

**NATIONAL SOCIAL SECURITY FUND**

**REPORT AND FINANCIAL STATEMENTS  
AT 30 JUNE 2009**

**KPMG**  
Certified Public Accountants  
P O Box 3509  
Kampala

**NATIONAL SOCIAL SECURITY FUND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**TABLE OF CONTENTS**

	<b>Page</b>
1 Directors, Officers and Administration	1
2 Director's Report	3
3 Statement of Directors Responsibilities	4
4 Independent Auditors' Report	5 - 6
5 Income Statement	7
6 Balance Sheet	8
7 Statement of Movement in Reserves	9
8 Cash Flow Statement	10
9 Accumulated Members Fund	11
10 Notes to the Financial Statements	12 - 45

# **NATIONAL SOCIAL SECURITY FUND**

## **DIRECTORS, OFFICERS & ADMINISTRATION**

### **DIRECTORS**

Mr Vincent B Ssekkono	-	Chairman (Appointed on 15 April 2009)
Mr. Richard Bigirwa	-	(Appointed on 15 April 2009)
Mr Christopher M Kassami	-	(Appointed on 15 April 2009)
Eng. Martin Sseremba Kasekende	-	(Appointed on 20 February 2008)
Mr Arinaitwe Rwakajara Katambuka	-	(Appointed on 15 April 2009)
Mrs Christine Guwatudde Kintu	-	(Appointed on 15 April 2009)
Mrs. Jolly Aripa Kirabo	-	(Appointed on 15 April 2009)
Mr Romano Ojiambo-Ochieng	-	(Appointed on 15 April 2009)
Mr Christopher Kahirita	-	(Appointed on 15 April 2009)
Mr Edward S Gaamuwa	-	Chairman (Retired on 10 January 2009)
Mrs Joyce Acigwa	-	(Retired on 10 January 2009)
Mr Stephen Bandutsya	-	(Retired on 10 January 2009)
Dr Ijuka Kabumba	-	(Retired on 10 January 2009)
Mr Cornelius Henry Mukiibi	-	(Retired on 10 January 2009)
Mr Claudius M Olweny	-	(Retired on 10 January 2009)
Mr Andrew Otengo Owiny	-	(Retired on 10 January 2009)
Mr Martin Bandedire	-	Ag Managing Director / Corporation Secretary (Retired 31 December 2009)
Mr David Chandi Jamwa	-	Managing Director (Retired on 31 January 2010)
Mr Grace Isabirye	-	Ag Managing Director (Appointed on 13 January 2010)

### **HEAD OFFICE**

14<sup>th</sup> 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 Kagwa Road  
P.O. Box 7083  
Kampala- Uganda

### **DELEGATED AUDITORS**

KPMG  
Certified Public Accountants  
3<sup>rd</sup> Floor Rwenzori Courts Building  
Plot 2 & 4A Nakasero Road  
P. O. Box 3509  
Kampala  
Uganda

# **NATIONAL SOCIAL SECURITY FUND**

## **DIRECTORS, OFFICERS & ADMINISTRATION (CONT'D)**

### **BANKERS**

Standard Chartered Bank Uganda Limited  
Speke Road  
P O Box 7111  
Kampala  
Uganda

Citibank Uganda Limited  
Centre Court, Plot 4 Ternan Avenue  
Nakasero  
P O Box 7505  
Kampala  
Uganda

Stanbic Bank Uganda Limited  
17 Hannington Road  
P O Box 7131  
Kampala  
Uganda

Bank of Baroda Uganda Limited  
18 Kampala Road  
P O Box 7197  
Kampala  
Uganda

Housing Finance Bank Limited  
25 Kampala Road  
P O Box 1539  
Kampala  
Uganda

Barclays Bank Uganda Limited  
Plot 2A& 4A Nakasero Road  
P O Box 7101  
Kampala  
Uganda

Tropical Bank Uganda Limited  
Plot 27 Kampala Road  
P O Box 9485  
Kampala  
Uganda

Crane Bank Limited  
Plot 38 Kampala Road  
P O Box 22572  
Kampala  
Uganda

### **LIST OF ADVOCATES**

Muhimbura & Co Advocates  
Plot 2, Jumbo Plaza Parliamentary Avenue  
First Floor Suite B1.6  
P O Box 22971  
Kampala

J.B Byamugisha Advocates  
EADB Towers  
Plot 4 Nile Avenue  
P O Box 9400  
Kampala

Basaza Wasswa & Co Advocates  
UAP Insurance Building  
3rd Floor Kimathi Avenue  
P O Box 12895  
Kampala

Kasirye Byaruhanga & Co Advocates  
Plot 33 Clement Avenue  
P O Box 10946  
Kampala

JN Kirkland & Associates  
Green Land Towers  
P O Box 29274  
Kampala

Nyanzi Kiboneka & Co Advocates  
Plot 103 Buganda Road  
P O Box 7699/ 6147  
Kampala

Nangwala Rezida & Co Advocates  
Plot 7/ 9 Buganda road next to Buganda Road  
Magistrates Courts Block B Suite B5 / B6  
P O Box 13004  
Kampala

Mwesigwa Rukutana & Co Advocates  
Millennium Chambers - Najjanankumbi  
P O Box 11442  
Kampala

Omunyokol & Co Advocates  
Colline House, 3<sup>rd</sup> Floor  
Plot 4 Pilkington Road  
P O Box 6737 Kampala

# **NATIONAL SOCIAL SECURITY FUND**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2009**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2009 which disclose the state of affairs of the National Social Security Fund, in Accordance with section 32 of NSSF Act, (CAP 222)

### **Principal activities**

The principal activity of the Fund is to collect contributions from members and invest in a professional manner to earn a good return to meet the benefit obligations to its members. 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 for the Fund for the year ended 30 June 2009 are set out on page 7.

### **Interest payments to members**

Interest is calculated based on the opening balances of the members' funds less benefit paid during the year. The rate used during the current year was 3% (2008: 14%).

### **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 a mechanism to continuously follow up these missing details from employers in order to update individual member accounts.

### **Directors**

The directors who held office at the date of this report are set out on page 1.

### **Auditors**

In accordance with Section 32 of the National Social Security Fund Act (Cap 222) Laws of Uganda, the financial statements shall 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 2009, 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.....2010.

### **BY ORDER OF THE BOARD**

David Nambale  
**Corporation Secretary**

**Date: .....2010**

**NATIONAL SOCIAL SECURITY FUND**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Funds' directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 30 June 2009, the income statement, the statement of reserves, cash flow statement and member's fund liability statement 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 the National Social Security Fund Act (Cap 222).

The Directors' responsibility includes: designing, implementing and maintaining internal control's 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.

The Directors accept responsibility for the financial statements set out on pages 7 to 45, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the National Social Security Funds Act (Cap 222). 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 deficit for the year ended 30 June 2009. 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.

**Approval of the financial statements**

The financial statements, as indicated above, were approved by the board of directors on ..... 2010 and were signed on its behalf by:

Vincent B Ssekkono  
**Chairman** : .....

Grace Isabirye  
**Ag: Managing Director** : .....

Date:----- 2010

# **REPORT OF THE INDEPENDENT AUDITORS TO** **THE AUDITOR GENERAL**

Under the terms of section 32 of the National Social Security Fund (NSSF) Act (CAP 222), the Auditor General is required to audit the financial statements of the Fund. In accordance with the provisions of the same section, the Auditor General appointed M/s KPMG Certified Public Accountants to audit the financial statements on his behalf and report to him to enable him report to Parliament in accordance with Article 163 (4) of The Constitution of the Republic of Uganda.

## **Report on the financial statements**

We have audited the financial statements of National Social Security Fund which comprise the balance sheet as at 30 June 2009, the income statement, the statement of movement in reserves, members fund liability statement and cash flow statement for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set on pages 12 to 45.

## **Directors' Responsibility for the Financial Statements**

As stated on page 4, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the National Social Security Fund Act (CAP 222). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **Basis for Qualified Opinion**

### **1) Member's fund**

Included in the members' fund account as at 30 June 2009 is an amount of Ushs 95,672 million (2008: Ushs 206,405 million) which has not been allocated to specific members. Management has been unable to provide an analysis of this balance or confirm the completeness and accuracy of balances credited to individual members accounts. Accordingly, we were unable to obtain sufficient appropriate audit evidence that the members' fund account balance is not materially misstated.

### **2) Trade payables and other liabilities**

A net credit balance of Ushs 3,087 million (2008: Net debit balance of Ushs 10,829 million) is included in other liabilities as at 30 June 2009. Management was unable to provide an analysis of this amount and could also not explain the nature of the credit balance. Accordingly we were unable to obtain sufficient appropriate audit evidence that trade creditors and other liabilities are not materially misstated.

**REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL – continued**

**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the state of affairs of National Social Security Fund as at 30 June 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the National Social Security Fund Act (CAP 222).

