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Annual Report And Accounts

1993-1994

Your Security in Old Age



Board of Trustees

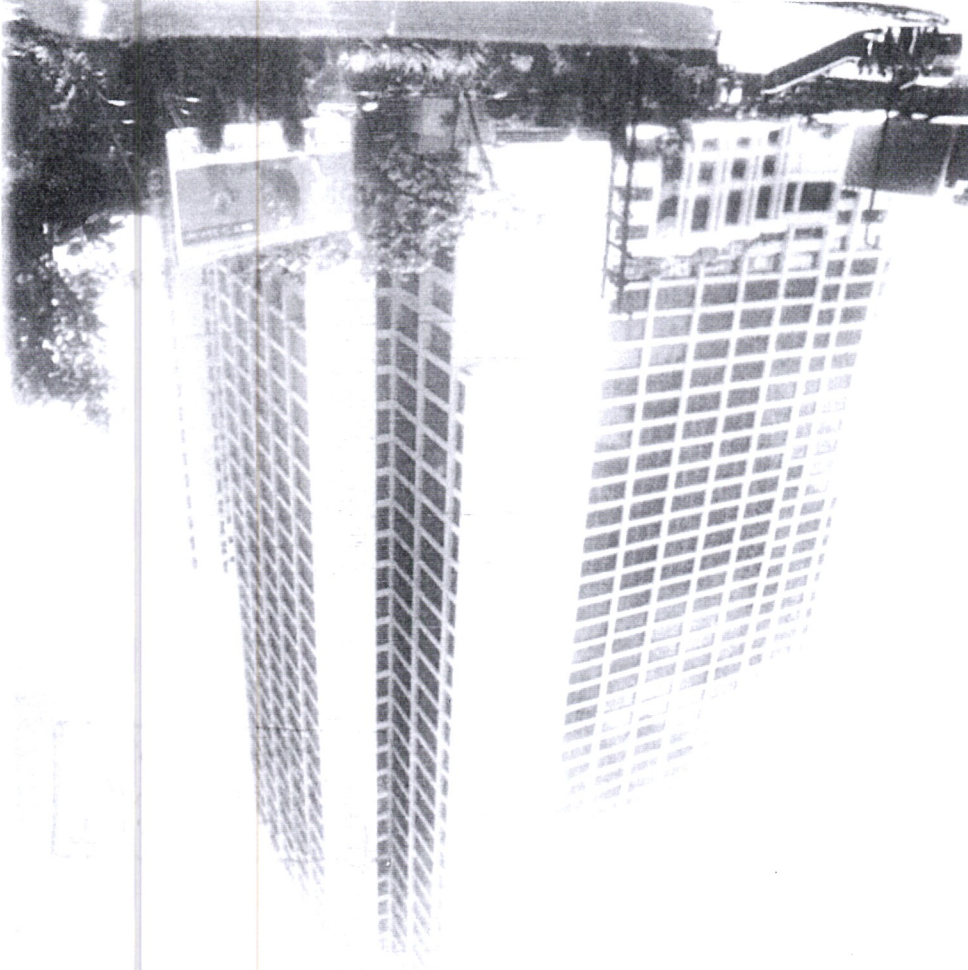


NSSF

National Social Security Fund

NSCF
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ANNUAL REPORT &
ACCOUNTS
2002 - 2003



NATIONAL SOCIAL SECURITY FUND

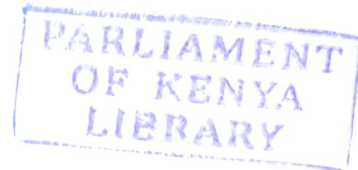


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Annual Report And Accounts

1993-1994

Your Security in Old Age



Board of Trustees



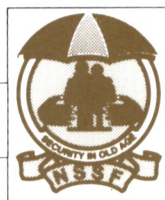
NSSF

National Social Security Fund

**SOCIAL SECURITY HOUSE
NAIROBI**



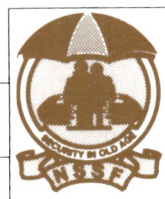
National Social Security Fund



Your Security in Old Age

TABLE OF CONTENTS

	<i>Page</i>
<i>Board of Trustees</i>	1
<i>Chairman's Statement</i>	2
<i>Report of Trustees</i>	3
<i>Report of Auditor General (Corporations)</i> ...	12
<i>Income & Expenditure Account</i>	15
<i>Balance Sheet</i>	16
<i>Members' Fund Account</i>	17
<i>Notes to the Accounts</i>	18



BOARD OF TRUSTEES

Members of National Social Security Fund

Board of Trustees

Chairman

M.M.J. Kisoso

Employer's Representatives

T.D. Owuor

F.W. Wanganju

Employees' Representatives

J.J. Mugalla

B.M. Munyao

Government Representatives

Permanent Secretary, Secretary to the Cabinet and Head of Public Service.

Permanent Secretary, The Treasury.

Permanent Secretary, Ministry of Labour.

Management

S.W. Muindi

—

Managing Trustee and Secretary to the Board.

S.K. Chemng'orem

—

Deputy Managing Trustee (Personnel & Administration)

R.M. Mbaruku

—

Deputy Managing Trustee (Finance & Investments)

Bankers

Kenya Commercial Bank

Moi Avenue

P.O. Box 48400

Nairobi.

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

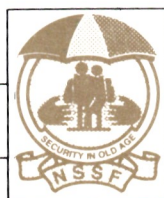
Nairobi.

Auditors

Auditor General (Corporations)

P.O. BOX 49384

Nairobi.



CHAIRMAN'S STATEMENT



M.M.J. Kisoso - Chairman

May I take this opportunity to present the National Social Security Fund Annual Report and Accounts for the Financial Year ended 30 June, 1994.

As stated in my report for the previous financial year, I am able to confirm that the Fund's operations have continued to grow substantially in terms of both registered members and benefit payments.

The increase in the number of employers in the year by implication means more job opportunities have been created and subsequently a rise in membership contributions to the Fund.

During the year ended 30 June, 1994 the Fund registered 1911 employers compared to 1312 in 1993. During the same period the number of registered employees rose from 77,854 in 1993 to 79,526 in 1994.

Total contributions amounted to KShs. 1,350,499,000 in 1993 compared to KShs. 1,535,520,000 in 1994. At the same time 30,993 benefit claims amounting to KShs. 707,482,000 were processed during the year under review compared to 36,514 claims totalling KShs. 671,828,000 in the previous year.

The Fund's investments financed by its surplus funds continued to contribute significantly in the country's economic growth and development. The Fund's invest-

ments were diversified in bank deposits, equity participation in vital stable commercial concerns and Government securities.

The investment portfolio as at 30 June, 1994 stood at KShs. 49.4 billion comprised of:-

KShs. 9.3 billion in Treasury Bills.

KShs. 12.8 billion in Treasury Bonds.

KShs. 3.8 billion in Government Stocks.

KShs. 0.5 billion in Nairobi City Council Stocks and Unquoted Securities.

KShs. 10.4 billion in Term Deposits with Banks.

KShs. 7.5 billion in Real Estate.

KShs. 5.1 billion in Quoted Securities.

The diversification of the investment portfolio is intended to guarantee security of the member's contributions against inflation and other risks inherent in capital markets.

During the year the interest on members contributions was increased to 15% per annum.

The competitive interest rate offered by the Fund is a clear evidence that the member contributions become real security in old age. However, the issue of raising the members contributions continue to receive our attention. Efforts are under way to ensure that the rate of contributions is raised to reflect the current wages and salaries. This will ensure that subsequent benefit payments to the members will rise to realistic levels.

