

# NATIONAL SOCIAL SECURITY FUND

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## Your Security in Old Age



PARLIAMENT  
OF KENYA  
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1994/1995  
Annual Report And Accounts

Board of Trustees

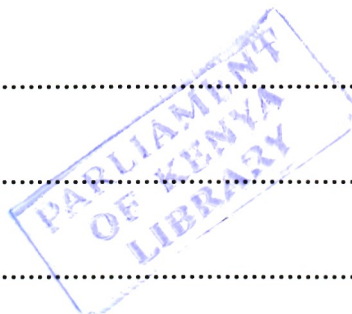




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# BOARD OF TRUSTEES

## MEMBERS OF NATIONAL SOCIAL SECURITY FUND BOARD OF TRUSTEES.

### Chairman

M.M.J. Kisoso

### Employers' Representatives

T.D. Owuor ..... FKE Executive Director  
F. Wanganju ..... Chairman FKE

### Employees' Representatives

J.J. Mugalla ..... Secretary General, COTU  
B.M. Munyao ..... Deputy Secretary General, COTU

### Government Representatives

S.K. Murage ..... Permanent Secretary, Ministry of Labour and  
Manpower Development  
B.K. Kipkulei ..... Permanent Secretary  
Treasury  
B.F. Makau ..... Permanent Secretary  
Office of the President  
S.W. Muindi ..... Managing Trustee/  
Secretary to the Board

### Bankers

Kenya Commercial Bank  
Moi Avenue  
P.O. Box 48400  
Nairobi

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
Nairobi

### Auditors

Auditor General (Corporations)  
P.O. Box 49384  
Nairobi





## **BOARD OF TRUSTEES**

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### **CHIEF OFFICERS OF THE FUND**

S.W. Muindi .....	<b>Managing Trustee and Secretary to the Board.</b>
R.M. Mbaruku .....	<b>Deputy Managing Trustee (Finance and Investments)</b>
S.K. Chemng'orem .....	<b>Deputy Managing Trustee (Personnel and Administration)</b>
G. Njehia .....	<b>Benefits Manager</b>
R.K. Nzangi .....	<b>Compliance Manager</b>
S.K. Kimeto .....	<b>Finance Manager</b>
B.O. Makoningo .....	<b>Computer Manager</b>
G. Kazungu (Ms) .....	<b>Administration Manager</b>
I.P. Juma .....	<b>Personnel Manager</b>
R.K. Lumbasyo (Mrs) .....	<b>Internal Audit Manager</b>
D. K. Ruto .....	<b>Ag. Investments Manager</b>





## CHAIRMAN'S STATEMENT



**M.M.J. Kisoso, Chairman**

May I have the honour once again on behalf of the Board of Trustees to present the Annual Report and Accounts for the Financial Year ended 30th June, 1995. The operations of the Fund continued to grow from strength to strength with determined efforts being made to redefine and address the priority areas in serving our growing membership.

The steady growth of the Fund membership is closely related to state of the economy as new investments or expansion of existing enterprises create new employment and therefore additional registration for NSSF membership. As stated in my previous report, the rise in benefit payments is not only due to the increased cases of retirements but also the claim processing procedures which speed up benefit payments. Another significant reason for the increased number of claims and payments is that most people who had registered with the Fund at its inception in 1965 were reaching their retirement some thirty years later. A total of 1488 new employers were registered in 1995 compared with 1911 in 1994. During the same year, the number of registered employees was 66,347 compared with 79,526 in 1994. Total contributions amounted to KShs. 1,388,066,000.00 in 1995 compared to KShs. 1,535,520,000.00 in 1994.

At the same time, 30476 benefit claims worth KShs. 776,725,000.00 were processed during

the year under review compared to 30,993 claims worth KShs. 707,482,000.00 in the previous year. In accordance with its Act, the Fund continued to invest its surplus funds in various stable sectors of the economy with the primary objective of guaranteeing the security of the members contributions while at the same time making a direct contribution to the economic development of this country. The Fund's investments were therefore prudently spread out in Government securities, Bank deposits, Real Estate and listed securities in the Stock Market.

The investment portfolio in 1994/95 financial year stood at KShs. 48.9 billion comprising of:

- KShs. 2.5 billion in Treasury Bills
- KShs. 10.2 billion in Treasury Bonds
- KShs. 3.1 billion in Government Stocks
- KShs. 0.5 billion in Nairobi City Council and unquoted securities
- KShs. 10.5 billion in Term Deposit with Banks
- KShs. 17.0 billion in Real Estate
- KShs. 5.1 billion in Quoted Securities

The Board of Trustees is still pursuing some pertinent aspects on the NSSF Act. It is only after the Act has been amended that the members contributions may be raised to amounts that will ensure that subsequent benefit payments will cater for the members needs to a large extent.

On behalf of the Board of Trustees and myself, I take this opportunity to express our sincere thanks to the Government for its guidance in matters of policy in complying with the provisions of the statutes on the interests of the contributions and providing the conducive environment for economic stability and prosperity.

Last but not least, I wholeheartedly thank the management and staff of the Fund for the dedication and commitment in the service of the Fund. The Board of Trustees will continue to provide the required counselling to the management in building the Fund into a successful Social Security Institution second to none.

**M.M.J. KISOSO**  
**CHAIRMAN**





# **REPORT OF THE TRUSTEES**

## **FOR THE YEAR ENDED 30TH JUNE, 1995**

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We have the pleasure to present the Report of the National Social Security Fund and Audited Accounts for the period ended 30th June, 1995.

### **ACTIVITY**

The basic objective of the Fund is to provide Social Security in old age. The Fund has continued to pursue this objective through its established Departments which perform diverse but co-ordinated functions.

### **COMPLIANCE DEPARTMENT**

The department registered 1488 employers and 66,347 employees during the year. In the previous year it registered 1911 and 79,526 employers and employees respectively. Through its enforcement activities a total of KShs. 430,000,000.00 in contributions was collected in the field offices.

Employers defying the requirements of the NSSF Act faced prosecution. During the year 109 cases were pending in court while 86 cases were settled.

### **BENEFITS DEPARTMENT**

The department processed benefit claims totalling 30,476 and benefit payments amounting to KShs. 776,725,000.00 during the year. In the previous year 30,993 benefit claims worth KShs. 707,482,000.00 were processed and paid.

### **COMPUTER DEPARTMENT**

It provides services to other departments by operating various Computer Systems such as payroll, General Ledger, Computerised Receipting System, Fixed Assets and Members Accounts.

Other systems have been developed according to user department's needs for instance cheque writing. Computer services have been decentralized to field offices so as to process members' transactions speedily.

### **PERSONNEL AND ADMINISTRATION DEPARTMENT**

The department organised the recruitment and induction of 233 new staff members of various levels who were employed in the Fund. Officers of diverse levels were sponsored to attend numerous courses during the year.

### **FINANCE DEPARTMENT**

In the year under review, the department introduced the remittance and accounting of contributions from the Area offices.

Furthermore, the exercise of updating members' accounts continues to be taken seriously and it will not stop until the problem of suspense account is solved. The financial report of the Fund is shown elsewhere in this report.

### **RESULTS**

The Fund recorded a net surplus of KShs. 3.5 billion during the year compared to KShs. 4.1 billion in 1994.

The decrease in income is mainly attributed to a general fall in interest on Term deposits in the money market

### **MEMBERS OF THE BOARD**

There were no changes in the Board of Trustees in 1994/95 Financial year.

### **AUDITORS**

KPMG Peat Marwick Certified Public Accountants were appointed as the authorized auditors of the Fund under Section 29 (2) (b) of the Exchequer and Audit Act to audit 1994/95 Financial statements.