**KPMG**

Certified Public Accountants

P O Box 3509

Kampala

Uganda

**Date: ..... 2010**

**NATIONAL SOCIAL SECURITY FUND**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 Shs '000	2008 Shs '000
<b>Income</b>			
Interest income	5	94,211,343	66,380,888
Rental income	6	5,687,427	4,904,727
Dividend income	7	2,196,504	1,994,820
Other operating loss	8	<u>(25,820,961)</u>	<u>(17,267,641)</u>
<b>Total income</b>		<b>76,274,313</b>	<b>56,012,794</b>
Fair value (losses)/gains from equity investments	17	(49,049,886)	26,729,128
Administrative expenses	9	(35,322,071)	(23,601,273)
Other operating expenses	10	(9,975,207)	(4,798,213)
Impairment losses on other receivables	16	(2,059,679)	(1,807,076)
Amortization of intangibles	26	(939,990)	-
Depreciation	27	(4,255,155)	(1,935,478)
Provision for interest payable	29	<u>(1,633,086)</u>	<u>(1,167,570)</u>
		<b>(26,960,761)</b>	<b>49,432,312</b>
Share of results from associates	22	<u>4,019,100</u>	<u>3,700,191</u>
<b>(Deficit)/ Surplus from operations</b>		<b>(22,941,661)</b>	<b>53,132,503</b>
Revaluation surplus on investment properties	25	17,800,083	17,145,662
Interest transfer to members' fund	Page 11	<u>(31,359,541)</u>	<u>(110,774,546)</u>
<b>Deficit for the year before taxation</b>		<b>(36,501,119)</b>	<b>(40,496,381)</b>
Taxation	12 (a)	<u>(14,636,928)</u>	<u>(9,701,712)</u>
Net deficit for the year		<b><u>(51,138,047)</u></b>	<b><u>(50,198,093)</u></b>

The notes set out on pages 12 to 45 form an integral part of these financial statements

# **NATIONAL SOCIAL SECURITY FUND**

## **BALANCE SHEET AS AT 30 JUNE 2009**

	Notes	2009 Shs '000	2008 Shs '000
<b>Assets</b>			
Cash and cash equivalents	13	8,802,656	16,009,741
Deposits with commercial banks	14	548,234,612	512,129,382
Investment in securities held to maturity	15	349,889,756	175,578,927
Trade and other receivables	16	12,064,684	19,715,214
Equity investments at fair value through profit or loss	17	68,103,491	90,440,994
Loans and advances at amortized cost	18	7,181,398	9,050,977
Tax recoverable	19	991,949	1,304,814
Inventories	20	170,191	23,195
Equity investment at cost	21	-	3,479,291
Investment in associate	22	63,233,256	50,534,174
Other investments	23	10,300	10,300
Capital work in progress	24	1,458,688	428,797
Investment properties	25	250,547,711	224,122,047
Intangible assets	26	8,459,910	7,986,307
Property and equipment	27	<u>17,594,527</u>	<u>11,208,521</u>
		<b><u>1,336,743.12</u></b>	<b><u>1,122,022.68</u></b>
<b>Total Assets</b>		<b>2</b>	<b>1</b>
<b>Liabilities</b>			
Sundry creditors	28	11,207,867	7,042,623
Provisions for litigation	29	<u>28,851,188</u>	<u>20,627,065</u>
		<b><u>40,059,055</u></b>	<b><u>27,669,688</u></b>
<b>Members' Fund and Reserves</b>			
Accumulated Members' funds	Page 11	1,339,653,163	1,086,352,277
Reserve account	Page 9	703,007	534,765
Accumulated surplus	Page 9	<u>(43,672,096)</u>	<u>7,465,951</u>
		<b><u>1,296,684.07</u></b>	<b><u>1,094,352.99</u></b>
		<b>4</b>	<b>3</b>
		<b><u>1,336,743.12</u></b>	<b><u>1,122,022.68</u></b>
<b>Total members fund and liabilities</b>		<b>2</b>	<b>1</b>

The financial statements on pages 7 to 45 were approved for issue by the Board of Directors on .....  
2009 and were signed on its behalf by:

Vincent B Ssekkono  
**Chairman:** \_\_\_\_\_

**Director:** \_\_\_\_\_

Grace Isabirye  
**Ag. Managing  
Director:** \_\_\_\_\_

David Nambale  
**Corporation Secretary:** \_\_\_\_\_

The notes set out on pages 12 to 45 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND**  
**STATEMENT OF MOVEMENT IN RESERVES**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Reserve Account Shs '000	Accumulated surplus/(deficit) Shs '000	Total Shs '000
<b>At 1 July 2007</b>	<b><u>484,478</u></b>	<b><u>57,664,044</u></b>	<b><u>58,148,522</u></b>
Net deficit for the year (page 7)	-	(50,198,093)	(50,198,093)
Fines and penalties received	<u>50,287</u>	-	<u>50,287</u>
<b>As at 30 June 2008</b>	<b><u>534,765</u></b>	<b><u>7,465,951</u></b>	<b><u>8,000,716</u></b>
Net deficit for the year (page 7)	-	(51,138,047)	(51,138,047)
Fines and penalties received	<u>168,242</u>	-	<u>168,242</u>
<b>At 30 June 2009</b>	<b><u>703,007</u></b>	<b><u>(43,672,096)</u></b>	<b><u>(42,969,089)</u></b>

In accordance with section 14 (I) of The National Social Security Fund Act, (CAP 222), fines and penalties recovered from employers that fail to remit members funds as stipulated in the Act are credited to a reserve account.

During the year, management recovered Ushs 168 million (2008: Ushs 50 million) in fines and penalties and credited it to the reserve account

The notes set out on pages 12 to 45 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 Shs'000	2008 Shs'000
<b>Cash outflow from operating activities</b>	<b>30</b>	<b>(209,354,692)</b>	<b>(179,436,463)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(10,706,475)	(6,551,193)
Purchase of intangible asset		(1,413,593)	(7,986,307)
Additions to investment property		(8,625,581)	(17,724,285)
Purchase of equity investments		(22,490,175)	(57,572,743)
Additions to capital work in progress		(1,029,891)	(431,933)
Proceeds of disposal of property and equipment		7,009	140,488
Proceeds of disposal of equity investments		-	15,371,977
Increase in investments in associates		(5,360,672)	(23,357,760)
Dividends from associate		-	2,513,375
(Decrease)/Increase in investment securities held to maturity		(132,876,981)	227,089,135
Proceeds from loans at amortized cost		<u>1,869,579</u>	<u>3,943,666</u>
<b>Net cash used in investing activities</b>		<b><u>(180,626,780)</u></b>	<b><u>135,434,420</u></b>
<b>Cash flows from financing activities</b>			
Interest transferred to member's fund		31,359,541	110,774,546
Benefits paid out to members		(41,056,845)	(36,449,900)
Contributions received from members		262,998,190	184,330,975
Fine and penalties received		<u>168,242</u>	<u>50,287</u>
<b>Net cash flows from financing activities</b>		<b><u>253,469,128</u></b>	<b><u>258,705,908</u></b>
Increase in cash and cash equivalents		(136,512,344)	214,703,865
Cash and cash equivalents at the beginning of the year	35	<u>291,185,111</u>	<u>76,481,246</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b><u>154,672,767</u></b>	<b><u>291,185,111</u></b>

The notes set out on pages 12 to 45 form an integral part of these financial statements.

**NATIONAL SOCIAL SECURITY FUND**  
**MEMBER FUND LIABILITY AS AT 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
<b>At 1 July</b>	1,086,352,277	827,696,656
Contributions during the year	262,998,190	184,330,975
3% interest (2008: 14%) **	<u>31,359, 541</u>	<u>110,774,546</u>
<b>Members fund liability before benefit payments</b>	<b>1,380,710,008</b>	<b>1,122,802,177</b>
<b>Benefits paid during the year</b>		
Age benefits	(17,465,608)	(21,957,038)
Withdrawal benefits	(6,790,857)	(50,231)
Exempted employee benefits	(6,474,664)	(4,830,757)
Invalidity benefits	(2,909,245)	(2,421,900)
Survivors benefits	(3,006,777)	(3,350,604)
Immigration grant benefits	<u>(4,409,694)</u>	<u>(3,839,370)</u>
<b>Total benefit payments</b>	<b><u>(41,056,845)</u></b>	<b><u>(36,449,900)</u></b>
<b>At 30 June</b>	<b><u>1,339,653,163</u></b>	<b><u>1,086,352,277</u></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).

During the year, the Minister of State for Finance, Planning and Economic Development approved interest at a rate of 3% (2008:14%) to be calculated and added to the member's fund.

The notes set out on pages 12 to 45 form an integral part of these financial statements.

## **NATIONAL SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

#### **1. REPORTING ENTITY**

National Social Security Fund (the “Fund”) is a corporation 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).

#### **2. BASIS OF PREPARATION**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards.

##### **(a) Basis of preparation**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain property and equipment, and the carrying amounts of available for sale investments, financial instruments at fair value through profit and loss and investment property at fair value and impaired assets at their recoverable amounts.

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 financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

Management identifies all significant accounting policies and those that involve high judgement as documented in note 33.

The method used to measure the fair values is discussed further in note 4

##### **(b) Functional and presentation currency**

These financial statements are presented in Uganda shillings (Shs), which is the Fund’s functional currency, except as indicated all the financial information has been rounded off to the nearest a thousand.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies set out below have been applied consistently to all period presented in the financial statements. Where necessary comparative amounts have been reclassified to conform to the current year’s presentation

##### **(a) Investment in Associates**

Associates are those entities in which the Fund has significant influence but not control over the financial and operating polices. Significant influence is presumed to exist when the Fund holds 20 to 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the fund has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associate and jointly controlled entities are accounted using the equity method (equity accounted investee) and are initially recognized at cost The Fund’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

The financial statements include the share of the income and expenses and equity movements of the equity accounted investee, after adjustments to align the accounting policies with those of the Fund, from the date that significant influence or joint control commences to the date that significant influence or joint control ceases.

**(b) Foreign currency**

Transactions in foreign currencies during the year are converted 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 currency 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 profit or loss except for differences arising on the retranslation of available for sale equity instruments.

**(c) Revenue recognition**

Income is recognized on an accrual basis

*(i) Interest income*

Interest income is recognised on an accrual basis taking into account the effective interest rate of the interest earning asset. Interest income include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount of maturity calculated on an effective interest rate basis.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition of financial asset.