On behalf of the Board of Trustees and myself I wish to take this opportunity to thank the Management and staff for their commitment and dedication to work. This has enabled the Fund to grow to new heights and improve its services to the members.

Last but not least I wish to express my gratitude to the Government for its wise counsel to the Board on Policy matters and providing an enabling environment conducive for economic stability and growth.

M.M.J. Kisoso
Chairman.



REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 JUNE, 1994

We have the pleasure to present the Annual Report and Accounts of National Social Security Fund for the year ended 30 June, 1994.

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 Departments which perform diverse but well coordinated functions.

Operations Department

The Department registered 1,911 employers and 79,526 employees during the year. In the previous year it registered 1,312 and 77,854 employers and employees respectively. Through its enforcement activities a total of KShs. 1,100,000,000 in contributions was collected through the field offices as compared to KShs. 1,055,679,000 collected during the last financial year. Benefit claims totalling to 30,993 and amounting to KShs. 707,482,000 were processed and paid in the year compared to 36,514 claims amounting to KShs. 345,926,000 in the previous year.

Contributors defying the requirements of NSSF Act were prosecuted. During the year 64 cases were pending in court while 47 cases were settled.

Computer Department

The Department provides services to other Departments by running various Computer Systems such as Payroll, General Ledger and Members Accounts. Other systems have been developed to suit other user Departments' needs.

Computer services have been decentralised to the field offices so as to process and update members transactions promptly.

Personnel and Administration Department

The Department recruited 159 new staff members at various levels to the Fund during the year under review. Furthermore, the Fund sponsored officers to attend various courses in the country and abroad in the year.

Finance Department

In the year under review, the Department continued to monitor the newly introduced method of remitting contributions accompanied by monthly returns. Emphasis was laid on procedures that updated the members accounts promptly and finally reducing the amount in suspense account to nil. The Annual Report and Accounts for the year under consideration is shown elsewhere in this Report.

Results

The Fund recorded a net surplus before tax of KShs. 2.37 billion on Income and Expenditure Account, while KShs. 1.2 billion was realised on the Fund Account. This amounted to a combined total of KShs. 3.6 billion during the year compared to KShs. 3.7 billion in the previous year. This represents a decrease of KShs. 100 million which was attributed to a general decrease on interest rates on Term Deposits.

Members of the Board

There was one change in the Board of Trustees in the year. Mr. A.C. Juma who was one of the representatives of the employers was replaced by Mr. F.W. Wanganju.

Auditors

KPMG Peat Marwick were appointed as Authorised Auditors of the Fund in the year in accordance with Section 29(2)(b) of the Exchequer and Audit Act Cap 412.



REPORT OF THE TRUSTEES (Continued)

Five Years Statistical Information (Cumulative)

Period	Registered Employers	Registered Employees	Standard Contributions KShs.	Benefits Payments KShs.	Members Surplus KShs.	Operating Surplus KShs.	Investments KShs.
1993/94	51,752	2,185,887	17,202,808	2,788,025	31,012,753	6,888,904	49,409,175
1992/93	49,841	2,106,361	15,767,615	2,448,830	25,553,671	10,281,757	37,295,546
1991/92	48,529	2,028,507	14,487,392	2,102,375	22,842,482	9,423,110	31,328,516
1990/91	41,101	1,975,438	13,103,994	1,879,219	11,792,577	7,194,059	26,310,369
1989/90	39,875	1,887,761	11,992,673	1,610,365	10,896,541	13,320,050	22,934,141

Statistical Information for the Year

Investments Income	KShs. '000'	% of Total
Dividends/Interest on Stocks	162,693	2.4
Rent	62,968	0.9
Interest on Term Deposits & Discounts on Investments	6,688,040	96.5
Other Income	16,590	0.2
	6,930,291	100.0



REPORT OF THE TRUSTEES (Continued)

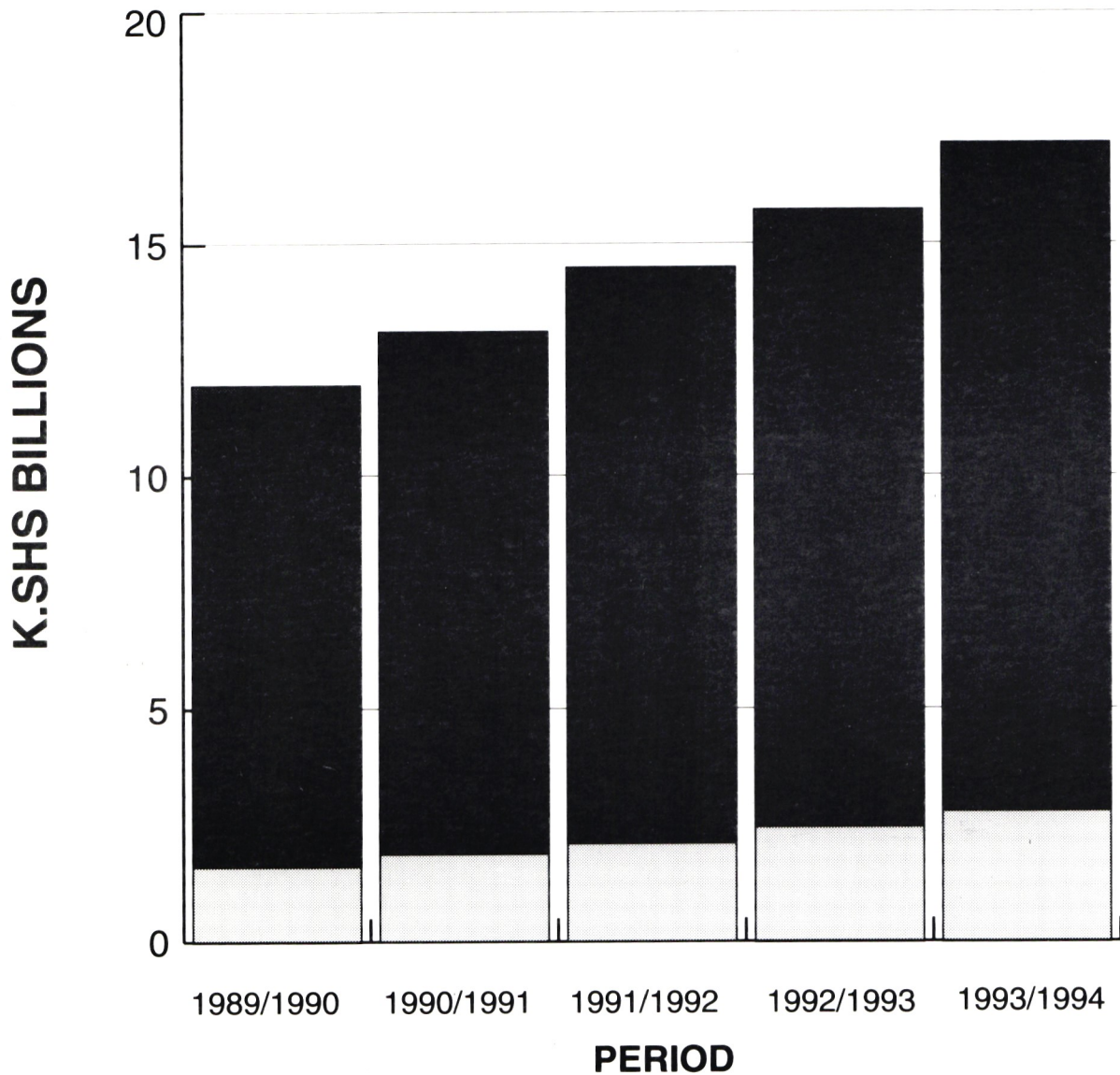
Investments	KShs. '000'	% of Total
Government Stocks	3,761,595	7.6
Nairobi City Council Stocks	296,597	0.6
Shares in Companies	5,334,887	10.8
Treasury Bonds	12,782,330	25.9
Treasury Bills	9,278,432	18.8
Banks and Financial Institutions	10,420,479	21.1
Land and Buildings	7,534,855	15.2
	49,409,175	100.0

