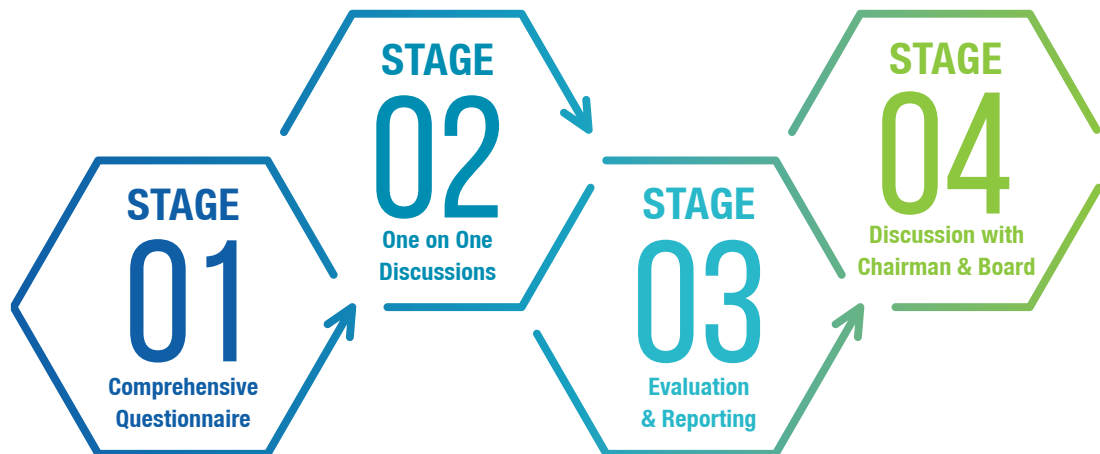
Contemporary performance measures are considered an important part of this process. Directors' performance is also measured against their individual development plans.

The evaluation is based around a number of key areas:

- Fund Performance – Measuring and monitoring Fund performance
- Strategy and performance objectives
- Decision making process
- Strategy formulation and monitoring
- Risk management and internal control
- Board meetings and Board committee performance

The Board has established a formal process for the annual evaluation of the performance of the Board and Board Committees, to ensure that they continue to act effectively and efficiently and to fulfill their respective duties. This process is reviewed annually and improved to maximize its benefit to the Directors and the Fund.

This year, the evaluation process involved the following four stages;



### Stage 1:

A comprehensive questionnaire was sent to each Board member, along with a copy of the previous year's evaluation and action plan.

### Stage 2:

Alongside the questionnaire, Board members participated in one-on-one discussions with the Corporation Secretary

### Stage 3:

A report was compiled by the Corporation Secretary based on the information and views provided. All recommendations were based on best practice as described in the current corporate governance guidelines.

### Stage 4:

Draft conclusions were discussed with the Chairman and subsequently the whole Board during its meeting at the end of the financial year. The conclusions of that discussion were recorded in the minutes of the meeting.

Overall the Board is considered strong, bringing a good balance and mix of expertise and experience.

Progress was felt to have been made against the 2015/16 Action Plan, particularly in relation to Strategy formulation and monitoring and Measuring and monitoring the Fund’s performance

**Board Action Plan**

The board action plan 2016/17 will cover:

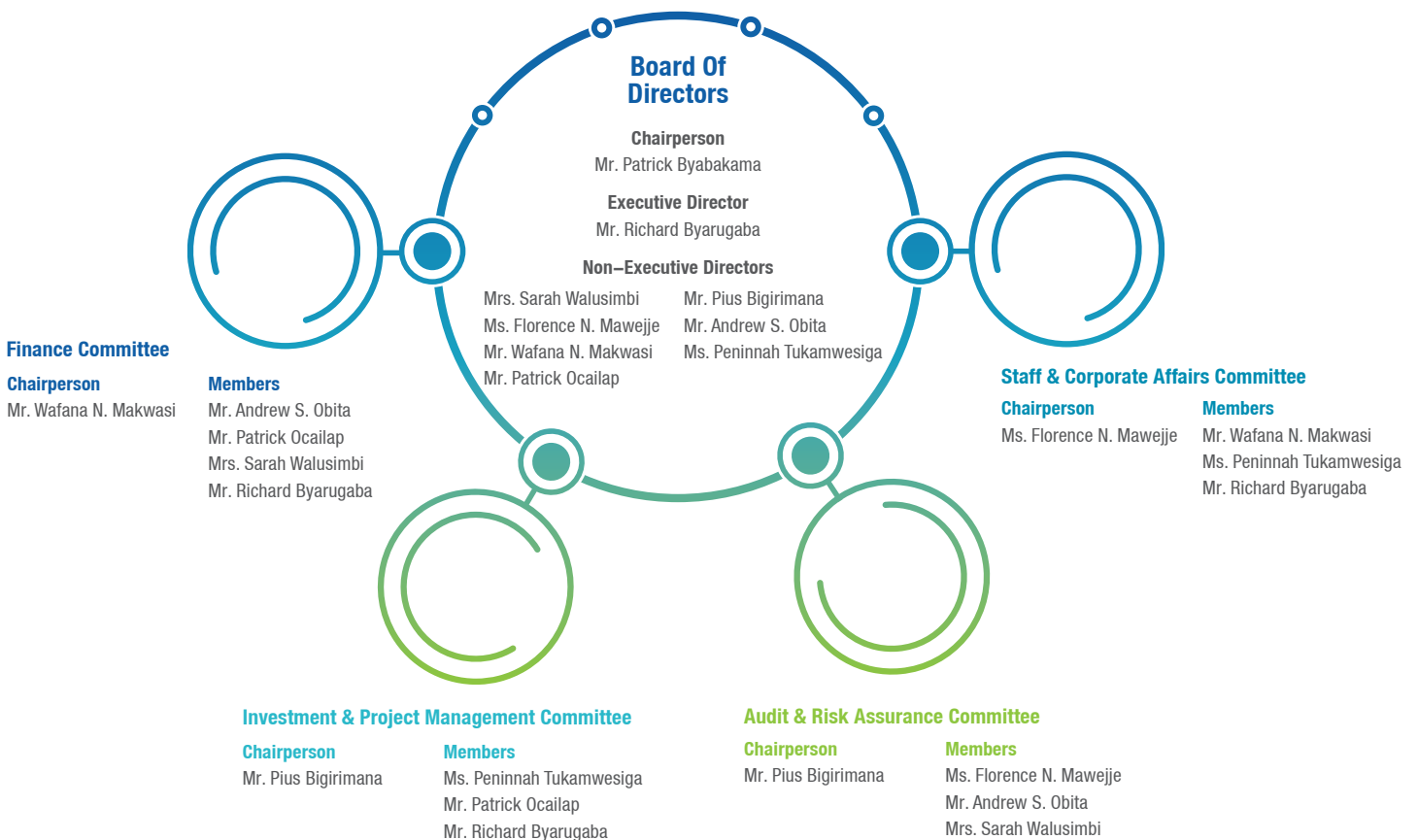
Board dynamics – Improve the Competence framework, succession plan, strategic annual plan and key performance indicators for the Board.

Risk management and internal control – Improve the capability of the Board to provide the necessary oversight in risk management and internal control.

Greater knowledge of and interaction with senior management and wider employee community.

**Board Committees**

The Board works through sub–committees to expedite its mandate. The diagram below illustrates the Board committees and their constitution;





### **Audit And Risk Committee**

The role of this committee is to assist the Board to effectively discharge its oversight responsibilities for financial reporting, risk management, internal controls, internal and external audit and regulatory compliance and governance.

The Audit Committee's remit, which is set out in its terms of reference, includes responsibility for:

- monitoring the integrity of the Fund's accounts, ensuring that they meet statutory and associated legal and regulatory requirements and reviewing significant financial reporting judgments contained in them;
- monitoring announcements relating to the Fund's financial performance;
- monitoring and reviewing the effectiveness of the Fund's internal audit function;
- monitoring and reviewing the external auditors' independence and the effectiveness of the audit process

### **Internal Control**

The Board has overall responsibility for ensuring that the Fund maintains an adequate system of internal control and risk management and for reviewing its effectiveness.

The Audit Committee on behalf of the Board undertakes the detailed monitoring of the controls through internal Audit function and reports to the Board on its findings. The Board has reviewed the system of internal controls including financial controls for the year under review up to the date of approval of this Annual Report and Accounts.

### **External Auditors**

The Audit Committee assesses annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process through an established policy aimed at safeguarding and supporting the external auditors' independence and objectivity.

The Board reviewed its relationship with its auditors, KPMG and concluded that there are sufficient controls and processes in place to ensure the required level of independence and that objectivity and independence of the external auditors were not in any way impaired in the year under review.

### **Investments and Projects Management Committee**

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

1. Recommends investment strategy, policies and guidelines to the Board for approval.
2. Reviews and recommends investment proposals to the Board.
3. Reviews and recommends project concepts, strategies and budgets to the Board.
4. Reviews and recommends to the Board a procurement strategy for each project.
5. Reviews and recommends design concepts and master plans to the Board, or changes thereto.
6. Reviews 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.

### **Finance Committee**

The finance committee is authorized 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

#### Staff and Corporate Affairs Committee

The Committee is authorized by the Board to perform its duties within its terms of reference.

It is responsible for establishing Human Resource policies governing the terms and conditions of employment, remuneration and other benefits at the Fund.

#### Corporation Secretary

The role of the Company Secretary is to ensure the Board remains cognizant of its duties and responsibilities. In addition to guiding the Board on discharging its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and corporate governance best practices.

The Corporation Secretary oversees the induction of new Directors as well as the ongoing training of Directors.

#### Relationship with Members

Ongoing and effective communication with our members and customers is part of the Fund's Fundamental responsibility to create and enhance value for our members.

In addition to the on-going employer road show presentations, the Board Chairman and management held the Annual Member Meeting (AMM) 28th October 2015. During the meeting, the Fund got the opportunity to interact and receive feedback from its members and stakeholders.

#### Connecting with stakeholders

We continually engage with all our stakeholders. These include the Government, the public, members, and suppliers such as bankers, custodians, administrators and Fund Managers. We seek to continually build strategic partnership and maintain relationships with our stakeholders. This helps us to manage the expectations of society, minimize reputational risk and form strong partnerships, which all underpin business sustainability. Ethics and Organizational integrity

The Fund's code of conduct outlines the ethical standards that guide directors, employees and other stakeholders who interact with the Fund to make effective decisions and adhere to when conducting the affairs of the Fund. Additionally as an institution holding our members savings in trust, we also aim to ensure adherence to the highest standards of responsible business practice.

The code of conduct incorporates and articulates the Fund values in greater detail and provides value-based decision making principles to guide our conduct. It is aligned with other policies and procedures, and supports the relevant industry regulations and laws.

The Managing Director (Executive Director) is the formal custodian of the code of ethics and is ultimately responsible for its implementation.

Ethics incidents are reported via the ethics and fraud hotline, human resources and administration department, risk department and business unit ethics officers. Reported incidents include fraud and human resources related issues.



We seek to continually build strategic partnerships and maintain relationships with our stakeholders. to underpin business sustainability ethics and organizational integrity



To determine the remuneration of employees, the Fund conducts annual salary surveys to obtain market information. This is aimed at attracting, motivating and retaining high calibre staff needed to deliver the Fund’s objectives.

**Remuneration Report**

**Overview**

The Fund’s policy on remuneration is an integral role of the Staff and Corporate Affairs Committee of the Board. The Board Committee’s key responsibility is to establish human resource policies governing the terms and conditions of employment including remuneration. The Committees’ compensation decisions are thus guided by the Fund’s remuneration policy as well as the social, legal and economic context of the country.

To determine the remuneration of employees, the Fund conducts annual salary surveys to obtain market information and also considers the Fund’s performance against set objectives. This is aimed at attracting, motivating and retaining high calibre staff needed to deliver on the Fund’s objectives.

**Remuneration Structure:**

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, and are based on the rates below;

	Category	Marks	Increment
<b>A+</b>	Exceptional Performer	80% and above	15%
<b>A</b>	Very Good Performer	70–79%	10%
<b>B</b>	Good Performer	60–69%	5%
<b>C</b>	Fair Performer	50–59%	0%
<b>D</b>	Unacceptable	Below 50%	0%

**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 Funds’ 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 Non–Executive Staff as well as a “Gratuity Scheme” for the Executive Staff (EXCO). This is aimed at attracting and retaining our key talent.

**Recognition Policy:**

The Fund recognizes and rewards individuals and groups of staff who make exceptional (sustained or one–off) contribution that promotes the aims and objectives of the Fund, or meet exceptional shorter–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, and wants to recognize this. 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.

### Directors' Remuneration

#### Remuneration of Statutory Appointees

The remuneration package and long term incentive for the Managing Director, Deputy Managing Director and Company 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.

#### 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 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.

#### Directors' fees (US\$)

Board Chairman	
Annual retainer	72,000,000
Fee per sitting	500,000

Director	
Annual retainer	60,000,000
Fee per sitting	450,000

Board committee	
Chairman (Fee per sitting)	450,000
Member (Fee per sitting)	450,000

#### Summary of 2015/2016 Board Emoluments

Category of Directors	Board Retainers Fees and sitting allowance	Other benefits	Pension Contributions	Total
Executive Director				
Non-Executive	386,590,000	572,583,554	25,710,000	984,883,554







# Sustainability Report

## How we Approach Sustainability

*Sustainability is a key component of our business model. Our consistent consideration of sustainability issues at a strategic level is gradually positioning us as an effective, profitable, and dependable social security provider. We have integrated sustainability into our operations using a three faceted approach that incorporates the following;*

1. Stakeholder Engagement
2. Social Risk and Impact Management
3. Strategic Social Investment

### Alignment with the United Nations' Sustainable Development Goals

In conducting our day to day activities, we endeavour to align ourselves with the United Nations' Sustainable Development Goals where applicable. We appreciate the value that these goals will bring to the communities we serve if met.

Our activities particularly focus on the following goals highlighted below.



We promote a saving culture to ensure no poverty in retirement.



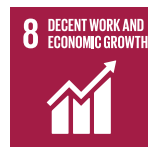
Our green initiatives include a paperless office and online business channels



We work with social institutions and run CSR activities aimed at providing free health care to the under privileged among others.



We partner with social institutions to raise money for renovation of schools and also provide equipment for skilling of youth in vocational institutions.



We endeavour to attract and retain the best talent, as well as provide job opportunities to our communities through our investments.



Through our investments, We help government, businesses and people prosper in order to support the sustainable growth of our region/ community.





*NSSF staff helping farmers in Jinja harvest tea leaves*

### Sustainability Strategic Outlook for National Social Security Fund

We have embarked on a transformation journey that will enhance our position to drive positive change within the Fund. It is expected that the transformation process will result in provision of an unmatched customer experience. This will not only make NSSF a premium brand in Uganda but will also make it an employer of choice. Our intention is to position the Fund as a major sustainable economic driver in the region.

Our sustainable strategic outlook will be established on the following pillars:



We constantly assess our progress against this strategy and provide regular updates to stakeholders.

Our target is to create a Fund which is sustainable in the long term. Integrating the 2016 Sustainability Goals into our market-driven strategy and corporate processes contributed significantly to the Fund's growth in members, contributions and income during the financial period.

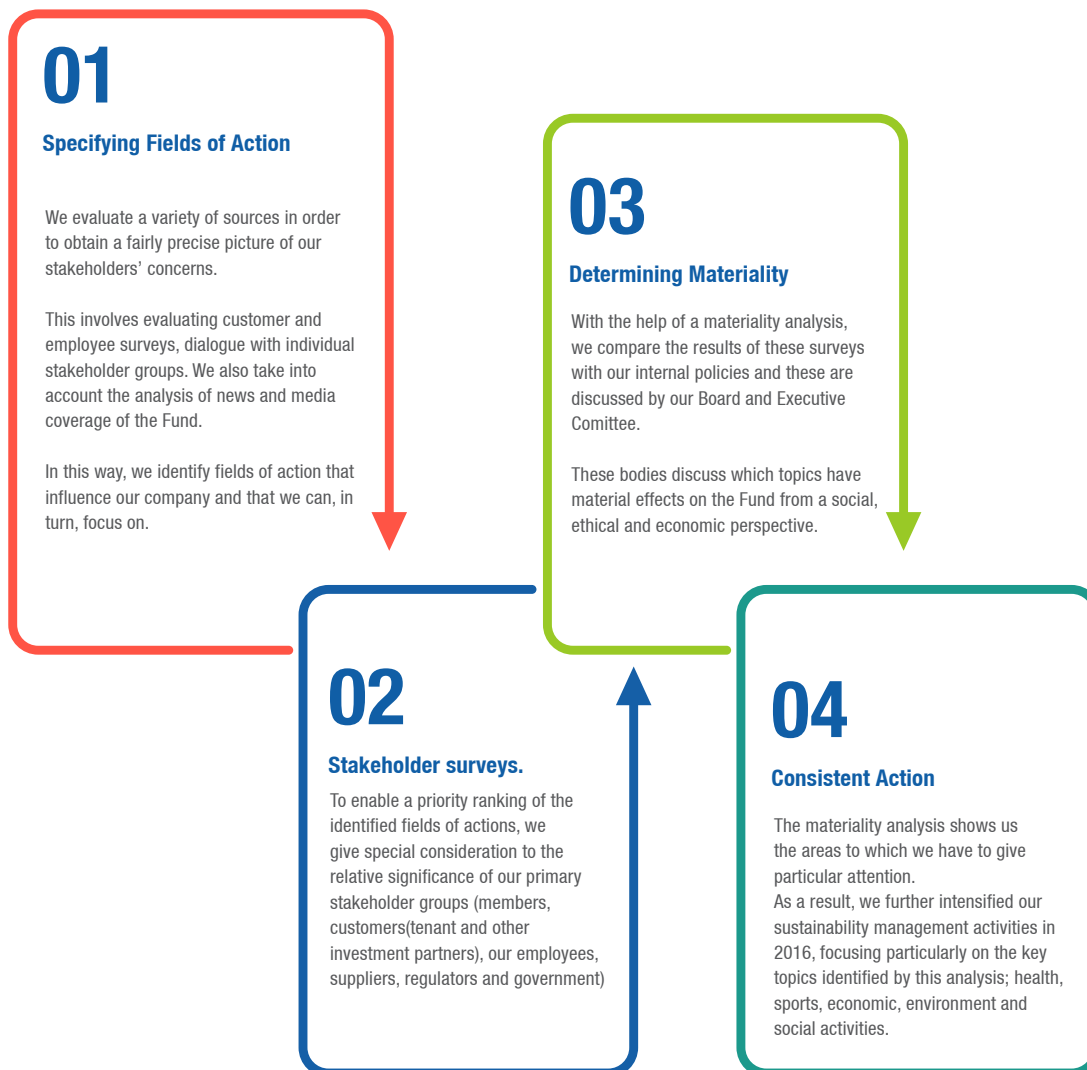
### Adopting the Global Reporting Initiative(GRI)

In the year 2015–2016, the Fund adopted Global Reporting Initiative G3/G3.1 reporting framework with the intention of measuring, disclosing and increasing accountability to internal and external stakeholders. Our annual Sustainability Report, based on the GRI framework, can be used by management and our stakeholders, to benchmark our performance against others in the industry.



The limitations and scope of the information, are reflected in the corresponding section of the report and the table of GRI performance indicators. If any central performance indicators are omitted, the reason for the omission is explained in line with our materiality considerations. We consider fields of action to be “material” if they are important for both the Fund and our stakeholders. We use a multi–step materiality analysis for the identification of the fields of action that are relevant for us and our stakeholders as described below.

### Materiality Analysis and Reporting Scope



This report intends to highlight any significant environmental, economic and social impact resulting from our activities in the financial year 2015/16 and has therefore been structured under three broad headings:

- **Societal Value creation**
- **Contributing to sustainable economic growth,**
- and **managing our environmental footprint.**

In this regard, the report only covers our material sustainability issues.



## Societal Value Creation

*We believe that close collaboration with stakeholders supports us in addressing sustainability challenges. Maintaining consistent dialogue with all stakeholder groups helps us to regularly adjust our focus to material issues recognising upcoming trends and individual needs. We listen to our stakeholders and integrate their perspectives into our decision-making processes.*



**NSSF MD, Richard Byarugaba (L) handover a dummy cheque to KCCA Executive Director, Jennifer Musisi (M) as contribution to renovate public schools. Looking on are some of the officials from KCCA**

## Our Sustainability Story 2016

Below is the highlight of 2016 activities for the different focus areas and planned innovations in order to keep and build the trust of our stakeholders.