*(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 profit or loss 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**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another. Financial instruments held by the Fund include balances with banks, Loans and advances, investments in government securities, trade and other receivables, equity investments and debt securities.

Management determines the appropriate classification of the financial instrument at the time of purchase and evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

(i) *Recognition*

The Fund recognises financial assets held for trading and available for sale assets on the date it commits to purchase the assets. From this date, any gains and losses arising from changes in fair value of the assets are recognised.

Trading assets are those assets that the Fund acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

Held-to-maturity investments, Loans and advances are recognised on the date they are transferred to the Fund.

(ii) *Measurement*

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

All non-trading financial liabilities, Loans and advances and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Gains and losses arising from a change in the fair value of available-for-sale assets and trading instruments are recognised in the equity reserve and income statement respectively.

(iii) *Derecognition*

A financial asset is derecognized when the Fund loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Available-for-sale assets and assets held for trading that are sold are derecognized and corresponding receivables from the buyer for the payment are recognised as of the date the Fund commits to sell the asset. The Fund uses the specific identification method to determine the gain or loss on derecognition. All gains and losses previously recognized directly in equity are recognized in profit and loss account.

Held to maturity instruments, loans and receivables are derecognized on the date they are transferred by the Fund.

(iv) *Derivative instruments*

Financial future contracts, forward rate agreements and interest rate swap agreements are stated at fair value. Fair values are obtained from quoted market prices and dealer price quotations. Gains and losses on fair value measurement are recognized in the income statement

(e) **Investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

**Held-to-maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale.

**Fair value through profit or loss**

The Fund carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy (d).

**Available-for-sale**

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

(f) **Property and equipment**

(i) *Recognition and measurement*

Property and equipment are stated at cost less accumulated depreciation and impairment losses. 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.

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 with other income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

(ii) *Reclassification to investment property*

Property that is being constructed for future use as investment property is accounted for as property and equipment until construction or development is complete at which time it is re-measured at fair value and reclassified as investment property. Any gains and losses arising on re-measurement is recognized in profit or loss.

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 directly in equity. Any loss is recognized directly in profit or loss.

(iii) *Subsequent costs*

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 with in the part will flow to the Fund and its cost can be measured reliably. The carrying value of the replace part is de-recognized. The cost of day to day servicing of the property and equipment is recognized in profit or loss as incurred.

(iv) *Depreciation*

Depreciation is recognized in profit or loss and calculated to write off the cost of the property and equipment on a reducing balance basis over the expected useful lives of the assets concerned, and intangible assets on straight line basis. Land is not depreciated

The estimated useful lives for the current and comparative periods are as follows: -

	% Percentage
Buildings	2 %
Plant and equipment	20 %
Motor vehicles	40 %
Furniture and equipment	20 %
Computer equipment	20 %
Intangible assets	10%

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 in accounting estimate is recorded through the income statement.

**(g) Investment properties**

Investment properties is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. Investment property is measured at fair value (see note 4) with any change there in recognized in profit or loss.

When the use of property changes such that it is reclassified either to property and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**(h) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on first in first out principle and includes the expenditure incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

**(i) Impairment**

*(i) Financial assets*

At each balance sheet date the Fund assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are considered to be impaired when objective evidence indicates that one or more events that have a negative effect on the estimated future cash flows of an asset.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying value and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognized in profit or loss and Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available for sale securities is recognized in profit or loss. For available for sale securities that are equity securities the reversal is recognized directly in equity.

*(ii) Non financial assets*

The carrying amounts of the Fund's non financial assets other than investment properties, and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such condition exists, the assets recoverable amount is estimated and an impairment loss recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount

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.

**(j) Employee benefits**

*(i) Short-term benefits*

Short term employee benefit obligations are measured on an un-discounted basis and are expensed as the related service is performed

A liability is recognized for an amount expected to be paid under short term bonus or profit sharing plans, if the Fund has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation by the employee and the obligations can be estimated reliably.

*(ii) Defined contribution plan*

The majority of the Fund's employees are eligible for retirement benefits under a defined contribution plan and the Fund also contributes to the National Social Security Fund (NSSF). Contributions to the plan and NSSF are charged to the profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**(k) 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

**(l) Income tax**

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is provided on profit for the year adjusted in accordance with the tax legislation.

Deferred tax is provided using the balance sheet liability method, on all for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on the basis of the tax rate currently enacted.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which such deferred tax asset can be utilized.

**(m) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the balance sheet date and include: cash and balances with banks, treasury bills and other eligible bills.

**(n) Capital work in progress**

The ongoing construction/installation 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, however an expected loss on capital work in progress is recognized immediately in profit or loss.

**(o) Other receivable**

Other receivables are carried at original invoice amount less provision made for impairment losses. A provision for impairment of trade receivable 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. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

**(p) Other accounts payable**

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**(q) Members fund liability**

*(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 member's accumulated contributions is calculated based on the opening accumulated contributions (standard contribution plus interest) less benefits paid during the year. The rate used to compute interest accrued to members in the current financial year is 3% (2008:14%) as approved by the Minister of Finance, Planning and Economic Development in accordance with Section 35 (1) and (2) of the National Social Security Fund Act.

**(r) Reserves**

The reserves relate to 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.

**(s) New standards and interpretation not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2009, and have not been applied in preparing these financial statements:

***Standards and interpretations issued and effective 1 January 2009***

In 2009 new and revised standards and interpretations listed below became effective for the first time and have not been adopted by the Fund. The adoption of these new and revised standards and interpretations will not have material effect on the Fund's accounting policies.

IFRS 8, Operating Segments (effective 1 January 2009): This standard requires an entity to adopt the 'management approach' when reporting on the financial performance of its operating segments. The reporting would be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. The standard will not have an impact on the results of the Fund.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Fund has not adopted IAS 23 (amended) from 1 January 2009 and is currently not applicable to the Fund as there are no qualifying assets.

IAS 1, Presentation of financial statements (effective 1 January 2009). The standard requires that all non-owner changes in equity are presented in either a single statement of comprehensive income which includes income statement line items or in a separate statement of comprehensive income. In addition, a statement of financial position, which is the preferred term for the balance sheet, has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The revised IAS 1 has no significant impact on the results of the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

IAS 28, Investments in associates (effective 1 January 2009). The amendment clarifies that an investment in an associate shall be treated as a single asset for impairment testing. Therefore an impairment loss recorded by an investor after applying the equity method is not allocated against any goodwill included in the equity accounted investment balance. Such an impairment loss should be reversed in a subsequent period to the extent that the recoverable amount of the associate increases. The amendment will not have significant impact on the results of the Fund.

IAS 27 Consolidated and separate financial statements (amended in 2008) supersedes IAS 27 (revised in 2003). The amended IAS 27 is required to be applied on 1 July 2009 but is not expected to have a significant impact on the results of the Fund.

IAS 28- Investment in Associates: Consequential amendments arising from amendments to IFRS 3. This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the results of the Fund.

IAS 31- Investment in Joint Ventures: Consequential amendments arising from amendments to IFRS 3. This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the results of the Fund.

IAS 39: Financial Instruments: Recognition and Measurement. An amendment for eligible hedged items effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the results of the Fund.

IAS 32: Financial Instruments: Presentation. Amendments relating to puttable instruments and obligations arising on liquidation effective for accounting periods beginning on or after 1 July 2009 but are not expected to have a significant impact on the results of the Fund.

IFRS 3: Business combinations: Comprehensive revision on applying the acquisition method. This interpretation is effective for accounting periods beginning on or after 1 July 2009 but is not expected to have a significant impact on the results of the Fund.

**(t) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year:

**4. DETERMINATION OF FAIR VALUE**

A number of the Funds accounting policies and disclosures require the determination of fair value, for both financial/non-financial assets and fair values have been determined for measure and/ or disclosure purposes based on the following methods where applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset.

*(i) Investment properties*

An external independent valuation company having appropriate recognized professional qualification experience in the location categories of the properties being valued, values the Fund's investment properties every end of financial year and the fair values are based on the market being the estimated amount for which the property could be exchanged on the date of valuation between willing buyers and willing seller at arms length transaction after proper marketing for when the parties each acted knowledgeably, prudently and without compulsion.

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

(ii) *Investment in debt and equity securities*

The fair value of financial assets at fair value through profit and 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 purpose only.

(iii) *Trade and other receivables*

The fair value of trade and others is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

**5. INTEREST INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Interest income on short term deposits with banks	57,923,712	34,124,417
Interest income on government bonds - held to maturity	25,465,428	21,249,072
Interest income on treasury bills – held to maturity	7,790,768	8,308,368
Interest income on corporate bonds - held to maturity	2,158,312	1,606,172
Interest income on un-impaired loans measured at amortized cost	<u>873,123</u>	<u>1,092,859</u>
	<b><u>94,211,343</u></b>	<b><u>66,380,888</u></b>

**6. RENTAL INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Rental income	<b><u>5,687,427</u></b>	<b><u>4,904,727</u></b>

This relates to rental income earned from investment properties owned by the Fund, and rented out to tenants for commercial purposes. Tenants are charged rental fees based on the square metres occupied at an agreed rental charge as specified in the tenancy agreements. The above rental income was mainly earned from the Social Security House and Workers house.