Expenditure	KShs. '000'	% of Total
Interest on Contributions	3,913,462	85.9
Staff Expenses	190,337	4.2
Administrative Expenses	319,023	7.0
Provision for Doubtful Investments	93,392	2.0
Depreciation	40,433	0.9
	4,556,647	100.0

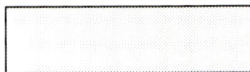
Benefits Payments	KShs. '000'	
Age	264,679	37.4
Survivors	94,753	13.4
Invalidity	52,170	7.4
Withdrawal	274,495	38.8
Emigration	8,682	1.2
Refund	12,703	1.8
	707,482	100.0

REPORT OF THE TRUSTEES (Continued)

CONTRIBUTIONS AND BENEFITS



KEY

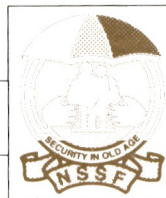


Benefit Payment



Standard Contributions

National Social Security Fund

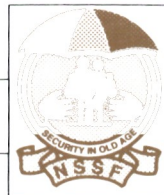
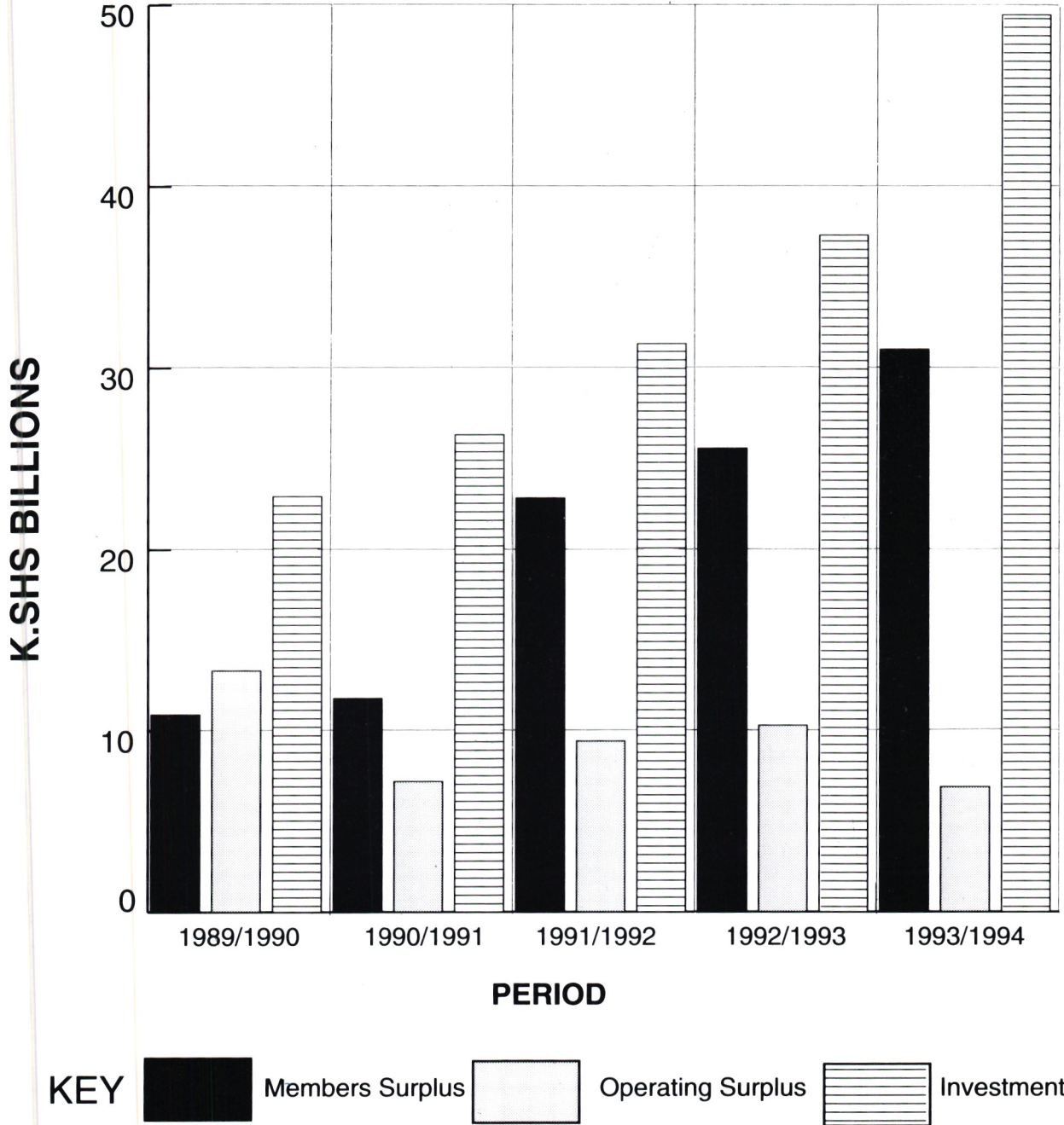


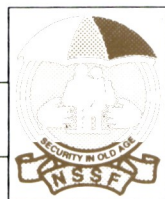
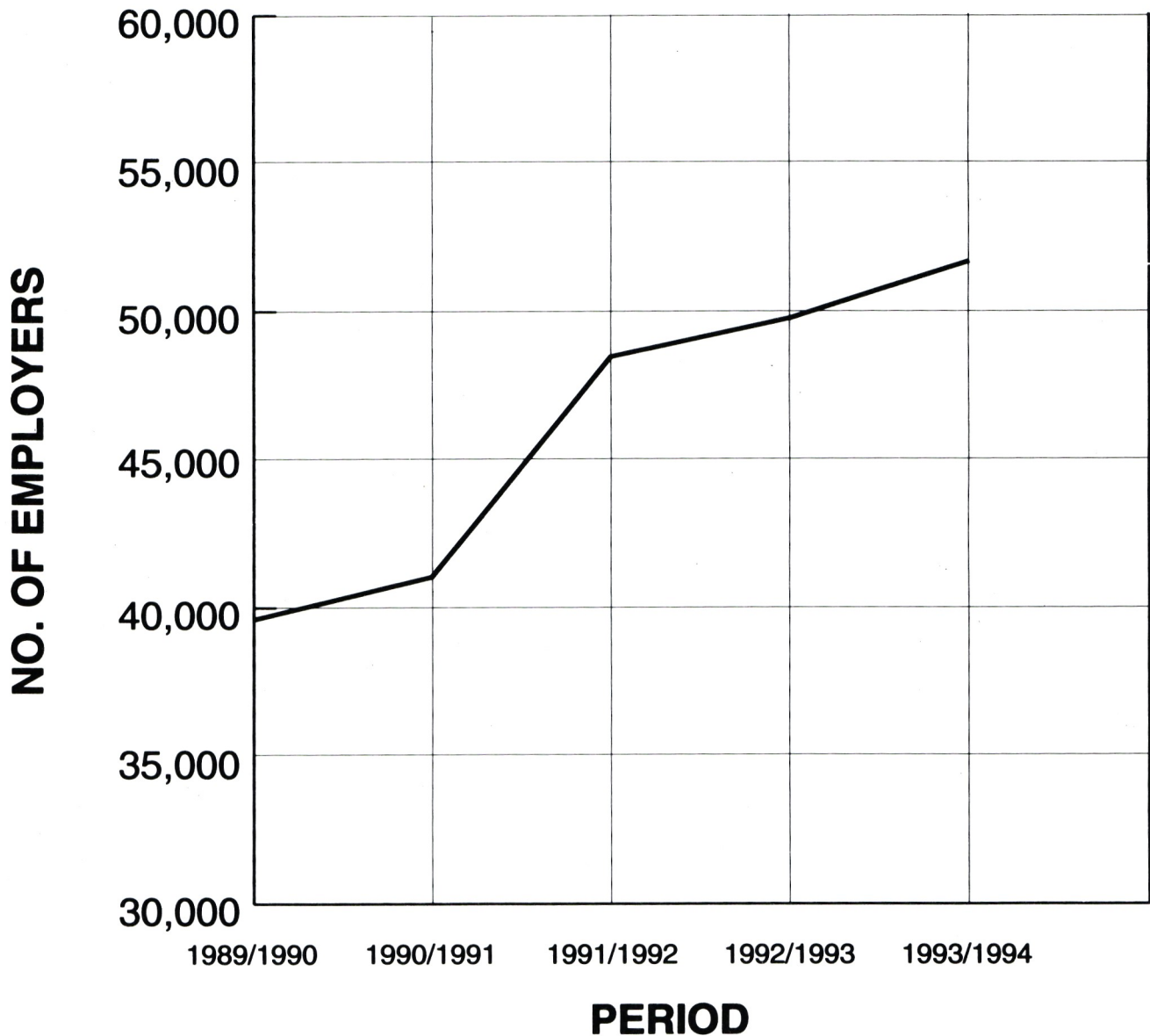
Your Security in Old Age