### Highlights in 2016

Focus Area	Activities	Plans ahead
<ul style="list-style-type: none"> <li>Promoting entrepreneurship in and Fighting poverty in line with <b>SDG 1</b></li> </ul>	<ul style="list-style-type: none"> <li>Support wise investment through Friends with benefits campaign.</li> <li>Torch Awards Campaign to fight poverty by encouraging entrepreneurship.</li> <li>Supporting education through HASH Run Campaign.</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary Membership</li> </ul>
<ul style="list-style-type: none"> <li>Developing our people in line with <b>SDG 8</b></li> </ul>	<ul style="list-style-type: none"> <li>Continued to be an equal opportunities employer</li> <li>Talent development through staff training</li> <li>Job creation through prudent investment</li> </ul>	<ul style="list-style-type: none"> <li>Coaching program for all staff.</li> </ul>
<ul style="list-style-type: none"> <li>Promoting Community Health and well being in line with <b>SDG 3 and SDG 4</b></li> </ul>	<ul style="list-style-type: none"> <li>Launching of the 7 Hills Run marathon to raise money for renovation of schools</li> <li>Blood Donation and Dental Clinic campaigns for the under privileged</li> <li>Introduction of Aerobics and fitness center for staff</li> </ul>	<ul style="list-style-type: none"> <li>Going forward, we will continue giving back through our CSR activities focussed on this area</li> </ul>
<ul style="list-style-type: none"> <li>Preserving environment in line with <b>SDG 13</b></li> </ul>	<ul style="list-style-type: none"> <li>Collaborating with NEMA to assess the impact of our investments on the environment</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of a paperless office and adoption of more online business channels</li> </ul>
<ul style="list-style-type: none"> <li>Sustainable investment in line with <b>SDG 11</b></li> </ul>	<ul style="list-style-type: none"> <li>Diversified investment portfolio</li> <li>Real Estate regional housing projects.</li> </ul>	<ul style="list-style-type: none"> <li>We plan to invest in Infrastructure Bonds when they come on the market.</li> </ul>
<ul style="list-style-type: none"> <li>Responsible Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Engaging with our stakeholders through our annual supplier forum.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing Data availability on our E-platform.</li> </ul>
<ul style="list-style-type: none"> <li>Our Customers</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of self-service kiosks</li> <li>Introduction of self-service kiosks</li> <li>Customer connect week</li> <li>Annual Members meeting</li> <li>Introduction of smart cards for members.</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of mobile money contribution and payment platform.</li> <li>Higher returns to members</li> </ul>



*Member feedback continues to be one of the most important components of our business model*

### Our Members

*National Social security Fund is mandated by the NSSF Act to provide social security to members of the private sector in Uganda.*

*Our members include employers who we regard as primary members and employees who are secondary members. As a public institution charged with collection and investment of members' savings over the long term, we have a critical responsibility to our members.*



**Customer Base**  
**1.5 Million**

### Our Approach in 2015–2016

Member satisfaction is one of our five key performance measures. It is therefore extensively tracked by the Board and Management through regular surveys. Every Fund employee is expected to deliver a memorable experience to each member he meets. This is therefore a key performance measure at a personal level.

Our service charter requires us to communicate to our members the standards we have set and declares our total commitment to better service delivery. Our members are therefore empowered to demand timely and quality services at all service points/channels.

### Member Feedback

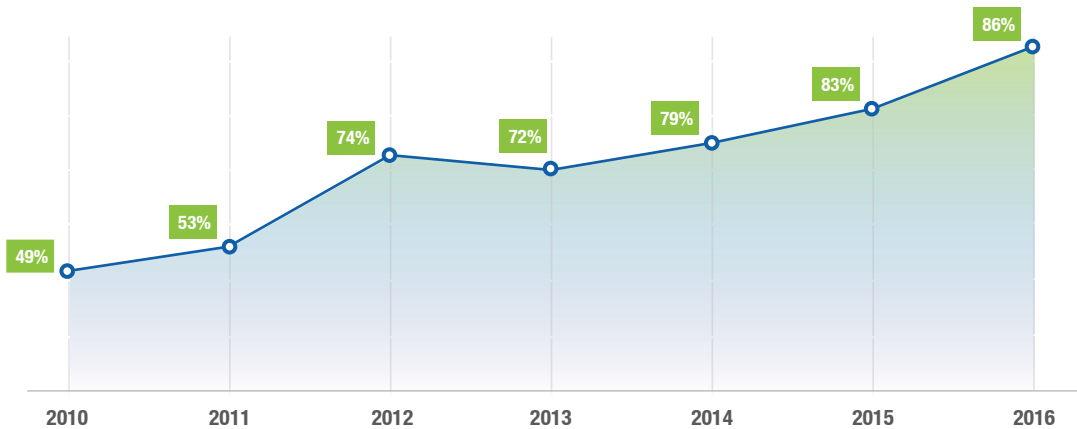
Feedback from customers is an important part of this model, enabling us to learn more about our performance and identify additional client needs.

This feedback is attained through an annual member satisfaction survey conducted through our Net Promoter Score and social media channels as well as through directly solicited, immediate, automated feedback following one on one interaction between a member and Fund staff.

As a result of this initiative, member satisfaction has risen steadily over the last six years, rising from 49% in 2010 to 86% in 2016 as shown in the following graph.

How We Engaged Them	Topic that were Addressed
<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Immediate automated feed back</li> <li>• Radio and TV shows</li> <li>• E–channels</li> <li>• Road shows with members</li> <li>• Self Service Kiosks</li> </ul>	<ul style="list-style-type: none"> <li>• Service availability</li> <li>• Service quality</li> <li>• Relationship quality</li> <li>• Transparency, openness and reliability</li> <li>• Society and community relations</li> <li>• Self service and efficiency</li> </ul>

Member Satisfaction Rate Trend



Members who are dissatisfied with how our business is handled can also direct their complaint through our member service website, e-channels and road shows.

During the year 2016 more than 114,965 members attended our road shows.

**Member Engagement**

We engage our members through a segmentation approach which helps us to stay in touch with them regularly through a network of relationship managers. This relationship management model is built around our network of 20 branches spread across the country.

**Self Service Kiosks**

During the year we deployed self-service kiosks in various locations in Kampala to provide another channel for members to track their savings. Members are able

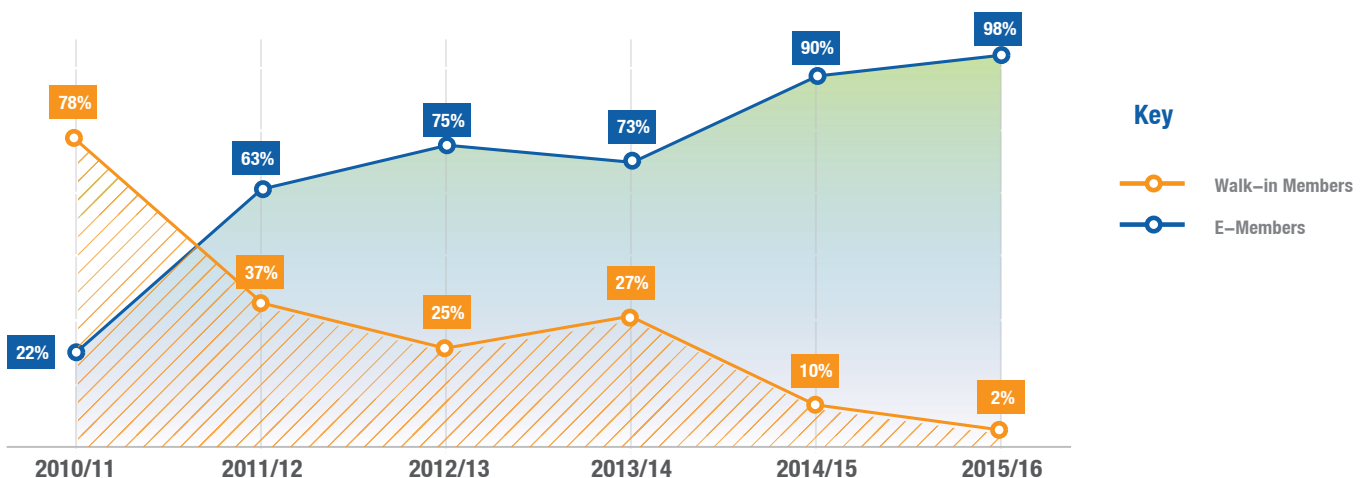
to keep a record of their balances by printing off a statement. The uptake and usage of the kiosks has been growing steadily since deployment with a total number of users exceeding 1648.

**Member Service Point analysis**

In addition to our branch network and self service kiosks, we also ensure that members are constantly updated with developments at the Fund through our social media channels (Facebook, Twitter). Their queries are also frequently answered through these channels.

The table below, shows the extent to which e-channels are quickly becoming the key engagement tool opted for by the members.

Walk-In Members Vs. E-Members Served



**Key**  
 ○ Walk-in Members  
 ○ E-Members

### Member Complaint Resolution

Any dissatisfied member is one too many. If a member files a complaint, we document the complaint and ensure that it's investigated.

All complaints are registered in our member relationship management tool and regular analysis is made for areas that need improvement. There is a special member relations team that handles queries in cases where the complaint remains unresolved after initial interventions.

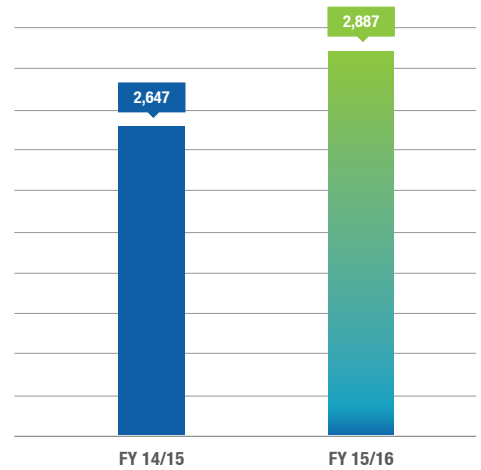
### Member Growth

The total new employers registered in the year 2015/16 was 2,887 which is a 17% increase compared to the previous financial year 2014/15. The registrations of new employees also increased by 12% from the previous year to a total of 106,683 in 2014/15.

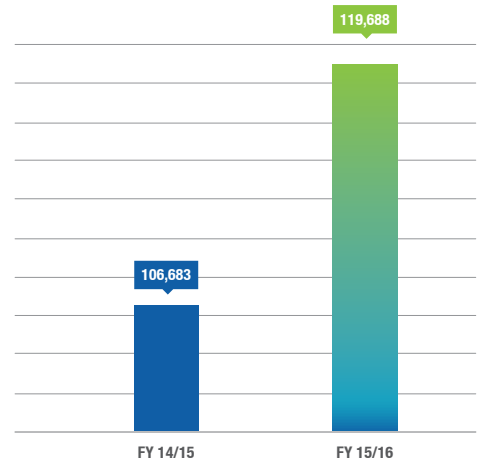
The gradual increase in the number of members is one of the fruits of our customer centric business models.



New Employers



New Members



We constantly engage our members to understand their needs.



### We welcome dialogue with all stakeholders

We held our fourth Annual Members Meeting in 2016 at Serena Hotel in line with our commitment to accountability and transparency. We updated our Members on the Fund's performance for the financial year 2015/2016, current innovations in the Fund, and the Best Employers were recognized for fulfilling their obligation to remit social security contributions for their employees in a timely manner and in the right amounts. The Fund declared a 12.3% interest to members In spite of the challenging times of the financial year 2015/2016. This was remarkable performance in the circumstances.

The Meeting brought together more than 1000 members and major key stakeholders including workers representatives and Members of Parliaments. We have a wide range of stakeholders who are important to our success. We welcome dialogue with all stakeholders, whatever their views, and we want to engage with them in a constructive manner and from a long-term perspective.



We have a wide range of stakeholders who are important to our success. We welcome dialogue with all stakeholders, whatever their views, and we want to engage with them in a constructive manner.



*NSSF Deputy Managing Director, Geraldine Ssali (R) handing over an accolade to one of the winners of the Best Employer Awards during the the Annual Members Meeting*



**NSSF Compliance Manager, Jean Matabazi addressing suppliers during the annual NSSF supplier forum**

### Our Suppliers

*We consider our suppliers as an important part of our value chain and therefore, we seek to engage them regularly to establish ways in which we can increase the efficiencies of our procurement, quality control and payment processes.*

### Establishing a Sustainable Value Chain

In order to forge long lasting relationships based on transparency, respect and mutual trust, we continuously improve our supplier value chain. Each initiative we develop is focused on responsibly improving the efficiency of our usual purchase practices while minimising unnecessary costs without compromising quality.

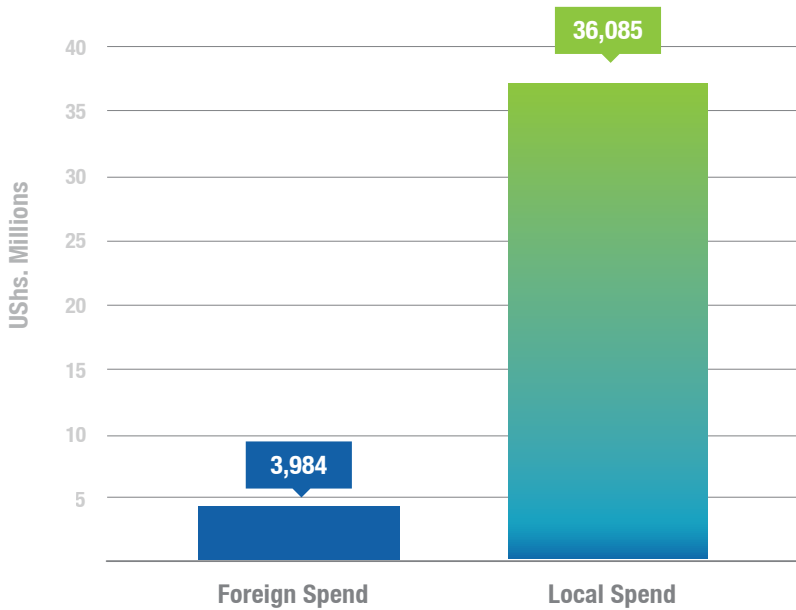
We opt for vendors who are compliant in line with PPDA regulations, environmental laws and demonstrate ethical behaviour in their business practices. We recognise that these are key components in establishing business relationships that will enhance a sustainable value chain.

### Socially Responsible Procurement

Our processes are designed to ensure transparency in the selection and hiring of suppliers in line with PPDA guidelines. This ensures that all bidders go through a fair selection process.

At the same time, we seek to support the local suppliers where possible in line with the “Build Uganda. Buy Uganda” policy but without compromising quality. This is reflected in the adjacent graph.

**Payments made to our suppliers in 2016**



During the year, 2016 the Fund received a highly satisfactory rating during the PPDA audit. The Fund scored 83% with exceptional high performance in disposal system (96%), Accounting Officer (100%) and Contracts Committee business 100%.

### Supplier Forum

During the year, we held our first annual supplier forum with the objective of increasing awareness, among suppliers, on their role in boosting the Fund's sustainable growth. We also enhanced their knowledge of public bidding in order to increase their competitiveness.

We aim at strengthening relationships with our suppliers by means of a fluid and regular peer-to-peer dialogue that allows us to forge long-term business relationships.

### Regulatory Compliance

At the Fund we have zero tolerance for corruption and violations of other compliance and regulatory requirements.

### Our approach in 2015–2016

Our business conduct guidelines describe how we fulfill our compliance related responsibilities.

During 2016 we actively ensured that all our activities and operations comply with the existing legal and regulatory requirements. This was achieved through constant monitoring of our internal compliance matrix. Management also had several interactions with Parliament, Ministry Of Finance, Ministry of Labor and Gender, PPDA and URBRA as part of this compliance process.



NSSF Head of Procurement, Gerald Mugabi talking to guests during the Fund's Supplier Forum

# Our Pursuit Of Excellence

in Human Resources & Administration



**Milton Steven Owor**

Head of Human Resources and Administration

*The Human Resources and Administration mandate is to manage the processes that affect human performance and attitudes in a way that delivers organizational results.*

*Our focus in the coming years will be around enhancing a high performance culture in the Fund, driving for Talent self-sufficiency over the medium to long term, Organizational Culture Change, and enhancement of HR service delivery.*

The Fund has an ambitious, but achievable stretch business vision for 2025. We will more than triple our size (by asset base), will significantly increase customer satisfaction, staff engagement and simplify our internal process, leading to much faster turnaround times.

Achieving this will require each and every one of our staff to deliver to their best ability every single day. Our role is to create the environment and conditions for this to seamlessly happen. We drive high performance through agreeing stretch performance expectations, providing necessary tools and support mechanisms, and a re-architecture of our reward system to focus more on rewarding performance and sanctioning complacency.

Performance happens when both individuals and teams hold one another accountable for delivering as promised. The Fund's business results are delivered through its people, the employees. We thus focus on attracting the best talent into the Fund, ensuring their professional / personal development and growth, and working to ensure we retain them within the Fund. When top talent know



that their professional and personal aspirations can, and will be met within the Fund, they do not have reason to leave. High performing organizations are a most uncomfortable place for sub-optimal performers.

We are driving for an agile, tech savvy organizational culture where every staff voice is heard, innovation encouraged / rewarded, and cross functional teams work complementarily, and not in unhealthy competition with one another. Our strength lies in leveraging the value chain of each and every individual staff, and the collective of the different departments in the Fund.

We are also focusing on enhancing HR Service delivery to the Fund. Providing pro-active HR support to the Business means HR must be embedded with the business functions. Our HR Business Partnership model ensures speed of execution, adherence to consistent policy and simplification of our processes. It makes it easier for our Business managers to access HR input into their business strategy, and staff to have issues affecting their performance and or work life to be addressed speedily.

Finally, we are finalizing our records digitization, through the EDRMS project. Creating and maintaining accurate Records are a critical part of our business. It is only through this that we are able to pay our beneficiaries the right amounts, and minimize fraud. By end of this Financial Year, we shall have completed the process of digitizing all our records.

We are excited about the journey ahead of us, and are much looking forward to providing HR Business partnership to the Fund.



*We focus on attracting the best talent into the Fund*





We are what we repeatedly do. Excellence then, is not an act but our habit

### Our People

*Our people are the most important key to change and success within the organization. We therefore work continuously on staff development, laying the foundations for them to provide the best possible service to our customers. Their personal and professional development is not only a valuable outlet for them to express their passion for the job, it also contributes immensely to the sustainable growth of the Fund.*

We are a responsible employer evidenced by our core values; customer centricity, teamwork, innovation, integrity and efficiency. By focusing on regular training and development, we are able to ensure that our staff display these values in their day to day conduct.

We also embrace diversity and endeavour to avail a healthy and safe working environment. We ensure that our employees feel valued, engaged and experience equal opportunities to grow and realise their potential.

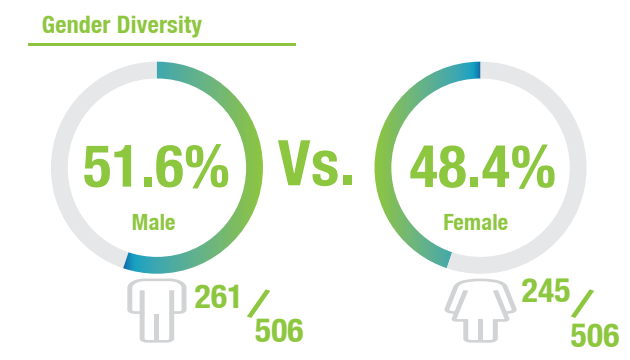
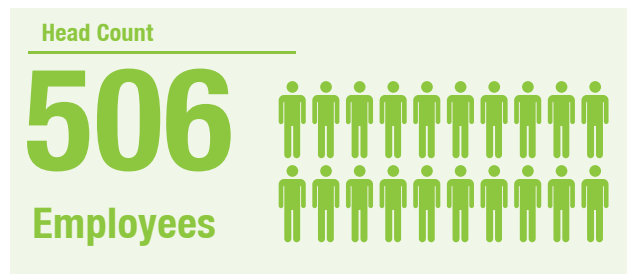
### Core Values in Recruitment and Leadership

We emphasize our core values in our recruitment process while painting a picture of the Fund's corporate identity to all candidates. Our recruitment and selection process is done in a way that promotes professionalism and equality and all our appointments are based on merit. All new NSSF employees are offered an induction programme that explains our identity and core values.

We believe it is important that managers lead by example. Our management courses encourage managers to integrate corporate values into their daily work.

### Diversity and equal opportunity

The Fund has an open attitude to diversity. The goal is to avoid any instances of discrimination related to gender religion, race, nationality, civil status or social position.



**Rewards and remuneration.**

We offer incentives to employees at different levels. These include performance-based pay, flexible working hours (Breast feeding hour for mothers), a range of options for improving work-life balance, and various employee benefits. The Fund’s remuneration system recognizes the employee’s role in achieving Fund objectives.

A staff Provident Fund is also in place to help staff prepare for retirement. Staff contribute 5% while the Fund contributes 10% to this scheme.

**Physical health and wellbeing.**

The Fund has a wellness and fitness program that is aimed to enhance our employees’ physical wellbeing. This compliments the medical insurance scheme that is also available to all staff.

Lunch is also available for all staff at Head Office and all branches.

**Employee safety**

We provide insurance to staff against accidents that may occur both at home and at the work place. This insurance helps our employees to afford medical coverage that is beyond the scope of the general medical insurance scheme.

To further strengthen individual based safety, during the year, fire marshal training was carried out.

**Talent development**

We care deeply about realizing the potential of our people and enabling them to enjoy a fulfilling career with NSSF.

A number of training needs are identified across the Fund at the start of every financial year and a tailor-made program is designed to address these needs. These needs usually range from individual and departmental competences to organizational culture and values improvement.



We ensure that our employees feel valued, engaged and experience equal opportunities to grow and realise their potential.