**7. DIVIDEND INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Stanbic Bank Uganda Limited	842,604	1,216,797
Bank of Baroda (Uganda) Limited	47,944	229,320
New Vision Printing and Publishing Company Limited	330,000	-
DFCU Group	311,537	548,703
Safaricom Kenya Public Limited Company	<u>664,419</u>	<u>-</u>
	<b><u>2,196,504</u></b>	<b><u>1,994,820</u></b>

**8. OTHER OPERATING LOSS/INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
(Loss)/ gain on disposal of property and equipment	(58,305)	91,988
Loss from disposal of government bonds	-	(7,829,340)
Profit from disposal of equity investments	-	5,762,290
Miscellaneous income	257,909	801,251
Foreign exchange (loss)/gain	<u>(26,020,565)</u>	<u>(16,093,830)</u>
	<b><u>(25,820,961)</u></b>	<b><u>(17,267,641)</u></b>

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**9. ADMINISTRATIVE EXPENSES**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Salaries and wages	16,502,498	9,914,025
Staff medical Insurance	335,056	327,807
General staff and training expenses	4,655,435	4,797,235
Other administrative expenses	<u>13,829,082</u>	<u>8,562,206</u>
	<b><u>35,322,071</u></b>	<b><u>23,601,273</u></b>

**10. OTHER OPERATING EXPENSES**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Rent and rates	1,303,779	842,397
Electricity and water	1,163,884	939,236
Repairs and maintenance	5,292,479	1,661,250
Insurance	866,531	651,054
Security expenses	759,662	438,269
Licences and subscriptions	16,777	98,541
Research and library expenses	191,520	167,466
other operating expenses	<u>380,575</u>	<u>-</u>
	<b><u>9,975,207</u></b>	<b><u>4,798,213</u></b>

**11. OPERATING DEFICIT/SURPLUS BEFORE TAXATION**

The following items have been charged in arriving at operating deficit/surplus before taxation:

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Depreciation on property and equipment (note 27)	4,255,155	1,935,478
Amortization on intangible assets (note 26)	939,990	-
(Loss)/ Profit on disposal of property and equipment (note 8)	(58,305)	91,988
Auditors' remuneration	183,294	94,872
Directors' emoluments	129,731	170,277
Provision for legal cost on Alcon International	3,000,000	-
Provision for Interest on Alcon International	1,633,086	1,167,570
Impairment of trade receivables	2,059,679	1,807,076
Staff costs	<u>21,492,989</u>	<u>15,039,067</u>

**12. TAXATION**

**(a) Income tax**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Withholding tax on interest income from financial institutions	<u>14,636,928</u>	<u>9,701,712</u>
	<b><u>14,636,928</u></b>	<b><u>9,701,712</u></b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

The tax on the Funds surplus after interest to member's funds differs from the theoretical amount that would arise using the basic tax rate of 30% as follows

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Operating deficit before taxation	<u>(36,501,119)</u>	<u>(40,496,381)</u>
Tax calculated at 30%	(10,950,336)	(12,148,914)
Tax effect of non deductible expense and non taxable income	<u>25,587,264</u>	<u>21,850,626</u>
<b>Taxation charge</b>	<b><u>14,636,928</u></b>	<b><u>9,701,712</u></b>

**(b) Un-recognized deferred tax asset**

Deferred tax is calculated on all temporary differences under the balance sheet liability method using the principal tax rate of 30%.

	<b>At 30 June 2008</b>	<b>Movement</b>	<b>At 30 June 2009</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Property and equipment	4,441,832	3,523,121	7,964,953
Provision for bad debt	-	(2,059,679)	(2,059,679)
Provisions for litigations	-	(3,000,000)	(3,000,000)
Un realized exchange gains	(77,735)	(2,170,570)	(2,248,305)
Tax losses	<u>(21,326,868)</u>	<u>(3,726,447)</u>	<u>(25,053,315)</u>
<b>Total</b>	<b><u>(16,962,771)</u></b>	<b><u>(7,433,575)</u></b>	<b><u>(24,396,346)</u></b>
Deferred tax asset (net) at 30%	<b><u>(5,088,831)</u></b>	<b><u>(2,230,073)</u></b>	<b><u>(7,318,904)</u></b>

At 30 June 2009 a net deferred tax asset of Ushs 7,180 million (2008: Ushs 689 million) has not been recognised due to the un-certainty in recovery of the asset. The Fund is in negotiations with Uganda Revenue Authority on the treatment of certain items for tax purposes. The outcome of the negotiations would have significant implications as to whether a deferred tax asset exists or not. Accordingly no deferred tax asset has been recognized in these financial statements.

**13. CASH AND BANK BALANCES**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Bank of Baroda Uganda Limited	11,931	11,656
Barclays Bank Uganda Limited	12,691	24,595
Citibank Uganda Limited	3,400,709	12,795,913
Crane Bank Uganda Limited	-	508,769
Housing Finance Uganda Limited	1,890	-
Stanbic Bank Uganda Limited	1,658,140	1,055,076
Standard Chartered Bank Uganda Limited	3,692,884	1,608,002
Tropical Bank Uganda Limited	(268)	(93)
Petty cash	<u>24,679</u>	<u>5,823</u>
	<b><u>8,802,656</u></b>	<b><u>16,009,741</u></b>

The Fund's exposure to currency risks and sensitivity analysis for financial assets and liabilities are disclosed in note 34.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**14. DEPOSITS WITH BANKS AT AMORTIZED COST**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Bank of Africa	18,165,466	15,858,438
Barclays Bank Uganda Limited	88,320,196	65,966,010
Bank of Baroda Uganda Limited	33,287,464	30,117,589
Cairo International Uganda Limited	7,932,200	4,164,176
Centenary Bank Limited	27,103,610	8,968,723
Citibank Uganda Limited	15,821,590	106,262,809
Global Trust Bank Limited	3,875,614	3,373,749
Crane Bank Uganda Limited	110,361,960	61,363,311
DFCU Bank Limited	46,103,222	21,184,461
Diamond Trust Bank Uganda Limited	2,675,033	11,739,772
Housing Finance Bank Limited	24,205,517	17,035,893
National Bank of Commerce Limited	2,706,617	2,673,051
Orient Bank Uganda Limited	37,613,394	24,738,314
Stanbic Bank Uganda Limited	37,334,540	65,235,981
Standard Chartered Bank Uganda Limited	29,684,740	54,695,970
Tropical Africa Bank Uganda Limited	3,077,889	3,079,621
United Bank of Africa	29,432,739	9,043,595
Equity Bank Uganda Limited	15,218,079	6,627,919
FinaBank Uganda Limited	1,023,753	-
EcoBank Uganda Limited	7,161,665	-
Kenya Commercial Bank Uganda Limited	7,129,324	-
	<b><u>548,234,612</u></b>	<b><u>512,129,382</u></b>

The above is analysed as follows

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Amounts due within three (3) months	97,243,936	267,983,043
Amounts due after three (3) months	<u>450,990,676</u>	<u>244,146,339</u>
	<b><u>548,234,612</u></b>	<b><u>512,129,382</u></b>

The weighted average effective interest rates on deposits due from Banks were 14.083% and 5.10% for deposits in Uganda Shilling and USD respectively. (2008: 12.399%, 4.175%, 6.360% and 4.657% for deposits in Uganda shillings, Euros, Pounds, and USD respectively).

The carrying book value of the deposits with banks equals the fair value. The Fund's exposure to interest, credit, currency risks and sensitivity analysis for financial assets and liabilities are disclosed in note 34.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**15. INVESTMENT IN SECURITIES HELD TO MATURITY**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Government bonds	242,305,093	124,383,576
Corporate bonds	15,407,789	14,198,604
Treasury bills	<u>92,176,874</u>	<u>36,996,747</u>
	<b><u>349,889,756</u></b>	<b><u>175,578,927</u></b>

The investment securities above are analysed as follows:

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Maturing within three (3) months	48,626,175	7,192,327
Maturing after three (3) months and within one (1) year	133,299,540	37,692,747
Maturing after one year (1) and within seven (7) years	<u>167,964,041</u>	<u>130,693,853</u>
	<b><u>349,889,756</u></b>	<b><u>175,578,927</u></b>

The yield rates on the government bonds ranged from 11.5% to 18.5% (2008 10.25% to 11%) and mature in 2 to 7 years. The interest rates for corporate bonds ranged from 12.038% to 13.50% (2008 12.69% to 13.50%) and mature in 1 to 7 years.

The Fund's exposures to credit, currency and interest rate risks relate to investments held to maturity have been disclosed in note 34.