## REPORT OF THE TRUSTEES (CONT'D)

### FIVE YEARS STATISTICAL INFORMATION (CUMULATIVE)

PERIOD	REGISTERED EMPLOYERS	REGISTERED EMPLOYEES	STANDARD CONTRIBUTIONS KShs '000	BENEFIT PAYMENTS KShs '000	MEMBERS SURPLUS KShs'000	OPERATING SURPLUS KShs '000	INVESTMENTS KShs '000
1994/95	53,240	2,252,234	18,479,375.00	3,564,750.00	36,258,535.00	10,367,474.00	48,936,616.00
1993/94	51,752	2,185,887	17,202,808.00	2,788,025.00	31,012,753.00	6,888,904.00	49,409,175.00
1992/93	49,841	2,106,361	15,767,615.00	2,448,830.00	25,553,671.00	10,281,757.00	37,295,546.00
1991/92	48,529	2,028,507	14,487,392.00	2,102,375.00	22,842,482.00	9,423,110.00	31,328,516.00
1990/91	41,101	1,975,438	13,103,994.00	1,879,219.00	11,792,577.00	7,194,059.00	26,310,369.00

#### INVESTMENT INCOME

Type	KShs '000	% OF TOTAL
Dividends/Interest on stocks	109,210	1.8
Rent	274,004	4.5
Interest on Term Deposits	5,384,152	87.5
Other Income	384,012	6.2
	<b>6,151,378</b>	<b>100</b>

#### INVESTMENTS

	KShs '000	% OF TOTAL
Government Stocks	3,111,565	6.4
Nairobi City Council and unquoted Stocks	502,097	1.0
Treasury Bills	2,459,000	5.0
Treasury Bonds	10,175,000	20.8
Term Deposit with Banks	10,535,745	21.5
Real Estate	16,965,028	34.7
Quoted Securities	5,188,181	10.6
	<b>48,936,616</b>	<b>100</b>

#### EXPENDITURE

	KShs '000	% OF TOTAL
Staff expenses	338,885	43.0
Administrative expenses	384,570	48.9
Depreciation	63,491	8.1
	<b>786,946</b>	<b>100</b>

#### BENEFIT PAYMENTS

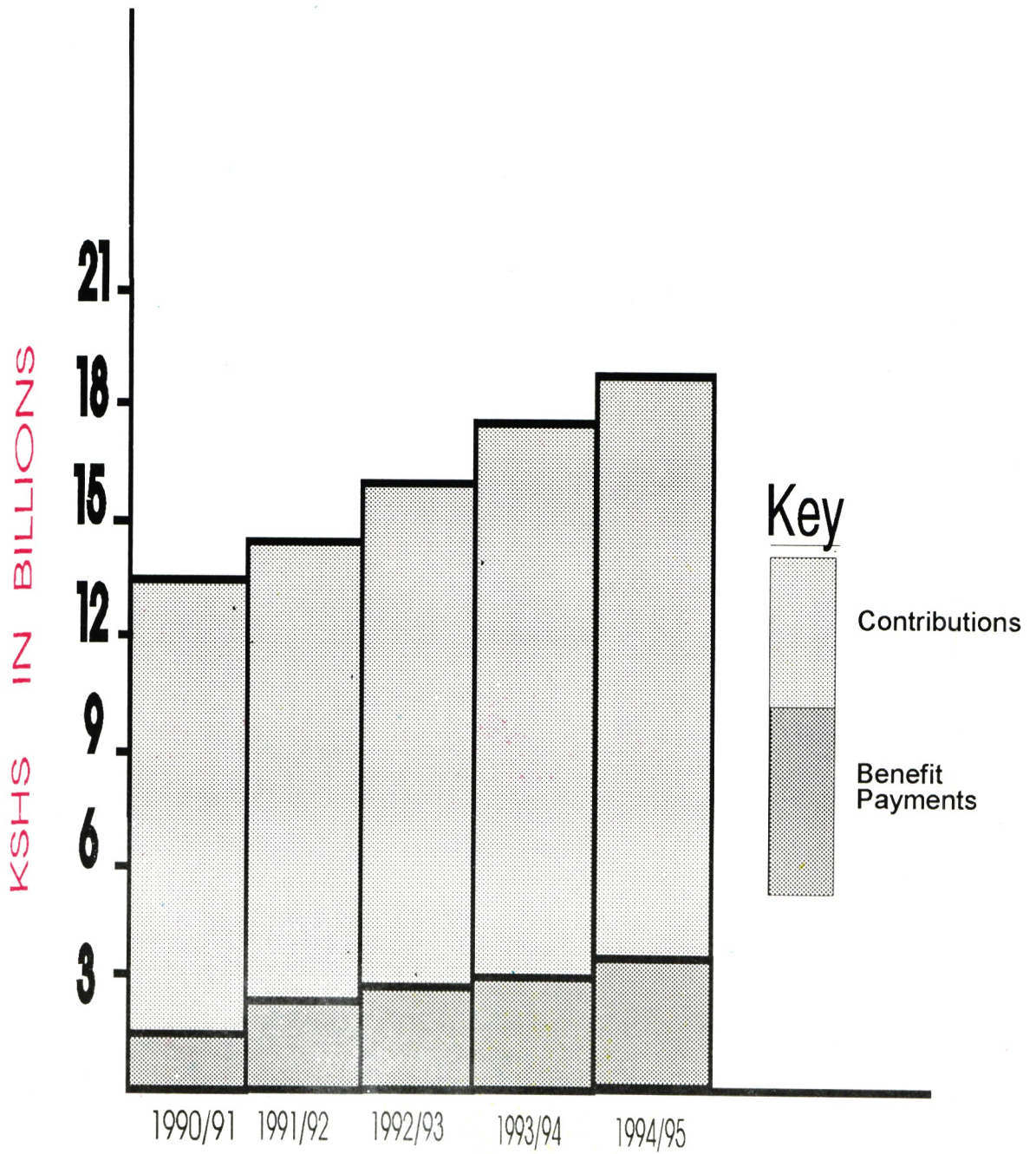
	KSHS '000	% OF TOTAL
Age	270,601	34.8
Survivors	88,936	11.5
Invalidity	45,451	5.8
Withdrawal	352,617	45.4
Emigration	7,658	1.0
Refund	11,462	1.5
	<b>776,725</b>	<b>100</b>