NSSF staff during a team building activity

### Talent Attraction

We have developed a vibrant and competitive internship program for University students. Our aim is to boost their education by giving them real life experience of the workplace. Our internship policy ensures that internship opportunities are available in all departments of the Fund thereby ensuring that the diverse training needs of the interns are met.

### Employee Engagement and Recognition

The Fund recognizes the importance of employee engagement and believes that engaged employees are more satisfied with their work. This makes them more productive and committed resulting in reduced staff turnover. To facilitate employee engagement we foster and reinforce behavior using multiple avenues.

During the year 2015/16, the Fund carried out the following staff engagement activities;

- An annual staff party which was held in a centralized location allowing all staff to converge and interact in a laid back atmosphere.
- Departmental/ sectional team building activities held for staff to interact with their colleagues away from the hustle and Bustle of day to day office activity.
- The annual sports day; which allows all staff to participate in fun activities and also get to know their colleagues that work in different branches across the country.

- The annual employee connect week is an activity that happens in the week leading up to the customer connect week. This is designed to help employees value each other as internal customers and appreciate the role such teamwork plays in creating an efficient and seamless organisation.
- The annual staff conference which is which is designed to help management to engage employees, receive feedback relating to employee welfare. Its also usually a good forum to communicate strategy and resolve any contentious staff issues.

### Employee opinion survey

Our employees are our greatest asset. Management is committed to maintaining a good, honest and collaborative dialogue with employees and their representatives.

During the year 2016 the overall staff satisfaction score was 86%. A 2.6% improvement from the 84% observed in 2015. The introduction of staff lunch and aerobics greatly contributed to this improvement.

Staff motivation indicators improved by over 13%. Learning and Development, an area that has been rated worst for the past 2years, improved by over 8% with 72.67% of staff satisfied.





### Whistleblowing policy.

The Fund is committed to developing and maintaining a culture of integrity, transparency and trust. This is achieved through effective procedures that offer confidence to employees to raise and or disclose malpractices without fear of victimisation.

The whistle blower's identity is kept anonymous during the subsequent follow-up enquiries and discussions relating to the matter provided that we are not obliged by law to disclose it. All reported incidents or circumstances are promptly investigated and, when applicable reported to senior management.

### Keeping staff informed.

We communicate to our staff through online, printed and face to face engagement. We mostly employ the use of the intranet to make daily updates on our day to day activities across the head office and the entire branch network. The "Share point" website; housed on the intranet is where staff find and share information under the "document library", ideas and best practice.

Regular teleconferences are held across the organisation where staff are kept abreast of new developments and initiatives being undertaken. The annual strategic retreat is also another avenue where senior management and the members of the board impress on junior management and supervisors the roles they are expected to play in realizing the set out strategy.

### Performance Management

Performance management is implemented in two approaches; the vertical integration which links or aligns team and individual objectives with the overall business objectives and horizontal integration which links different aspects of human resource management and reward so as to achieve a coherent approach to management and development of people.

Our aim is to ensure that all employees know what they have to do, how they need to do it, what development and support they will get and how they will be rewarded and recognized for their achievements.

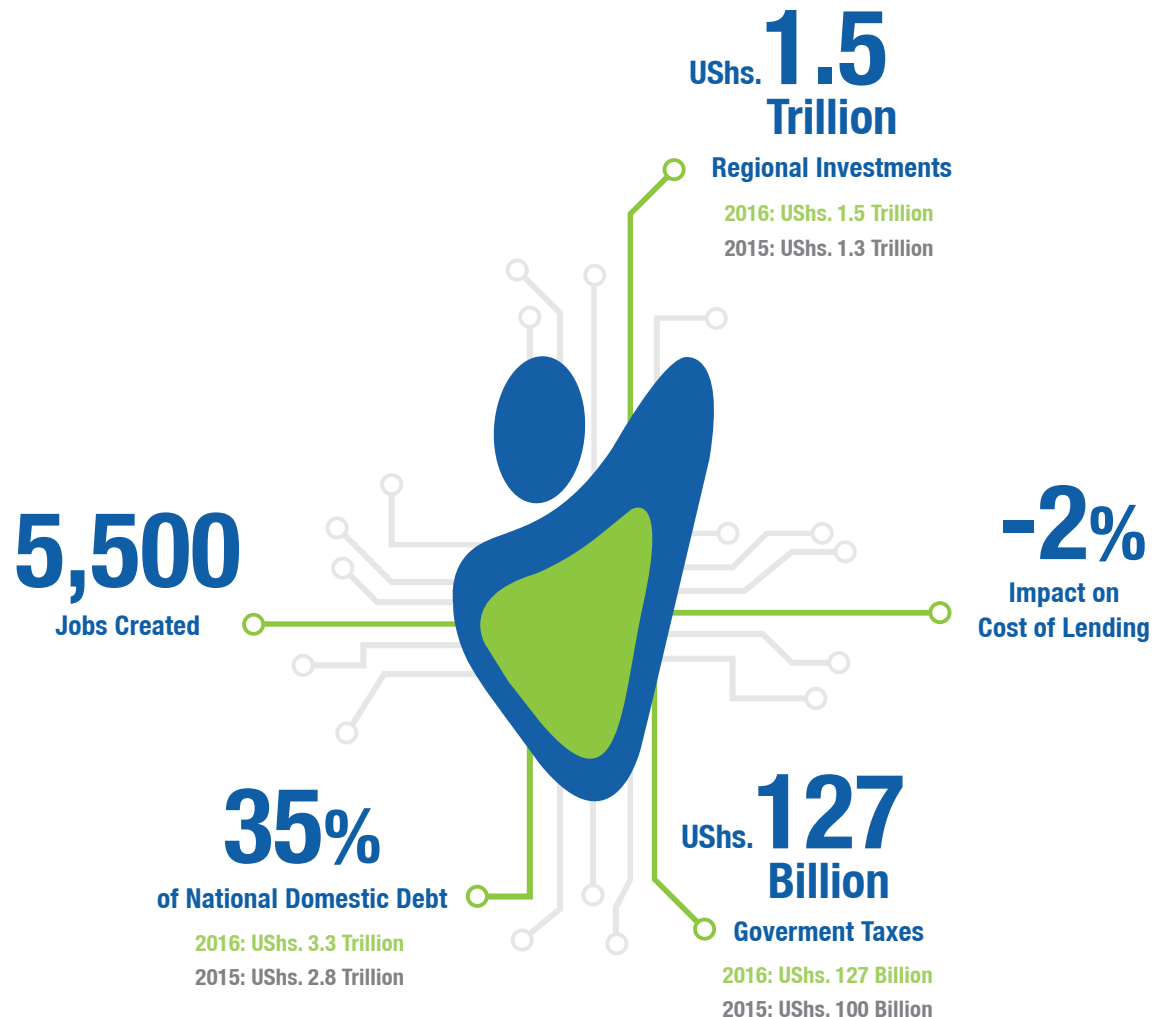


*Bobi Wine addressing University Students at the 2016 Career Expo, an initiative the Fund uses to source raw talent for our internship program*

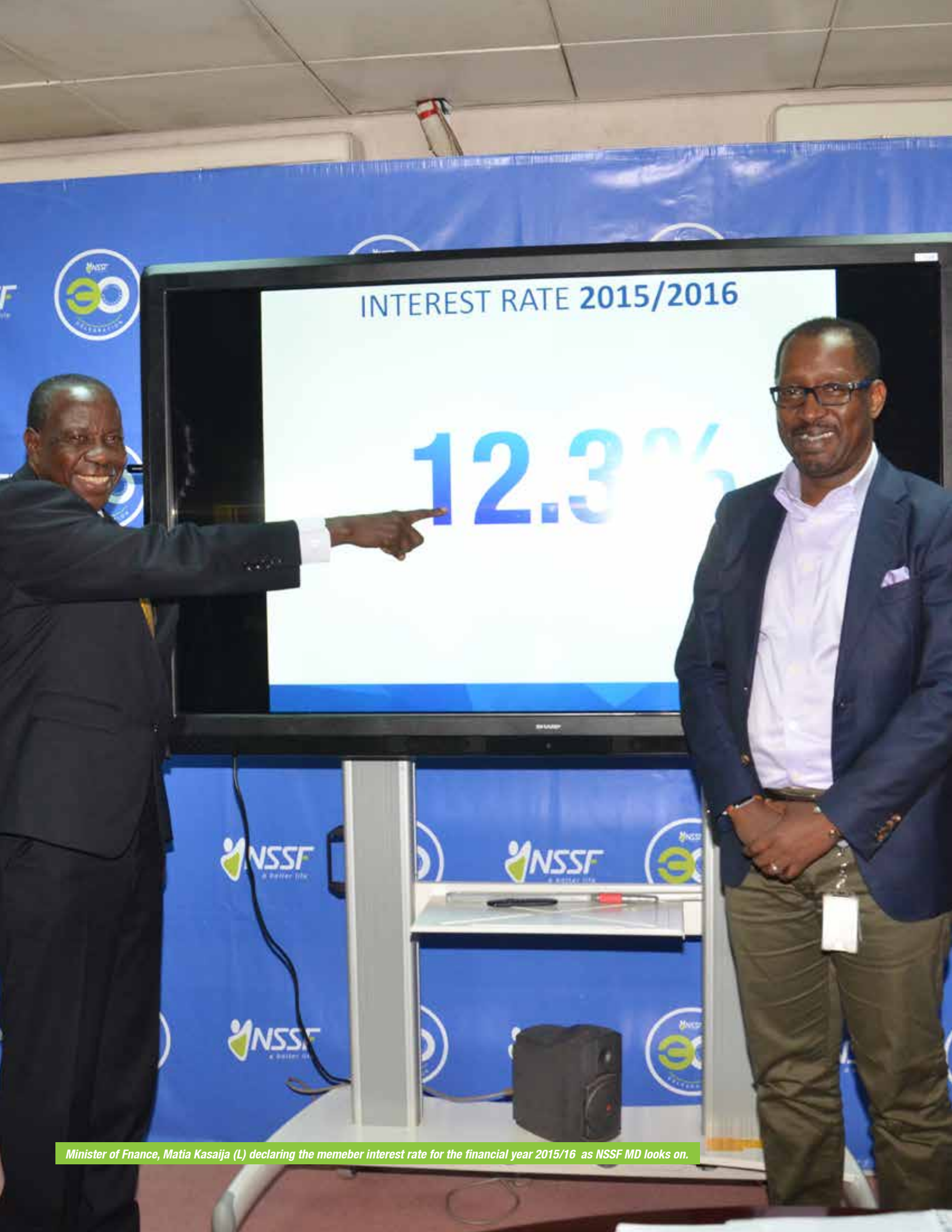
## Sustainable Economic Contribution

The Fund has grown into a major driver of economic growth in Uganda and East Africa at large. It is estimated that at least 5,500 jobs have been created by the companies we have invested in. By 30th June 2016, NSSF held 35% of Uganda's National debt with treasury bonds worth UShs. 3.3 Trillion. It is estimated that our participation in this bond market reduces the cost of debt in Uganda by 2%. We are also among the largest tax payers in Uganda with total taxes paid in 2015/16 amounting to UShs. 127 Billion.

It is the Fund's view that as we contribute to the growth of this economy, we create more opportunities for our own growth enabling our members to earn a better return on their savings in the long run. The diagram below summarises our economic contribution in the financial year 2015/16







INTEREST RATE 2015/2016

12.3%

Minister of Finance, Matia Kasajja (L) declaring the member interest rate for the financial year 2015/16 as NSSF MD looks on.

## Managing Our Environmental Footprint

*National Social Security Fund is committed to providing a green management ideology to contribute to lives of humanity and the preservation of the environment through business activities that respect people and nature.*

*The Fund is committed to identifying and implementing environmentally responsible business practices.*

*During 2015/16, NSSF was not penalised for non-compliance with applicable laws and regulations relating to environmental preservation. This is a direct result of the approach the Board and management have taken to ensure that environmental issues are taken into account when making decisions that might have far reaching consequence on the community.*



*NSSF MD, Richard Byarugaba planting a tree at Muchison Bay Luzira Prison . This was during the Customer Connect Week*

### Our approach in 2015–2016

In 2016 NEMA conducted an Environmental impact assessment of our proposed Jinja, Pension Tower and Mbuya Projects. This was in compliance with Regulation 37 of the environmental assessment regulations and Statutory instrument No.13 of 1998.

Furthermore the Fund's environment assessment was in agreement with international standard ISO 14001:04 which requires the Fund to be mindful of the impact of its activities and take necessary steps to reduce risks and generate opportunities in environmental preservation.

### Energy Management

Our environmental management policy is administered by our Maintenance manager. Employees and contractors are responsible for performing their jobs in accordance with this policy. The Fund seeks to optimize the use of valuable natural resources by reducing fuel consumption of fleet vehicles and conserving energy of office facilities.

The Fund is committed to continual improvement in its Energy preservation through prevention of energy wastage by compliance to national and international energy legislative and regulatory requirements.

### Water Resources Management

National Social Security Fund uses a water cooled chiller system for air conditioning. In these 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. This recycling of water helps minimise on wastage.

### Waste Management

Water and waste water handling, treatment and disposal are conducted in accordance with regulations, as identified in Section 4.2, Regulatory Compliance through Global Environmental Health and Safety.

Waste management at the Fund properties was also in line with the Kampala Capital City statutory regulation 243.

Our sewage is managed through Kampala's main channel with support of National water and Sewage Corporation that is mandated to transport and treat it.



# Our Pursuit Of Excellence

in Marketing & Communications



## Barbra Teddy Arimi

Head of Marketing and Communications

*Innovation at NSSF dates back to the early 90s when the Fund began to develop solutions to improve its Data Management in a bid to better serve its customers*

Today the Fund continues to embrace innovation as one of its pillars of competitive advantage and the Fund's 500 employees are tasked to innovate by sharing new ideas that are then converted into solutions enjoyed by the Fund's over 1.7 Million Members. 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.

As a result the Fund has registered tremendous improvement in its collections, compliance levels, customer numbers, service delivery and customer satisfaction.

We are therefore confident that the Fund's stance on innovation will continue to impact positively on its customer satisfaction and we expect the Fund's customer satisfaction ratings to improve from the current 87% to 95% by 2025. Of course this will require much more effort and more importantly a conducive regulatory environment which can only be attained upon the amendment of the NSSF Act.

We believe the amendment of the act will enable the Fund expand its benefits offerings to include Health, Education, Housing, Unemployment among others which are not catered for within the current NSSF Act or URBRA Act.

However as we wait for the favorable regulatory enablers, the Fund will not rest on its laurels but will continue to focus on innovations to drive service delivery. At the forefront of all this is the acquisition of our new pension administration system which will provide the highly desired IT framework to anchor the implementation of the Fund's Loyalty Program, international remittances and Smart card.

We remain committed to providing social security solutions that are relevant to our members throughout their lifecycle.

# 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





## Corporate Social Responsibility

*The Fund endeavours to give back to communities in a structured and sustainable manner which ensures a maximum positive impact to our beneficiaries and the societies they serve.*

*Several philanthropic initiatives were carried out to ensure that the Fund participates fully in various socially relevant endeavors specifically directed at education, poverty alleviation, health care for the disadvantaged and environmental conservation in line with the United Nations Sustainability development goals.*



*Last year, the Fund in partnership with KCCA and Kampala Hash House Harriers, launched the NSSF Kampala Hash Seven Hills Run*

## Education Initiatives

### NSSF Kampala Hash Seven Hills Run

In April 2016, the Fund embarked on an initiative aimed at raising Funds for the improvement of sanitation and renovation of structures at selected Kampala Capital City Authority (KCCA) primary schools, in order to improve learning conditions for the pupils. A non-competitive-run Run dubbed the NSSF Kampala Hash Seven Hills Run in partnership with Kampala Hash House Harriers and KCCA was born as a Fundraising vehicle for the cause.

Over 500 people attended the charity run that raised shs62m. The proceeds went towards the renovation of classroom block at Nakivubo Settlement Primary School and construction of a water tank at St. Ponsiano Kyamula Primary School.

Nakivubo Settlement Primary School had asbestos roofing on classroom blocks. Asbestos is known worldwide for causing cancer and was declared a health hazard by the World Health Organisation. St. Ponsiano Kyamula Primary School had no water tank which posed poor sanitation in the school. It is for the above reasons that these schools were chosen for this initiative.



NSSF Board Chairman, Patrick Kaberenge (R) chatting with New Vision CEO, Robert Kabushenga (L) during the NSSF Kampala Hash Seven Hills Run

#### Rationale:

*This initiative is part of the Fund's Corporate Social Responsibility agenda to make a positive difference in the area of education in line with SDG 4.*

*Children need safe, healthy, and conducive environments in which to grow and learn. For some of the schools in Uganda, the learning environment is in a sorry state and this has, among other reasons, inhibited good academic performance as evidenced by poor examination results.*

*More schools need support as reports indicate that nearly 90% of the KCCA schools in Kampala require total refurbishment.*

Participation:

**500**  
Runners

Funds Raised:

**US\$62**  
Million

**1000**  
Students Impacted



During Customer Connect Week, the Fund offers free financial literacy training to members

**Rationale:**

*According to research, 80 percent of employed Ugandans only have NSSF as their saving channel. 90 percent of people who receive their NSSF benefits waste them in only 2 years. As a result, many retire into poverty.*

*In line with **SDG 1**, it is our intention that with such training, members of our community will make better financial decisions and survive such poverty.*

**Free Financial Literacy Training**

In partnership with Bank of Uganda, the Fund trained over 110 individuals in financial literacy on 13th April 2016, to empower them with skills that will help them make informed decisions on financial and business management. They were equipped with various skills that included personal finance management, saving, loan management and investment.

The initiative is in fulfillment of the promise the Fund made to its members to be responsive to their needs and offer world class services. Through a number of surveys, we have learnt that a number of savers in Uganda do not invest their money in feasible ventures and end up losing it. Some end up without any savings within a few months. We hope that by offering this training, we may be able to save some people from poverty caused by poor financial decision making.



NSSF members participating in a discussion during a financial literacy training



**Health Initiatives**

**NSSF Blood Donation Drive**

As part of our Corporate Social Responsibility agenda, the Fund in partnership with Uganda Blood Transfusion Services has been organizing the Annual Blood donation drive for the last 6 years. It's aimed at encouraging the public to donate blood to reduce the frequent shortage of safe blood in the blood banks.

This year, the Fund conducted this drive from 16th to 21st January 2017. For the first time, the exercise was held countrywide in 10 towns namely, Kampala, Jinja, Gulu, Hoima, Masaka, Mbarara, Fort Portal, Arua, Lira and Mbale under the following objectives;

- To increase the number of blood donors and collect at least 3000 units of blood
- To increase awareness of blood donation and also
- To ultimately help reduce fatalities caused by shortage of safe blood at critical times

A total of 3,757 units of blood were collected countrywide throughout the weeklong exercise with the highest collections from Kampala and the lowest in Lira. The collections were above our target of 3,000 units.



*The Fund carried out a country wide Blood Donation Drive to help those in need of blood*

**Rationale:**

*According to World Health Organisation (WHO), Uganda needs about 300,000 units of blood annually yet only 170,000 units are collected annually. Only 1% of people eligible to donate blood in Uganda regularly do so, which causes frequent shortages of safe blood across the country.*

*Over the past five years, NSSF and UBTS have collected over 2,370 units from staff, members of the Fund and the general public. The blood we collected was used in hospitals to save lives of; pregnant mothers, cancer patients, sicklers, accident victims, people requiring surgical procedures, among others.*

*This is in line with our commitment to playing our part in helping achieve **SDG 3***

Target Units:  
**3,000**

Actual Units of Blood Collected:  
**3,757**



In partnership with Rotary Club and Mulago, NSSF sponsored the annual dental camp at Mulago Dental School

### Annual Dental Camp

In partnership with Rotary Club of Kampala North and Mulago Paradental School, the Fund organised two Dental camps at Mulago Paradental school in June and December 2016 respectively.

This initiative was aimed at providing free dental health care and treatment to the underprivileged people of Kamwokya, Kyebando, Bwaise, Kawaala, Mulago, Kivulu, Katanda, Kaleerwe and surrounding areas. The services provided included screening, filling, tooth decay extraction, oral education, among others.

Over the last five years, the Fund has supported the Dental Camp, which has contributed to treatment of over 3,000 underprivileged people. Over 2,143 people were reached in 2016 during the two camps.



### Rationale:

Research from the Mulago Dental School indicates that at least 90 per cent of Ugandans are suffering from the effects of poor oral hygiene. Our main objective in this initiative is to improve the quality of life of our communities through the various health care activities we undertake inline with **SDG 3**.



One of the patients having a dental checkup during the dental camp



**Customer Connect Week**

The Fund also held a series of countrywide CSR activities during its 4th Customer Connect Week. We donated assorted items worth Shs200m designed to support the equipping of youth with vocational skills, vital for job creation in small and medium size enterprises.

Over 20 youth development organizations countrywide benefited from the donations which included fabrication equipment, mentoring, hair dressing equipment, bakery making project, electrical installations, knitting project among others.

Most of these youth development organisations target underprivileged youth including young mothers, orphans, reformed drug addicts, school drop-outs and other unemployed youth.