**16. TRADE AND OTHER RECEIVABLES**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Prepayments	313,461	1,830,728
Advances to Staff debtors	4,017,668	1,650,073
Trade debtors	8,119,967	7,748,561
Staff discount on marked to market loans	1,056,868	805,616
Contributions Receivable	1,455,951	-
Rent receivable	4,143,631	1,834,791
Un-supported receivables	-	10,828,628
Provision for impairment loss (see below)	<u>(7,042,862)</u>	<u>(4,983,183)</u>
	<b><u>12,064,684</u></b>	<b><u>19,715,214</u></b>

**Impairment analysed as follows:-**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Balance as at 1 July	4,983,183	3,270,379
Impairment raised during the year	2,059,679	1,720,000
Exchange gain	<u>-</u>	<u>(7,196)</u>
At 30 June	<b><u>7,042,862</u></b>	<b><u>4,983,183</u></b>
<b>Charge to profit or loss account</b>		
Net increase in provisions as above	2,059,679	1,720,000
Direct write off during the year	<u>-</u>	<u>87,076</u>
	<b><u>2,059,679</u></b>	<b><u>1,807,076</u></b>

The Fund's exposure to credit, currency risks and impairment losses related to trade and other receivables are disclosed in note 34.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	% held	2009 Shs '000	2008 Shs '000
Bank of Baroda Uganda Limited	1.49	2,277,340	2,541,032
DFCU Limited	5.91	6,266,127	11,573,906
Safaricom Kenya PLC (2.38% on Listed)	0.595	21,223,026	40,565,123
Stanbic Bank Uganda Limited	2.79	22,886,998	35,760,933
New Vision Printing and Publishing Limited	19.6	<u>15,450,000</u>	<u>-</u>
		<b><u>68,103,491</u></b>	<b><u>90,440,994</u></b>

All the above equity investments are traded on the Uganda Security Exchange (USE) and Safaricom on Nairobi Stock Exchange (NSE) and the trading prices at the last date of trading for the years ended 30 June 2009 and 2008 was as follows:

	Currency	2009	2008
Bank of Baroda Uganda Limited	Shs	380	4,240
DFCU Limited	Shs	425	785
Safaricom Kenya PLC	Ksh	3.15	7.25
Stanbic Bank Uganda Limited	Shs	160	250
New Vision Limited	Shs	<u>1030</u>	<u>-</u>

*\*\*Source Uganda Securities Exchange (USE) and Nairobi Securities Exchange (NSE)*

The table below sets out a reconciliation of the change in the balance during the year for equity investments

	2009 Shs '000	2008 Shs '000
At 1 July	90,440,994	22,825,267
Acquisition of new shares	22,490,175	54,093,452
Disposal of shares	-	(9,608,687)
Change in fair value	(49,049,886)	26,729,128
Exchange gains / (losses)	<u>4,222,208</u>	<u>(3,598,166)</u>
At 30 June	<b><u>68,103,491</u></b>	<b><u>90,440,994</u></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 the Fund holds 10 to 20 percent of the voting rights of the companies.

The Fund's exposures to credit, currency and interest rate risks relate to equity investments at fair value through profit or loss have been disclosed in note 34.

**18. LOANS AND ADVANCES AT AMORTIZED COST**

	2009 Shs '000	2008 Shs '000
Loans to Banks for mortgage financing	5,623,368	6,650,707
Staff loans	<u>2,614,898</u>	<u>3,205,886</u>
<b>Gross loans</b>	<b>8,238,266</b>	<b>9,856,593</b>
Discount on staff loans marked to market	<u>(1,056,868)</u>	<u>(805,616)</u>
	<b><u>7,181,398</u></b>	<b><u>9,050,977</u></b>

The loans to banks relate to amounts advanced to DFCU Uganda Limited and have a fixed interest rate currently stated at 12.5% (2008: 12.5%). The above amounts represent the carrying amounts as at 30 June 2009.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

The Staff loans to the Fund employees are issued at a discounted rate of 5% (2008: 5%) the loans are issued to employees to acquire/ construct houses. The loans are secured by the acquired houses. The staff loans have been marked to market at an interest rate of 14% and the resultant discount on staff loans is as disclosed above.

Management assessed all staff loans outstanding as at 30 June 2009 for any indicators of impairment and determined that no loans exhibited any signs of impairment and as such no provision for impairment loss has been made.

The Fund's exposures to credit currency and interest rate risks related to loans and advances at amortized cost have been disclosed in note 34.

**19. TAX RECOVERABLE**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Tax recoverable	<b><u>991,949</u></b>	<b><u>1,304,814</u></b>

Taxes recoverable relate to withholding tax due from the tax authorities withheld by the Bank of Uganda, and financial institutions before 30 June 2008, management believes this amount is recoverable and it's available to be offset against future tax obligations.

**20. INVENTORIES**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Inventories	<b><u>170,191</u></b>	<b><u>23,195</u></b>

This relates to consumables and stationery maintained by the Fund for day to day operations.

**21. EQUITY INVESTMENTS AT COST**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
TPS Uganda Limited (Serena Hotel)	<b><u>-</u></b>	<b><u>3,479,291</u></b>

This relates to acquisition of shares in Serena Hotel on 20 March 2008. Previously, the investment was carried at cost, however, with the 20% shareholding that the Fund has in the company, it has been accounted for as an associate and hence the items transferred to investments in associates.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**22. INVESTMENT IN ASSOCIATE**

	30 June 2009				30 June 2008		
	Housing Finance Bank Uganda Limited	Uganda Clays Limited	TPS Uganda Limited	Total	Housing Finance Bank Uganda Limited	Uganda Clays Limited	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Carrying value of the Investment brought forward	44,344,534	6,189,640	-	50,534,174	22,581,709	2,585,095	25,166,804
Investment at cost reclassified from Equity investments	-	-	3,479,291	3,479,291	-	-	-
Acquisition of additional capital	-	5,360,672	-	5,360,672	20,500,000	2,857,760	23,357,760
Share of profit (2008)	-	-	(159,982)	(159,982)	-	-	-
Share of profits (2009)	3,155,105	392,687	471,309	4,019,101	2,759,825	940,366	3,700,191
Less dividends receivable from associate	-	-	-	-	(1,497,000)	(193,581)	(1,690,581)
<b>Carrying value as at 30 June</b>	<b><u>47,499,639</u></b>	<b><u>11,942,999</u></b>	<b><u>3,790,618</u></b>	<b><u>63,233,256</u></b>	<b><u>44,344,534</u></b>	<b><u>6,189,640</u></b>	<b><u>50,534,174</u></b>

As at 30 June 2009, the fund had a shareholding of 50%, 32.51% and 20% in the issued share capital of Housing Finance Bank Uganda Limited, Uganda Clays Limited and TPS Uganda Limited respectively; these investments have been accounted for under the equity method.

Summary of the financial information for the equity accounted investment in associates is as follows:

	% held	Total assets Shs'000	Total liabilities Shs'000	Revenue Shs'000	Expenses Shs'000	Profit/ (Loss) Shs'000
<b>Year ended 30 June 2009</b>						
Housing Finance Bank Uganda Limited	50%	225,247,994	134,261,931	22,760,829	13,659,983	6,760,030
Uganda Clays Limited	32.51%	55,845,769	30,979,648	14,358,807	4,392,205	1,172,355
TPS Uganda Limited	20%	52,972,159	28,304,542	21,494,839	18,344,132	3,150,762
<b>Year ended 30 June 2008</b>						
Housing Finance Bank Uganda Limited	50%	191,257,262	107,087,434	19,340,481	12,810,506	6,529,975
Uganda Clays Limited	26.96%	22,623,968	10,896,875	12,683,930	10,168,976	2,514,954

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**23. OTHER INVESTMENTS**

	<b>Nsimbe Holding Ltd Shs'000</b>	<b>Victoria Property Shs'000</b>	<b>Total Shs'000</b>
<b>Cost</b>			
At 1 July 2007	8,209,950	10,300	8,220,250
Additions	-	-	-
At 30 June 2008	8,209,950	10,300	8,220,250
Additions	-	-	-
<b>At 30 June 2009</b>	<b>8,209,950</b>	<b>10,300</b>	<b>8,220,250</b>
<b>Provision for impairment</b>			
At 1 July 2007	(3,554,950)	-	(3,554,950)
Provision during the year	(4,655,000)	-	(4,655,000)
<b>At 30 June 2008</b>	<b>(8,209,950)</b>	<b>-</b>	<b>(8,209,950)</b>
Provision during the year	-	-	-
<b>At 30 June 2009</b>	<b>(8,209,950)</b>	<b>-</b>	<b>(8,209,950)</b>
<b>Carrying value</b>			
At 30 June 2009	-	<b>10,300</b>	<b>10,300</b>
At 30 June 2008	-	<b>10,300</b>	<b>10,300</b>

The investment in Victoria Properties Limited relates to a 49% interest in a joint venture with Malibu Israel limited and the investment in Nsimbe Holdings Limited relates to the 49% interest in the joint venture with Mugoya Holding Limited. There were no activities for these companies since inception and no records of accounts are maintained. The Investments have been accounted at cost less impairment losses.

Nsimbe Holdings Limited challenged the findings of a Inspector General of Government (IGG) investigation in the constitutional court. The Constitutional court subsequently declared the agreement leading to the formation of Nsimbe Holdings Limited unconstitutional and therefore the company does not exist in law. It is a non entity, which can not sue or be sued.

The recoverability of this amount is highly doubtful and has been fully impaired in these financial statements.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**24. CAPITAL WORK IN PROGRESS**

	Arua Golf Course Hotel	Branch office construction	IP Telephony	Total
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost</b>				
At 1 July 2008	3,390,268	428,797	-	3,819,065
Additions	-	-	-	-
<b>At 30 June 2008</b>	<b>3,390,268</b>	<b>428,797</b>	<b>-</b>	<b>3,819,065</b>
Additions	-	559,842	470,049	1,029,891
<b>At 30 June 2009</b>	<b>3,390,268</b>	<b>988,639</b>	<b>470,049</b>	<b>4,848,956</b>
<b>Provision for impairment</b>				
At 1 July 2008	(3,390,268)	-	-	(3,390,268)
Provision during the year	-	-	-	-
<b>At 30 June 2009</b>	<b>(3,390,268)</b>	<b>-</b>	<b>-</b>	<b>(3,390,268)</b>
Provision during the year	-	-	-	-
<b>At 30 June 2009</b>	<b>(3,390,268)</b>	<b>-</b>	<b>-</b>	<b>(3,390,268)</b>
<b>Carrying value</b>				
At 30 June 2009	-	<b>988,638</b>	<b>470,049</b>	<b>1,458,688</b>
At 30 June 2008	-	<b>428,797</b>	-	<b>428,797</b>

The Arua golf course hotel capital work in progress relates to costs incurred in creation of a joint venture with the trustees of Arua golf club in order to construct 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 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.