REPORT OF THE TRUSTEES (Continued)

SURPLUS AND INVESTMENTS

CUMULATIVE MEMBERS SURPLUS, OPERATIVE SURPLUS AND INVESTMENTS



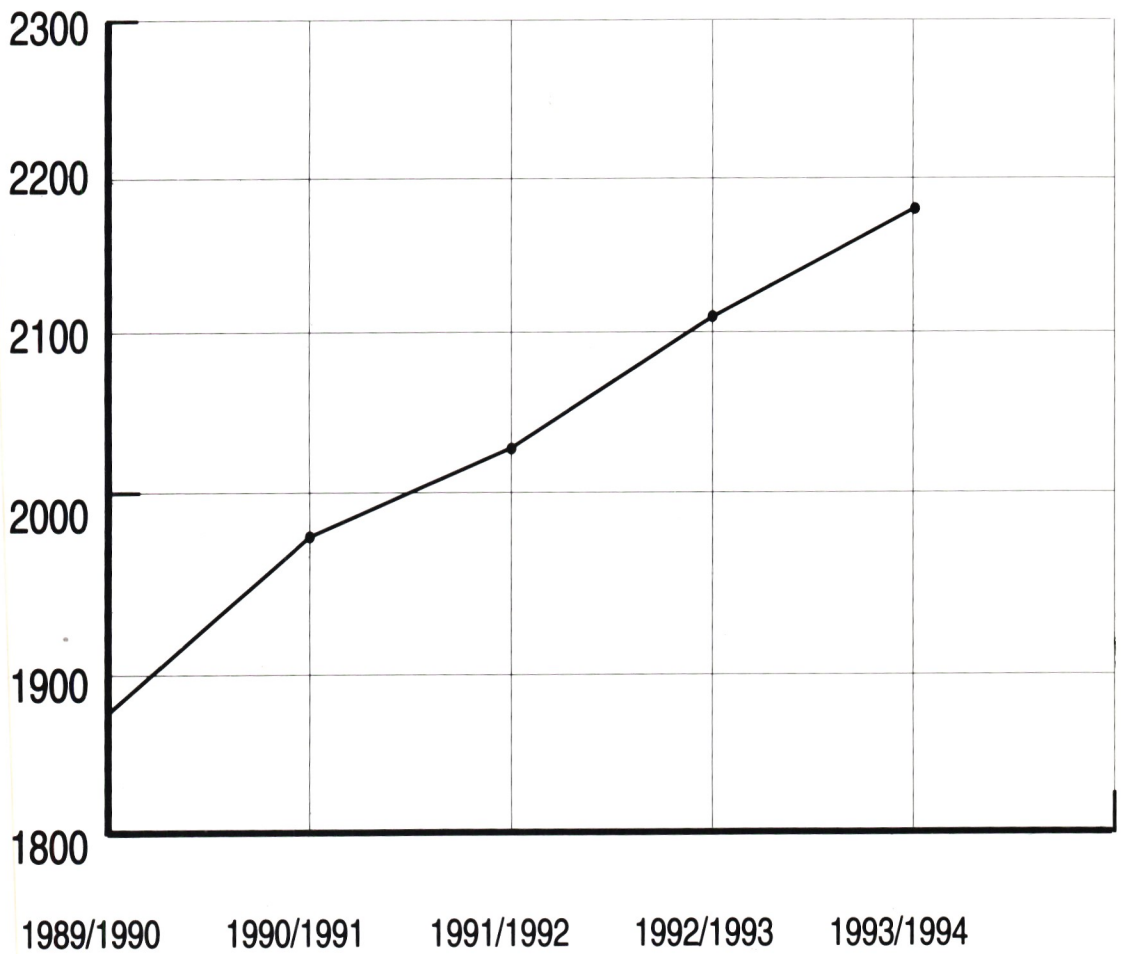
REPORT OF THE TRUSTEES (Continued)**REGISTRATION****REGISTERED EMPLOYERS**

REPORT OF THE TRUSTEES (Continued)

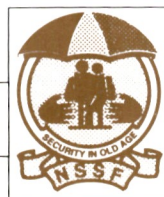
REGISTRATION

REGISTERED EMPLOYEES

NO. OF EMPLOYEES IN THOUSANDS

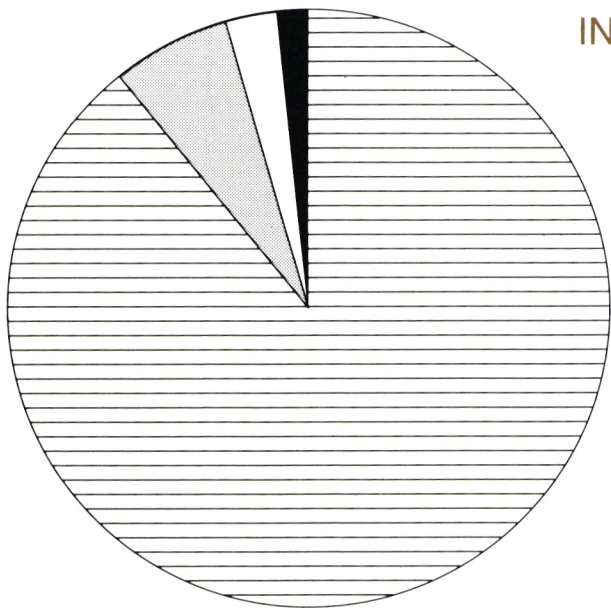


PERIOD

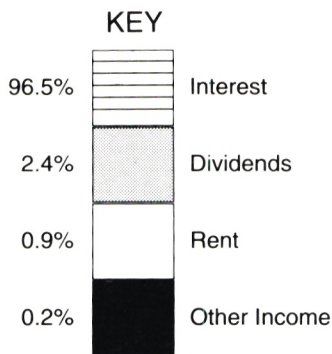


REPORT OF THE TRUSTEES (Continued)