# REPORT OF THE TRUSTEES (CONT'D)

## CONTRIBUTIONS AND BENEFITS

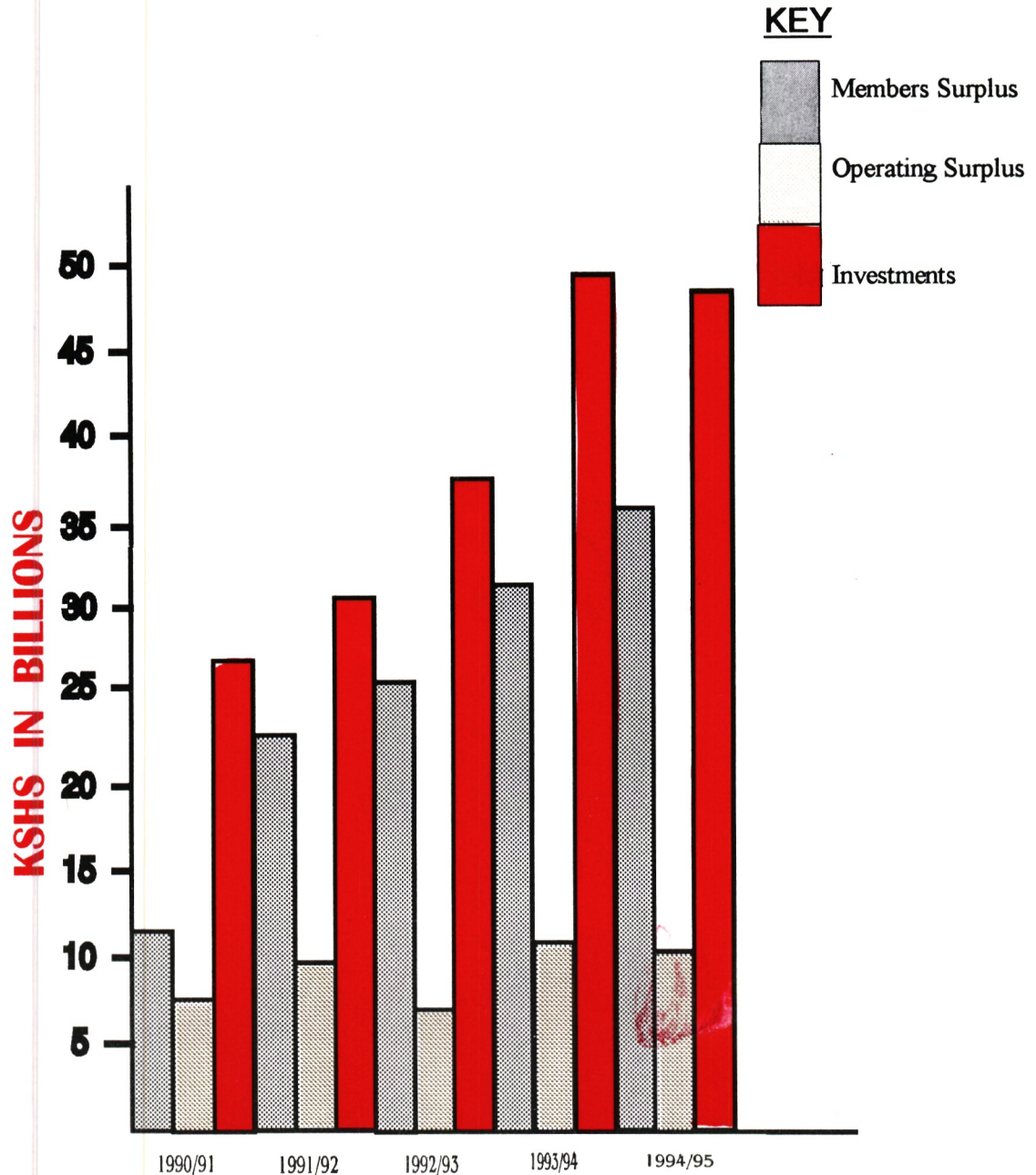




## REPORT OF THE TRUSTEES (CONT'D)

### SURPLUS AND INVESTMENTS

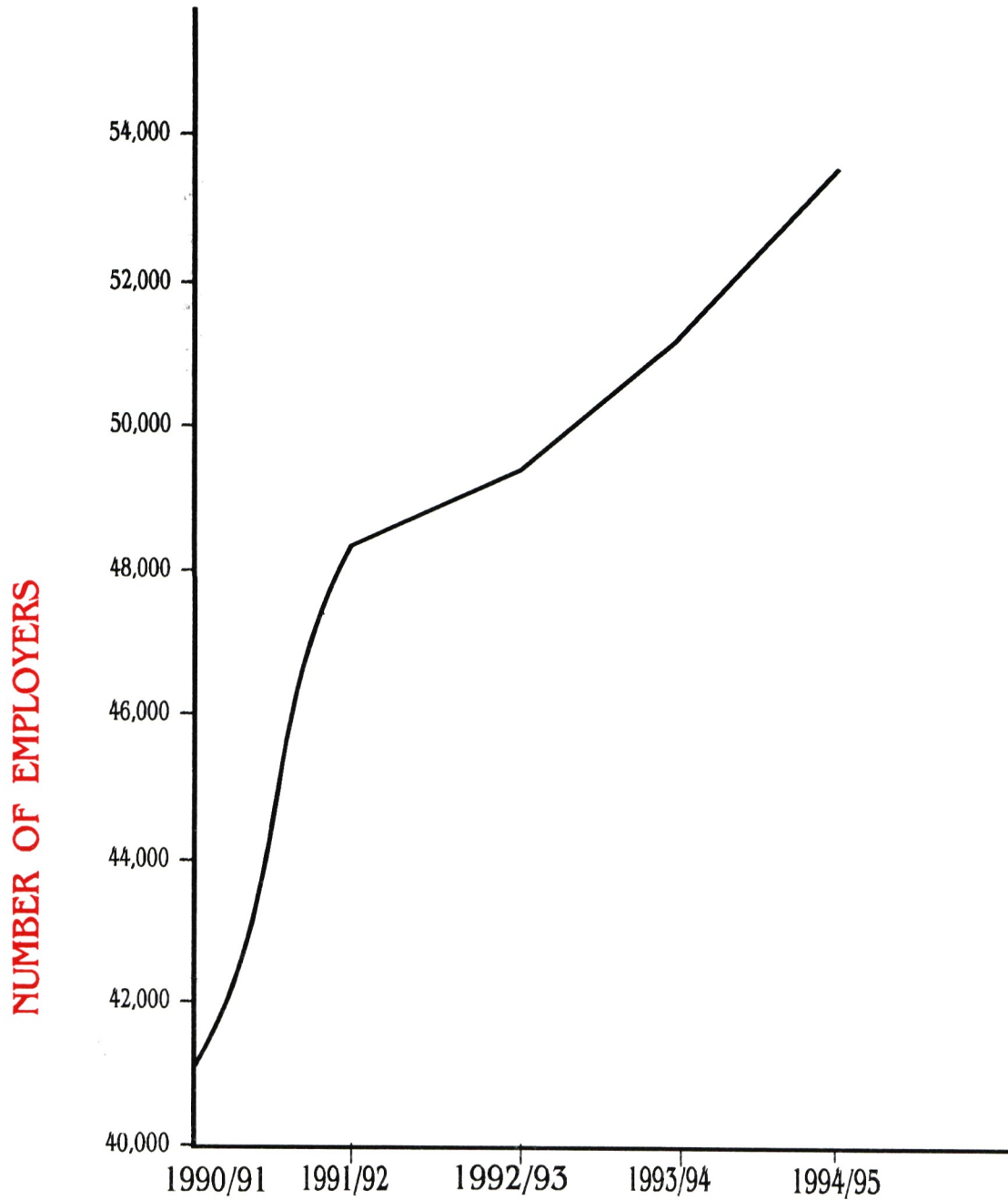
CUMULATIVE MEMBERS SURPLUS,  
OPERATING SURPLUS AND INVESTMENTS





## REPORT OF THE TRUSTEES (CONT'D)

### REGISTRATION OF EMPLOYERS

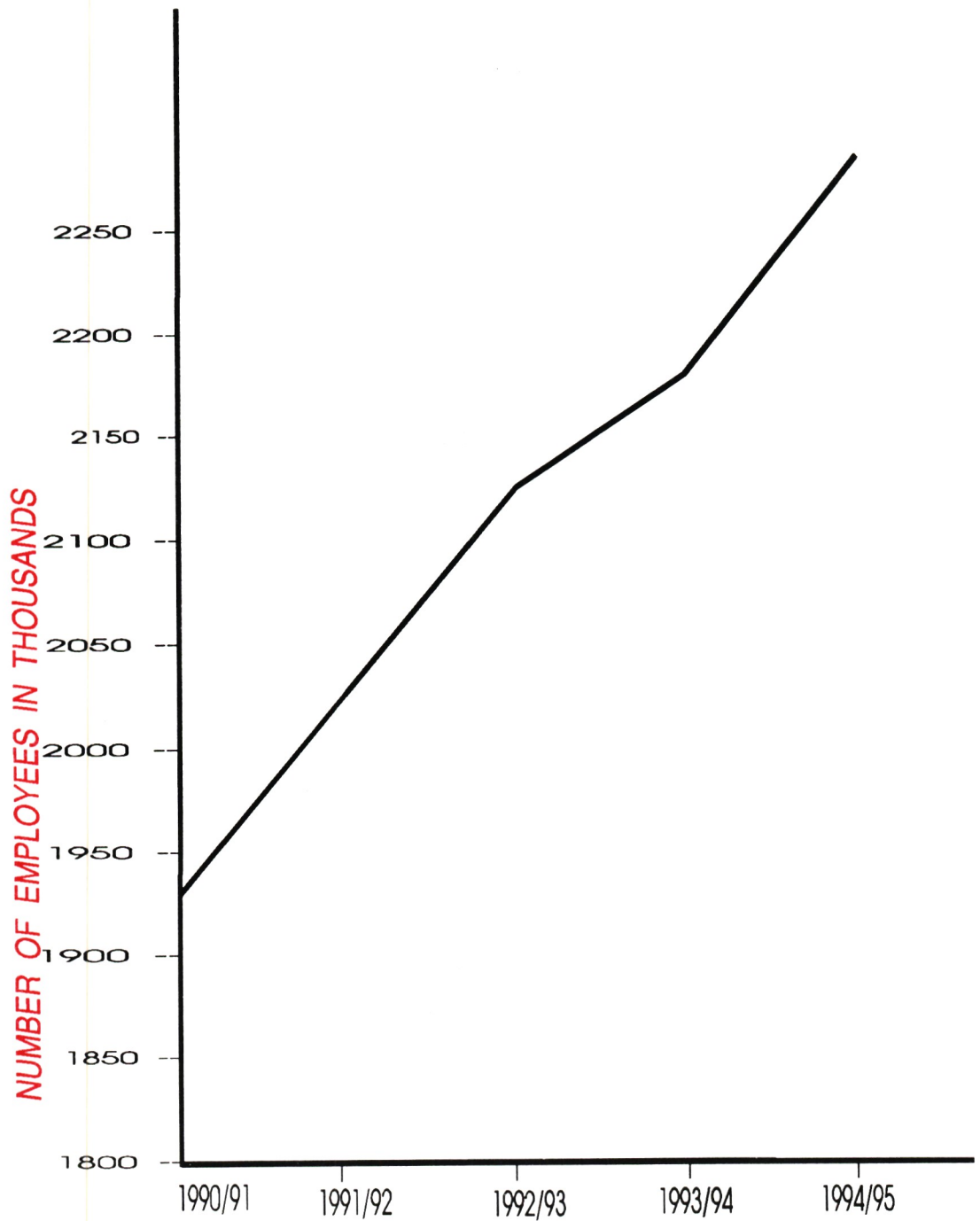






# REPORT OF THE TRUSTEES (CONT'D)

## REGISTRATION REGISTERED EMPLOYEES

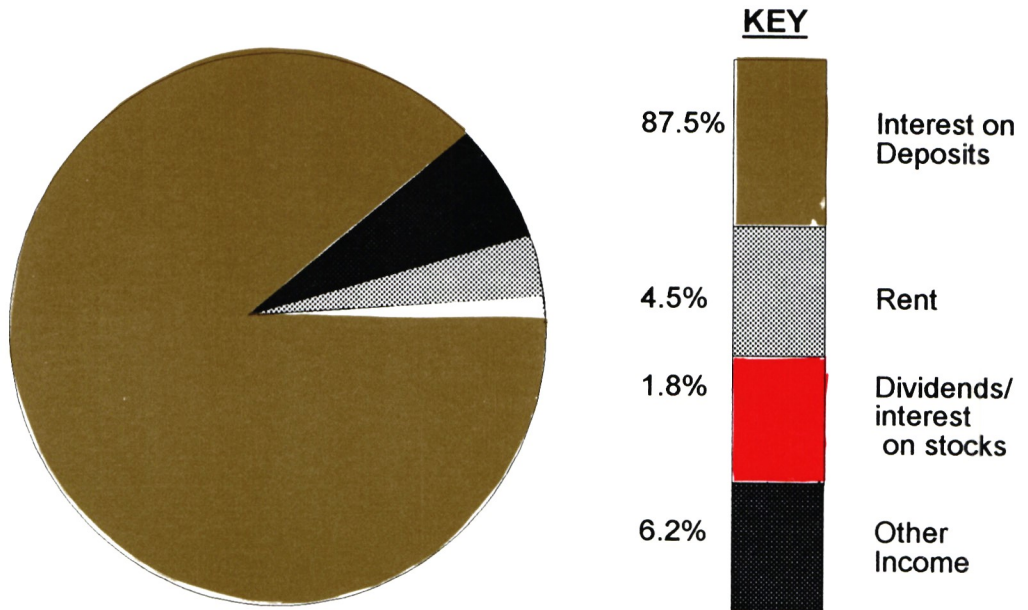




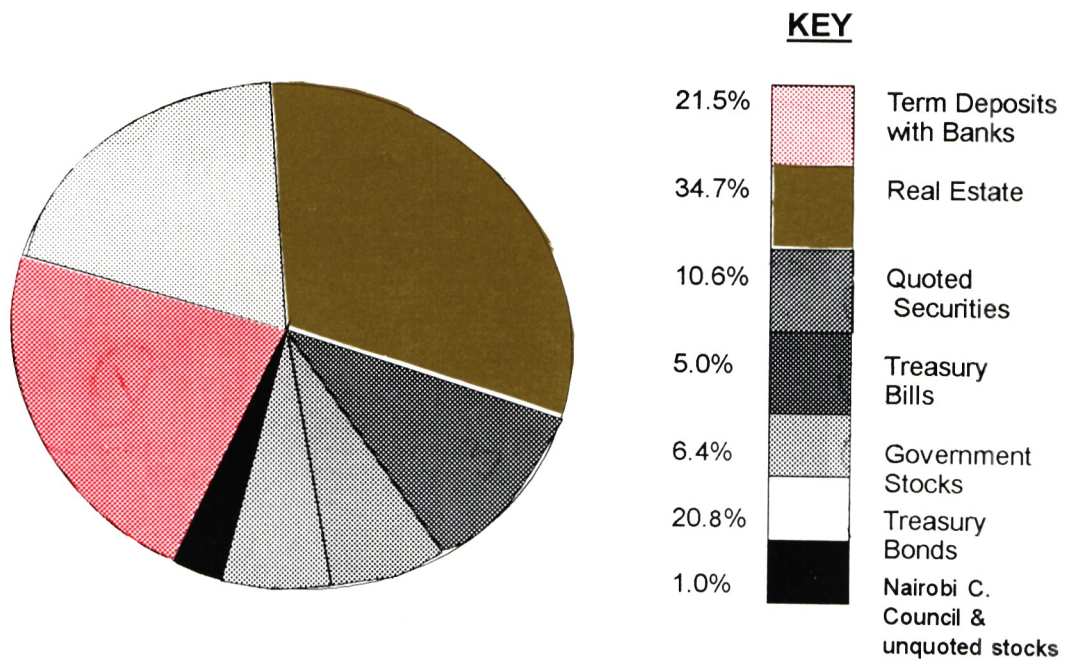
# REPORT OF THE TRUSTEES (CONT'D)

## INVESTMENTS

### INVESTMENT INCOME



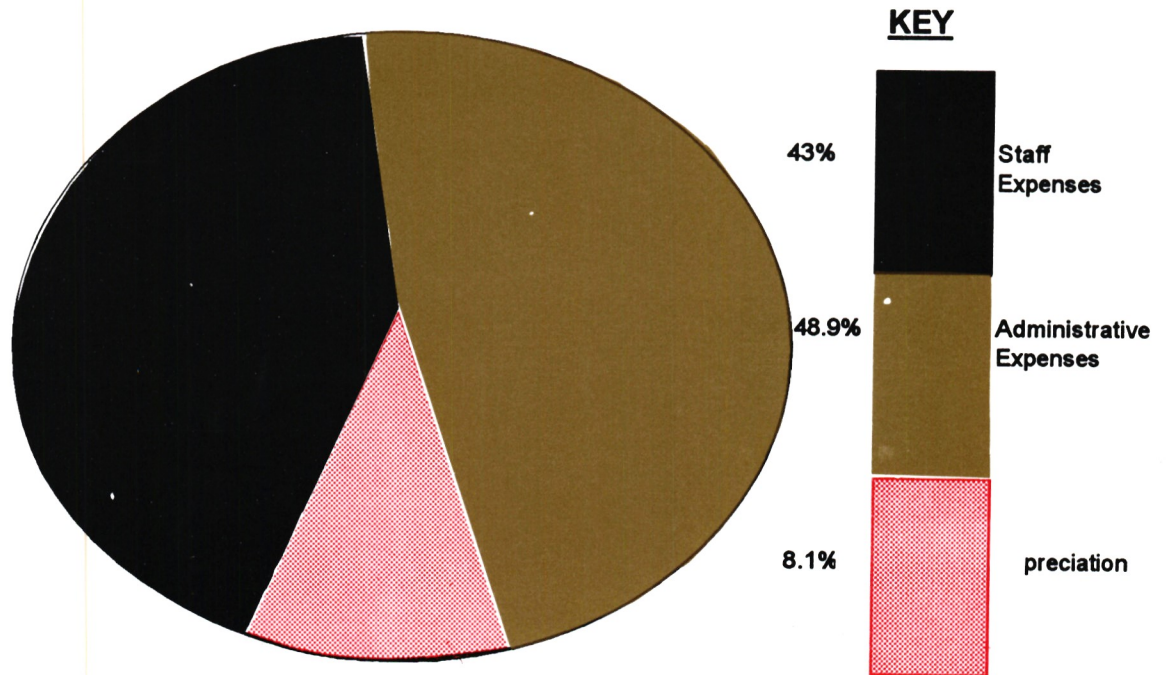