Management is currently negotiating with the trustees of Golf course with a view of finalizing the joint venture. However management is not certain when the final documentation creating the joint venture will be finalized.

Consequently an estimate of the Fund's interest in the joint venture was fully written down by Ushs 3,390 million in 2008.

Branch office construction relates to professional fees on design of NSSF branch offices in Gulu, Hoima, Ndeeba, and Namirembe.

IP Telephony relates to the project intended to improve communication through Internet Protocol between NSSF branches and Head Office.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**25. INVESTMENT PROPERTIES**

	<b>Valuation at 30 June 2007</b>	<b>Additions</b>	<b>Change in fair value</b>	<b>Valuation at 30 June 2008</b>	<b>Additions</b>	<b>Change in fair value</b>	<b>Valuation at 30 June 2009</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
Workers House	36,200,000	752,296	2,947,704	39,900,000	554,084	4,988,916	45,443,000
Plot 5 Mvule Road Naguru	1,000,000	-	100,000	1,100,000	-	150,000	1,250,000
Yusuf Lule Road	7,161,000	1,613,678	2,262,322	11,037,000	-	677,000	11,714,000
Independence Avenue Arua	28,200	-	-	28,200	-	10,500	38,700
Lumumba Avenue	3,817,000	4,149,967	397,000	8,363,967	7,965,044	586,000	16,915,011
Social Security House	18,300,000	75,464	524,536	18,900,000	-	600,000	19,500,000
Mbuya property, M65 plot 59	457,000	-	47,000	504,000	-	76,000	580,000
Land for proposed Lubowa Estate	122,288,900	-	10,867,100	133,156,000	-	10,181,000	143,337,000
Busiro Temangalo	-	11,132,880	-	11,132,880	106,453	530,667	11,770,000
<b>Total</b>	<b>189,252,100</b>	<b>17,724,285</b>	<b>17,145,662</b>	<b>224,122,047</b>	<b>8,625,581</b>	<b>17,800,083</b>	<b>250,547,711</b>

Investment property comprise of commercial properties that are rented out to third parties to earn rentals, the Fund also has land for which its use is yet to be determined as at 30 June 2009 but in the mean time the land is held for capital appreciation, this land is treated as investment property.

During the year management contracted Bageine and Company a certified professional valuer, to undertake valuation of all the Fund investment properties as at 30 June 2009. The above valuation amounts of investment properties have been extracted from the valuation report dated 30 June 2009 issued by Bageine and Company to the management of the Fund.

In determining the above values of investment properties, the valuer used the following basis:

- The valuation was based on market values defined by the international valuation standards as: *“the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*
- In case of Social Security House and Workers house, the market values by taking the rental income and capitalising them at appropriate rates of return revealed from analyses of sales of commercial properties within the vicinities of the two buildings
- In case of Lumumba avenue, the market values comprise the fair value adjustment of Ushs 586 million, on the value of the plot and capital injection of Ushs 7,965 million relating to the current work in progress.
- In case of plot 5 Mvule road Naguru, the market value was arrived at on the basis of comparison of sales of similar properties in the locality and has taken into account the original residential user.
- The market values for the rest of the properties comprising plots of land have been arrived at on the basis of direct sales comparable of similar land in similar localities.
- The capital additions of Ushs 106 million to the Busiro Temangalo properties relates to other capitalised expenditures during the year.

Capital additions to Workers House constitute construction works done by Roko Construction mainly in relation to the partitioning.

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)*

**26. INTANGIBLE ASSET**

	<b>2009</b>	<b>2008</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost</b>		
At 1 July 2008	7,986,307	-
Additions	<u>1,413,593</u>	<u>7,986,307</u>
<b>At 30 June 2009</b>	<b><u>9,399,900</u></b>	<b><u>7,986,307</u></b>
<b>Amortization</b>		
At 1 July 2008	-	-
Charge for the year	<u>939,990</u>	<u>-</u>
<b>At 30 June 2009</b>	<b><u>939,990</u></b>	<b><u>-</u></b>
<b>Net Book Value</b>	<b><u>8,459,910</u></b>	<b><u>7,986,307</u></b>

Intangible assets relate to software which makes up the Integrated Management Information System (IMIS)

**27. PROPERTY AND EQUIPMENT**

	<b>Land</b>	<b>Property &amp; machinery</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost</b>						
At 1 July 2007	-	451,843	3,509,552	1,032,819	7,385,193	12,379,407
Additions	478,097	16,088	1,416,306	149,715	4,490,987	6,551,193
Disposals	-	-	(329,436)	(6,190)	(5,417)	(341,043)
<b>At 30 June 2008</b>	<b>478,097</b>	<b>467,931</b>	<b>4,596,422</b>	<b>1,176,344</b>	<b>11,870,763</b>	<b>18,589,557</b>
Additions	1,289,230*	628,837	4,243,331	916,737	3,628,340	10,706,475
Disposals	-	-	-	(44,504)	(165,288)	(209,792)
<b>At 30 June 2009</b>	<b><u>1,767,327</u></b>	<b><u>1,096,768</u></b>	<b><u>8,839,753</u></b>	<b><u>2,048,577</u></b>	<b><u>15,333,815</u></b>	<b><u>29,086,240</u></b>
<b>Depreciation</b>						
At 1 July 2007	-	159,241	2,250,645	557,238	2,770,977	5,738,101
Charge for the year	-	58,520	527,052	108,388	1,241,518	1,935,478
Disposals	-	-	(285,465)	(3,741)	(3,337)	(292,543)
<b>At 30 June 2008</b>	<b>-</b>	<b>217,761</b>	<b>2,492,232</b>	<b>661,885</b>	<b>4,009,158</b>	<b>7,381,036</b>
Charge for the year	-	161,082	1,956,188	206,910	1,930,975	4,255,155
Disposals	-	-	-	(37,991)	(106,487)	(144,478)
<b>At 30 June 2009</b>	<b>-</b>	<b>378,843</b>	<b>4,448,420</b>	<b>830,804</b>	<b>5,833,646</b>	<b>11,491,713</b>
<b>Net book value</b>						
<b>At 30 June 2009</b>	<b><u>1,767,327</u></b>	<b><u>717,925</u></b>	<b><u>4,391,333</u></b>	<b><u>1,217,773</u></b>	<b><u>9,500,169</u></b>	<b><u>17,594,527</u></b>
<b>At 30 June 2008</b>	<b><u>478,097</u></b>	<b><u>250,170</u></b>	<b><u>2,104,190</u></b>	<b><u>514,459</u></b>	<b><u>7,861,605</u></b>	<b><u>11,208,521</u></b>

\* Additions to land relate to acquisition of plots in Gulu, Hoima, and Kampala (Ndeeba & Namirembe) for construction of branch offices for the Fund in these areas.

***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)***

**28. SUNDRY CREDITORS**

	<b>30-Jun-09</b>	<b>30-Jun-08</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Accounts payable	1,144,649	2,179,773
Un-supported liabilities	3,087,576	-
Alcon Retention Payable	1,202,310	1,188,675
Other payable	<u>2,773,332</u>	<u>3,674,175</u>
	<b><u>11,207,867</u></b>	<b><u>7,042,623</u></b>

The Fund's exposure to currency and liquidity risks and related to trade and other payables are disclosed in note 34.

**29. PROVISION**

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
<b>Alcon International Limited</b>		
At 1 July	20,627,065	19,545,382
Provisions made for the interest payable	1,633,086	1,167,570
Exchange rate gain	<u>6,591,037</u>	<u>(85,887)</u>
Provision for Alcon International	<b><u>28,851,188</u></b>	<b><u>20,627,065</u></b>

On 21 July, 1994 NSSF and M/S Alcon International Limited (the contractor) entered into a building contract to erect a building on NSSF's land located on plot 1 Pilkington road, Kampala. The contract price was US\$ 16,160,000. In addition, the parties executed a co-financing agreement by which the contractor agreed to lend NSSF US\$ 8,080,000 in form of materials, workmanship, labour and profits. On 8 June, 1996 the parties executed a supplementary agreement to carry out "improvement works" for an additional sum of US\$ 9,066,917.

The contractor thereafter took possession of the site and commenced construction works. Subsequently correspondences were exchanged between the architect and the contractor by which the former alleged default by the latter, which the latter denied. In the end, the construction of all the works contemplated by the contract was not practically completed. The contract was terminated on 15 May 1998 and the current protracted dispute ensued. On 30 November, 1998, the contractor filed a suit, HCCS No.1255 of 1998 in the high court against NSSF and the architect seeking a declaration that the termination of the building contract was wrongful, and for general damages for breach of contract. The judge subsequently ordered that the matter be referred to arbitration.

On 29 March 2001, the arbitrator awarded Alcon International US\$ 8,858,470 and interest at 6% p.a. NSSF and the architect were dissatisfied with the award and accordingly filed an objection in the high court under Misc. Application No-417 of 2001 seeking to set it aside. On the 30 September 2003 the Judge dismissed the objection with costs to the contractor. Being dissatisfied with the Court's decision, NSSF and the architect filed an appeal (Civil Appeal No-2 of 2004) in the court of Appeal against the decision. The court of Appeal dismissed the appeal on 25<sup>th</sup> August 2009. NSSF has now filed an appeal (Civil Appeal No. 15/2009) in the Supreme Court which is pending hearing. A provision of USD 11,575,041 relating to the award and interest thereof has been made and disclosed in note 29.