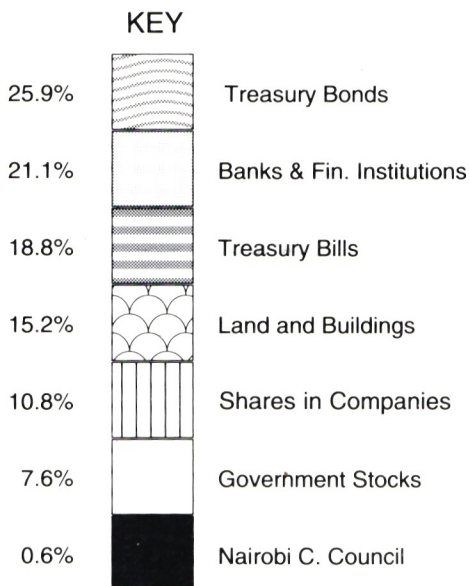
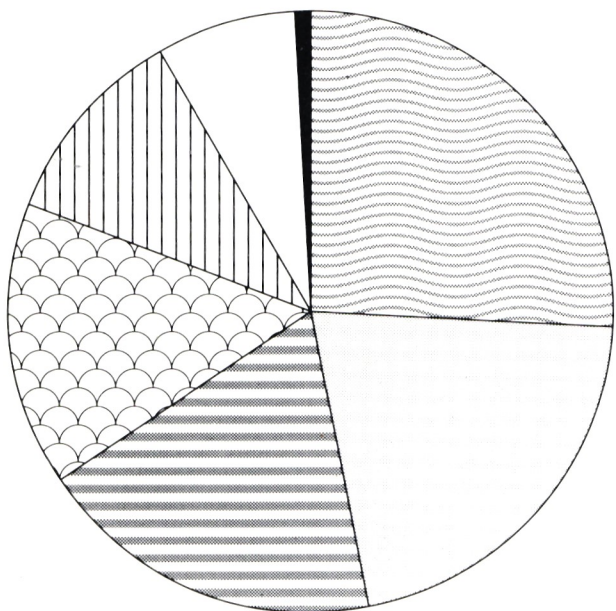
INVESTMENTS



INVESTMENT INCOME

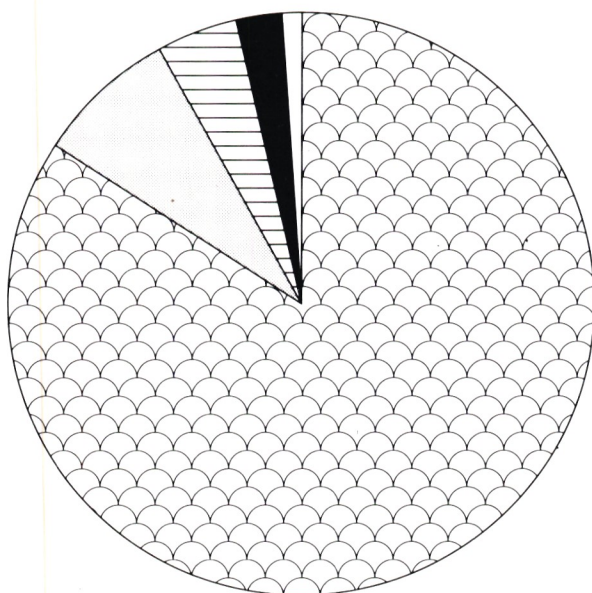


INVESTMENTS



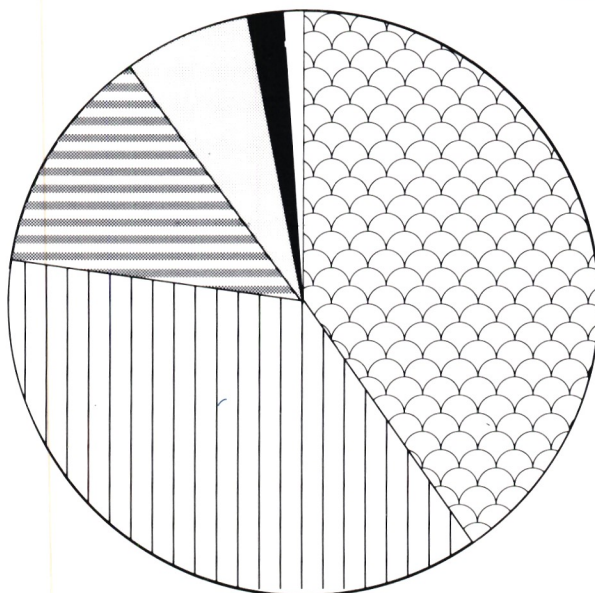
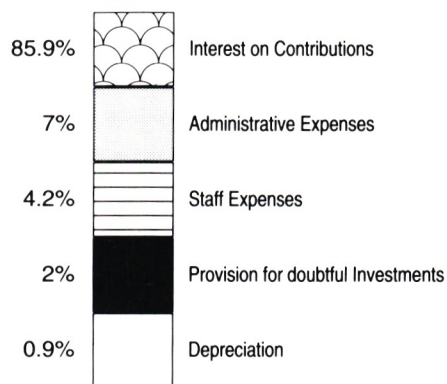
REPORT OF THE TRUSTEES (Continued)

EXPENDITURE AND BENEFIT PAYMENTS



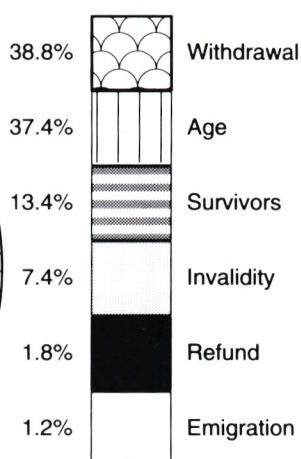
EXPENDITURE

KEY



BENEFIT PAYMENTS

KEY



REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON NATIONAL SOCIAL SECURITY FUND ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 1994.

The accounts of the National Social Security Fund for the year ended 30 June, 1994 have been examined on my behalf by the Fund's authorised auditors in accordance with Section 29 (2) (b) of the Exchequer and Audit Act (Cap 412). The authorised 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 accounts.

Subject to the matters referred to here below, in my opinion proper books of account have been kept and the financial statements give a true and fair view of the state of NSSF's affairs as at 30 June 1994 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 the NSSF's state of affairs and its operating results. The Financial Statements were first signed by the Board in March 1996. The Fund's Statements for the year ended 30 June 1994 which under the law should have been submitted for audit by 31 October 1994 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 is concerned. In addition I am unable to report that the Board of Trustees complied fully with the provisions of the National Social Security Act (Cap 258).

2 Prior Year Adjustments

The Accumulated Surplus figure of KShs. 6,888,904,000.00 (1992/93 — KShs. 10,281,757,000.00) was arrived at after prior year adjustments. Due to lack of reliable accounting information, it has not been possible to perform audit procedures sufficient to satisfy myself as to the accuracy or otherwise of the prior year adjustments totalling KShs. 855,973,000.00, analysed below:-

	<u>KShs.</u>
Adjustment relating to 1992/93 and earlier which had been passed in the financial statements but not reflected in the accounting records	674,067,000.00
Write off of accumulated differences between Cash book balances and the general ledger balances	181,906,000.00
Total	855,973,000.00 =====

3 Debtors, prepayments & Debit Balances

In paragraph 20.2 of my report on NSSF's accounts for 1992/93 reference was made of unvouched debit balances totalling KShs. 89,083,087.00. In the year under review the Fund wrote off debit balances totalling KShs. 122,236,000.00 reflected in the Income and Expenditure Account and described in Note 6 to the accounts as old balances not represented by legitimate assets.