## INVESTMENTS



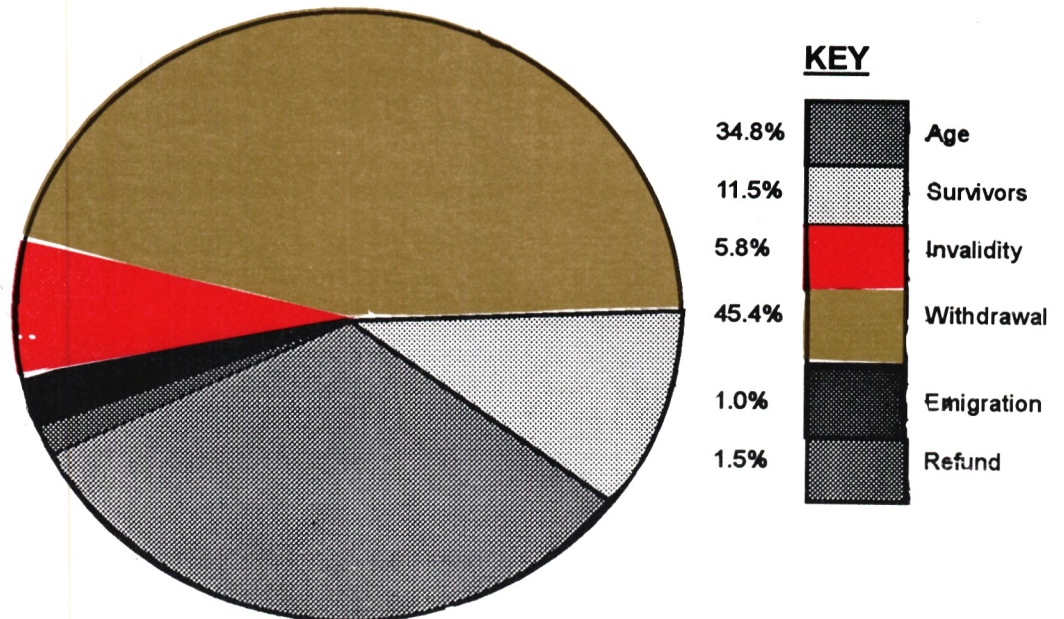


# REPORT OF THE TRUSTEES (CONT'D)

## EXPENDITURE



## BENEFIT PAYMENTS







## **REPORT OF THE AUDITOR GENERAL (CORPORATIONS) FOR THE YEAR ENDED 30 JUNE, 1995**

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The accounts of the National Social Security Fund for the year ended 30 June 1995 have been examined on my behalf by the Fund's authorized auditors in accordance with section 29 (2) (b) of the Exchequer & Audit Act (Cap 412). The authorized auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations considered necessary for the purpose of the audit were obtained. The financial statements are in agreement with the books of account.