The current provision relates to the award of USD 8,858,470 by the arbitrator to Alcon and interest accrued as at 30 June 2009 at the rate of 6%. Management is defending the case vigorously and based on the advice of the legal counsel, believes any liability arising is fully covered by the provisions actually made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**30. CASH GENERATED FROM OPERATIONS**

Reconciliation of net deficit to net cash flows from operating activities

	<b>2009</b>	<b>2008</b>
	<b>Ushs '000</b>	<b>Ushs '000</b>
<b>Deficit from operations</b>	<b>(51,138,047)</b>	<b>(50,198,093)</b>
Depreciation	4,255,155	1,935,478
Profit/ (loss) on disposal of Property and equipment	58,305	(91,988)
Amortization of Intangible Assets	939,990	-
Share of profit from investment in associate	(4,019,101)	(3,700,191)
Share of loss from investment in associate relating to prior year being recognised in 2009	159,982	-
Gain on disposal of equity investments	-	(5,762,290)
Fair value loss/(gain) on equity investments	49,049,885	(26,729,128)
Fair value gain from investment properties	(17,800,083)	(17,145,662)
Un-realized exchange (loss)/gain from equity investments	<u>(4,222,207)</u>	<u>3,597,166</u>
<b>Cash flows before changes in working capital</b>	<b>(22,716,121)</b>	<b>(98,094,708)</b>
<b>Changes in working capital</b>		
Increase in inventories	(146,996)	42,876
Decrease/(increase) in trade and other assets receivable	7,650,530	(13,450,178)
Increase in payables and provisions	12,389,367	2,123,527
Increase in deposits with banks	(206,844,337)	(76,386,394)
Decrease in recoverable taxes	<u>312,865</u>	<u>6,328,414</u>
<b>Net cash (used)/ from operations</b>	<b><u>(209,354,692)</u></b>	<b><u>(179,436,463)</u></b>

**31. CONTINGENT LIABILITIES**

The Fund is also a litigant in other 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**32. RELATED PARTIES**

Below are the transactions and balances carried out with related parties;

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Non Executive Directors' emoluments	129,731	114,522
Cash balances with associate –Housing Finance Bank Limited	1,890	-
Fixed deposits with associate –Housing Finance Bank Limited	24,205,517	17,035,893
Corporate bonds in associate (Housing Finance Bank Limited)*	10,441,331	5,286,875
Housing advances to Managing Directors and Heads of Departments	490,379	839,605
Housing advances to other staff	3,294,049	752,887
Loans to Heads of department net of discount ***	1,056,868	230,626

\*The corporate bond in Housing Finance Company Uganda Limited now Housing Finance Bank Uganda has an interest rate of 13.5%

\*\*\*Staff loans are at 5% (2008:5%) interest rate.

**33. 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 financial statements and reported amounts of revenues and expenses during the reported 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 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.

Management identifies all significant accounting polices and those that involve high judgement and in particular the significant areas of estimation and un-certainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

(i) *Impairment*

The Fund makes estimates and assumptions that 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 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.

Amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

(ii) *Determining fair values*

The determination of fair value for financial assets and liabilities 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.

(iii) *Provisions and contingencies*

A provision is recognized if as a result of past events, the company 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. For provisions included in the financial statements see note 29.

### **34. FINANCIAL RISK MANAGEMENT**

**(a) Introduction and overview**

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk; and
- Credit risk;

This note presents information about the Fund exposure to each of the above risks, the Fund objectives, policies and processes for measuring and managing risk and the Fund management of capital.

**Risk management framework**

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund 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 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 Audit and Risk Committee is responsible for monitoring compliance with the Fund 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. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee

**(b) Market risk**

Market risk is the risk that changes in market prices, such as interest rate 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 risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

**Management of market risks**

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by adverse move in the market variables such as equity; bonds and commodity prices, currency exchange rates and interest rates.

The Board grants authority to take on market risk exposure to the Management Investment Committees (MIC). This Committee manages this risk through the guidelines set out in the investment policy.

**Exchange rate risk**

Exchange risk arises from a mismatch between the value of the assets and that of capital and liabilities denominated in foreign currency. The Fund does not actively engage in dealing and trading operations in currencies and so the Fund's exposure mainly involves assets, liabilities. To minimize exchange rate risk in a multi currency environment, the Fund maintains some of its assets in one foreign currency to match with foreign currency liabilities that might arise during the normal course of business.

**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 income statement. 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 the Uganda shillings, although it maintains some of its assets and trades with banks in foreign currencies. The Fund held no significant foreign currency exposure as at 30 June 2009.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

The Fund had the following significant currency position as at year end.

	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>KSHS</b>	<b>UGX</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Assets</b>						
Cash and cash equivalents	1,131,982	-	-	-	7,670,674	8,802,656
Deposits with banks	10,463,848				537,770,764	548,234,612
Investment in securities held to maturity	-	-	-	-	349,889,756	349,889,756
Trade and other receivables	4,663,976	-	-	-	7,400,708	12,064,684
Equity investments at fair value through profit or loss	-	-	-	21,223,026	46,880,465	68,103,491
Loans and advances at amortized cost	-	-	-	-	7,181,398	7,181,398
Tax recoverable	-	-	-	-	991,949	991,949
Inventories	-	-	-	-	170,191	170,191
Investment in associate	-	-	-	-	63,233,256	63,233,256
Other investments	-	-	-	-	10,300	10,300
Work in progress	-	-	-	-	1,458,688	1,458,688
Investment properties	-	-	-	-	250,547,711	250,547,711
Intangible assets	-	-	-	-	8,459,910	8,459,910
Property and equipment	-	-	-	-	17,594,527	17,594,528
<b>Total Assets</b>	<b>16,259,806</b>	<b>-</b>	<b>-</b>	<b>21,223,026</b>	<b>1,299,260,297</b>	<b>1,336,743,129</b>
<b>Liabilities</b>						
Trade and other payables	(86,970)	-	-	-	(11,120,897)	(11,207,867)
Provisions	(28,851,188)	-	-	-	-	(28,851,188)
	<b>(28,938,158)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,120,897)</b>	<b>(40,059,055)</b>
<b>Members' Fund and reserves</b>						
Accumulated Members' funds	-	-	-	-	(1,339,653,163)	(1,339,653,163)
Reserve account	-	-	-	-	(703,007)	(703,007)
Accumulated surplus	-	-	-	-	43,672,096	43,672,096
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,296,684,074)</b>	<b>(1,296,684,074)</b>
<b>Total Members' fund, reserves &amp; liability</b>	<b>(28,938,158)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,307,804,971)</b>	<b>(1,336,743,129)</b>
<b>Currency gap</b>						
As at 30 June 2009	<b>(12,678,352)</b>	<b>-</b>	<b>-</b>	<b>21,223,026</b>	<b>(8,544,674)</b>	<b>-</b>
As at 30 June 2008	<b>(2,337,027)</b>	<b>18,413,818</b>	<b>172,554,851</b>	<b>40,565,128</b>	<b>(229,196,770)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

The following exchange rates applied during the year

		Average rate		Reporting date spot rate	
		2009 Shs	2008 Shs	2009 Shs	2008 Shs
Kenya	Kshs	26.034	24.92	28.28	23.49
U.S.A	USD	1,946.23	1,717.35	2092.78	1,586.00
United Kingdom	GBP	3,109.39	3,416.45	3452.97	3,164.14
European Union. (E.U)	Euro	2,669.58	2,551.49	2,940	2,505.69

***Sensitivity analysis***

A 10% strengthening of the Uganda Shilling against the other currencies at 30 June would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2008.

	2009 Shs	2008 Shs
Euro	-	1,841,382
Kshs	2,122,302	4,056,513
GPB	-	17,255,485
USD	<u>1,625,981</u>	<u>876,445</u>

**Interest rate risk**

In broad terms the interest rate risk is the risk that concerns the sensitivity of the Fund's financial performance to changes in the 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 risk, the Fund has a policy where the approved investment commitments are matched to member's funds.

**Exposure to interest rate risk**

As at 30 June the interest rate profile of the Funds interest bearing financial instruments was:

	2009 Shs	2008 Shs
Fixed rate financial assets	910,277,306	841,589,465
Variable rate financial assets	<u>4,887,985</u>	<u>8,911,729</u>
	<b><u>915,165,291</u></b>	<b><u>850,501,194</u></b>

***Fair value and cash flow sensitivity analysis***

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 balance sheet date will not affect profit or loss.

The financial assets held at variable rate relate to the corporate bonds for East African Development Bank (EADB). These balances are not significant when compared with the total financial assets of the Fund as at year end, hence a change of 100 points in the interest rate for these instruments would have an insignificant effect on the profit or loss for the Fund.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

The table below summarizes the exposure to interest rate risks. Included in the table are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	<b>1 up to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Above 5 years</b>	<b>Non interest bearing</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Cash and cash equivalents	-	-	-	-	8,802,656	8,802,656
Deposits with banks	97,243,936	450,990,676	-	-	-	548,234,612
Investment in securities held to maturity	48,626,175	133,299,540	167,964,041	-	-	349,889,756
Trade and other receivables	-	-	-	-	12,064,684	12,064,684
Equity investments at fair value through profit or loss	-	-	-	-	68,103,491	68,103,491
Loans and advances at amortized cost	-	-	7,181,398	-	-	8,238,266
Tax recoverable	-	-	-	-	991,949	991,949
Inventories	-	-	-	-	170,191	170,191
Investment in associate	-	-	-	-	63,233,256	63,233,256
Other investments	-	-	-	-	10,300	10,300
Capital work in progress	-	-	-	-	1,458,688	1,458,688
Investment properties	-	-	-	-	250,547,711	250,547,711
Intangible assets	-	-	-	-	8,459,910	8,459,910
Property and equipment	-	-	-	-	17,594,527	17,594,527
<b>Total Assets</b>	<b>145,870,111</b>	<b>584,290,216</b>	<b>175,145,439</b>	<b>-</b>	<b>431,437,363</b>	<b>1,336,743,129</b>
<b>Liabilities</b>						
Trade and other payables	86,970	-	-	-	11,120,897	11,207,867
Provisions	28,851,188	-	-	-	-	28,851,188
<b>Total liabilities</b>	<b>28,938,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,120,897</b>	<b>40,059,055</b>
<b>Members' fund and reserves</b>						
Accumulated Members' funds	-	-	-	-	1,339,653,163	1,339,653,163
Reserve account	-	-	-	-	703,007	703,007
Accumulated surplus	-	-	-	-	(43,672,096)	(43,672,096)
<b>Total members' fund and reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,296,684,074</b>	<b>1,296,684,074</b>
<b>Total members' fund, reserves &amp; liability</b>	<b>28,938,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,307,804,971</b>	<b>1,336,743,129</b>
<b>As at 30 June 2009</b>	<b>116,931,953</b>	<b>584,290,216</b>	<b>175,145,439</b>	<b>-</b>	<b>(876,367,608)</b>	
<b>As at 30 June 2008</b>	<b>247,833,204</b>	<b>271,884,286</b>	<b>139,744,830</b>	<b>-</b>	<b>(659,427,020)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