Report of the Auditor-General (Corporations) (Continued)

Accordingly I have not satisfied myself that the Fund received value for money so written off.

Besides the Balance Sheet figure of Debtors, Prepayments and Debit balances include KShs. 252,370,000.00 paid to lawyers in respect 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 recovered at the conclusion of the litigation.

4 Investments

Investments include cost of undeveloped land totalling KShs. 1,733,148,000.00 shown in the Balance Sheet. Valuation of NSSF's properties as at 30 June 1994 carried out by a professional firm of valuers appointed by the Fund in 1996 shows that the values of some three (3) properties acquired during the year were significantly low compared with those given by other valuers at the time of purchase:-

Property	Valuation Prior to purchase	Valuation Undertaken in 1996	Variance
Kajiado/ Kaputei	KShs. 105m	KShs. 33m	KShs. 72m
Mtwapa MN/111/ 1075, 1088 & 1089	KShs. 540m	KShs. 223m	KShs. 317m
Belle View Block 98/73 Mombasa Road	KShs. 150m	KShs. 93m	KShs. 57m
Total	KShs. 795m	KShs. 349m	KShs. 446m

Under normal circumstances valuations carried out by different professional valuers on the same properties should not differ significantly. However in the above three properties a variance of KShs. 446m is considered too high. Consequently, I am unable to confirm that the Fund purchased the properties at the best market values available.

5 Rental Income

In paragraph 8.0 of my report on NSSF accounts for the year ended 30 June 1993 it was pointed out that the returns derived from rental incomes were considered low. The situation did not improve during the year under review. The rental returns were particularly low on the following properties:-

Property	Cost KShs.	Rental Income KShs.	%
Old Social Security House, Nairobi	206,975,000.00	9,843,000.00	5
Social Security House, Mombasa	131,080,000.00	14,772,000.00	11
Bruce House Nairobi	483,763,000.00	43,314,000.00	9
Moktar Daddah Street, Nairobi	199,251,000.00	3,164,000.00	2
Prudential Estate Nairobi	13,125,000.00	270,000.00	2
Kibera Highrise	117,486,000.00	1,104,000.00	1
Total	1,151,680,000.00	72,467,000.00	6.3



Report of the Auditor-General (Corporations) (Continued)

In addition, the Fund was owed rentals totalling KShs. 10,468,000.00 or 14% of the annual rental income of KShs. 72,467,000.00. In particular KShs. 6,160,000.00 or 42% of the annual rent income was owed in respect of Social Security House, Mombasa. The tenancy situation and management of the funds from rental properties is therefore poor.

6. Term Deposits

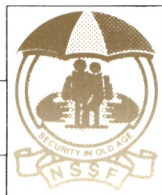
6.1 In my report for NSSF accounts for the year ended 30 June 1993 reference was made to short term deposits in a commercial bank totalling KShs. 2,425,000,000.00 which could not be redeemed and had to be rolled over several times by the bank. The bank was still unable to redeem the deposits together with the interest accrued

thereon. The Fund's term deposits in that bank totalled KShs. 2,725,866,000.00 as at 30 June 1994 or 19% of that bank's total deposits as at 30 September 1995. The Fund's term deposits in the bank are therefore over exposed.

6.2 In addition Fund's deposits in some other 5 Financial Institutions formed substantial percentages ranging from 26 to 55 of those Institutions term deposits. Accordingly such Fund's deposits are also considered over exposed.

W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

16 January 1997.



INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 30 JUNE 1994

	Note	1994 KShs. '000	1993 KShs. '000
INCOME			
Dividends		162,693	157,912
Rent	2	62,968	57,211
Interest and discounts		6,688,040	6,352,186
Other income		16,590	4,359
		6,930,291	6,571,668
		-----	-----
EXPENDITURE			
Interest on contributions		3,913,462	2,029,644
Staff expenses	3	190,337	139,622
Administrative expenses	4	196,787	179,302
Provision for doubtful investments	5	91,392	1,444,396
Write-off of debit balances	6	122,236	—
Provision for doubtful staff debtors		2,000	—
Depreciation charge		40,433	32,487
		4,556,647	3,825,451
		-----	-----
Surplus before tax		2,373,644	2,746,217
Taxation	7	(2,185,978)	(627,960)
Surplus after tax		187,666	2,118,257
		-----	-----

BALANCE SHEET AS AT 30 JUNE 1994

	Note	1994 KShs. '000	1993 KShs. '000
FIXED ASSETS	8	92,535	82,345
INVESTMENTS			
Land		1,733,148	580,880
Land and buildings	9	5,801,707	4,320,866
Quoted equities	10	5,129,387	215,447
Government of Kenya Stocks	11	3,761,595	3,761,595
Unquoted stocks and equities	12	502,097	502,097
Long term deposits - Financial Institutions	13	4,496,484	2,952,484
Treasury and Government bearer bonds	14	12,782,330	9,750,000
Short term deposits - Financial Institutions	15	5,923,995	8,275,687
Treasury Bills	16	9,278,432	6,810,000
		<u>49,409,175</u>	<u>37,169,056</u>
Less: Provision for doubtful investments	17	(2,018,721)	(1,927,329)
Net investments		47,390,454	35,241,727
CURRENT ASSETS			
Debtors, prepayments and debit balances	18	538,371	323,229
Provision for premium on investments		—	36,444
Accrued income	19	983,803	922,174
Treasury imprest		55,296	100,074
Cash and bank balances		86,718	957,036
		<u>1,664,188</u>	<u>2,338,957</u>
CURRENT LIABILITIES			
Bank overdraft		999,818	—
Creditors, accruals and other liabilities	20	1,398,868	228,715
Reimbursement due to Government		55,281	102,433
Taxation		3,774,038	1,449,469
		<u>6,228,005</u>	<u>1,780,617</u>
NET CURRENT (LIABILITIES)/ASSETS		(4,563,817)	558,340
		<u>42,919,172</u>	<u>35,882,412</u>
FINANCED BY:			
MEMBERS' FUND ACCOUNT (Schedule 4)		31,012,753	25,553,671
ACCUMULATED SURPLUS	21	6,888,904	10,281,757
REVALUATION RESERVE	22	5,017,515	46,984
		<u>42,919,172</u>	<u>35,882,412</u>