*During Customer Connect Week, we offered equipment to SME's to boost their businesses*

**Rationale:**

*Youth employment is a major challenge in Uganda and one of the ways it can be addressed is if the young people are equipped with vocational skills that can help them earn a living.*

*Many organisations have started vocational schools in disadvantaged communities to serve this purpose. It is our view that supporting such organisations in any way we can will assist another generation of savers to find decent work and make a contribution to our country's economic growth in line with **SDG 8***



*Our staff also indulge in community activities as part of the Customer Connect Week*



Every year, the Fund sponsors the Kampala Amateur Volleyball tournament

## Sports Initiatives

### Volley Ball

For the 9th year running, the Fund partnered with Kampala Amateur Volleyball Club to organize the 20th edition of the NSSF KAVC International Volleyball League in August 2016. The initiative is aimed at developing volleyball, in line with the Fund's CSR agenda focusing on youth development.

The Fund offered a sponsorship package worth Ushs70million. Youths from Uganda, Rwanda, Kenya, Congo, Burundi, South Sudan and Tanzania participated in the competition.

Today, the NSSF-KAVC International is the biggest volleyball tournament in Uganda and one of the top 3 in the region.

### Rationale:

*Sports is a very important part of any community's social fabric. The development of sports in the community not only contributes to the health and well being of the society but is also a source of income to many talented individuals.*

*By sponsoring such events, we aspire to facilitate the growth of such sports and hope that the direct benefits will flow down to the community. In this way, we play a part in the realisation of **SDG's 3 and 8***

Donations  
Worth  
**UShs. 70**  
Million



One of our objectives is to grow volleyball into a national sport





One of the foreign teams in action during the grand finale of the KAVC tournament





“

Ms. Enid Ntegeka, one of the winners of the Friends With Benefits campaign, received the Exempted Employment Benefit and invested in an acre of ginger in Butambala.

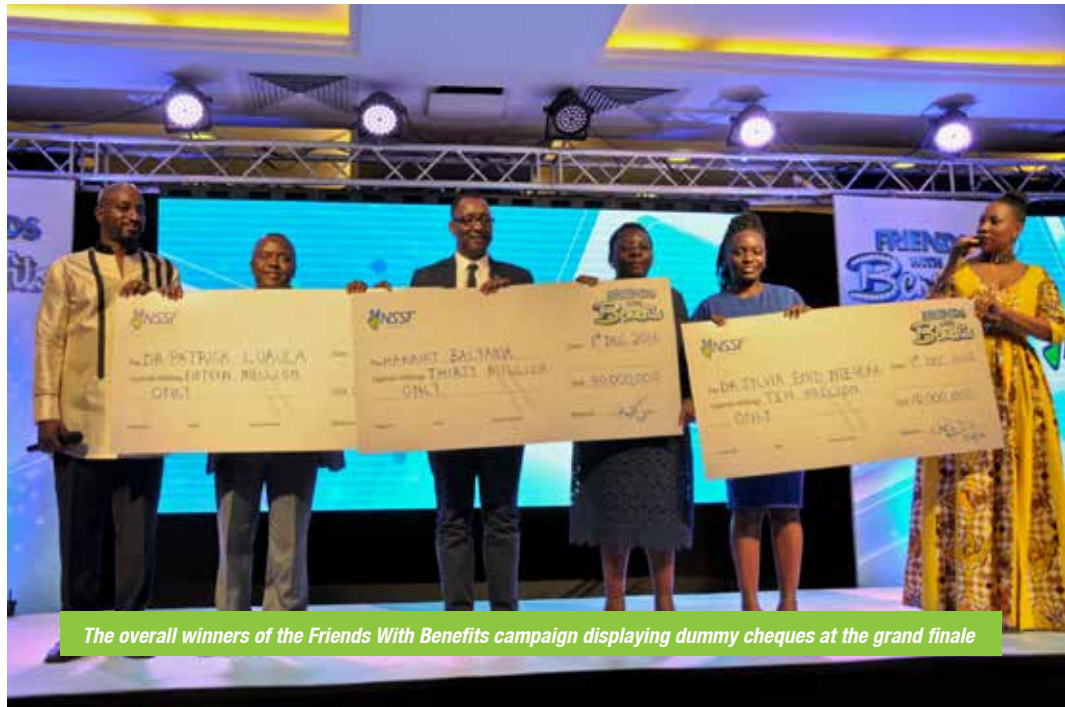


### Friends With Benefits

NSSF launched a campaign targeted at educating its members and Ugandans on the importance of adopting a saving culture and utilizing their benefits effectively. The campaign dubbed 'Friends with Benefits' was part of a series of activities marking the Fund's thirty years of existence.

There was a call for submission of proposals and over 450 were submitted from beneficiaries. After verification, the best 20 submissions were aired on a television show where the beneficiaries told their inspirational stories.

The winning stories were awarded at a grand finale ceremony held at Kampala Serena Hotel in November last year and the winners walked away with 30m, 15m and 10m respectively. The stories varied from profitable business ventures, constructing their dream homes, Paying for hospital bills, Farming, setting up a community initiatives, such as schools.



The overall winners of the Friends With Benefits campaign displaying dummy cheques at the grand finale

#### Rationale:

*Prior to this campaign, there was a general misconception that NSSF does not pay its members.*

*The campaign was aimed at showcasing inspirational success stories from NSSF beneficiaries who have actually received their money and used their benefits in a way that has positively impacted their lives as individuals, families and even the communities they live in.*

*The message to our members and the public is simple: We actually pay!*

Entries Submitted

450

Stories Aired

20

Total Winnings:

UShs. 55 Million



# 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 (see for further details). 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 organisation.	●	Managing Director's overview	29
1.2	Description of key impacts, risks, and opportunities.	●	Managing sustainability National Social Security Fund Annual Report 2016	97
<b>2. Organisational Profile</b>				
2.2	products, and/or services.	●	About us National Social Security Fund Annual Report 2016	3–16
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	●	About us National Social Security Fund Annual Report 2016	111
2.4	Location of organisation's headquarters.		Registered Office: Workers House	5–6
2.5	Number of countries where the organisation 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	5–6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	About us Customers National Social Security Fund Annual Report 2016	3–16
2.8	Significant changes during the reporting period regarding size, structure, or ownership.	●	Scope of this Report Business Strategy	43–54
2.9	Awards received in the reporting period.	●	Awards received (as well as other instances of recognition) are included throughout the Report in the relevant Report sections in 'Performance recognition' boxes	9–10
<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 2015	
3.3	State any specific limitations on the scope or boundary of the report.	●	Scope of this Report	132
3.4	Indicate whether the Chair of the highest governance body is also an executive officer.	●	The Chair of the Fund's Board, the highest governance body, is a non-executive officer. National Social Security Fund Annual Report 2016	25, 111
3.5	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 2016	25–28
3.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	National Social Security Fund Annual Report 2016	119

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
3.7	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	National Social Security Fund Annual Report 2016	121
3.8	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	Members National Social Security Fund Annual Report 2016	117 – 118
3.9	Basis for identification and selection of stakeholders with whom to engage.	●	Managing sustainability Stakeholder engagement is also described in the 'Our approach' paragraphs at the beginning of each section throughout the Report.	124, 138
3.10	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	Engagement is conducted at various levels throughout the Fund. Key examples for relevant stakeholders identified in disclosure include:  The structure of the Fund provides a regular engagement framework to Members  Customer engagement is varied across the Fund due to the diverse nature of the business. There are different mechanisms for engaging with customers and gathering their feedback, including regular customer panels and surveys.  Customers Employee engagement is conducted through a confidential annual engagement survey, through management feedback and reviews and via regular issue surveys conducted predominantly through the intranet.  Approaches taken reflect the diverse nature of suppliers across the Fund. Engagement can take place via regular review meetings; through the development of Joint Business Plans to engage in more open dialogue; the introduction of dedicated farming groups to develop long-term relationships; supplier capacity building which provides a forum for engagement and feedback on specific issues such as labour standards and approaches.	133 – 150
<b>4. Market Presence</b>				
4.1	Range of ratios of 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.	143 – 146
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	143 – 146
<b>5. Indirect Economic Impacts</b>				
5.1	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	A number of significant indirect economic impacts are reported on, however not all of these are specifically measured. Uganda communities (programmes and investments) International communities (Fair-trade and overseas community involvement) NSSF (advice and training, development and support) Employees (reward, training)	147

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
5.2	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	143 – 146
5.3	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, and other community investments, and payments to members	●	Economic Contribution	147
<b>6. Water</b>				
6.1	Water sources significantly affected by withdrawal of water	⊗	This indicator considers the scale of the impacts associated with the organization's water use. 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.	149 – 150
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	149 – 150
<b>7. BioDiversity and Environment</b>				
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, and while it is developing its reporting in relation to water, this indication is not currently considered material to the business	149 – 150
7.2	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	Environment Management	149 – 150
7.3	Energy saved due to conservation and efficiency improvements	●	Environment Management	149 – 150
<b>8. Compliance</b>				
8.1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	A complete set of data for this disclosure was not available for 2015. However, the data that was available suggested there were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations. We will look to report on this in the short to mid-term when a new process is in place for monitoring data	140
<b>9. Employment</b>				
9.1	Total workforce by employment type, employment contract, and region, broken down by gender	●	Employees Promoting equality	143 – 146
9.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	●	Employees	143 – 146
9.3	Return to work and retention rates after parental leave, by gender	●	The NSSF only employs people in Uganda and complies with all Uganda labour laws, including those relating to maternity and paternity leave. All employees are encouraged to take their entitlements to parental leave and to return to work following this. NSSF works with employees as far as possible to remove barriers to their return to work, for example by offering a comprehensive flexible working policy. Employees taking parental leave are entitled to return to work in the same position and with the same contractual benefits as they held prior to their leave. As such, return to work and retention rates by gender are not collated.	143 – 146

Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
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	143 – 146
9.5	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families.	●	Employees	143 – 146
9.6	Total workforce by employment type, employment contract, and region, broken down by gender.	○	Employees Promoting equality	143 – 146
9.7	Total number and rate of new employee hires and employee turnover by age group, gender, and region	●	Employees	143 – 146
9.8	Labour/management relations Occupational health and safety	●	Employees Employees	143 – 146
9.9	Return to work and retention rates after parental leave, by gender.	●	National Social Security Fund complies with all labour laws, including those relating to maternity and paternity leave. All employees are encouraged to take their entitlements to parental leave and to return to work following this. The Fund works with employees as far as possible to remove barriers to their return to work, for example by offering a comprehensive flexible working policy. Employees taking parental leave are entitled to return to work in the same position and with the same contractual benefits as they held prior to their leave. As such, return to work and retention rates, by gender, are not collated.	143 – 146
9.10	Percentage of employees receiving regular performance and career development reviews, by gender.	●	Employees receive regular performance and career development reviews and the process is managed by the strategy and performance department.	143 – 146
9.11	Total number of incidents of discrimination and corrective actions taken	●	National Social Security Fund has a Diversity Policy in place which states, among other things, that the organisation will not tolerate bullying or harassment in any form; people are valued for their contribution and diversity is encouraged in all aspects of the business. No incidents during the year	143 – 146
<b>10. Labour/ Management</b>				
10.1	Percentage of employees covered by collective bargaining agreements.	●	Although we do not report on the percentage of employees covered by collective bargaining agreements—as this data is difficult to collate accurately—we encourage employees to become members of one of the trade unions recognized by the group. The right of employees not to join a trades union is also respected. Employees	143 – 146
10.2	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	○	Although we do not report on the minimum notice period, through consultation, trades unions help us to support staff affected by organizational changes, and to ensure that change programmes are managed fairly and consistently Employees	143 – 146
<b>11. Occupational Health and Safety</b>				
11.1	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes.	×	NSSF engages with workers on health and safety programmes, however this is not presented as a percentage of total work force, health and safety meetings are conducted to review, consult, discuss and make recommendations on matters relating to colleagues' well-being and health and safety. Group Risk Services, Human Resources, Facilities Management, Operations and Trade Unions are represented on the committee	143 – 146



Profile Disclosure	Description	Level of Reporting	Cross-reference/Direct answer	Page Reference
11.2	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	●	Employees	143 – 146
11.3	Health and safety topics covered in formal agreements with trade unions.	●	Health and safety forum meets to review, consult, discuss and make recommendations on matters relating to colleagues' wellbeing and health and safety. Group Risk Services, Human Resources, Facilities Management, Operations and Trades Unions are represented on these. Specific health and safety topics are covered, but we do not report details of these as they are part of ongoing discussions.	143 – 146
11.4	Security practices	×	The Fund has a security manager who is fully incharge of all security issues. It also employs a full-time security firm and anti-terrorism police to ensure safety of staff, assets and clients	143 – 146
<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	143 – 146





# Audited Financial Statements

## Report Of The Directors For The Year Ended 30th June 2016

The directors submit their report together with the audited financial statements for the year ended 30 June 2016 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').

### 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.

### Results from operations

The results of the Fund for the year ended 30 June 2016 are set out on page 174.

### 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 2016 was 12.3% (2015: 13%).

### Reserves and accumulated members' Funds

The reserves of the Fund and the accumulated members' Funds are set out on page 176

### Unallocated members' Funds

These are collections received from employers that have not yet been allocated to individual member accounts due to missing details of the members. Management has put in place mechanisms to continuously follow up the missing details from employers in order to update the individual member accounts.

### Directors

The directors who held office during the year and up to the date of this report are set out from page 32–37.

### 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 or an auditor appointed by him to act on his behalf. For the year ended 30 June 2016, M/s KPMG Certified Public Accountants were appointed to act on behalf of the Auditor General.

### Approval of the financial statements

The financial statements were approved at the meeting of the directors held on **28th September 2016**.

By order of the board,



**Mr. Richard Wejuli Wabwire**

Corporation Secretary

Date: **30th September 2016**.



## Statement Of Directors' Responsibility For The Year Ended 30th June 2016

The Fund's directors are responsible for the preparation and fair presentation of the financial statements of National Social Security Fund set out on pages 7 to 76, comprising the Statement of Net Assets Available for Benefits as at 30 June 2016, the Statements of Changes in Net Assets Available for Benefits, Changes in Members' Funds and Reserves and Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the Fund.

Under the NSSF Act, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of the operating results of the Fund for that year. It also requires the directors to ensure the Fund keeps proper accounting records that disclose with reasonable accuracy the financial position of the Fund.

The directors accept responsibility for the financial statements set out on pages 7 to 76 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial

Reporting Standards. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the surplus and cash flow for the year ended 30 June 2016. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the Fund will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards.

### Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on **28th September 2016** and were signed on its behalf by:



**Mr. Patrick Byabakama Kaberenge**

Chairman:



**Mr. Richard Byarugaba**

Managing Director:



**Mr. Richard Wejuli Wabwire**

Corporation Secretary:

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## Report of The Auditor General On The Financial Statements of The National Social Security Fund for the Year Ended 30th June 2016

Date : **30th September 2016.**

I have audited the Accompanying Financial Statements of National Social Security Fund which comprise the statement of Net Assets available for Benefits as at 30th June 2016, the statements of changes in Net Assets Available for Benefits, changes in Members' Fund and Reserves, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information..

### Directors' responsibility for the financial statements

The Fund's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Ugandan National Social Security Fund Act (Cap.222), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

### Auditors' responsibility

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. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatements of financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

### Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30th June 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the National Social Security Fund Act (Cap 222).

### Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 35 (b) to the Financial Statements, which I also reported on in my previous report

### Notice of assessment for corporation tax

The fund is challenging the basis on which the Uganda Revenue Authority (URA) disallowed certain expenses in calculating the company's tax assessment for the year ended 30th June 2013. The note also indicates the directors have not recognised any provision for the liability of UGX.84.4 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 a contingent liability as the ultimate outcome of the case could not be determined



**John F. S. Mwangi**  
Auditor General

## Statement of Changes in Net Assets Available for Benefits

### As at 30th June 2016

30th September 2016

	Note	2016 UShs.'000	2015 UShs.'000
<b>1. COMPREHENSIVE INCOME</b>			
<b>Revenue</b>			
Interest income	5	658,839,465	539,197,465
Rental income	6	11,464,128	10,265,101
Dividend income	7	37,686,334	33,693,725
<b>Total revenue</b>		<b>707,989,927</b>	<b>583,156,291</b>
<b>Other income</b>			
Other operating income	8	29,878,904	169,776,564
Fair value (loss)/gain from equity investments at fair value through profit or loss	18	(74,373,213)	48,438,003
<b>Total other income</b>		<b>(44,494,309)</b>	<b>218,214,567</b>
<b>Expenditure</b>			
Administrative expenses	9	(59,759,558)	(52,074,535)
Other operating expenses	10	(15,643,520)	(13,150,183)
Amortisation of intangible assets	25	(1,477,359)	(1,724,404)
Depreciation of property and equipment	26	(3,161,968)	(1,859,644)
<b>Total expenditure</b>		<b>(80,042,405)</b>	<b>(68,808,766)</b>
Share of results from associates	21	10,321,517	5,654,082
<b>Surplus from operations</b>		<b>593,774,730</b>	<b>738,216,174</b>
Interest transfer to members	31	(597,285,997)	(521,769,156)
<b>Surplus before tax</b>	<b>11</b>	<b>(3,511,267)</b>	<b>216,447,018</b>
Income tax expense (withholding tax as final tax)	12(a)	(102,331,080)	(90,433,851)
<b>Surplus for the year</b>		<b>(105,842,347)</b>	<b>126,013,167</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent years:		–	–
Items not to be reclassified to profit or loss in subsequent years:		–	–
<b>Total comprehensive income for the year, net of tax</b>		<b>(105,842,347)</b>	<b>126,013,167</b>
<i>* The accounting policies and notes on pages 12 to 76 form an integral part of these financial statements.</i>			
<b>Total comprehensive income for the year, net of tax</b>		<b>(105,842,347)</b>	<b>126,013,167</b>
<b>2. DEALINGS WITH MEMBERS</b>			
Contributions received during the year	31	785,498,304	688,095,082
Benefits paid	31	(238,797,166)	(186,609,416)
<b>Net dealings with members</b>		<b>546,701,138</b>	<b>501,485,666</b>
<b>Net increase in scheme Funds during the year</b>		<b>440,858,791</b>	<b>627,498,833</b>

## Statement of Net Assets Available for Benefits

### As at 30th June 2016

	Note	2016 UShs.'000	2015 UShs.'000
<i>* The accounting policies and notes on pages 12 to 76 form an integral part of these financial statements.</i>			
	Note	30 June 2016 UShs.'000	30 June 2015 UShs.'000 Restated
		30 June 2014 UShs.'000 Restated	
<b>ASSETS</b>			
Cash and bank balances	13	27,800,138	14,064,337
Deposits with commercial banks	14	274,062,186	251,067,909
Equity securities held–for–trading	15	84,863,191	90,134,171
Trade and other receivables	16	42,847,324	26,923,918
Tax deposit receivable	12 (c)	25,323,522	25,323,522
Investments in securities held–to–maturity	17	4,635,745,420	3,839,928,145
Equity investments at fair value through profit or loss	18	901,377,895	734,270,133
Loans and advances	19	30,547,888	34,464,037
Inventories (Office supplies)	20	–	853
Investments in associates	21	80,319,762	74,892,790
Capital work–in–progress	23	314,799,944	308,911,107
Investment properties	24	139,345,000	135,873,682
Intangible assets	25	4,400,244	5,857,796
Property and equipment	26	11,649,369	8,422,563
Tax claimable	28	12,065,756	–
Finance lease	27	650,000	256,289
<b>Total Assets</b>		<b>6,585,797,639</b>	<b>5,550,391,252</b>
<b>LIABILITIES</b>			
Withholding tax payable	28	–	1,208,340
Other payables	29	23,329,307	27,011,883
Provisions for litigation	30	12,277,112	11,852,903
<b>Total Liabilities</b>		<b>35,606,419</b>	<b>40,073,126</b>
<b>NET ASSETS</b>		<b>6,550,191,220</b>	<b>5,510,318,126</b>
<b>MEMBERS' Funds AND RESERVES</b>			
Accumulated members' Funds	31	6,303,685,942	5,166,761,915
Reserve account	32	80,107,536	71,316,122
Accumulated surplus		166,397,742	272,240,089
<b>TOTAL MEMBERS' Funds AND RESERVES</b>		<b>6,550,191,220</b>	<b>5,510,318,126</b>

These financial statements were approved for issue by the Board of Directors on **28th September 2016** and signed on its behalf by:



**Mr. Patrick Byabakama Kaberenge**

Chairman:



**Mr. Richard Wejuli Wabwire**

Corporation Secretary:



**Mr. Richard Byarugaba**

Managing Director:



## Statement of Changes in Members' Funds and Reserves

### As at 30th June 2016

\* The accounting policies and notes on pages 12 to 76 form an integral part of these financial statements.