***Fair value versus carrying amounts***

The fair values of financial assets and liabilities together with the carrying value shown in the balance sheet are analysed as follows

	30 June 2009		30 June 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	Shs '000	Shs '000	Shs '000	Shs '000
Loans and advances at amortized cost	7,181,398	7,181,398	9,050,977	9,050,977
Non-current Investment securities held to maturity	167,964,041	167,964,041	130,693,853	130,693,853
Equity investments at fair value through profit or loss	68,103,491	68,103,491	115,093,218	115,093,218
Equity investments at cost	-	-	3,479,291	3,479,291
Other investment	10,300	10,300	10,300	10,300
Deposits due from banks	548,234,612	548,234,612	512,129,382	512,129,382
Current Investment securities held to maturity	181,925,715	181,925,715	44,885,074	44,885,074
Trade and other receivables	12,064,684	12,064,684	19,525,585	19,525,585
Cash and cash equivalents	8,802,656	8,802,656	16,009,741	16,009,741
Trade payables	(11,120,898)	(11,120,898)	(6,955,428)	(6,955,428)
	<b>983,165,999</b>	<b>983,165,999</b>	<b>843,921,993</b>	<b>843,921,993</b>

**(c) 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 member's 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 meet on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

**Exposure to Liquidity risk**

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 30 June 2009 to the contractual maturity date.

***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)***

	<b>Matured</b>	<b>Less than 3</b>	<b>3 months to</b>	<b>1 to 5 years</b>	<b>Above</b>	<b>Total</b>
	<b>Shs'000</b>	<b>months</b>	<b>1 year</b>	<b>Shs'000</b>	<b>5 years</b>	<b>Shs'000</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Assets</b>						
Cash and cash equivalents	8,802,656	-	-	-	-	8,802,656
Deposits with banks	-	97,243,936	450,990,676	-	-	548,234,612
Investment in securities held to maturity	-	48,626,175	133,299,540	167,964,041	-	349,889,756
Trade and other receivables	-	12,064,684	-	-	-	12,064,684
Equity investments at fair value through profit or loss	-	-	-	-	68,103,491	68,103,491
Loans and advances at amortized cost	-	-	-	7,181,398	-	7,181,398
Tax recoverable	-	-	991,949	-	-	991,949
Inventories	-	170,191	-	-	-	170,191
Investment in associate	-	-	-	-	63,233,256	63,233,256
Other investments	-	-	-	-	10,300	10,300
Capital work in progress	-	-	-	-	1,458,688	1,458,688
Investment properties	-	-	-	-	250,547,711	250,547,711
Intangible assets	-	-	-	-	8,459,910	8,459,910
Property, and equipment	-	-	-	-	17,594,527	17,594,527
<b>Total Assets</b>	<b>8,802,656</b>	<b>158,102,986</b>	<b>585,282,165</b>	<b>175,145,439</b>	<b>409,407,883</b>	<b>1,336,743,129</b>
<b>Liabilities</b>						
Trade and other payables	-	11,207,867	-	-	-	11,207,867
Provisions	-	-	-	28,851,188	-	28,851,188
<b>Total liabilities</b>	<b>-</b>	<b>11,207,867</b>	<b>-</b>	<b>28,851,188</b>	<b>-</b>	<b>40,059,055</b>
<b>Members' Fund and reserves</b>						
Accumulated Members' funds	-	-	-	-	1,339,653,163	1,339,653,163
Reserve account	-	-	-	-	703,007	703,007
Accumulated surplus	-	-	-	-	(43,672,096)	(43,672,096)
<b>Total Members' fund and reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,296,684,074</b>	<b>1,296,684,074</b>
<b>Total Members' fund, reserves &amp; liability</b>	<b>-</b>	<b>11,207,867</b>	<b>-</b>	<b>28,851,188</b>	<b>1,296,684,074</b>	<b>1,336,743,129</b>
<b>Interest sensitivity gap</b>						
As at 30 June 2009	<b>8,802,656</b>	<b>146,897,119</b>	<b>585,282,165</b>	<b>146,294,251</b>	<b>(887,276,190)</b>	
As at 30 June 2008	<b>17,662,321</b>	<b>285,246,526</b>	<b>283,316,557</b>	<b>118,945,109</b>	<b>(705,170,513)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

**(d) 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 loans and banks and investment securities. 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 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 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 also has an investment committee which is responsible for monitoring the credit quality of investments and 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 credit policies and procedures, with credit approval authorities delegated from the Fund Board of directors. The investment department are responsible for the quality and performance of its investment portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to the board approval.

Regular audits of investment department and the Fund Credit processes are undertaken by Internal Audit.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure as at the balance sheet date was:

		<b>2009</b>	<b>2008</b>
	<b>Notes</b>	<b>Shs '000</b>	<b>Shs '000</b>
Loans and advances at amortized cost	18	7,181,398	9,050,977
Non-current Investment securities held to maturity	15	167,964,041	130,693,853
Equity investments at fair value through profit and loss	17	68,103,491	90,440,994
Equity investments at cost	21	-	3,479,291
Other investment	23	10,300	10,300
Deposits due from banks	14	548,234,612	512,129,382
Current Investment securities held to maturity	15	181,925,715	44,885,074
Trade and other receivables	16	12,064,684	19,715,214
Cash and cash equivalents	13	<u>8,802,656</u>	<u>16,009,741</u>
		<b><u>994,286,897</u></b>	<b><u>826,414,826</u></b>

***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(continued)***

The maximum exposure to credit risk for loans as at the reporting date by the type of loan at amortized cost was:

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
DFCU Bank Limited loan for mortgage financing	5,623,368	6,650,707
Staff loans	<u>2,614,935</u>	<u>2,400,270</u>
	<b><u>8,238,303</u></b>	<b><u>9,050,977</u></b>

The ageing of loans at amortized cost as at the balance sheet date was as follows:

	<b>30 June 2009</b>		<b>30 June 2008</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
Not past due	8,238,303	-	9,050,977	-
Past due 30-60 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 120-360 days	-	-	-	-
More than a year	-	-	-	-
	<b><u>8,238,303</u></b>	<b><u>-</u></b>	<b><u>9,050,977</u></b>	<b><u>-</u></b>

As at the balance sheet date there was no impairment loss allowance in respect of loans and advances, held to maturity investments.

The maximum exposure to credit risk for trade receivables as at the reporting date by the type of receivables was:

	<b>2009</b>	<b>2008</b>
	<b>Shs '000</b>	<b>Shs '000</b>
Rent receivable	4,143,631	1,834,791
Dividends receivable from associate	-	898,200
Staff debtors	4,017,667	1,779,504
Other debtors	10,632,787	5,412,120
Un-supported debtors	-	10,882,742
Prepayments	<u>313,461</u>	<u>1,808,778</u>
	<b><u>19,107,546</u></b>	<b><u>22,616,135</u></b>

The ageing of trade and other receivables as at the balance sheet date was as follows:

	<b>30 June 2009</b>		<b>30 June 2008</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
Not past due	376,611	-	13,823,125	-
Past due 0-30 days	24,290	-	-	-
Past due 31-120 days	40,890	-	-	-
Past due 120-360 days	676,696	(351,936)	-	-
More than a year	6,690,926	(6,690,926)	11,036,867	(4,983,183)
	<b><u>7,812,413</u></b>	<b><u>(7,042,862)</u></b>	<b><u>24,859,992</u></b>	<b><u>(4,983,183)</u></b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

Based on historical default rates, the Fund believes that no impairment allowance is necessary in respect of trade receivables not past due 360 days.

The allowance account in respect of trade and other receivables are 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.

**35. COMPONENTS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE CASHFLOW**

	<b>Note</b>	<b>2009 Ushs '000</b>	<b>2008 Ushs '000</b>
Cash and bank balances	13	8,802,656	16,009,741
Deposits due from banks within three (3) months	14	97,243,936	267,983,043
Held to maturity investments due within three (3) months	15	<u>48,626,175</u>	<u>7,192,327</u>
		<b><u>154,672,767</u></b>	<b><u>291,185,111</u></b>

**36. ESTABLISHMENT**

The Fund was established in Uganda under section 2 of the NSSF Act (Cap 222).

**37. CURRENCY**

These financial statements are presented in Uganda Shillings rounded to the nearest thousand (Shs'000).

**38. SUBSEQUENT EVENT**

There were no subsequent events occurring after the balance sheet date which had an impact on the financial position of the Fund.