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

Chairman M.M.J. Kisoso

Managing Trustee S.W. Muindi

Date 16 January 1997

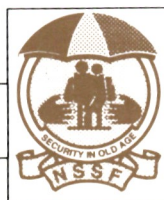
National Social Security Fund



Your Security in Old Age

MEMBERS' FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 1994

	1994 Contribution KShs. '000	1994 Interest KShs. '000	1994 Total KShs. '000	1993 Contribution KShs. '000	1993 Interest KShs. '000	1993 Total KShs. '000
Balance brought forward	13,909,578	11,644,093	25,553,671	12,902,131	9,940,351	22,842,482
Receipts for the year:						
Standard contributions (Note 24)	1,435,193	—	1,435,193	1,280,223	—	1,280,223
Special contributions	98,797	—	98,797	70,275	—	70,275
Penalties	1,340	—	1,340	1,882	—	1,882
Sale of duplicate membership cards	34	—	34	50	—	50
Other income	156	—	156	942	—	942
	<u>1,535,520</u>	<u>—</u>	<u>1,535,520</u>	<u>1,353,373</u>	<u>—</u>	<u>1,353,373</u>
Payments in the year:						
Age	127,079	137,600	264,679	135,637	129,811	265,448
Survivors	47,145	47,608	94,753	48,335	44,968	93,303
Invalidity	24,847	27,323	52,170	15,656	15,921	31,577
Withdrawal	122,468	152,027	274,495	123,124	131,005	254,129
Emigration	4,953	3,729	8,682	6,751	4,197	10,948
Refund	12,703	—	12,703	16,423	—	16,423
	<u>(339,195)</u>	<u>(368,287)</u>	<u>(707,482)</u>	<u>(345,926)</u>	<u>(325,902)</u>	<u>(671,828)</u>
Excess of receipts over payments for the year	1,196,325	(368,287)	828,038	1,007,447	(325,902)	681,545
Provision for accrued interest on contributions	—	3,913,462	3,913,462	—	2,029,644	2,029,644
Underprovision for accrued interest in prior year	—	717,582	717,582	—	—	—
Balance carried forward	<u>15,105,903</u>	<u>15,906,850</u>	<u>31,012,753</u>	<u>13,909,578</u>	<u>11,644,093</u>	<u>25,553,671</u>



NOTES TO THE ACCOUNTS YEAR ENDED 30 JUNE 1994

1 Significant Accounting Policies

a) Accounting convention

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

b) 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 (1993 and 1994 - 15%).

c) 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 Treasury Bonds

Interest 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.

d) 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 1/2%
Fittings and Furnishings	20%

e) 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 investment the surplus/(deficit) arising from the transaction will be transferred to the Income and Expenditure account.



NOTES TO THE ACCOUNTS (Continued)

Unquoted equities

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

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.

f) 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 as 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

	1994 KShs. '000	1993 KShs. '000
NSSF House — Nairobi	9,843	2,246
NSSF House — Mombasa	5,452	12,031
Bruce House — Nairobi	43,135	40,173
Moktar Daddah Street property — Nairobi	3,164	1,609
Other properties	1,374	1,152
	62,968	57,211
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

3 Staff Expenses

	1994 KShs. '000	1993 KShs. '000
Salaries	109,022	90,470
House allowance	28,808	23,476
Acting allowance	322	138
Honorarium allowance	858	211
Entertainment allowance	278	57
Leave allowance	2,698	1,447
Hardship allowance	207	175
Pension and gratuity	22,010	8,522
Training and seminars	7,890	7,309
Medical expenses	2,362	2,582
Special accommodation allowance	774	593
Overtime	8,053	4,642
NSSF contributions	5,374	
Transfer allowance	7	
Transport allowance	1,674	
	190,337	139,622
	-----	-----

4 Administrative Expenses

	1994 KShs. '000	1993
Consultancy services	12,196	43,296
Board, committees and conferences	3,102	2,583
Travelling and subsistence allowance	7,510	5,294
Transport operating expenses	18,654	11,500
Rent and rates	19,718	16,195
Subscription	1,691	—
Postage and telephones	10,999	9,650
Electricity, water and conservancy	6,669	3,226
Uniforms	57	890
Printing and stationery	20,180	9,649
Advertising and donations	25,865	4,863
Cash losses	1,122	—



NOTES TO THE ACCOUNTS (Continued)

Administrative Expenses (Continued)

Books and publications	771	506
Maintenance and repairs	12,368	8,792
Renovations	4,060	7,221
General insurance	14,755	4,771
Exhibition expenses	9,695	5,043
Legal fees	675	36,254
Staff welfare	1,808	106
Audit fees:		
Current year	6,500	
Prior years underprovision	4,957	1,721
Bank interest and other incidentals	13,435	1,198
Premium on stock(s)	—	6,544
	196,787	179,302
	-----	-----

5 **Provision for Doubtful Investments**

	1994	1993
	KShs. '000	KShs. '000
<i>Increase/(decrease) in provision:</i>		
Nairobi City Council Stocks	(9,254)	44,396
Central Finance Limited	(10,000)	10,000
Thabiti Finance Limited	168,841	—
Middle Africa Finance Limited	(200)	5,000
Nairobi Finance Corporation Limited	—	5,000
Trade Bank Limited	(3,000)	200,000
Trade Finance Limited	(2,000)	10,000
Postbank Credit Limited	(353,671)	1,020,000
Pan African Bank Limited	(100,000)	100,000
Exchange Bank Limited	(50,000)	50,000
Rural Urban Credit	20,102	—
Specific provision for other doubtful investments	430,574	—
	91,392	1,444,396
	-----	-----

NOTES TO THE ACCOUNTS (Continued)

6 Write off of debit balances

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

7 Taxation

	1994 KShs. '000	1993 KShs. '000
--	--------------------	--------------------

Current taxation is 35% on the taxable surplus for the year

	2,185,978	627,960
	-----	-----

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

8 Fixed Assets

	Computer & Microfilming Equipment KShs. '000	Motor Vehicles KShs. '000	Office Equipment KShs. '000	Office Furniture KShs. '000	Fittings & Furnishing KShs. '000	Total KShs. '000
Cost						
At 1.7.93	72,377	51,251	38,003	10,116	9,994	181,741
Additions	10,765	10,382	26,664	2,796	361	50,968
Disposals	—	(863)	—	—	—	(863)
At 30.6.94	83,142	60,770	64,667	12,912	10,355	231,846
Depreciation						
At 1.7.93	53,435	22,937	14,305	3,774	4,945	99,396
Charge for the year	16,628	12,310	8,133	1,291	2,071	40,433
Disposals	—	(518)	—	—	—	(518)
At 30.6.94	70,063	34,729	22,438	5,065	7,016	139,311
Net Book Value						
At 30.6.94	13,079	26,041	42,229	7,847	3,339	92,535
At 30.6.93	18,942	28,314	23,698	6,342	5,049	82,345



NOTES TO THE ACCOUNTS (Continued)

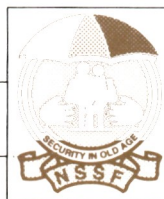
9 Land and Buildings

	1994 KShs. '000	1993 KShs. '000
Social Security House — Nairobi*	206,975	173,434
Social Security House — Mombasa	131,080	129,063
Extensions to SSH — Nairobi*	3,825,246	3,211,098
Bruce House — Nairobi	483,763	477,409
Moktar Daddah Street — Nairobi	199,251	199,251
Housing Complex — Nairobi South B*	745,929	—
Social Security House Annex — Nairobi*	78,852	—
Prudential Estate — Nairobi	13,125	13,125
Kibera Highrise Estate — Nairobi	117,486	117,486
	5,801,707	4,320,866
	-----	-----

*Development in progress

10 Quoted Equities

	1994 KShs. '000	1993 KShs. '000
Kenya Power and Lighting Company Limited		
950,000 Ordinary KShs. 20 Shares)		
3,550 4% KShs. 20 Preference Shares)	47,366	19,093
750 7% KShs. 20 Cumulative Preference Shares)		
Kenya Breweries Limited		
2,587,343 KShs. 10 Ordinary Shares	305,306	25,873
BAT (Kenya) Limited		
15,000,000 KShs. 10 Ordinary Shares	3,361,599	75,000
Brooke Bond (Kenya) Limited		
1,437,500 KShs. 10 Ordinary Shares	415,437	7,188
Bamburi Portland Cement Company Limited		
12,736,484 KShs. 5 Ordinary Shares	821,503	63,682
EA Portland Cement Company Limited		
1,620,000 KShs. 5 Ordinary Shares	31,220	8,100
Kenya Commercial Bank Limited		
750,000 KShs. 10 Ordinary Shares	46,875	16,500
Housing Finance Company of Kenya Limited		
3,375 KShs. 5 Ordinary Shares	81	11
	5,129,387	215,447
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NOTES TO THE ACCOUNTS (Continued)