	Note	Reserve Account UShs. 000	Accumulated Members' Funds UShs. 000	Accumulated Surplus UShs. 000	Total UShs. 000
<b>At 1 July 2014 (As previously reported)</b>		<b>50,149,442</b>	<b>4,147,285,690</b>	<b>170,261,219</b>	<b>4,367,696,351</b>
Surplus for the year		–	–	126,013,167	126,013,167
Special contributions	32(a)	8,634,140	–	–	8,634,140
Transfer of interest recovered on arrears, fines and penalties received	32(a)	4,562,110	–	(4,562,110)	–
Members' contributions received	31	–	688,095,082	–	688,095,082
Benefits paid to members	31	–	(186,609,416)	–	(186,609,416)
Interest allocated to members arising from arrears recovered	32	(1,902,042)	1,902,042	–	–
Provision for interest to members	31	9,872,472	516,088,517	–	525,960,989
<b>At 30 June 2015 (As previously reported)</b>		<b>71,316,122</b>	<b>5,166,761,915</b>	<b>291,712,276</b>	<b>5,529,790,313</b>
Prior year adjustment	41	–	–	(19,472,187)	(19,472,187)
<b>At 30 June 2015 (Restated)</b>		<b>71,316,122</b>	<b>5,166,761,915</b>	<b>272,240,089</b>	<b>5,510,318,126</b>
<b>At 1 July 2015</b>		<b>71,316,122</b>	<b>5,166,761,915</b>	<b>272,240,089</b>	<b>5,510,318,126</b>
Surplus for the year		–	–	(105,842,347)	(105,842,347)
Special contributions received	32(a)	4,913,165	–	–	4,913,165
Transfer of interest recovered on arrears, fines and penalties received	32(a)	(360,942)	–	–	(360,942)
Members' contributions received	31	–	785,498,304	–	785,498,304
Benefits paid to members	31	–	(238,797,166)	–	(238,797,166)
Interest allocated to members arising from arrears recovered	32	–	(15,916,775)	–	(15,916,775)
Provision for interest to members	31	4,239,191	606,139,664	–	610,378,855
<b>At 30 June 2016</b>		<b>80,107,536</b>	<b>6,303,685,942</b>	<b>166,397,742</b>	<b>6,550,191,220</b>

\* The accounting policies and notes on pages 178 to 234 form an integral part of the financial statements.

## Statement of Cash flows

### For the Year Ended 30th June 2016

	Note	2016 UShs. '000	2015 UShs. '000
<b>Net cash used in operating activities</b>	<b>33</b>	<b>(70,902,122)</b>	<b>(38,015,463)</b>
<b>Investing activities</b>			
Purchase of software	25	(19,807)	(270,079)
Purchase of property and equipment	26	(6,389,018)	(4,827,044)
Proceeds from sale of fixed assets		614,021	224,946
Purchase of investment properties	24	–	(3,810,383)
Proceeds from disposal of investment properties		–	2,505,000
Purchase of capital work-in-progress	23	(3,535,771)	(2,584,704)
Purchase of equity investments at fair value through profit or loss		(231,562,872)	(380,034,368)
Purchase of equity investments held for trading		(9,310,293)	(920,750)
Proceeds from disposal of equity investments held for trading		138,484	164,458
Purchase of held to maturity investments		(968,333,554)	(1,318,746,814)
Maturities of held to maturity investments		227,479,830	358,933,563
Purchase of deposits with commercial banks		(573,670,125)	(908,058,993)
Maturities of deposits with commercial banks		555,660,045	1,319,057,666
Maturities of loans and advances		8,385,483	9,621,361
Interest received from held to maturity investments		500,664,480	362,772,044
Interest received from commercial bank deposits		34,589,299	92,320,147
Dividends received		489,739	979,478
<b>Net cash flows used in investing activities</b>		<b>(464,800,059)</b>	<b>(472,674,472)</b>
<b>Financing activities</b>			
Benefits paid out to members	31	(238,797,166)	(186,609,416)
Contributions received from members	31	785,498,304	688,095,082
Interest recovered on arrears		(2,176,321)	–
Special contributions	32	4,913,165	8,634,140
<b>Net cash flows from financing activities</b>		<b>549,437,982</b>	<b>510,119,806</b>
Increase/(decrease) in cash and cash equivalents		13,735,801	(570,129)
Cash and cash equivalents at 1 July		14,064,337	14,634,466
<b>Cash and cash equivalents at 30 June</b>	<b>13</b>	<b>27,800,138</b>	<b>14,064,337</b>

\* The accounting policies and notes on pages 178 to 234 form an integral part of these financial statements.

## Notes to the Financial Statements For The Year Ended 30th June 2016

### 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 2016, 16,626 beneficiaries were paid (2015: 15, 589).

According to the NSSF Act (Cap. 19), the benefits paid out of the Fund are:

- **Age Benefit** – payable to a member who has reached the retirement age of 55 years;
- **Withdrawal Benefit** – payable to a member who has attained the age of 50 years, and is out of regular employment for one year;
- **Invalidity Benefit** – payable to a member who because of illness or any occurrence develops incapacity to engage in gainful employment;
- **Survivors Benefit** – Payable to the dependant survivor(s) in the unfortunate event of member’s death; and
- **Emigration Grant** – 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.

Government is currently implementing policy reforms whose objective is a liberalised 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 [RBRA] 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 2016.

Government also tabled the Retirement Benefits Sector Liberalisation Bill 2011 before Parliament. The objective of the bill is, among others, to repeal the National Social Security Fund Act. There is ongoing debate in parliament including provisions to amend (not repeal) the NSSF Act, and to permit NSSF continue as a national scheme receiving a substantial portion of the mandatory contribution.

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 liberalised 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) to meet 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

The Fund's investments in its associates are accounted for using the equity method. An associate is an entity in which the Fund has significant influence but not control over the financial and operating policies. 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 is represented on the Board of the Investee Company for holdings below 20 percent. Under the equity method, the investment in the associates is carried in the statement of financial position at cost plus post acquisition changes in the Fund's share of net assets of the associate.

The statement of comprehensive income reflects the share of the results of operations of the associate. The share of the results of an associate is shown on the face of the statement of comprehensive income. These are the results attributable to equity holders of the associate and therefore the results after tax and non-controlling interests in the subsidiaries of the associate. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Fund.

#### b. Foreign currencies

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 rate ruling at that date. 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 translation are recognised in the statement of comprehensive income.

#### c. Revenue recognition

Revenue is recognised 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 being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised:

##### i. Interest income

For all financial instruments measured at amortised 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.

##### ii. Dividends

Dividend income is recognised when the right to receive dividends is established.

##### iii. Rental income

Rental income from investment properties is recognized in the statement of comprehensive on the straight line basis over the term of the lease.

##### iv. Other income

Other income comprises gains less losses related to trading assets and liabilities, and includes gains from disposal of Fund assets and all realised and unrealised foreign exchange differences.

#### d. Financial instruments – initial recognition and subsequent measurement

##### i. Financial assets

###### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified 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. The Fund determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the



case of investments not at fair value through profit or loss, directly attributable transaction costs. 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 financial position at fair value with changes in fair value recognised in surplus or deficit.

##### *Financial assets held for trading*

Financial assets held for trading include securities held for trading which are equity investments by Fund managers. Financial assets held for trading are carried in the statement of financial position at fair value with changes in fair value recognised in surplus or deficit.

##### *Loans and advances*

Loans and advances 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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised 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 amortisation is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognised in impairment losses in the statement of comprehensive income.

##### *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 it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest

method, less impairment. Amortised 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 amortisation is included in interest income in the statement of comprehensive income.

##### *Other receivables*

Other receivables are carried at amortised 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.

##### **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is derecognised 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 recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises 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.

#### **ii. 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 the debtors 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 reorganisation 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 amortised cost***

For financial assets carried at amortised 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, recognised 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 recognised 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 comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised 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 recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

iii. **Financial liabilities**

***Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings measured at amortised 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 recognised initially at fair value, plus, in the case of loans and borrowings, 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 amortised cost. Gains and losses on derecognition and amortisation are recognised in surplus or deficit.

***Other accounts payable***

Other accounts payable are carried at amortised cost, which approximates the consideration to be paid in the future for goods and services received.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**e. Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**f. Fair value of financial instruments**

The Fund measures financial instruments such as financial assets, and non-financial assets such as investment properties, at fair value at each reporting date. 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 amortised cost) –Notes 15,17 to 19 and 29.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction of transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

**g. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. 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 capitalised 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 value 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 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.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net within other income in profit or loss.

#### h. **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 amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. There are no intangible assets with indefinite useful lives.

Intangible assets are amortised at a rate of 10%.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

#### i. **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. 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 derecognised 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 recognised in surplus or deficit in the period of derecognition.

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.

#### j. **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.

#### k. **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 recognised 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



to sell 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount that would have been determined net of depreciation or amortization if no impairment loss was recognized.

#### **l. 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 organisation. 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 statement of financial position 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. The contribution payable to the plan is in proportion to the services rendered to the Fund by the employees and is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. The Fund also contributes to the plan on behalf of the employees. The Fund's Contributions are charged to the income statement in the year to which they relate.

#### **m. Provisions**

A provision is recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain

#### **n. Income tax**

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised through other comprehensive income or equity, in which case it is recognised 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 carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 profit or loss, it is not accounted for. In respect of temporary differences associated with investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised 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 recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 recognised 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 recognised 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 receivables or account payables in the statement of financial position.

**o. Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost subsequent to initial recognition. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the reporting date and include cash and bank balances.

**p. 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.

**q. 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.

**r. 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 recognised through the statement of comprehensive income 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.

**s. Leases**

Leases, where a significant portion of the risks and rewards of 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.

**t. Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for adoption of IAS 26 presentation and disclosure during the year. The adoption of IAS 26 disclosures resulted in renaming the primary statements and additional disclosures on the statement of changes in Net Assets Available for Benefits.

**Adoption of new and revised standards**

Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Fund.

**Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)**

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Group's defined benefit plan meets these requirements and consequently the Group intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

**Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early. These will be adopted in the period that they become mandatory or/ and effective.

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)**

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not have a material impact on the financial statements of the Fund.

**Equity Method in Separate Financial Statements (Amendments to IAS 27)**

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.

The amendments apply retrospectively for annual periods

beginning on or after 1 January 2016 and early adoption is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)***

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

***Disclosure Initiative (Amendments to IAS 1)***

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

***IFRS 15 Revenue from contracts with customers***

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Fund, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Fund is still assessing the potential impact this standard will have on recognition and disclosures.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)***

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair



value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

#### **IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Fund is assessing the potential impact on its financial statements resulting from the application of IFRS 9

#### **IFRS 16: Leases**

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

- a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments

and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.

- b. depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- c. separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

- a. short-term leases (i.e. leases of 12 months or less) and;
- b. leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

The Fund is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

#### **u. Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes from a prior year adjustment as detailed under Note 41.

#### 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 valuation company with recognized professional qualification experience and values 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 price at the reporting date. The fair value-of-held to maturity investments is determined for disclosure purposes only.

##### 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 initial recognition and for disclosure purposes only.

#### 5. Interest Income

	2016 UShs. 000	2015 UShs. 000
Interest income on short term deposits with banks	46,581,639	83,002,603
Interest income on government bonds: held-to-maturity	589,483,625	429,310,880
Interest income on call deposits made by Fund managers	–	11,554
Interest income on corporate bonds: held-to-maturity	18,452,869	18,861,854
Interest income on loans measured at amortized cost	4,321,332	8,010,574
	<b>658,839,465</b>	<b>539,197,465</b>

#### 6. Rental Income

	2016 UShs. 000	2015 UShs. 000
Workers House	6,809,322	5,959,849
Social Security House	2,353,728	2,055,783
Service Charge	1,525,002	1,645,268
Others	776,076	604,201
	<b>11,464,128</b>	<b>10,265,101</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

	2016 UShs. 000	2015 UShs. 000
Stanbic Bank Uganda Limited	817,546	1,740,891
Bank of Baroda (Uganda) Limited	124,891	124,891
New Vision Printing and Publishing Company Limited	750,000	525,000
DFCU Limited	640,767	10,277,333
Safaricom Kenya	6,215,193	4,993,970
Umeme Limited	8,650,212	6,696,788
Equity Group Holdings Ltd	6,332,775	117,931
Kenya Commercial Bank (KCB)	4,199,969	2,348,672
Bank of Kigali	2,275,561	3,109,256
Tanzania Breweries	3,616,382	–
East Africa Breweries	1,729,595	–
Eastern and Southern African Trade and Development Bank (PTA Bank)	96,395	–
Other dividend income earned from Fund managers	2,237,048	3,758,993
	<b>37,686,334</b>	<b>33,693,725</b>

## 8. Other Operating Income

	2016 UShs. 000	2015 UShs. 000
Gain on disposal of property and equipment	613,778	216,658
Loss on disposal of investment property	–	(595,000)
Clearance fees	72,062	9,362
Miscellaneous income	1,490,777	132,920
(Loss)/Fair value gain on equity investments held for trading	(14,048,804)	14,709,202
Gain on disposal of equity investments held for trading	22,349	–
Notional income/(expense) on staff loans	174,171	(80,944)
Fines and penalties from defaulting employers: Note 32(b)	429,872	4,562,110
Fair value gain on investment property	6,225,029	5,900,000
Fair value loss on capital work in progress	–	(7,000,000)
Foreign exchange gains	34,899,670	151,922,256
	<b>29,878,904</b>	<b>169,776,564</b>

Miscellaneous income is majorly made up of fees from sale of bid documents and insurance claims.

Foreign exchange gains arose from appreciation of foreign currencies against the Uganda Shilling which affected monetary foreign denominated assets and liabilities.

## 9. Administrative Expenses

	2016 UShs. 000	2015 UShs. 000
Staff costs (Note 9a)	38,347,611	30,620,840
Staff medical insurance	936,881	810,189
General staff and training expenses	3,566,701	1,951,932
Advertising and promotion	2,434,619	5,038,131
Auditors' remuneration	120,592	152,071
Bank charges and commission	13,648	15,435
Board expenses	572,584	356,159
Cleaning expenses	283,685	162,779
IT connectivity and internet	565,954	581,728
Directors' allowances	548,950	505,945
Professional fees	1,041,491	3,180,402
Motor vehicle fuel costs, maintenance & repairs	682,010	619,569
Printing and stationery	486,985	606,856
Subscriptions	275,101	243,560
Telephone, fax, telex and post	665,285	505,248
Travel and subsistence costs	2,267,584	2,192,803
Commission and brokerage fees	2,024,093	4,514,845
Uganda Retirement Benefits Regulatory Authority annual levy	4,604,932	–
Other administrative expenses	320,852	16,043
	<b>59,759,558</b>	<b>52,074,535</b>
<b><i>a) Staff costs</i></b>		
Leave pay	530,758	372,410
Overtime expenses	102,899	122,149
Salaries and wages	31,444,104	25,080,566
Social security contributions	3,327,093	2,662,914
Contributions to the staff provident Fund	2,358,441	1,870,104
Gratuity	584,316	512,697
	<b>38,347,611</b>	<b>30,620,840</b>



## 10. Other Operating Expenses

	2016 UShs. 000	2015 UShs. 000
Rent and rates	4,241,434	3,778,012
Electricity and water	1,552,840	1,438,511
Repairs and maintenance	5,545,840	2,339,465
Insurance	1,379,361	1,132,545
Security expenses	1,290,443	702,665
Research and library expenses	571,938	485,637
Fund manager expenses	56,049	24,712
Impairment loss provision for bad debts	1,005,615	3,248,636
<b>a) Impairment loss provision for bad debts</b>		
Loan due from Uganda Clays Limited (Note 19)	–	3,248,636
Rent receivable (Note 16)	1,005,615	–
	1,005,615	3,248,636

## 11. Surplus Before Tax

Surplus before tax is arrived at after charging/(crediting):

	2016 UShs. 000	2015 UShs. 000
Amortisation of intangible assets (Note 25)	1,477,359	1,724,404
Depreciation of property and equipment (Note 26)	3,161,969	1,859,644
Gain on disposal of property and equipment	(613,778)	(216,658)
Loss on disposal of investment property	–	595,000
Auditors' remuneration	120,592	152,071
Directors' emoluments	548,950	505,945
Staff costs	38,347,611	30,620,840
Unrealised foreign exchange gains	(29,438,000)	(149,744,943)
Provision for bad and doubtful debts	–	3,248,636
Fair value loss/(gains) from equity instruments at FVTPL	74,373,212	(48,438,003)
Fair value loss/(gains) from equity instruments held for trading	14,048,450	(14,925,242)
Fair value (gain)/loss on investment property	(5,831,318)	5,900,000
<b>Fair value loss on capital work in progress</b>	<b>–</b>	<b>(7,000,000)</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 had accumulated trading losses amounting to US\$ 819 billion as at 30 June 2016 (2015: US\$ 702 billion).

The tax on the Fund's surplus after interest to member's Funds differs from the theoretical amount that would arise using the basic rate of 30% as follows:

	2016 US\$ 000	2015 US\$ 000
<b>(Loss)/ Surplus from operations before tax</b>	<b>(3,511,267)</b>	<b>216,447,018</b>
<b>Tax calculated at 30%</b>		
Tax effect of;	(1,053,380)	64,934,105
Expenses related to income taxed at source	11,164,257	40,901,067
Interest expense transferred to members' Funds	96,985,999	45,489,800
Income taxed at source	(156,031,789)	(144,480,235)
Non-taxable income	(3,096,455)	(2,646,776)
Other non-deductible expenses	386,118	395,170
Unrecognised deferred tax credit	51,645,250	(4,593,131)
Unrecoverable withholding tax deducted at source	102,331,080	90,433,851
<b>Statement of comprehensive income tax charge</b>	<b>102,331,080</b>	<b>90,433,851</b>

## b. Deferred income tax asset

Deferred income tax is calculated on all temporary differences under the liability method using the principal tax rate of 30% (2015: 30%).

	At 30 June 2015 US\$ 000	Movement for the year US\$ 000	At 30 June 2016 US\$ 000
<b>Deferred tax assets</b>			
Unrealized foreign exchange losses	(29,346,847)	(5,176,362)	(34,523,209)
Provision for impairment loss on trade and other receivables	(8,706,166)	(234,380)	(8,940,546)
Bonus provision	(1,175,910)	(313,801)	(1,489,711)
Tax losses carried forward	(210,693,141)	(35,010,769)	(245,703,910)
	<b>(249,922,064)</b>	<b>(40,735,312)</b>	<b>(290,657,376)</b>
<b>Deferred tax liabilities</b>			
Unrealized foreign exchange gains	70,413,274	14,007,762	84,421,036
Fair value gains on investment properties	67,323,577	1,867,509	69,191,086
Fair value changes on equity instruments	61,557,241	(22,311,964)	39,245,277
Unrealised gains in investments with Fund managers	7,916,697	(4,214,641)	3,702,056
Accelerated depreciation	2,360,355	(258,604)	2,101,751
	<b>209,571,144</b>	<b>(10,909,938)</b>	<b>198,661,206</b>
<b>Net income deferred tax asset</b>	<b>(40,350,920)</b>	<b>(51,645,250)</b>	<b>(91,996,170)</b>

	At 30 June 2014 UShs. 000	Movement for the year UShs. 000	At 30 June 2015 UShs. 000
<b>Deferred tax assets</b>			
Unrealized foreign exchange losses	(8,690,546)	(20,656,301)	(29,346,847)
Provision for impairment loss on trade and other receivables	(7,734,749)	(971,417)	(8,706,166)
Bonus provision	–	(1,175,910)	(1,175,910)
Tax losses carried forward	(154,100,650)	(56,592,491)	(210,693,141)
	<b>(170,525,945)</b>	<b>(79,396,119)</b>	<b>(249,922,064)</b>
<b>Deferred tax liabilities</b>			
Unrealized foreign exchange gains	4,833,490	65,579,784	70,413,274
Fair value gains on investment properties	67,653,577	(330,000)	67,323,577
Fair value changes on equity instruments	47,025,840	14,531,401	61,557,241
Unrealised gains in investments with Fund managers	3,503,936	4,412,761	7,916,697
Accelerated depreciation	2,565,051	(204,696)	2,360,355
	<b>125,581,894</b>	<b>83,989,250</b>	<b>209,571,144</b>
<b>Net income deferred tax asset</b>	<b>(44,944,051)</b>	<b>4,593,131</b>	<b>(40,350,920)</b>

The net income deferred tax asset of UShs. 92 billion (2015: UShs. (40.3) billion) has not been recognised in these financial statements because it is not probable that future taxable profit will be available against which the Fund can use the benefits therefrom. 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 utilised.

c. **Tax deposit receivable**

	2016 UShs. 000	2015 UShs. 000
Tax deposit receivable	25,323,522	25,323,522

As disclosed under 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.

## 13. Cash and Bank Balances

	2016 UShs. 000	2015 UShs. 000
Barclays Bank of Uganda Limited	1,198,851	151,572
Citibank Uganda Limited	322,767	1,646,716
Housing Finance Uganda Limited (Note 34)	15,758	22,816
Stanbic Bank Uganda Limited	14,424,123	2,866,410
Standard Chartered Bank Uganda Limited	9,269,450	5,063,290
KCB Rwand Francs Custodian	10,234	3,044,034
Imperial Bank Limited	33,271	11,957
Ecobank Uganda Limited	2,183	199,195
Bank of Africa	113,745	78,104
Crane Bank Limited	427,003	141,045
Centenary Bank	552,387	444,616
DFCU Bank Limited	466,573	37,237
United Bank for Africa	58,551	217,617
Orient Bank Limited	182,245	15,906
Global Trust Bank	–	5,474
Tropical Bank –collection account	50,036	353
Bank of Baroda Uganda Limited–collection account	42,335	46,148
Post Bank Collection A/C	123,727	–
Finance Trust Bank Collection A/C	48,057	–
Diamond Trust Collection A/C	427,976	–
NC Bank Collection A/C	11,692	–
Cash at hand	19,174	71,847
	<b>27,800,138</b>	<b>14,064,337</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 its carrying amount.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the above cash and bank balances.