Subject to the matters referred to herebelow, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the National Social Security Fund's affairs as at 30 June 1995 and of the results of the operations for the year then ended.

### **1. DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT**

The Board of Trustees are responsible for the preparation of financial statements which give a true and fair view of National Social Security Fund's state of affairs and its operating results. The financial statements were signed by the Board in March 1996. The Fund's signed statements for the year ended 30 June 1995 which under the law should have been submitted for audit by 31 October 1995 were therefore not so submitted. Non submission of the financial statements within the statutory period has adversely affected my programme of audit in so far as the compliance of reporting within the statutory deadline of 31 January 1996 is concerned. In addition I am unable to report that the Board of Trustees complied fully with the provisions of the National Social Security Fund Act (Cap 258).

### **2. UNVOUCHED ADJUSTMENT**

In my previous year's report reference was made to my inability to perform audit procedures sufficient to satisfy myself as to the accuracy of prior year adjustments due to lack of reliable accounting information. In the year under review a net amount of KShs. 375 million comprising of general ledger, cash book and bank reconciliation differences, accounting mispostings and other adjustments is included under Sundry Income figure of KShs. 381,109,000.00. Again due to lack of reliable accounting information, it was not possible to perform audit procedures sufficient to satisfy myself as to the accuracy or otherwise of the net amount of KShs. 375 million.

### **3 DEBTORS, PREPAYMENTS & DEBIT BALANCES**

The Balance Sheet figure of Debtors, Prepayments and Debit balances include KShs. 294,351,000.00 (1993/94 KShs 252,370,000.00) relating to litigation concerning South B Hazina Estate. Although the Fund has stated that there are overwhelming chances of succeeding in their litigation, I have not been able to satisfy myself that the amount will be recoverable at the conclusion of the litigation.



## REPORT OF THE AUDITOR GENERAL (CORPORATIONS) FOR THE YEAR ENDED 30 JUNE, 1995

### 4. INVESTMENTS

Investments include cost of undeveloped land totalling KShs. 5,915,896,000.00 (1993\94 KShs. 1,733,148,000.00) shown in the balance sheet. Valuation of NSSF's properties as of 30 June 1995 carried out by a professional firm of valuers appointed by the Fund in 1996 shows that the values of some eleven (11) properties acquired during the year were significantly low compared with those given by other valuers at the time of purchase:-

<u>Property</u>	<u>Valuation prior to purchase</u> <u>KShs.</u>	<u>Valuation undertaken in 1996</u> <u>KShs.</u>	<u>Variance</u> <u>KShs.</u>
Athi River (5 plots)	576m	88.5m	487.5m
Kangemi 12948 & 12952	270m	217m	53m
Mavoko 13 plots	300m	32m	268m
Outer-ring Road No 11314	124.5m	108m	16.5m
Mavoko 11895/19	268.9m	45.4m	223.5m
10\167 Syokimau	22.5m	10.9m	11.6m
Kenyatta Av. 12219\20	157m	98m	59m
Kileleshwa No.11609/20-17	42m	20.8m	21.2m
Langata 209\9727	375m	135m	240m
Mavoko 3 plots	220m	23m	197m
Bamburi 6 plots	185m	113.6m	71.4m
	<u>2,540.9m</u>	<u>892.2m</u>	<u>1648.7m</u>

Under normal circumstances valuations carried out by different professional valuers on the same properties should not differ significantly. However in the above eleven (11) properties a variance of KShs. 1648.7 million or 65% is considered too high. The Fund has, however, explained that the variance in valuation for the whole portfolio was only KShs. 69 million or 0.362 % which was within acceptable margins of 10-15% , an explanation I find difficult to accept when viewed against valuations of the 11 properties. Consequently I am unable to confirm that the Fund purchased the properties at the best market values available.

### 5.0 TERM DEPOSITS

- 5.1 In my previous years' reports reference was made to the inability of a Commercial Bank to redeem the Fund's deposits and accrued interest. A review of the position during the year revealed that the bank continued to default in repayment of deposits which stood at KShs. 2,514,650,000.00 as at 30 June 1995. No provision has been made for possible non recoverability of the amount. The Fund has maintained that the deposits are still fully recoverable and has explained that negotiations with the bank are in place for the deposits to be secured and redemption arrangement agreed. Until such time that the deposits are secured, I am unable to confirm that they are recoverable in full.





## REPORT OF THE AUDITOR GENERAL (CORPORATIONS) FOR THE YEAR ENDED 30 JUNE, 1995

- 5.2 In addition, the Fund had invested KShs. 1,255,000,000.00 (1993/94 KShs. 805,000,000.00 ) as at 30 June 1995 in a Building Society, an amount that formed 86% of the Society's entire deposits portfolio. The Fund has stated that the deposits are in support of housing sector. In absence of additional security for this investment I am unable to state that the money invested in the society is secure.
- 5.3 Further the accounts for the year reflect specific provision for doubtful term deposits of KShs. 283,074,000.00 and KShs. 147,500,000.00 totalling KShs. 430,574,000.00 also referred to in note 16 to the accounts. The deposits which were invested in a financial institution and a bank respectively have since matured but the institutions have been unable to redeem.
- 5.4 Arising from the foregoing I am unable to state that the Fund pursued a prudent investment policy consistent not only with high returns but also with security of the investments.

### 6.0 RENTAL INCOME

As with the previous year the rate of return on the Fund's rental properties is considered low and insufficient to provide for the current rate of interest of 15% on members contributions. The rental returns were particularly low on the following properties:

<u>Property</u>	<u>Cost</u> <u>KShs. '000</u>	<u>Rental Income</u> <u>KShs. '000</u>	<u>Return on</u> <u>Cost %</u>
Old and New Social Security			
House, Nairobi	4,180,948	105,675	2.5
Social Security House, Mombasa	132,879	11,679	8.7
Bruce House Nairobi	566,818	61,419	10.8
Hazina Towers	566,591	5,788	1.02
View Park Towers	870,807	57,331	9.9
Hazina Plaza-Mombasa	458,791	25,600	8.4
Mortar Daddah Street, Nairobi	<u>224,732</u>	<u>4,905</u>	<u>2.2</u>
	<u>7,001,566</u>	<u>272,397</u>	<u>3.9</u>

In addition the Fund continued to have high rental arrears which totalled KShs. 112,635,000.00 (1993/94 KShs. 72,467,000.00 ) or 41% of the Fund's expected total annual rental income of KShs. 274,004,000.00 The rental arrears represents almost five (5) months rentals for the whole portfolio which translates to a loss of up to KShs. 8 million in interest foregone at prevailing market rates.





## **REPORT OF THE AUDITOR GENERAL (CORPORATIONS) FOR THE YEAR ENDED 30 JUNE, 1995**

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### **7.0**

### **SOCIAL SECURITY HOUSE, NAIROBI**

- 7.1 In paragraph 6 of my report for the Fund's accounts for the year ended 30 June 1993 concern was expressed on the improper manner in which the building project of the new Social Security House was conceived, planned and implemented. Besides other anomalies the project contract which was awarded at an initial cost of KShs. 467 million was varied seven (7) times during the four years to 1993 period of construction, bringing the final cost of the building to KShs. 3,791,000,000.00. The project which would have been completed in 1991 was not completed until 1993, two years late.
- 7.2 In 1993 the Fund awarded the construction of a car-park contract to another construction firm at a price of KShs. 1,576,000,000.00. The project is on property LR No. 209/ 11297 the land adjacent to the New Social Security House acquired in 1990 at a cost of KShs. 25,232,000.00. Although the Fund has stated that the project was a requirement by the Nairobi City Council that parking space be provided for the Social Security House there is no evidence to show that a detailed feasibility study was undertaken on the likely economic return on the project before implementation. Further, although the Fund has so far incurred a total of KShs. 263 million in payments of the construction work and professional fees the project has stalled and is considerably behind schedule due to an apparent lack of capital on the part of contractor.

In view of the foregoing, the realization of the project at the initial contract price of KShs. 1.576 billion is in doubt. Worse still the likely return on the project, if eventually completed, is anticipated to be minimal.

### **8.**

### **ADVERTISING COSTS**

The expenditure on advertising and donations showed significant increases during the past two years from KShs. 4.863 million in 1992/93 to KShs. 25.9 million in 1993/94 and KShs. 28.483 million in the year under review. Some of the payments on this item were made through an advertising firm whose services were not procured through competitive tendering. Under the circumstances, I was unable to confirm that the Fund got the services from the most economical source. Further, the Fund that draws most of its membership through compulsory contributions cannot justify such expenditure on promotional activities.