## 14. Deposits with Commercial Banks

	2016 % in Class	2015 % in Class	2016 UShs. 000	2015 UShs. 000
Barclays Bank of Uganda Limited	4.6	5.0	12,523,501	12,519,360
Bank of Baroda Uganda Limited	6.6	8.9	17,973,214	22,261,186
Post Bank Uganda Limited	3.1	4.2	8,454,169	10,573,925
Crane Bank Limited	29.6	36.3	81,129,254	91,173,646
DFCU Bank Limited	2.1	10.7	5,711,747	26,917,918
Housing Finance Bank Limited (Note 34)	8.6	–	23,482,985	–
Orient Bank Limited	5.8	10.2	15,938,871	25,521,721
Standard Chartered Bank Uganda Limited	29.3	16.9	80,409,006	42,359,829
Commercial Bank of Africa	1.2	–	3,161,820	–
Finca Uganda Limited	5.9	2.5	16,190,494	6,237,297
Uganda Finance Trust Limited	1.8	4.1	4,966,525	10,413,148
Guarantee Trust Bank	1.5	1.2	4,120,600	3,089,879
	<b>100</b>	<b>100</b>	<b>274,062,186</b>	<b>251,067,909</b>

The deposits with commercial banks are analysed as follows:

Amounts due within three (3) months	17,150,144	35,047,004
Amounts due after three (3) months	256,912,042	216,020,905
	<b>274,062,186</b>	<b>251,067,909</b>

The change in the bank deposits during the year was as follows;

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>251,067,909</b>	<b>682,070,805</b>
New placements / deposits	573,670,125	908,058,993
Maturities	(555,660,045)	(1,319,057,666)
Interest accrued	39,573,496	72,154,895
Interest received	(34,589,299)	(92,320,147)
Foreign exchange gains	–	161,029
<b>At 30 June</b>	<b>274,062,186</b>	<b>251,067,909</b>

The deposits are carried at amortised 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 2016 was 17.95% (2015: 15.55%).

## 15. Equity Securities Held–For–Trading

	2016 UShs. 000	2015 UShs. 000
STANLIB Uganda Ltd	–	43,952,171
GenAfrica	4,816,640	–
Pinebridge Investments	80,046,551	46,182,000
<b>Total</b>	<b>84,863,191</b>	<b>90,134,171</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 2016	% in class 2015	Number of Shares Held		Market Value	
			2016	2015	2016 UShs.'000	2015 UShs.'000
<b>Uganda Securities Exchange</b>						
Stanbic Bank (U) Ltd	14.6	25.7	12,525,000	94,758,530	1,778,550	3,127,032
DFCU Limited	35.8	40.4	5,435,580	5,435,580	4,348,464	4,902,893
New Vision Group	10.0	10.8	2,185,857	2,185,857	1,213,151	1,311,514
UMEME Ltd	23.9	8.3	111,821,230	2,143,164	290,735	1,007,287
Uganda Clays Limited	1.2	1.4	9,575,568	9,575,568	143,634	172,360
Bank Of Baroda	14.5	13.4	3,529,364	12,525,000	1,764,681	1,628,250
	<b>100</b>	<b>100</b>			<b>9,539,215</b>	<b>12,149,336</b>
<b>Nairobi Stock Exchange</b>						
Athi River Mining	1.9	4.10	1,026,025	1,026,025	1,141,721	2,638,510
Bamburi Cement Ltd	4.6	3.80	460,745	460,745	2,753,864	2,432,882
Barclays Bank Kenya	2.7	2.50	4,790,000	3,000,800	1,599,038	1,599,952
BAT Kenya Ltd	13.7	11.30	283,700	283,700	8,237,548	7,208,040
Britam Insurance	2.2	1.70	2,700,000	1,550,000	1,333,227	1,089,495
Centum Investments (ICDC)	1.8	2.50	720,690	720,690	1,102,690	1,618,562
CFC Stanbic Holdings	3.6	4.70	773,000	773,000	2,150,412	3,021,510
Co–operative Bank	3.1	3.00	2,865,387	2,615,386	1,847,871	1,950,449
Diamond Trust Bank Kenya Ltd	8.2	10.30	853,475	853,475	4,949,349	6,613,614
East African Breweries Ltd	12.7	11.70	749,466	719,466	7,620,259	7,499,348
Equity Group Holdings Limited	8.0	6.90	3,232,042	2,732,042	4,844,339	4,449,596
I&M Holdings Ltd	2.2	1.90	299,400	299,400	1,329,994	1,201,095
KenolKobil Ltd	0.0	0.20	0	400,000	0	115,893
Kenya Airways	0.4	0.60	1,428,000	1,428,000	216,008	359,878
Kenya Commercial Bank	7.2	7.80	3,175,974	2,650,974	4,330,142	4,999,284
Kenya Power & lighting	1.6	2.80	2,830,750	2,830,750	969,594	1,781,054
Nation Media Group	2.7	3.30	310,712	310,712	1,620,696	2,120,073

	% in class 2016	% in class 2015	Number of Shares Held		Market Value	
			2016	2015	2016 UShs.'000	2015 UShs.'000
Safaricom Limited	16.4	11.50	13,000,000	13,000,000	9,848,848	7,332,446
Standard Chartered Bank Kenya Ltd	2.3	2.40	203,317	148,317	1,386,204	1,515,468
TPS Serena Ltd	0.3	0.50	247,013	247,013	180,381	296,434
WPP Scan group Ltd	0.7	1.30	565,600	565,600	393,361	829,058
	<b>100</b>	<b>100</b>			<b>60,220,384</b>	<b>64,023,329</b>
<b><i>Dar es Salaam Stock Exchange</i></b>						
Tanzania Breweries Ltd	81.2	77.7	460,000	460,000	10,143,535	10,853,424
CRDB Bank Plc	18.8	21.9	4,700,000	4,700,000	2,343,439	3,059,136
CRDB Bank Plc–Rights 6/2015	–	0.4	940,000	940,000	–	48,946
	<b>100</b>	<b>100</b>			<b>12,486,974</b>	<b>13,961,506</b>

The change in held–for–trading investments during the year were as follows;

	2016 UShs. 000	2015 UShs. 000
<b>As at 1 July</b>	<b>90,134,171</b>	<b>73,318,553</b>
Purchases	9,310,293	920,750
Disposals	(138,483)	(164,458)
Fair value (loss)/gain	(14,048,450)	14,709,202
Foreign exchange (loss)/gain	(394,340)	1,350,124
<b>As at 30 June</b>	<b>84,863,191</b>	<b>90,134,171</b>

The trading prices at the last date of trading for the years ended 30 June 2016 and 2015 were as follows:

	2016			2015		
	UShs.	Kshs	Tshs	UShs.	Kshs	Tshs
Stanbic Bank (U) Ltd	26.00	–	–	33.00	–	–
DFCU Limited	800.00	–	–	902.00	–	–
New Vision Group	555.00	–	–	600.00	–	–
UMEME Ltd	500.00	–	–	470.00	–	–
Uganda Clays Limited	15.00	–	–	18.00	–	–
Bank of Baroda (Uganda)	142.00	–	–	130.00	–	–
British American Tobacco Uganda	–	–	–	8,525.00	–	–
BAT Kenya Ltd	29,036.12	835.00	–	25,407.26	15.55	–
Safaricom Limited	617.23	17.75	–	564.03	–	–
Kenya Commercial Bank	1,173.62	33.75	–	1,885.83	199.00	–
East African Breweries Ltd	9,667.12	278.00	–	10,423.49	226.00	–
Bamburi Cement Ltd	5,911.55	170.00	–	5,280.32	298.00	–
Equity Group Holdings Limited	1,338.79	38.50	–	1,628.67	65.50	–
NIC Bank Limited	1,269.24	36.50	–	1,834.40	18.35	–
Barclays Bank Kenya	333.83	9.60	–	533.18	42.75	–
Athi River Mining	1,112.76	32.00	–	–	–	–
Nation Media Group	5,216.07	150.00	–	6,823.27	21.75	–
Diamond Trust Bank	5,737.68	165.00	–	7,749.04	114.00	–
Standard Chartered Bank Kenya Ltd	6,780.89	195.00	–	10,217.76	20.50	–
Centum Investments (ICDC)	1,530.05	44.00	–	2,245.85	117.00	–
Kenya Power & lighting	342.52	9.85	–	629.18	741.00	–
WPP Scan group Ltd	695.48	20.00	–	1,465.80	16.45	–
Diamond Trust Bank Rights	–	–	–	–	–	–
Co-operative Bank Kenya Ltd	561.60	16.15	561.60	745.76	304.00	–
CFC Stanbic Holdings	2,781.90	80.00	2,781.90	3,908.81	154.00	–
Britam	493.79	14.20	493.79	702.90	47.50	–
I&M Holdings Ltd	3,825.12	110.00	–	4,011.67	53.50	–
Kenya Airways	151.27	4.35	–	252.02	7.00	–
TPS Serena Ltd	730.25	21.00	–	1,200.07	35.00	–
Kenol Kobil Ltd	–	–	–	289.73	8.00	–
Tanzania Breweries Ltd	22,051.16	–	13,710.0	52.07	–	32
CRDB BANK PLC – RIGHTS 6/2015	–	–	–	650.88	–	400
CRDB Bank Plc	498.60	–	310.00	23,594.40	–	14,500
Tanzania Portland Cement	3,844.08	–	2,390.00	–	–	–

## 16. Trade and other Receivables

	2016 UShs. 000	2015 UShs. 000
Prepayments	2,787,499	2,497,552
Staff advances	174,131	195,483
Trade receivables	9,360,131	8,973,910
Contributions receivable	889,095	889,095
Rent receivable	2,993,632	2,181,118
VAT payable	–	(420,194)
Cash advances to investment managers	2,306,268	2,088,201
Deferred staff expense	1,157,665	1,331,386
Dividends receivable	31,627,862	16,855,150
Provisions for impairment loss	(8,448,959)	(7,667,783)
	<b>42,847,324</b>	<b>26,923,918</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 recognised as a receivable.

Provisions for impairment loss is analysed as follows:–	UShs. 000
<b>At 1 July 2014</b>	<b>7,667,783</b>
Charge for the year	–
Utilised	–
Unused amounts reversed	–
<b>At 30 June 2015</b>	<b>7,667,783</b>
Charge for the year	1,005,615
Utilised	(224,439)
Unused amounts reversed	–
<b>At 30 June 2016</b>	<b>8,448,959</b>

The provision relates to the trade receivable, contributions receivable, and rent receivable accounts. The carrying amount for trade receivables reasonably approximate its fair value due to the short term nature of the receivables.



## 17. Investments in Securities Held–To–Maturity

	2016 % in Class	2015 % in Class	2016 UShs. 000	2015 UShs. 000 (Restated)
Treasury bonds	97	96	4,501,133,775	3,701,090,310
Corporate bonds	3	4	134,611,645	138,837,835
	<b>100</b>	<b>100</b>	<b>4,635,745,420</b>	<b>3,839,928,145</b>

The investments are analysed as follows:

Maturing within 3 months	300,692,174	64,998,988
Maturing after 3 months but within 1 year	87,274,294	162,131,426
Maturing after 1 year	4,247,778,952	3,612,797,731
	<b>4,635,745,420</b>	<b>3,839,928,145</b>

The change in Held–to–Maturity investments during the year were as follows;

	2016 UShs. 000	2015 UShs. 000 (Restated)
<b>As at 01 July</b>	<b>3,839,928,145</b>	<b>2,773,263,020</b>
Purchases	968,333,554	1,318,746,814
Maturities	(227,479,830)	(358,933,563)
Interest accrued	538,693,390	371,669,140
Interest received	(500,664,480)	(362,772,044)
Foreign exchange gains	16,934,641	97,954,778
<b>As at 30 June</b>	<b>4,635,745,420</b>	<b>3,839,928,145</b>

The yield rates on the treasury bonds ranged from 10.75% to 21.25% (2015: 10.75% to 21%) and the treasury bonds mature between 1 to 15 years. The interest rates for corporate bonds ranged from 10.97% to 14.7% (2015: 10.94% to 14.7%) and the corporate bonds mature between 1 to 8 years.



During the year, the Fund purchased the following shares;

	Currency	Shares	Share price	Exchange Rate	Cost UShs. 000
East African Breweries Ltd	Kshs	13,000,000	290	34.19	128,882,626
Britam Investments	Kshs	7,322,000	14	35.51	3,640,424
Tanzania Portland Cement Ltd	Tzs	7,235,217	2,400	1.62	28,140,475
Tanzania Breweries Ltd	Tzs	548,500	13,755	1.47	11,053,905
Umeme Limited	Ush	20,228,300	570	1	11,530,131
PTA	USD	1,740	8,288	3,350.32	48,315,311
					<b>231,562,872</b>

The change in the equity investments during the year was as follows:

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>734,270,133</b>	<b>251,274,475</b>
Acquisition of new shares	231,562,872	380,034,368
Bonus issue		9,583,489
Fair value (loss)/gain	(74,373,213)	48,438,003
Foreign exchange gain	9,918,103	44,939,798
<b>At 30 June</b>	<b>901,377,895</b>	<b>734,270,133</b>

The Fund's investment 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

	2016 UShs. 000	2015 UShs. 000
Uganda Clays Limited (Note 34)	20,592,838	21,352,771
Housing Finance Bank Limited (Note 34)	29,666,667	33,333,333
Staff loans	2,038,886	2,462,090
	<b>52,298,391</b>	<b>57,148,194</b>
Fair value of discount on staff loans	(1,157,665)	(1,331,386)
	<b>51,140,726</b>	<b>55,816,808</b>
Impairment provision for Uganda Clays Limited loan	(20,592,838)	(21,352,771)
	<b>30,547,888</b>	<b>34,464,037</b>

The impairment provision for Uganda Clays Limited loan is analysed as follows;

	UShs. 000
<b>At 1 July 2014</b>	<b>18,104,135</b>
Charge for the year	3,248,636
Utilised	–
<b>At 30 June 2015</b>	<b>21,352,771</b>
Reversal of prior year impairment overprovision	(759,933)
Utilised	–
<b>At 30 June 2016</b>	<b>20,592,838</b>

The change in the loans and advances during the year was as follows:

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>34,464,037</b>	<b>39,325,612</b>
Placements/(disbursements)	–	–
Maturities (proceeds from maturing loans)	(8,385,483)	(9,621,361)
Interest accrued	3,535,680	8,089,217
Prior year overprovision	759,933	(3,248,636)
Fair value adjustment	173,721	(80,795)
<b>At 30 June</b>	<b>30,547,888</b>	<b>34,464,037</b>

The loan to Uganda Clays Limited which was granted on 29 December 2010 is unsecured and is repayable within 96 months in equal monthly instalments 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 2016, Uganda Clays Limited made a profit before tax of UShs. 1,272 million and the current assets exceeded the current liabilities by UShs. 9,759 million as at 30 June 2016. However the Company has experienced financial problems since the loan was disbursed and no loan repayment has been received as at 30 June 2016. The loan has therefore 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. 25 billion at a rate of 11.5% (2015: 11.5%) and UShs. 22.5 billion at a rate of 15.5% (2015: 15.5%) respectively. The Loans were granted on 25 February 2011 and 16 October 2009 respectively. The loan of UShs. 25 billion is repayable over a period of 15 years while that of UShs. 22.5 billion is repayable over 10 years. Instalments 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.

In addition, a lien imposed at all times on the government securities owned and held by the bank with a total value of at least UShs. 10 billion representing 25% of the loan sum. The reported amount represents the carrying amount as at year-end.

The staff loans are loans issued by the Fund to its employees at a discounted interest rate of 6.5% (2015: 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 2016, the average market rate for mortgages was 22% (2015: 18%).

All the above loans and advances are measured at amortised cost with exception of the staff loans which are marked to market. Management assessed all loans outstanding as at 30 June 2016 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.

Based on the impairment provision, the carrying value of the loans and advances reasonably approximates the fair value.

## 20. Inventories

	2016 UShs. 000	2015 UShs. 000
Consumables and stationery	–	853

This relates to consumables and stationery maintained by the Fund for day to day operations.

## 21. Investments in Associates

	Housing Finance Bank Limited UShs. 000	Uganda Clays Limited UShs. 000	TPS Uganda Limited UShs. 000	Total UShs. 000
<b>At 1 July 2014</b>	<b>53,638,060</b>	<b>11,938,895</b>	<b>5,918,253</b>	<b>71,495,208</b>
Share of profit/(loss)	5,497,030	(997,496)	1,154,548	5,654,082
Less: dividends	(1,277,022)	–	(979,478)	(2,256,500)
<b>At 30 June 2015</b>	<b>57,858,068</b>	<b>10,941,399</b>	<b>6,093,323</b>	<b>74,892,790</b>
Share of profit/(loss)	7,598,269	445,711	2,277,537	10,321,517
Less: dividends	(4,404,806)	–	(489,739)	(4,894,545)
<b>At 30 June 2016</b>	<b>61,051,531</b>	<b>11,387,110</b>	<b>7,881,121</b>	<b>80,319,762</b>

As at 30 June 2016, the Fund had shareholding of 50%, 32.52% and 13.99% in the issued share capital of Housing Finance Bank Limited, Uganda Clays Limited and TPS Uganda Limited respectively. These investments have been accounted for under the equity method. The Fund retained representation on the Board of Directors of TPS subsequent to share dilution in 2013 thus retaining significant influence. As such, the investment in TPS Uganda Limited continues to be accounted for as an investment in associate.

The Fund's 50% holding in Housing Finance Bank Ltd does not give it a controlling interest nor does it give a joint control and as such the investment continues to be accounted for as an associate.

Nature of activities of associate companies

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 that of operating and running a hotel facility in Uganda, serving the business and tourist markets.

	Housing Finance Bank Limited	Uganda Clays Limited	TPS (Uganda) Limited
<b>Principle place of business</b>	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
<b>Market price</b>	Not listed, the trading prices for comparable Banks have been used to determine the fair value of the investment.	UShs. 15 per share	Not listed, the trading price of TPS (Kenya) Limited has been used to determine the fair value of the investment.



	Number of Shares Held		Price per Share		Fair Value	
	2016	2015	2016 UShs.	2015 UShs.	2016 UShs. 000	2015 UShs. 000
Housing Finance Bank	3,050,000	3,050,000	800	902	2,440,000	2,751,100
TPS (Uganda) Limited	19,500	19,500	707	1,209	13,792	23,569
Uganda Clays Limited	292,640,000	292,640,000	15	18	4,389,600	5,267,520
					<b>6,843,392</b>	<b>8,042,189</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	
	2016 UShs. 000	2015 UShs. 000	2016 UShs. 000	2015 UShs. 000	2016 UShs. 000	2015 UShs. 000
Current assets	624,774,250	179,871,114	14,621,256	10,032,220	17,804,078	17,838,652
Non-current assets		430,428,802	49,107,960	52,664,713	61,359,540	61,322,929
Current liabilities	353,544,830	357,825,538	4,194,773	6,807,467	9,248,256	9,211,209
Non-current liabilities	198,729,194	147,548,742	31,947,086	30,414,514	5,940,944	5,940,944
Revenue	47,049,700	93,551,067	12,382,185	22,523,755	25,192,637	46,851,839
Total comprehensive income/ (loss) for the year	6,784,389	9,162,483	1,271,877	(4,165,606)	3,776,763	9,422,609
<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>

## 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, 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 during the year. The Fund retained 100% ownership of the land, while the other party was retained to provide an arm's length contract for design and supervision of the Lubowa Housing Project.

## 23. Capital Work–In–Progress (CWIP)

	Arua UShs. '000	Lubowa UShs. '000	Lumumba UShs. '000	Mbuya UShs. '000	Jinja UShs. '000	Other UShs. '000	Total UShs. '000
<b>Cost</b>							
At 1 July 2014	2,330,000	249,645,543	–	–	–	596,410	252,571,953
Additions	–	1,275,117	–	–	–	1,309,587	2,584,704
Transfers to computer	–	–	–	–	–	(1,362,859)	(1,362,859)
Reclassification from Investment Property	–	–	64,447,309	–	–	–	64,447,309
Revaluation Gains	–	–	–	–	–	–	–
Revaluation Loss	–	(7,000,000)	–	–	–	–	(7,000,000)
<b>At 30 June 2015</b>	<b>2,330,000</b>	<b>243,920,660</b>	<b>64,447,309</b>	<b>–</b>	<b>–</b>	<b>543,138</b>	<b>311,241,107</b>
Additions	–	1,157,247	941,480	47,530	566,478	823,036	3,535,771
Transfer from other CWIP	–	–	–	6,934	–	(6,934)	–
Transfer from investment Property	–	–	–	1,800,000	560,000	–	2,360,000
Reclassification to expenses	–	–	–	(6,934)	–	–	(6,934)
Revaluation Gains	–	–	–	–	–	–	–
<b>At 30 June 2016</b>	<b>2,330,000</b>	<b>245,077,907</b>	<b>65,388,789</b>	<b>1,847,530</b>	<b>1,126,478</b>	<b>1,359,240</b>	<b>317,129,944</b>
<b>Provision for impairment</b>							
At 1 July 2015/2016	(2,330,000)	–	–	–	–	–	(2,330,000)
<b>Net carrying amount</b>							
<b>At 30 June 2016</b>	<b>–</b>	<b>245,077,907</b>	<b>65,388,789</b>	<b>1,847,530</b>	<b>1,126,478</b>	<b>1,359,240</b>	<b>314,799,944</b>
<b>At 30 June 2015</b>	<b>–</b>	<b>243,920,660</b>	<b>64,447,309</b>	<b>–</b>	<b>–</b>	<b>543,138</b>	<b>308,911,107</b>

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 of finalizing the joint venture arrangements.

The Lubowa capital work in progress relates to Lubowa Housing Project. The Fund contracted Soleh Boneh International (SBI) Holdings AG Uganda as the project designer and supervisor for the project. The fair value of the land at Lubowa was assessed by Ridgeline, certified professional valuer as at 30 June 2016 and no significant movement was noted in comparison to the year ended 30 June 2015. The movement has been accounted for in the financial statements.

The Fund completed Phase 1 of the development of Lumumba avenue and the property has been classified under capital work in progress. The fair value of this property under construction is not reliably determinable and is therefore carried at cost until completion.

#### 24. Investment Properties

	Valuation at 30 June 14 UShs. '000	Additions UShs. '000	Disposal UShs. '000	Change in Fairvalue UShs. '000	Reclassification to CWIP UShs. '000	Valuation at 30 June 15 UShs. '000	Additions UShs. '000	Disposal UShs. '000	Change in Fairvalue UShs. '000	Reclassification to CWIP UShs. '000	Valuation at 30 June 16 UShs. '000
Workers House	54,500,000	1,748,682	–	–	–	56,248,682	–	–	(248,682)	–	56,000,000
Plot 5 Mvule Rd Naguru	1,800,000	–	–	–	–	1,800,000	–	–	200,000	–	2,000,000
Land on Yusuf Lule Road	19,000,000	–	–	–	–	19,000,000	–	–	–	–	19,000,000
Independence Ave Arua	150,000	–	–	–	–	150,000	–	–	20,000	–	170,000
Land in Kisugu	195,000	–	–	–	–	195,000	–	–	55,000	–	250,000
Land in Kabale	230,000	–	–	–	–	230,000	–	–	–	–	230,000
Land in Jinja	560,000	–	–	–	–	560,000	–	–	–	(560,000)	–
Land in Tororo	190,000	–	–	–	–	190,000	–	–	(20,000)	–	170,000
Lumumba Avenue	62,385,608	2,061,701	–	–	(64,447,309)	–	–	–	–	–	–
Social Security House	26,000,000	–	–	–	–	26,000,000	–	–	3,000,000	–	29,000,000
Mbuya Property M65	3,100,000	–	(3,100,000)	–	–	–	–	–	–	–	–
Land in Mbuya	1,800,000	–	–	–	–	1,800,000	–	–	–	(1,800,000)	–
Land in Lubowa	–	–	–	–	–	–	–	–	–	–	–
Land in Busiro Temangalo	15,600,000	–	–	5,900,000	–	21,500,000	–	–	2,625,000	–	24,125,000
Plot 16 Nakasero Rd (FRV 304)	8,200,000	–	–	–	–	8,200,000	–	–	200,000	–	8,400,000
<b>Total</b>	<b>193,710,608</b>	<b>3,810,383</b>	<b>(3,100,000)</b>	<b>5,900,000</b>	<b>(64,447,309)</b>	<b>135,873,682</b>	<b>–</b>	<b>–</b>	<b>5,831,318</b>	<b>(2,360,000)</b>	<b>139,345,000</b>

Investment properties comprise of land and buildings held to earn rental income and/or capital appreciation. The fair values of the Investment Properties were assessed by Ridgeline, certified professional valuer as at 30 June 2016 and no significant movements were noted except for land at Temangalo in comparison to the year ended 30 June 2016. The movement in Temangalo land has been accounted for in the financial statements. 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 recognised as gains in profit or loss and included in 'other operating income'. All gains are unrealised except for Mbuya Property M65 that was disposed of during the year.

The impact of revaluing investment properties on profit for the year is US\$ 5.8 billion (2015: 5.6 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.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

		Significant unobservable inputs	
		Range (weighted average)	
		2016	2015
Office properties	Estimated rental value per square meter per month	No material change in the fair value of office properties as assessed by the Fund's independent valuer.	
	Rent growth per annum	2% – 3% (2.5%)	
	Long-term vacancy rate	10% – 16% (13%)	
	Discount rate	11%	
Land & buildings	Price per square meter	US\$ 1,000,000 – US\$ 3,000,000	

Valuation techniques for investment properties:

Land

#### Market Approach

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.

Buildings

#### Cost Approach

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 categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Fund generated rental income from its investment properties as shown below:

	<b>2016</b> <b>UShs. 000</b>	<b>2015</b> <b>UShs. 000</b>
Workers House	6,809,322	5,959,849
Social Security House	2,353,728	2,055,783
Others	1,525,002	604,201
Service charge	776,076	1,645,268
	<b>11,464,128</b>	<b>10,265,101</b>

The Fund incurred direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period as below;

	<b>2016</b>		
	<b>Workers House</b> <b>UShs. 000</b>	<b>Social Security House</b> <b>UShs. 000</b>	<b>Total</b> <b>UShs. 000</b>
Maintenance & repairs	1,503,035	689,286	2,192,321
Ground & property rent	179,246	76,599	255,845
Cleaning services	133,910	52,782	186,692
Security services	286,519	83,260	369,779
Electricity	784,139	378,416	1,162,555
Water	124,371	108,983	233,354
<b>Total</b>	<b>3,011,220</b>	<b>1,389,326</b>	<b>4,400,546</b>

	<b>2015</b>		
	<b>Workers House</b> <b>UShs. 000</b>	<b>Social Security House</b> <b>UShs. 000</b>	<b>Total</b> <b>UShs. 000</b>
Maintenance & repairs	743,031	623,315	1,366,346
Ground & property rent	183,107	73,790	256,897
Cleaning services	129,813	76,478	206,291
Security services	276,599	86,400	362,999
Electricity	731,962	348,492	1,080,454
Water	156,536	91,887	248,423
<b>Total</b>	<b>2,221,048</b>	<b>1,300,362</b>	<b>3,521,410</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):

<b>2016</b>				
	<b>Land in Lubowa UShs. 000</b>	<b>Land in Busiro Temangalo UShs. 000</b>	<b>Land in Mbuya UShs. 000</b>	<b>Total UShs. 000</b>
Security expenses	527,808	22,800	–	550,608
Demolition expenses	8,500	–	–	8,500
Cleaning expenses	–	–	18,436	18,436
<b>Total</b>	<b>536,308</b>	<b>22,800</b>	<b>18,436</b>	<b>577,544</b>

<b>2015</b>				
	<b>Land in Lubowa UShs. 000</b>	<b>Land in Busiro Temangalo UShs. 000</b>	<b>Land in Mbuya UShs. 000</b>	<b>Total UShs. 000</b>
Security expenses	32,400	21,600	21,600	75,600
Demolition expenses	50,000	–	–	50,000
Cleaning expenses	–	–	18,436	18,436
<b>Total</b>	<b>82,400</b>	<b>21,600</b>	<b>40,036</b>	<b>144,036</b>

As at 30 June 2016, there were no restrictions on the realisability of investment property or 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.

## 25. Intangible Assets

	<b>2016 UShs. 000</b>	<b>2015 UShs. 000</b>
<b>Cost</b>		
At 1 July	19,438,708	19,168,629
Transfers from capital work in progress	–	–
Additions	19,807	270,079
<b>At 30 June</b>	<b>19,458,515</b>	<b>19,438,708</b>
<b>Amortisation</b>		
At 1 July	13,580,912	11,856,508
Charge for the year	1,477,359	1,724,404
<b>At 30 June</b>	<b>15,058,271</b>	<b>13,580,912</b>
<b>Net carrying amount</b>	<b>4,400,244</b>	<b>5,857,796</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 2014	656,290	1,768,007	2,589,723	3,973,881	10,940,063	19,927,964
Additions	–	965,937	2,135,486	596,176	1,129,445	4,827,044
Transfer from CWIP	–	–	–	–	1,362,859	1,362,859
Reclassification	(256,290)	–	–	–	–	(256,290)
Disposals	–	(89,165)	(636,205)	(206,438)	(227,662)	(1,159,470)
As at 30 June 2015	400,000	2,644,779	4,089,004	4,363,619	13,204,705	24,702,107
Additions	–	471,181	2,933,889	867,644	2,116,304	6,389,018
Transfer from CWIP	–	–	–	–	–	–
Disposals	–	(47,911)	(1,544,066)	(33,003)	(271,325)	(1,896,305)
<b>As at 30 Jun 2016</b>	<b>400,000</b>	<b>3,068,049</b>	<b>5,478,827</b>	<b>5,198,260</b>	<b>15,049,684</b>	<b>29,194,820</b>
<b>Depreciation</b>						
At 1 July 2014	–	1,345,191	2,586,309	2,004,096	9,635,484	15,571,080
Charge for the year	–	294,424	233,500	409,995	921,725	1,859,644
Disposals	–	(89,165)	(636,206)	(198,146)	(227,663)	(1,151,180)
As at 30 Jun 2015	–	1,550,450	2,183,603	2,215,945	10,329,546	16,279,544
Charge for the year	–	362,919	967,712	508,268	1,323,069	3,161,968
Disposals	–	(47,911)	(1,544,064)	(32,761)	(271,325)	(1,896,061)
<b>As at 30 Jun 2016</b>	<b>–</b>	<b>1,865,458</b>	<b>1,607,251</b>	<b>2,691,452</b>	<b>11,381,290</b>	<b>17,545,451</b>
<b>Net carrying amount</b>						
<b>As at 30 Jun 2016</b>	<b>400,000</b>	<b>1,202,591</b>	<b>3,871,576</b>	<b>2,506,808</b>	<b>3,668,394</b>	<b>11,649,369</b>
<b>As at 30 Jun 2015</b>	<b>400,000</b>	<b>1,094,329</b>	<b>1,905,401</b>	<b>2,147,674</b>	<b>2,875,159</b>	<b>8,422,563</b>

## 27. Finance Lease

	Valuation as At 30 June 2015 UShs. 000	Additions UShs. 000	Disposals UShs. 000	Change in fair value UShs. 000	Valuation as At 30 June 2016 UShs. 000
Plot 47 Masaka K'la RD	46,787	–	–	173,213	220,000
Plot 87 Churcchill Gulu	105,248	–	–	74,752	180,000
Plot 8 Msk CL. Mbarara	104,254	–	–	145,746	250,000
	<b>256,289</b>	<b>–</b>	<b>–</b>	<b>393,711</b>	<b>650,000</b>

Finance leases relate to properties that were acquired by the Fund under lease agreements to build offices. These have been reclassified from property and equipment.

28. **Withdrawing Tax Payable**

	2016 UShs. 000	2015 UShs. 000
Withholding tax payable	–	1,208,340
<b>Withholding tax claimable</b>	<b>12,065,756</b>	<b>–</b>

This relates to withholding tax withheld by/from suppliers and consultants which is payable to or claimable from Uganda Revenue Authority.

29. **Other Payables**

	2016 UShs. 000	2015 UShs. 000
Accounts payable	15,382,127	17,476,653
Accrual for legal costs	4,105,840	7,043,594
Alcon retention payable	2,076,816	2,005,057
Deferred income	1,365,376	486,579
VAT recoverable	399,148	–
	<b>23,329,307</b>	<b>27,011,883</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 analysed as follows:

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>7,277,857</b>	<b>7,277,857</b>
Payments made during the year	(1,854,877)	(1,170,913)
Reversal of previous provisions	(1,648,940)	(2,043,050)
Increase in accrual during the year	331,800	2,979,700
<b>At 30 June</b>	<b>4,105,840</b>	<b>7,043,594</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**

	2016 UShs. 000	2015 UShs. 000
<b>Alcon International Limited</b>		
<b>At 1 July</b>	<b>11,852,903</b>	<b>9,420,196</b>
Foreign exchange losses	424,209	2,432,707
Additional provision	–	–
<b>At 30 June</b>	<b>12,277,112</b>	<b>11,852,903</b>

On 21 July 1994, the Fund and Alcon International Limited (Alcon), a company incorporated in the Republic of Kenya, entered into a building contract to erect a building on land located on Plot 1 Pilkington Road, Kampala (“the site”) at the contract price of USD 16,160,000. In addition, the parties signed a co-financing agreement by which Alcon agreed to lend NSSF USD 8,080,000 in the form of materials, workmanship and labour. On 8 June 1996, the parties signed an additional agreement to carry out “improvement works” for an additional sum of USD 9,066,917.

NSSF alleged default on the terms of the contract by Alcon and construction of all the works contemplated by the contract was not completed. NSSF terminated the contract on 15 May 1998 due to breaches by Alcon. Consequently, on 30 November 1998, Alcon filed Civil Suit No.1255 of 1998 against NSSF seeking general damages for breach of contract. The High Court stayed the suit and referred the dispute to arbitration.

On 29 March 2001, the arbitrator awarded Alcon USD 8,858,470 and interest at 6% per annum. A corresponding provision was made in the financial statements for this amount which was accruing interest on an annual basis. However, NSSF was dissatisfied with the award and filed an objection in the High Court under Misc. Application No. 417 of

2001 seeking to set it aside. On 30 September 2003, the High Court dismissed the objection. NSSF filed a Civil Appeal No. 2 of 2004 in the Court of Appeal which was also dismissed with costs on 25 August 2009. NSSF then filed Civil Appeal No. 15 of 2009 in the Supreme Court against the decision of the Court of Appeal.

During the financial year 2012/13, the Fund adopted a new litigation strategy, introduced new grounds of appeal and also instructed new lawyers to conduct the case. In February 2013, the Supreme Court delivered a judgment setting aside the arbitration award, and ordered that the case be tried afresh in the High Court.

Management is of the opinion Alcon’s claim has no chance of success 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. The High Court trial will therefore be a formality. The provision hitherto made for that liability amounting to US\$ 41.6 billion was accordingly reversed in the financial year 2012/13. However, a provision of USD 3,553,731 was made in the financial statements in the same period for works performed by Alcon that had not been settled by the Fund. This provision is still held as at 30 June 2016.

31. **Accumulated Members' Funds**

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>5,166,761,915</b>	<b>4,147,285,690</b>
Contributions received during the year	785,498,304	688,095,082
Reallocation of interest on arrears from members Funds to the profit and loss	(2,823,917)	1,902,042
12.3% interest (2015: 13%) *	593,046,806	516,088,517
<b>Members Fund liability before benefit payments</b>	<b>6,542,483,108</b>	<b>5,353,371,331</b>
<b>Benefits paid during the year</b>		
Age benefits	(80,225,005)	(67,531,078)
Withdrawal benefits	(68,706,382)	(55,253,246)
Exempted employee benefits	(30,083,905)	(14,682,681)
Invalidity benefits	(14,732,541)	(13,255,329)
Survivors benefits	(7,153,914)	(6,185,931)
Emigration grant benefits	(37,895,419)	(29,701,151)
<b>Total benefits payments</b>	<b>(238,797,166)</b>	<b>(186,609,416)</b>
<b>At 30 June</b>	<b>6,303,685,942</b>	<b>5,166,761,915</b>

\* This represents interest payment to members as 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 2016, the Minister for Finance, Planning & Economic Development approved an interest rate of 12.3% (2015: 13%) to be calculated and added to the members' Funds.

**Interest to Members:**

	2016 UShs. 000	2015 UShs. 000
Unallocated Interest from prior year*	5,217,232	4,191,833
Provision for the year	592,068,765	–
Total charge Profit and Loss	597,285,997	521,769,156
Transfer of penalty interest to interest provision	13,092,858	–
Total Interest available to members	610,378,855	525,960,989
<b>Allocated as follows;</b>		
To Members Funds	606,139,664	516,088,517
To Reserves (Note 32(b))	4,239,191	9,872,472
	<b>610,378,855</b>	<b>525,960,989</b>

\* The interest of UShs. 12 billion (2015: UShs. 4.19 billion) was part of the interest provisioned in prior years but was not allocated to members. This amount has been transferred to the current year interest that is to be credited to the members.



## 32. Reserves

	Note	2016 UShs. 000	2015 UShs. 000
Special contributions, fines and penalties	(a)	41,403,373	36,851,150
Unallocated members contributions	(b)	38,704,163	34,464,972
		<b>80,107,536</b>	<b>71,316,122</b>

## a) Special contributions, fines and penalties

	2016 UShs. 000	2015 UShs. 000
<b>At 1 July</b>	<b>36,851,150</b>	<b>25,556,942</b>
Special contributions received	4,913,165	8,634,140
Reallocation of fines and penalties	(360,942)	4,562,110
Interest allocated to members arising from arrears recovered	–	(1,902,042)
<b>At 30 June</b>	<b>41,403,373</b>	<b>36,851,150</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 recognised directly in reserves since they relate to members' contributions and not operating results of the Fund. Fines and penalties recovered from employers that fail to remit members' Funds in time are recognised through the income statement and then appropriated from the accumulated surplus/deficit to the reserve account.

## b) Unallocated members' contributions

	2016 UShs. 000	2015 UShs. 000
Principal Contributions	24,592,500	24,592,500
Provision for interest on unallocated members' contributions	14,111,663	9,872,472
	<b>38,704,163</b>	<b>34,464,972</b>

The movement in the provision for interest on unallocated members' contributions was as follows;

	2016 UShs. 000	2015 UShs. 000
At 1 July	9,872,472	–
Charged to Profit and Loss	4,239,191	9,872,472
Transfer from accumulated members' Funds	–	–
<b>At 30 June</b>	<b>14,111,663</b>	<b>9,872,472</b>

As at 30 June 2016, the Fund had unallocated members' contributions of UShs. 24.6 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.

### 33. Net Cash Used In Operating Activities

	Note	2016 US\$'000	2015 US\$'000
<b>Surplus from operations</b>		<b>593,774,731</b>	<b>738,216,174</b>
Depreciation of property and equipment	26	3,161,969	1,859,644
Gain on disposal of property and equipment		(613,778)	(216,658)
Gain on disposal of equity investments held for trading		–	–
Loss on disposal of investment properties		–	595,000
Amortization of intangible assets	25	1,477,359	1,724,404
Share of results from associates	21	(10,321,515)	(5,654,082)
Staff loan fair value adjustment		(173,721)	80,795
Unrealised foreign exchange gains on equity investments at fair value through profit or loss	18	(9,918,104)	(44,939,798)
Unrealised foreign exchange gains on held to maturity investments	17	(16,934,643)	(97,954,778)
Unrealised foreign exchange gains on held for trading investments	15	394,340	(1,350,124)
Unrealised foreign exchange gains on deposits with commercial banks	14	–	(161,029)
Fair value gains on investment properties	24	(5,831,318)	(5,900,000)
Fair value loss on capital work in progress	23	6,934	7,000,000
Fair value gain on equity investments held for trading	15	14,048,450	(14,709,202)
Fair value gain on equity investments at fair value through profit or loss	18	74,373,212	(48,438,003)
Fair value (gain)/loss on finance leases	27	(393,711)	–
Interest income on loans & advances	19	(3,535,680)	(8,089,217)
Interest income on held to maturity investments	17	(538,693,390)	(371,669,140)
Interest income on commercial bank deposits	14	(39,573,496)	(72,154,895)
Withholding tax on investments accrued for the year		(102,331,080)	(90,433,851)
Bonus equity investments received	18	–	(9,583,489)
Prior year interest to members over–provision		(1,008,537)	4,191,833
<b>Changes in working capital</b>			
Increase in provisions		424,209	2,432,707
(Decrease)/Increase in provisions for bad loans		(759,933)	3,248,636
Decrease in inventories		853	2,057

Note	2016 UShs.'000	2015 UShs.'000
Increase in trade and other receivables	(11,518,601)	(3,179,620)
Increase in tax deposit receivable	–	(25,323,522)
Increase in other payables	(3,682,576)	2,153,583
Increase in WHT payable	(13,274,096)	237,112
<b>Net cash used in operating activities</b>	<b>(70,902,122)</b>	<b>(38,015,463)</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 2016 and 2015, refer to Notes 13, 14, 17 and 19:

	2016 UShs.	2015 UShs.
<b>Bank balances</b>		
Housing Finance Bank Limited	15,758	22,816
<b>Loans and Advances</b>		
Housing Finance Bank Limited	29,666,667	33,333,333
Uganda Clays	20,592,838	21,352,771
Staff loans to key management staff	470,236	488,902
	<b>50,729,741</b>	<b>55,175,006</b>
<b>Corporate Bonds</b>		
Housing Finance Bank Limited	4,797,286	7,418,417
<b>Fixed deposits</b>		
Housing Finance Bank Limited	23,482,985	–
<b>Treasury Bonds</b>		
Government of Uganda	3,682,764,644	3,061,585,099
<b>Dividends receivable (Associate Companies)</b>		
Housing Finance Bank Limited	10,061,927	5,657,123
TPS (U) Limited	–	–
Uganda Clays	111,192	111,192
	<b>10,173,119</b>	<b>5,768,315</b>
Other related party transactions during the year:		
Housing Finance Bank Limited		
Interest income on loans and advances	4,160,775	4,532,570
Interest income on corporate bonds	714,128	973,534
Interest income on term deposits	1,577,560	4,370,937
	<b>6,452,463</b>	<b>9,877,041</b>

	2016 UShs.	2015 UShs.
<b>Dividend Income</b>		
TPS (U) Limited	489,739	979,478
Housing Finance	4,404,804	1,277,022
	<b>4,894,543</b>	<b>2,256,500</b>
<b>Uganda Clays</b>		
Interest income on loans and advances	–	3,248,636
<b>Government Of Uganda</b>		
Withholding tax expense for the year	115,218,562	90,433,851
Interest income on treasury bonds	473,788,073	337,021,078

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 bond – Housing Finance Bank Limited (the bank) has two corporate bond facilities with the Fund of UShs. 5 billion at a rate of 13.5% and UShs. 5 billion of 13.75% respectively. These bonds are repayable over a period of 10 years and they mature on 12 January 2018 and 31 July 2018 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.