**W.K. KEMEI**

**AUDITOR GENERAL (CORPORATIONS)**

17 APRIL 1997.



# BALANCE SHEET

AS AT 30TH JUNE 1995

	<u>NOTE</u>	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
<b>FIXED ASSETS</b>	8	<u>226,418</u>	<u>92,535</u>
<b>INVESTMENTS</b>			
Land		5,915,896	1,733,148
Land and Buildings	9	11,049,132	5,801,707
Quoted equities	10	5,188,181	5,129,387
Government of Kenya Stocks	11	3,111,565	3,761,595
Unquoted Stocks and equities	12	502,097	502,097
Treasury and Government Bearer Bonds	13	10,175,000	12,782,330
Deposits with Financial Institutions	14	10,535,745	10,420,479
Treasury Bills	15	<u>2,459,000</u>	<u>9,278,432</u>
		<b>48,936,616</b>	<b>49,409,175</b>
Less: Provisions for doubtful Investments	16	<u>(2,018,721)</u>	<u>(2,018,721)</u>
Net Investments		<u>46,917,895</u>	<u>47,390,454</u>
<b>CURRENT ASSETS</b>			
Debtors, Prepayments and Debit Balances	17	384,696	538,371
Accrued Income	18	1,149,949	983,803
Treasury Imprest		17,177	55,296
Cash and Bank Balances		<u>121,190</u>	<u>86,718</u>
		<b>1,673,012</b>	<b>1,664,188</b>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft		12,103	999,818
Creditors, Accruals and Other Liabilities	19	625,612	1,398,868
Reimbursements due to Government		17,138	55,281
Taxation		<u>2,334,409</u>	<u>3,774,038</u>
		<b>2,989,262</b>	<b>6,228,005</b>
<b>NET CURRENT (LIABILITIES)</b>		<u>(1,316,250)</u>	<u>(4,563,817)</u>
		<b>45,828,063</b>	<b>42,919,172</b>
<b>FINANCED BY:</b>			
MEMBERS' FUND ACCOUNT		36,258,535	31,012,753
ACCUMULATED SURPLUS		5,733,033	6,888,904
REVALUATION RESERVE	21	<u>3,836,495</u>	<u>5,017,515</u>
		<b>45,828,063</b>	<b>42,919,172</b>

Signed on behalf of the Board of Trustees - National Social Security Fund.

**M.M.J. KISOSO**  
CHAIRMAN

**S.W. MUINDI**  
MANAGING TRUSTEE

Date: 21 March, 1997



## INCOME AND EXPENDITURE ACCOUNT

### FOR THE YEAR ENDED 30TH JUNE 1995

<b>INCOME</b>	<b>NOTE</b>	<b><u>1995</u></b> <b><u>KSHS '000</u></b>	<b><u>1994</u></b> <b><u>KSHS '000</u></b>
Dividends		109,210	162,693
Rent	2	274,004	62,968
Interest and discounts		5,384,152	6,688,040
Profit on disposal of property		2,903	-
Sundry income		<u>381,109</u>	<u>16,590</u>
		<b><u>6,151,378</u></b>	<b><u>6,930,291</u></b>
 <b>EXPENDITURE</b>			
Staff expenses	3	338,885	190,337
Administrative expenses	4	384,570	196,787
Provision for doubtful investments	5	-	91,392
Write-off of debit balances	6	-	122,236
Provision for doubtful staff debtors		-	2,000
Depreciation charge		<u>63,491</u>	<u>40,433</u>
		<b><u>786,946</u></b>	<b><u>643,185</u></b>
Surplus before taxation		5,364,432	6,287,106
Taxation	7	<u>(1,885,862)</u>	<u>(2,185,978)</u>
Surplus after taxation		3,478,570	4,101,128
Accumulated surplus brought forward	20	6,888,904	6,701,238
Provision for interest on contributions for the year		<u>(4,634,441)</u>	<u>(3,913,462)</u>
Accumulated surplus carried forward		<b><u>5,733,033</u></b>	<b><u>6,888,904</u></b>





## MEMBERS' FUND ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1995

	1995			1994		
	Contribution	Interest	Total	Contribution	Interest	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Balance brought forward	15,105,903	15,906,850	31,012,753	13,909,578	11,644,093	25,553,671
<b>Receipts for the year:</b>						
Standard contributions (Note 23)	1,276,567	-	1,276,567	1,435,193	-	1,435,193
Special contributions	108,603	-	108,603	98,797	-	98,797
Penalties	2,417	-	2,417	1,340	-	1,340
Sale of duplicate membership cards	58	-	58	34	-	34
Other income	421	-	421	156	-	156
	<b>1,388,066</b>	<b>-</b>	<b>1,388,066</b>	<b>1,535,520</b>	<b>-</b>	<b>1,535,520</b>
<b>Payments in the year:</b>						
Age	111,144	159,457	270,601	127,079	137,600	264,679
Survivors	39,197	49,739	88,936	47,145	47,608	94,753
Invalidity	19,397	26,054	45,451	24,847	27,323	52,170
Withdrawal	139,706	212,911	352,617	122,468	152,027	274,495
Emigration	4,532	3,126	7,658	4,953	3,729	8,682
Refund	11,462	-	11,462	12,703	-	12,703
	<b>(325,438)</b>	<b>(451,287)</b>	<b>(776,725)</b>	<b>(339,195)</b>	<b>(368,287)</b>	<b>(707,482)</b>
Excess of receipts over payments for the year	1,062,628	( 451,287)	611,341	1,196,325	( 368,287)	828,038
Provision for accrued interest on contributions	-	4,634,441	4,634,441	-	3,913,462	3,913,462
Underprovision for accrued interest in prior year	-	-	--	-	717,582	717,582
Balance carried forward	<b>16,168,531</b>	<b>20,090,004</b>	<b>36,258,535</b>	<b>15,105,903</b>	<b>15,906,850</b>	<b>31,012,753</b>



# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 30TH JUNE 1995

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Accounting convention

The accounts are prepared under the historical cost convention as modified by the inclusion of certain assets on a revalued basis.

#### 1.2 Accounting for contributions

- Contributions from employers/employees are accounted for on a receipts basis.
- Benefits to employees are accounted for on a payment basis.
- Interest payable on members accumulated contributions (standard contributions plus interest) is accrued annually at the agreed interest rate for the period (1994 and 1995-15%).

#### 1.3 Income recognition

##### (i) Dividends

Dividends are accounted for on a receipts basis

##### (ii) Interest on deposits with financial institutions

Interest on deposits with financial institutions is accounted for on an accruals basis.

##### (iii) Interest/discounts on Treasury Bills and Bonds

Interest/discounts on Treasury Bills and Bonds are credited to income on a straight line basis over the maturity period of the investments.

##### (iv) Coupon interest on Government securities

Coupon interest on government securities is accounted for on an accruals basis.

#### 1.4 Depreciation

Depreciation is calculated on a straight line basis at annual rates estimated to write off the carrying values of assets over their expected useful lives as follows:-

Motor vehicles .....	20%
Computers and microfilming equipment .....	20%
Office furniture .....	10%
Office equipment .....	12.5%
Fittings and furnishings .....	20%

#### 1.5 Investments

##### Quoted equities

As from 1993/94, equities are stated at estimated market value, based on deals around the year end. Differences between cost and market value are debited/(credited) to an unrealised revaluation reserve. Upon sale of the investments the surplus/(deficit) arising from the transaction will be transferred to the Income and Expenditure account.

##### Unquoted equities

Unquoted equities are shown at cost less provision for any permanent diminution in value.



## NOTES TO THE ACCOUNTS (CONT'D)

### Treasury Bills and Bonds, and Government Bearer Bonds

Treasury Bills and Bonds, and Government Bearer Bonds, are stated in the accounts at par value. The difference between par value and cost, the discount amount not yet earned, is included under current liabilities as income received in advance.

### 1.6 Investments in land and buildings

Undeveloped land, partly developed land and buildings are valued at cost as modified for the revaluation of three properties.

*Cost is defined as:*

- Undeveloped land - Cost of the land plus incidental expenses.
- Partly developed land held for long term investment - Cost of land defined above plus construction work certified and paid.
- Partly developed land held for immediate sale on completion of construction - Cost as defined above, less any foreseen losses.

### 2.

### RENT INCOME

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
NSSF House-Nairobi	105,679	9,843
NSSF House-Mombasa	11,679	5,452
Bruce House-Nairobi	61,419	43,135
Moktar Daddah Street property-Nairobi	4,905	3,164
Hazina Towers	5,788	-
View Park Towers	57,331	-
Cannon Court	25,600	-
Other properties	<u>1,603</u>	<u>1,374</u>
	<u>274,004</u>	<u>62,968</u>

### 3.

### STAFF EXPENSES

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Salaries	194,611	109,022
House allowance	62,113	28,808
Acting allowance	473	322
Honorarium allowance	-	858
Entertainment allowance	1,581	278
Leave allowance	7,818	2,698





## NOTES TO THE ACCOUNTS (CONT'D)

Hardship allowance	279	207
Pension and gratuity	33,928	22,010
Training and seminars	4,937	7,890
Medical expenses	6,071	2,362
Special accommodation allowance	617	774
Overtime	3,181	8,053
NSSF contributions	548	5,374
Transfer allowance	793	7
Transport allowance	20,692	1,674
Utility allowance	<u>1,243</u>	-
	<b><u>338,885</u></b>	<b><u>190,337</u></b>

4

### ADMINISTRATIVE EXPENSES

	<u>1995</u> <b>KSHS '000</b>	<u>1994</u> <b>KSHS '000</b>
Consultancy services	17,985	12,196
Board, committees and conferences	1,201	3,102
Travelling and subsistence allowance	18,422	7,510
Rent and rates	123,739	19,718
Subscriptions	-	1,691
Postage and telephones	30,356	10,999
Electricity, water and conservancy	9,810	6,669
Uniforms	3,275	57
Printing and stationery	39,711	20,180
Advertising and donations	28,483	25,865
Cash Losses	207	1,122
Books and Publications	1,254	771
Maintenance and repairs	23,015	12,368
Renovations	4,230	4,060
General insurance	21,430	14,755
Exhibition expenses	3,981	9,695
Legal fees	11,702	675
Staff welfare	3,702	1,808
Audit fees:		
Current year	6,000	6,500
Prior years underprovision	-	4,957
Bank interest and other incidentals	<u>9,483</u>	<u>13,435</u>
	<b><u>384,570</u></b>	<b><u>196,787</u></b>



## NOTES TO THE ACCOUNTS (CONT'D)

### 5. PROVISION FOR DOUBTFUL INVESTMENTS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Increase/decrease) in provision:		
Nairobi City Council Stocks	-	( 9,254)
Central Finance Limited	-	( 10,000)
Thabiti Finance Limited	-	168,841
Middle Africa Finance Limited	-	( 200)
Trade Bank Limited	-	( 3,000)
Trade Finance Limited	-	( 2,000)
Postbank Credit Limited	-	(353,671)
Pan Africa Bank Limited	-	(100,000)
Exchange Bank Limited	-	( 50,000)
Rural Urban Credit	-	20,102
Specific provision for other doubtful investments	-	430,574
	<u>-</u>	<u>91,392</u>

### 6. WRITE OFF OF DEBIT BALANCES

This represents the write-off old debit balances held in suspense, not represented by legitimate assets.

### 7. TAXATION

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Current taxation is 35% on the taxable surplus for the year	<u>1,885,862</u>	<u>2,185,978</u>

NSSF became taxable effective in the year ended 30 June 1992, after its tax exemption status was withdrawn.

### 8. FIXED ASSETS

	Computer & Microfilming Equipment	Motor Vehicles	Office Equipent	Office Furniture	Fittings & furnishing	Total
	Kshs'000	Kshs'000	Ksh'000	Kshs'000	Kshs'000	Kshs'000
<b>Cost or Revaluation</b>						
At 1.7.94	83,142	60,770	64,667	12,912	10,355	231,846
Additions	15,540	61,857	47,085	65,489	7,403	197,374
At 30.6.95	98,682	122,627	111,752	78,401	17,758	429,220
<b>Depreciation</b>						
At 1.7.94	70,063	34,729	22,438	5,065	7,016	139,311
Charge for the year	19,715	24,462	11,807	3,975	3,532	63,491
At 30.6.95	89,778	59,191	34,245	9,040	10,548	202,802
<b>Net Book Value</b>						
At 30.6.95	8,904	63,436	77,507	69,361	7,210	226,418
At 30.6.94	13,079	26,041	42,229	7,847	3,339	92,535





## NOTES TO THE ACCOUNTS (CONT'D)

9.

### LAND AND BUILDINGS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Social Security House- Nairobi	222,872	206,975
Social Security House-Mombasa	132,879	131,080
Extensions to SSH- Nairobi*	3,958,076	3,825,246
Bruce House-Nairobi	566,818	483,763
Moktar Daddah Street-Nairobi**	224,732	199,251
Hazina Estate*	1,352,964	745,929
Social Security House Annex-Nairobi*	262,963	78,852
Prudential Estate-Nairobi	13,125	13,125
Kibera Highrise Estate-Nairobi	117,486	117,486
Lenana Road Development **	221,526	-
Hospital Road Development **	35,240	-
Hazina Towers	566,591	-
View Park Towers	870,807	-
Cannon Court-Mombasa	458,791	-
Beta Estate-Embakasi *	1,994,831	-
Machakos Development **	49,431	-
	<u>11,049,132</u>	<u>5,801,707</u>

\* Development in progress.

\*\* No physical work undertaken.

10.

### QUOTED EQUITIES

	<u>MARKET VALUE</u> <u>1995</u> <u>KSHS '000</u>	<u>MARKET VALUE</u> <u>1994</u> <u>KSHS '000</u>
Kenya Power and Lighting Company Limited		
950,000 Ordinary KShs. 20 shares )		
3.550 4% KShs. 20 Preference shares )	118,342	47,366
750 7% KShs. Cumulative Preferences shares )		
Kenya Breweries Limited		
1994: 2,587,343/1995: 4,587,343 KShs. 10		
Ordinary shares	315,527	305,306
BAT (K) Limited		
15,000,000 KShs. 10 Ordinary shares	1,590,000	3,361,599



## REPORT OF THE TRUSTEES (CONT'D)

Brooke Bond (K) Limited 1,437,500 KShs. 10 Ordinary shares	283,187	415,437
Bamburi Portland Cement Company Limited 1994: 12,736,484/1995: 25,472,968 KShs. 5 Ordinary shares	891,554	821,503
EA Portland Cement Company Limited 1,620,000 KShs. 5 Ordinary shares	88,290	131,220
Kenya Commercial Bank Limited 750,000 KShs. 10 Ordinary shares	52,500	46,875
Housing Finance Company of Kenya Limited 1994: 3,375/1995: 1,342,079 KShs. 5 Ordinary shares	33,552	81
Firestone East Africa (1969) Limited 5,451,200 KShs. 5 Ordinary shares	137,643	-
National Bank of Kenya Limited 78,945,230 KShs. 5 Ordinary shares	1,677,586	-
	<b><u>5,188,181</u></b>	<b><u>5,129,387</u></b>

11.

### GOVERNMENT OF KENYA STOCKS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
8.25% Kenya Stock 1994	-	400,000
6% Kenya Stock 1994	-	78,030
12.5% Kenya Stock 1994	-	100,000
6% Kenya Stock 1995	-	72,000
10.5% Kenya Stock 1997	400,000	400,000
6% Kenya Stock 1997	85,840	85,840
6% Kenya Stock 1997	100,466	100,466
6.25% Kenya Stock 1998	85,000	85,000
10.75% Kenya Stock 1999	300,000	300,000
6.25% Kenya Stock 1999	134,083	134,083
8.75% Kenya Stock 1999	69,788	69,788
8.75% Kenya Stock 2000	69,668	69,668
10.75% Kenya Stock 2000	200,000	200,000
11% Kenya Stock 2000	907,920	907,920
10.75% Kenya Stock 2003	350,000	350,000
10% Kenya Stock 2010	408,800	408,800
	<b><u>3,111,565</u></b>	<b><u>3,761,595</u></b>





## NOTES TO THE ACCOUNTS (CONT'D)

12.	<b>UNQUOTED STOCKS AND EQUITIES</b>	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
	Consolidated Bank Limited		
	8,050,000 4% KShs. 20 Cumulative Preference shares	161,000	161,000
	2,225,000 Ordinary KShs.20 shares	44,500	44,500
	8.25% Nairobi City Council Stock 1990	20,938	20,938
	8.5% Nairobi City Council Stock 1993	25,665	25,665
	12.25% Nairobi City Council Stock 1994	<u>249,994</u>	<u>249,994</u>
		<b><u>502,097</u></b>	<b><u>502,097</u></b>

13.	<b>TREASURY AND GOVERNMENT BEARER BONDS</b>	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Treasury Bond Issue No:	4/1990	-	1,075,000
	3/1991	2,000,000	2,000,000
	12/1991	200,000	200,000
	1/1992	25,000	25,000
	2/1992	300,000	300,000
	3/1992	200,000	200,000
	4/1992	300,000	300,000
	5/1992	400,000	400,000
	7/1992	300,000	300,000
	9/1992	200,000	200,000
	9/1992	-	100,000
	10/1992	-	300,000
	10/1992	600,000	600,000
	11/1992	-	500,000
	11/1992	500,000	500,000
	1/1993	300,000	300,000
	2/1993	250,000	250,000
	3/1993	-	707,710
	8/1993	-	424,620
	5/1994	3,000,000	3,000,000
	6/1994	800,000	800,000
	11/1994	500,000	-
Government Bearer Bond	3/1992	<u>300,000</u>	<u>300,000</u>
		<b><u>10,175,000</u></b>	<b><u>12,782,330</u></b>