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.

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. For the year ended 30 June 2016, the Fund has recorded an impairment of receivables relating to amounts owed by related parties of US\$ 1 billion (2015: US\$ 3.25 billion). 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**

	2016 US\$'000	2015 US\$'000
Non-executive directors' emoluments:		
Directors' allowances	505,745	505,745
Key management remuneration:		
Salaries and allowances	2,349,359	2,349,359
Gratuity	512,697	512,697
	<b>2,862,056</b>	<b>2,862,056</b>
<b>Total compensation for key management personnel</b>	<b>3,367,801</b>	<b>3,367,801</b>

The amounts disclosed above are the amounts recognised 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 majorly relate to breach of contracts that the Fund entered into and members suing for their unsettled benefit claims.

b. The Fund received a notice of assessment for corporation tax from Uganda Revenue Authority (URA) amounting to US\$ 84.4 billion during the year ended 30 June 2013.

The Fund objected to the assessment on the grounds that URA's tax computations wrongly disallowed expenses that are actually 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 and the case is still under mediation. The Fund's legal advisors have indicated that there is a strong basis of challenging the assessment. Therefore, the directors have not recognised 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 under 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 matters are disclosed as a contingent liability as the Fund currently has a possible obligation and the existence of any obligation to URA will be confirmed only by the decision of the court.

#### 36. **Nsimbe Holdings Limited**

Through its wholly owned subsidiary, Premier Developments Limited (PDL), the Fund entered into a joint venture arrangement with Mugoya Estates Limited in which the latter held a 51% share of the joint venture entity, Nsimbe Holdings Limited. Subsequent to the formation, the Fund's investment in Nsimbe Holdings Limited was investigated by the Inspector General of Government (IGG) who declared the Fund's investment illegal and one done in bad faith. As a result of this investigation, Nsimbe Holdings Limited challenged the IGG's findings in the Constitutional Court. The Constitutional Court subsequently declared the agreement leading to the formation of Nsimbe Holdings Limited unconstitutional and therefore the company did not exist in law i.e. a non-entity which cannot sue or be sued. PDL was later dissolved by the Constitutional Court and the Board of Directors of the Fund resolved that the joint venture is formally liquidated and both parties share the joint venture assets in proportion to their shareholding. This investment was written off in 2010 but the Fund has taken legal action to recover its investment. The matter was referred by court to arbitration and has not yet been concluded.

#### 37. **Use of Estimates and Judgements**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, 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 assumption are based on historical experiences, the results of which form the basis of making the judgments about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

The Fund makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies that involve high judgement 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 judgements 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 Note 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 judgement 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 judgements in determining the provisions presented in Note 30.
  
- iv. **Investment property**– The Fund carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Fund engaged an independent valuation specialist to assess fair value as at 30 June 2016. 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 and sensitivity analyses are provided in note 24.

### 38. 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 analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Fund through its training and management 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 adhoc 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 optimising 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 2015;

Type of Investment	Change in share price % UShs. 000	Effect on surplus before tax UShs. 000
Equity securities held-for-trading	+/-5%	+/- 4,243,160
Equity investments at fair value through profit or loss	+/-5%	+/- 36,068,895

**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 2016;

	Change in property price % UShs. 000	Effect on surplus before tax UShs. 000
Investment property	+/-5%	+/- 6,967,250

**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 recognised in the statement of comprehensive

income. 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 Audit and Risk 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 2016. All balances are in US\$'000's.

	USD	Kshs	Tshs	US\$.	Rwf	Total
<b>Financial assets</b>						
Cash and bank balances	4,933,541	1,808,906	2,536,117	18,511,340	10,234	27,800,138
Deposits with commercial banks	–	–	–	274,062,186	–	274,062,186
Equity securities held–for–trading	–	60,220,384	12,486,974	12,155,832	–	84,863,190
Trade and other receivables	914,515	12,282,804	–	27,145,648	2,302,867	42,645,834
Investments in securities held–to–maturity	–	423,055,156	66,872,173	4,126,443,982	19,374,109	4,635,745,420
Equity investments at fair value through profit or loss	58,929,849	471,611,385	116,017,380	198,955,921	55,863,360	901,377,895
Loans and advances	–	–	–	30,547,888	–	30,547,888
<b>Total Assets</b>	<b>64,777,905</b>	<b>968,978,635</b>	<b>197,912,644</b>	<b>4,687,822,797</b>	<b>77,550,570</b>	<b>5,997,042,551</b>
<b>Financial liabilities</b>						
Withholding tax payable	–	–	–	298,750	–	298,750
Other payables	645,562	–	–	22,922,522	–	23,568,084
	<b>645,562</b>	<b>–</b>	<b>–</b>	<b>23,221,272</b>	<b>–</b>	<b>23,866,834</b>
<b>Currency gap</b>						
<b>At 30 June 2016</b>	<b>64,132,343</b>	<b>968,978,635</b>	<b>197,912,644</b>	<b>4,664,601,525</b>	<b>77,550,570</b>	<b>5,973,175,717</b>

The Fund had the following currency positions as at 30 June 2015. All balances are in US\$'000's.

	USD	Kshs	Tshs	US\$.	Rwf	Total
<b>Financial assets</b>						
Cash and bank balances	762,960	3,208,090	–	10,093,287	–	14,064,337
Deposits with commercial banks	–	–	–	251,067,909	–	251,067,909
Equity securities held–for–trading	–	64,023,329	13,961,506	12,149,336	–	90,134,171

Trade and other receivables	340,278	1,432,311	142	25,151,187	–	26,923,918
Investments in securities held–to–maturity	–	812,891,919	–	3,013,107,002	13,929,224	3,839,928,145
Prior year adjustment	–	(11,948,542)	–	(7,523,645)	–	
Equity investments at fair value through profit or loss	–	399,821,918	–	334,448,215	–	734,270,133
Loans and advances	–	–	–	34,464,037	–	34,464,037
<b>Total Assets</b>	<b>1,103,238</b>	<b>1,269,429,025</b>	<b>13,961,648</b>	<b>3,672,957,328</b>	<b>13,929,224</b>	<b>4,971,380,463</b>
<b>Financial liabilities</b>						
Withholding tax payable	–	–	–	1,208,340	–	1,208,340
Other payables	645,562	–	–	26,366,321	–	27,011,883
	<b>645,562</b>	<b>–</b>	<b>–</b>	<b>27,574,661</b>	<b>–</b>	<b>28,220,223</b>
<b>Currency gap</b>						
<b>At 30 June 2015</b>	<b>457,676</b>	<b>1,269,429,025</b>	<b>13,961,648</b>	<b>3,645,382,667</b>	<b>13,929,224</b>	<b>4,943,160,240</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 calculates 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 comprehensive income (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 statement of comprehensive income 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 profit before tax	Change in currency rate in %	Effect on profit before tax
	2016	2016 UShs. '000	2015	2015 UShs. '000
USD	+/-5%	+/- 3,206,617	+/-5%	+/-569,761
KES	+/-5%	+/- 49,046,359	+/-5%	+/-64,666,305
TZS	+/-5%	+/- 9,895,632	+/-5%	+/-698,082
RWS	+/-5%	+/- 3,877,529	+/-5%	+/-696,461

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016 UShs.	2015 UShs.	2016 UShs.	2015 UShs.
KES	34.57	31.83	34.77	34.29
USD	3,469.87	2,886.38	3,454.71	3,335.34
TZS	1.6319	1.5564	1.6084	1.6272
RWS	4.778	4.264	4.6944	4.6112



### 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 statement of financial position 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 comprehensive income.

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.

	Matured UShs.'000	<3 months UShs.'000	3–12 months UShs.'000	> 1 year UShs.'000	Non-Interest bearing UShs.'000	Total UShs.'000
<b>Assets</b>						
Cash and bank balances	–	–	–	–	27,800,138	27,800,138
Deposits with commercial banks	–	17,150,144	256,912,041	–	–	274,062,185
Equity securities held– for–trading	–	–	–	–	84,863,191	84,863,191
Trade and other receivables	–	–	–	–	42,645,834	42,645,834
Investments in securities held–to–maturity	–	300,692,173	87,274,294	4,247,778,953	–	4,635,745,420
Equity investments at fair value through profit or loss	–	–	–	–	901,377,895	901,377,895
Loans and advances	–	–	–	30,547,888	–	30,547,888
<b>Total Assets</b>	<b>–</b>	<b>317,842,317</b>	<b>344,186,335</b>	<b>4,278,326,841</b>	<b>1,056,687,058</b>	<b>5,997,042,551</b>
<b>Liabilities</b>						
Withholding tax payable	–	–	–	–	298,750	298,750
Trade and other payables	–	–	–	–	23,568,084	23,568,084
Total Liabilities	–	–	–	–	23,866,834	23,866,834
<b>Gap as at 30 June 2016</b>	<b>–</b>	<b>317,842,317</b>	<b>344,186,335</b>	<b>4,278,326,841</b>	<b>1,032,820,224</b>	<b>5,973,175,717</b>

	Matured US\$'000	<3 months US\$'000	3–12 months US\$'000	> 1 year US\$'000	Non–Interest bearing US\$'000	Total US\$'000
<b>Assets</b>						
Cash and bank balances	–	–	–	–	14,064,337	14,064,337
Deposits with commercial banks	–	35,047,004	216,020,905	–	–	251,067,909
Equity securities held– for–trading	–	–	–	–	90,134,171	90,134,171
Trade and other receivables	–	–	–	–	26,923,918	26,923,918
Investments in securities held–to–maturity	–	64,998,988	162,131,426	3,612,797,731	–	3,839,928,145
Equity investments at fair value through profit or loss	–	–	–	–	734,270,133	734,270,133
Loans and advances	–	–	–	34,464,037	–	34,464,037
<b>Total Assets</b>	<b>–</b>	<b>100,045,992</b>	<b>378,152,331</b>	<b>3,647,261,768</b>	<b>865,392,559</b>	<b>4,990,852,650</b>
<b>Liabilities</b>						
Withholding tax payable	–	–	–	–	1,208,340	1,208,340
Trade and other payables	–	–	–	–	27,011,883	27,011,883
Total Liabilities	–	–	–	–	28,220,223	28,220,223
<b>Gap as at 30 June 2015</b>	<b>–</b>	<b>100,045,992</b>	<b>378,152,331</b>	<b>3,647,261,768</b>	<b>837,172,336</b>	<b>4,962,632,427</b>

#### Fair value versus carrying amounts

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 to 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 value as shown in the statement of financial position are analysed as follows:

	30 June 2016		30 June 2015	
	Carrying amount US\$'000	Fair Value US\$'000	Carrying amount US\$'000	Fair Value US\$'000
Investment securities held to maturity	4,657,771,191	4,340,142,020	3,839,928,145	3,626,822,419

#### Valuation hierarchy

IFRS 13 requires a three tiered disclosure for all financial assets and financial liabilities that are carried in the books of entities at fair value. This fair value disclosure is divided into three levels as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities e.g. quoted equity securities.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (e.g. prices) or indirectly (e.g. derived from prices).
- **Level 3** – inputs for the asset or liability that are not based on observable market data. These items are not Level 1 products and contain at least one significant input parameter which could not be price tested from any of the methods described for Level 2 products. Examples are products where correlation is a significant input parameter and products where there is severe illiquidity in the markets for a prolonged period of time.

### **Fair value measurement hierarchy**

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:

<b>Fair value measurement using</b>					
	<b>Date of valuation</b>	<b>Total UShs. '000</b>	<b>Quoted price in active market (Level 1) UShs. '000</b>	<b>Significant observable input (Level 2) UShs. '000</b>	<b>Significant unobservable input (Level 3) UShs. '000</b>
Financial instruments measured at fair value					
Quoted equities– at fair value through profit or loss (Note 18)	30–Jun–16	901,377,895	842,448,046	–	58,929,849
Quoted equities–held for trading (Note 15)	30–Jun–16	84,863,191	84,863,191	–	–
Investment Properties (Note 24)	30–Jun–16	139,345,000	–	–	139,345,000
Capital work in progress – Lubowa (Note 23)	30–Jun–16	245,077,907	–	–	245,077,907
Assets for which fair values are disclosed					
Investment securities held to maturity	30–Jun–16	4,635,745,420	–	4,635,745,420	–

There have been no transfers between the levels during the period.

Description of valuation techniques used and key inputs to valuation of held to maturity investments:

	Valuation technique	Significant observable inputs	Range (weighted average)			
			Uganda Treasury Bonds	Kenya Treasury bonds	Tanzania Bonds	Rwanda Bonds
Held to maturity investments	Market approach	Market interest rate for similar bonds	17.0% –17.8% (17%)	7.08% – 16.97% (12%)	18%–19% (18.39%)	8.03%–13.5% (10.8%)

Shown below are the fair value changes arising from level 3 investments that have been recognised through profit and loss during the year ended 30 June 2016.

	2016 UShs. '000	2015 UShs. '000
Investment Properties (Note 24)	5,900,000	5,900,000
Capital work in progress – Lubowa (Note 23)	–	(7,000,000)
PTA Bank Shares– Class B	3,396,442	–

#### b. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations on 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 2016 to the contractual maturity date. All balances are in UShs. 000.

At 30 June 2016	Matured UShs.'000	<3 months UShs.'000	3–12 months UShs.'000	> 1 year UShs.'000	Non–Interest bearing UShs.'000	Total UShs.'000
<b>Financial assets</b>						
Cash and bank balances	27,800,138	–	–	–	–	27,800,138
Deposits with commercial banks	–	17,150,144	115,341,460	141,571,582	–	274,063,186
Equity securities held–for–trading	–	–	–	84,863,191	–	84,863,191
Trade and other receivables	–	–	42,645,834	–	–	42,645,834
Investments in securities held–to–maturity	–	300,692,173	87,274,294	1,335,168,902	2,912,610,049	4,635,745,418

Equity investments at fair value through profit or loss	–	–	–	901,377,895	–	901,377,895
Loans and advances	–	–	–	30,547,888	–	30,547,888
<b>Total financial assets</b>	<b>27,800,138</b>	<b>317,842,317</b>	<b>245,261,588</b>	<b>2,493,529,458</b>	<b>2,912,610,049</b>	<b>5,997,043,550</b>
<b>Financial liabilities</b>						
Withholding tax payable	–	298,750	–	–	–	298,750
Other payables	–	23,168,935	–	–	–	23,168,935
Financial liabilities	–	23,467,685	–	–	–	23,467,685
<b>Gap as at 30 June 2016</b>	<b>27,800,138</b>	<b>294,374,632</b>	<b>245,261,588</b>	<b>2,493,529,457</b>	<b>2,912,610,049</b>	<b>5,973,575,865</b>

At 30 June 2016	Matured US\$.'000	<3 months US\$.'000	3–12 months US\$.'000	> 1 year US\$.'000	Non–Interest bearing US\$.'000	Total US\$.'000
<b>Financial assets</b>						
Cash and bank balances	14,064,337	–	–	–	–	14,064,337
Deposits with commercial banks	–	35,047,004	216,020,905	–	–	251,067,909
Equity securities held–for–trading	–	–	–	90,134,171	–	90,134,171
Trade and other receivables	–	–	26,923,918	–	–	26,923,918
Investments in securities held–to–maturity	–	48,208,231	157,668,060	1,244,977,276	2,386,520,993	3,837,374,560
Equity investments at fair value through profit or loss	–	–	–	734,270,133	–	734,270,133
Loans and advances	–	–	–	34,464,037	–	34,464,037
<b>Total financial assets</b>	<b>14,064,337</b>	<b>83,255,235</b>	<b>400,612,883</b>	<b>2,103,845,617</b>	<b>2,386,520,993</b>	<b>4,988,299,065</b>
<b>Financial liabilities</b>						
Withholding tax payable	–	1,208,340	–	–	–	1,208,340
Other payables	–	27,011,883	–	–	–	27,011,883
Financial liabilities	–	28,220,223	–	–	–	28,220,223
<b>Gap as at 30 June 2015</b>	<b>14,064,337</b>	<b>55,035,012</b>	<b>400,612,883</b>	<b>2,103,845,617</b>	<b>2,386,520,993</b>	<b>4,960,078,842</b>



### c. Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty 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 authorisation structure for the approval and renewal of credit facilities. Authorisation 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 amount of financial assets represents the maximum credit exposure. The maximum credit exposure as at the statement of financial position date was:

	Note	2016 UShs. 000	2015 UShs. 000
Bank balances		27,780,964	13,992,490
Deposits due from banks	14	274,062,186	251,067,909
Trade and other receivables	16	42,645,834	32,094,149
Investment securities held-to-maturity	17	4,635,745,420	3,837,374,560
Loans and advances	19	52,298,391	55,816,808
<b>Total</b>		<b>5,032,532,795</b>	<b>4,190,345,916</b>

The concentration of credit risk for loans at amortised costs as at the reporting date was:

	2016 UShs. 000	2015 UShs. 000
Housing Finance Bank Limited	29,666,667	33,333,333
Uganda Clays Limited	20,592,838	21,352,771
Staff loans	2,038,886	2,462,090
<b>Total</b>	<b>52,298,391</b>	<b>57,148,194</b>

The ageing of loans at amortized cost as at the statement of financial position date was as follows:

	30 June 2016		30 June 2015	
	Gross UShs. 000	Impairment UShs. 000	Gross UShs. 000	Impairment UShs. 000
Neither past due nor impaired	31,705,553	–	35,795,423	–
Past due 30–60 days	–	–	–	–
Past due 31–120 days	–	–	–	–
Past due 120–360 days	20,592,838	(20,592,838)	21,352,771	(21,352,771)
More than a year	–	–	–	–
	52,298,391	(20,592,838)	57,148,194	(21,352,771)

As at the reporting date, there was no impairment loss allowances in respect of held to maturity investments.

The concentrations of credit risk for trade and other receivables as at the reporting date by the type of receivables was as follows:

	2016 UShs. 000	2015 UShs. 000
Rent receivable	2,993,632	2,181,118
Contributions receivable	889,095	889,095
Staff advances	174,131	195,483
Cash advances to investment managers	2,306,268	2,088,201
Dividends receivable	31,426,372	16,855,150
Trade receivables	9,360,131	8,973,910
VAT recoverable	–	(420,194)
<b>Total</b>	<b>47,149,629</b>	<b>30,762,763</b>

The ageing of trade and other receivables as at the reporting date was as follows:

	30–Jun–16		30–Jun–15	
	Gross UShs. 000	Impairment UShs. 000	Gross UShs. 000	Impairment UShs. 000
Neither past due nor impaired	34,451,820	–	23,008,855	–
Past due 30–60 days	1,751,986	–	–	–
Past due 31–120 days	–	–	5,854	(19,698)
Past due 120–360 days	2,496,864	–	999,690	(899,721)
Past due 360 days	8,448,959	(8,448,959)	6,748,364	(6,748,364)
	<b>47,149,629</b>	<b>(8,448,959)</b>	<b>30,762,763</b>	<b>(7,667,783)</b>

Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due by 90 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 value shown in the balance sheet are analysed as follows

**e. Capital management risk**

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 optimise the structure and investment of capital to ensure that it consistently maximises 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 11% was declared for the year 2016 (2015: 13%).

**39. Establishment**

The Fund was established in Uganda under Section 2 of the NSSF Act (Cap 222).

**40. 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.

**41. Prior Year Adjustments**

The adjustment relates to an overstatement of coupon interest in prior years on investments in securities held to maturity and measured at amortised cost. Consequently, carrying values of investments and opening reserves were overstated by US\$19,472,187. These are mainly long term bonds with maturity periods ranging between 5 and --years. Accordingly comparatives have been adjusted to reflect the effect of this overstatement as shown below.

	As previously reported UShs. 000	Effect of restatement UShs. 000	As Restated UShs. 000
<b>As at 30 June 2014.</b>			
<b>Statement of Financial Position</b>			
Investments in securities held-to-maturity	2,792,735,207	(19,472,187)	2,773,263,020
<b>Members' Funds and Reserves</b>			
Accumulated surplus	170,261,219	(19,472,187)	150,789,032

The net adjustment is summarised as follows:

	UShs.'000
Gross amount	23,257,887
Withholding Tax on Interest	(3,785,700)
	<b>19,472,187</b>











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