## NOTES TO THE ACCOUNTS (CONT'D)

14.	<b>DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>1995</b>	<b>1994</b>
		<b><u>KSHS '000</u></b>	<b><u>KSHS '000</u></b>
Central Finance (Kenya) Limited (in Liquidation)	3,081	3,081	
City Finance Limited (now City Finance Bank Limited)	100,000	150,000	
Consolidated Finance Limited (now African Banking Corporation Limited)	-	20,000	
Consolidated Bank of Kenya Limited	200,000	200,000	
Continental Credit Limited (In Liquidation)	75,000	75,000	
The Co-operative Bank of Kenya Limited	200,000	400,000	
East African Building Society	150,000	150,000	
Family Finance Building Society	-	13,000	
Guilders International Finance Limited	-	50,000	
Housing Finance Company of Kenya Limited	902,493	1,002,484	
Industrial Development Bank Limited	200,000	200,000	
Kenya Commercial Bank Limited	2,025,000	550,000	
Kenya Commercial Finance Company Limited (KCFC)	500,000	500,000	
KCFC Limited (Staff Pension Fund)	-	11,880	
Kenya Finance Corporation Limited (Kenya Finance Bank Limited-in Liquidation)	-	10,000	
Kenya National Capital Corporation Limited	280,000	283,074	
Middle Africa Finance Company Limited (in Liquidation)	5,000	5,000	
Nairobi Finance Corporation Limited (Nairobi Finance Corporation Bank Limited (in Liquidation)	5,000	5,000	
National Bank of Kenya Limited	2,514,650	2,724,866	
Pan African Bank Limited (in Liquidation)	20,000	100,000	
Pioneer Building Society (in Liquidation)	34,915	34,915	
Postbank Credit Limited (in Liquidation)	796,900	862,000	
Prudential Building Society	1,255,000	805,000	
Prudential Finance Limited (now Prudential Bank Limited)	10,000	60,000	
Revolving Funds (Savings and Loan Limited)	26,000	8,473	
Rural Urban Credit Finance Limited (in Liquidation)	133,865	133,865	
Savings and Loan Limited	553,000	1,314,000	
Thabiti Finance Company Limited (in Liquidation)	168,841	168,841	
Trade Bank Limited (in Liquidation)	197,000	200,000	
Trade Finance Limited (in Liquidation)	10,000	10,000	
Trans National Bank Limited	-	100,000	
Trans National Finance Limited	-	100,000	
Trust Finance Limited (now Trust Finance Bank Limited)	150,000	150,000	
United Bank Limited (now Chase Bank (Kenya) Limited)	20,000	20,000	
	<b><u>10,535,745</u></b>	<b><u>10,420,479</u></b>	



## NOTES TO THE ACCOUNTS (CONT'D)

### 15. TREASURY BILLS

		<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Treasury Bills No.	1042	-	1,035,811
	1043	-	2,235,771
	1044	-	3,000,000
	1045	-	577,400
	1047	-	1,851,000
	1048	-	578,450
	1100	800,000	-
	1105	<u>1,659,000</u>	-
		<u>2,459,000</u>	<u>9,278,432</u>

### 16. PROVISION FOR DOUBTFUL INVESTMENTS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Continental Credit Limited	75,000	75,000
Rural urban Credit Limited	131,765	131,765
Pioneer Building Society	34,915	34,915
Middle Africa Finance Company Limited	4,800	4,800
Nairobi Finance Corporation Limited	5,000	5,000
Trade Bank Limited	196,900	196,900
Trade Finance Limited	8,000	8,000
Postbank Credit Limited	666,329	666,329
Thabiti Finance Limited	<u>168,841</u>	<u>168,841</u>
	<u>1,291,550</u>	<u>1,291,550</u>
<b>Other Investments</b>		
Nairobi City Council	296,597	296,597
Specific provision against other investments	<u>430,574</u>	<u>430,574</u>
	<u>727,171</u>	<u>727,171</u>
	<u>2,018,721</u>	<u>2,018,721</u>





## NOTES TO THE ACCOUNTS (CONT'D)

### 17. DEBTORS, PREPAYMENTS AND DEBIT BALANCES

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSH '000</u>
Sundry debtors	65,821	143,435
Deposits and prepayments	642	16,066
Debit balances	8,874	-
Advances and imprests	10,502	16,337
Legal	294,351	252,370
Staff debtors	<u>4,506</u>	<u>110,163</u>
	<u>384,696</u>	<u>538,371</u>

Legal debtors represents amounts paid to lawyers in respect of litigation concerning South B (Hazina) Estate.

### 18. ACCRUED INCOME

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Rent - Social Security House -Nairobi	44,053	1,072
Rent -Social Security House -Mombasa	12,018	6,160
Rent -Bruce house -Nairobi	17,287	2,971
Rent -Moktar Daddah Street property	1,499	265
Rent -Hazina Towers	1,890	-
Rent -View Park Towers	26,146	-
Rent -Cannon Court	9,600	-
Rent -Other properties	142	-
Interest long term deposits	499,913	486,620
Interest short term deposits	<u>537,401</u>	<u>486,715</u>
	<u>1,149,949</u>	<u>983,803</u>

### 19. CREDITORS ACCRUALS AND OTHER LIABILITIES

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Income received in advance	503,350	1,277,029
Sundry credit and accruals	42,397	17,946
Credited balance	27,893	54,479
Unclaimed benefits	49,919	47,490
Unclaimed refunds	<u>2,053</u>	<u>1,924</u>
	<u>625,612</u>	<u>1,398,868</u>



## NOTES TO THE ACCOUNTS (CONT'D)

20.

### ACCUMULATED SURPLUS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
Balance brought forward	6,701,238	10,281,757
Surplus for the year 1994 after interest contribution	187,666	
Prior years' adjustments	-	(855,973)
Underprovision for prior years' taxation	-	(2,006,964)
Underprovision for prior year's interest on members' contribution	-	(717,582)
	<u>6,888,904</u>	<u>6,701,238</u>
Prior years' adjustments are analysed below:		
		<u>KSHS '000</u>
Adjustments relating to the financial years 1992/93 and earlier which might have been passed in the financial statement but not reflected in the accounting records		674,067
Write-off of accumulated differences between NSSF's cash book balances and general ledger balances		181,906
		<u>855,973</u>

21.

### REVALUATION RESERVE

	<u>QUOTED</u> <u>EQUITIES</u>	<u>PROPERTY</u>	<u>TOTAL</u>
	<u>KSHS '000</u>	<u>KSHS '000</u>	<u>KSHS '000</u>
Balance as at 1 July 1994	4,970,531	46,984	5,017,515
Revaluation deficit (note 22)	<u>(1,181,020)</u>	-	<u>(1,181,020)</u>
Balance as at 30 June 1995	<u>3,789,511</u>	<u>46,984</u>	<u>3,836,498</u>



## NOTES TO THE ACCOUNTS (CONT'D)

22.

### REVALUATION OF QUOTED EQUITIES

	<u>KSHS '000</u>
<u>Quoted equities were revalued as follows:-</u>	
Quoted equities at cost	1,398,670
Quoted equities at market value	<u>5,188,181</u>
Surplus at 30 June 1995	3,789,511
Surplus at 30 June 1994	<u>4,970,531</u>
Deficit transferred to revaluation reserve	<u>(1,181,020)</u>

23.

### STANDARD CONTRIBUTIONS

	<u>1995</u> <u>KSHS '000</u>	<u>1994</u> <u>KSHS '000</u>
1971 .....	4	1
1972 .....	-	2
1973 .....	-	1,832
1974 .....	51	1
1975 .....	-	3
1976 .....	-	-
1977 .....	5	-
1978 .....	7	6
1979 .....	65	25
1980 .....	21	33
1981 .....	2	137
1982 .....	54	163
1983 .....	50	147
1984 .....	91	75
1985 .....	168	153
1986 .....	204	150
1987 .....	535	896
1988 .....	( 4,091)	622
1989 .....	( 179)	26,313
1990 .....	3,376	27,338
1991 .....	7,635	3,454
1992 .....	35,080	66,960





## NOTES TO THE ACCOUNTS (CONT'D)

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1993 .....	65,337	764,709
1994 .....	724,082	542,173
1995 .....	444,070	-
	<u>1,276,567</u>	<u>1,435,193</u>

### 24. CAPITAL COMMITMENTS

As at 30 June 1995, NSSF's board of trustees had authorised and contracted for capital commitments amounting to approximately KShs. 11.2 billion. Capital commitments authorised but not contracted for amounted to approximately KShs. 3.0 billion .

### 25. CONTINGENT LIABILITIES

As at 30 June 1996 NSSF had a contingent liability of KShs. 2.5 billion, relating to a claim made by Sololo Outlets in High Court Civil Case No. 914 of 1994 for an alleged breach of contract in the development of South B (Hazina) Estate.

### 26. INCORPORATION

NSSF is incorporated under the NSSF Act, (Chapter 258 of the laws of Kenya), which came into effect under Legal Notice No. 28 of 1965. NSSF is a corporate body managed by a Board of Trustees appointed by the Minister responsible for Social Security.