11 Government of Kenya Stocks

	1994 KShs. '000	1993 KShs. '000
8.25% Kenya Stock 1994	400,000	400,000
6% Kenya Stock 1994	78,030	78,030
12.5% Kenya Stock 1994	100,000	100,000
6% Kenya Stock 1995	72,000	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
	3,761,595	3,761,595
	=====	=====

12 Unquoted Stocks and Equities

	1994 KShs. '000	1993 KShs. '000
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	249,994	249,994
	502,097	502,097
	=====	=====



NOTES TO THE ACCOUNTS (Continued)

13 Long Term Deposits — Financial Institutions

	1994 KShs. '000	1993 KShs. '000
Prudential Building Society	805,000	570,000
Kenya Commercial Bank Limited	—	75,000
Savings and Loan Kenya Limited	1,314,000	334,000
Housing Finance Company of Kenya Limited	1,002,484	1,048,484
Industrial Development Bank Limited	200,000	200,000
Co-operative Bank of Kenya Limited	400,000	200,000
City Finance Limited	125,000	125,000
Kenya Commercial Finance Company Limited	500,000	250,000
East African Building Society	150,000	150,000
	4,496,484	2,952,484
	-----	-----

14 Treasury and Bearer Bonds

	1994 KShs. '000	1993 KShs. '000
Treasury Bond Issue No: 4/1990	1,075,000	1,075,000
3/1991	2,000,000	2,000,000
9/1991	—	400,000
9/1991	—	350,000
11/1991	—	150,000
12/1991	200,000	200,000
12/1991	—	300,000
1/1992	—	50,000
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
5/1992	—	300,000



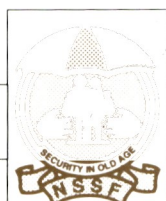
NOTES TO THE ACCOUNTS (Continued)

Treasury and Bearer Bonds (Continued)

	7/1992	300,000	300,000
	9/1992	200,000	200,000
	9/1992	100,000	100,000
	10/1992	300,000	300,000
	10/1992	600,000	600,000
	11/1992	500,000	500,000
	11/1992	500,000	500,000
	1/1993	300,000	300,000
	2/1993	250,000	250,000
	3/1993	707,710	350,000
	8/1993	424,620	—
	5/1994	3,000,000	—
	6/1994	800,000	—
Government Bearer Bond	3/1992	300,000	300,000
		12,782,330	9,750,000
		12,782,330	9,750,000

15 Short Term Deposits — Financial Institutions

	1994 KShs. '000	1993 KShs. '000
ABN AMRO Bank Limited	—	50,000
Akiba Loans & Finances (now Akiba Bank Limited)	—	60,000
Bank of Baroda	—	100,000
Bank of India Finance Limited	—	40,000
Bullion Bank Limited	—	20,000
Bullion Finance Limited	—	15,000
Central Finance (Kenya) Limited (in Liquidation)	3,081	10,000
City Finance Limited (now City Finance Bank Limited)	25,000	25,000
Consolidated Finance Limited (now African Banking Corporation Limited)	20,000	70,000
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	—	300,000
Credit Finance Corporation Limited (now Credit Finance Corporation Bank Limited)	—	50,000
Credit Kenya Limited (now Credit Bank Limited)	—	20,000
Credit & Commerce Finance Limited	—	50,000
Equatorial Finance Company Limited	—	20,000



NOTES TO THE ACCOUNTS (Continued)

Short Term Deposits (Continued)

Exchange Bank Limited (in Liquidation)	—	50,000
East African Building Society	—	50,000
Family Finance Building Society	13,000	45,000
Finance Institution of Africa Limited	—	10,000
Grindlays Bank Limited (Stanbic Bank Limited)	—	200,000
Guilders International Finance Limited	50,000	65,000
Housing Finance Company of Kenya Limited	—	300,000
Investments and Mortgages Limited (now Investment & Mortgages Bank Limited)	—	100,000
Kenya Commercial Bank Limited(KCB)	550,000	854,797
Kenya Commercial Finance Company Limited	11,880	263,601
KCFC Limited(Staff Pension Fund)	—	15,893
Kenya Finance Corporation Limited (Kenya Finance Bank Limited - in Liquidation)	10,000	30,000
Kenya National Capital Corporation Limited	283,074	280,000
Lake Credit Finance Limited	—	30,000
Middle Africa Finance Company Limited (in Liquidation)	5,000	5,000
Middle East Bank Kenya Limited	—	80,000
Nairobi Finance Corporation Limited (Nairobi Finance Corporation Bank Limited - in Liquidation)	5,000	5,000
National Bank of Kenya Limited	2,724,866	2,425,000
National Industrial Credit Limited	—	100,000
Pan African Bank Limited (in Liquidation)	100,000	100,000
Pioneer Building Society (in Liquidation)	34,915	34,915
Post Bank Credit Limited (in Liquidation)	862,000	1,020,000
Prime Bank Limited	—	30,000
Prime Capital & Credit Limited	—	20,000
Prudential Building Society	—	30,000
Prudential Finance Limited(now Prudential Bank Limited)	60,000	60,000
Revolving Funds (KCB and Savings and Loan Limited)	8,473	15,818
Rural Urban Credit Finance Limited (in Liquidation)	133,865	111,663
Standard Chartered Bank Kenya Limited	—	100,000
Thabiti Finance Company Limited (in Liquidation)	168,841	120,000
Trade Bank Limited (in Liquidation)	200,000	200,000
Trade Finance Limited (in Liquidation)	10,000	10,000
Trans National Bank Limited	100,000	100,000
Trans National Finance Limited	100,000	100,000
Trust Finance Limited	150,000	150,000
United Bank Limited (now Chase Bank (Kenya) Limited)	20,000	35,000
Victoria Finance Limited	—	20,000
	5,923,995	8,275,687
	=====	=====



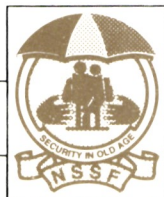
NOTES TO THE ACCOUNTS (Continued)

16 Treasury Bills

	1994 KShs. '000	1993 KShs. '000
Treasury Bill Issue No.		
994	—	600,000
995	—	200,000
996	—	150,000
998	—	500,000
999	—	500,000
1000	—	1,000,000
1001	—	175,000
1002	—	500,000
1003	—	680,000
1004	—	900,000
1005	—	985,000
1006	—	620,000
1042	1,035,811	—
1043	2,235,771	—
1044	3,000,000	—
1045	577,400	—
1047	1,851,000	—
1048	578,450	—
	9,278,432	6,810,000
	=====	=====

17 Provision for doubtful investments

	1994 KShs. '000	1993 KShs. '000
Deposits with Financial Institutions		
Continental Credit Limited	75,000	75,000
Rural Urban Credit Limited	131,765	111,663
Pioneer Building Society	34,915	34,915
Central Finance Limited	—	10,000
Middle Africa Finance Company Limited	4,800	5,000
Nairobi Finance Corporation Limited	5,000	5,000
Trade Bank Limited	196,900	199,900
Trade Finance Limited	8,000	10,000
Postbank Credit Limited	666,329	1,020,000
Pan African Bank Limited	—	100,000
Exchange Bank Limited	—	50,000
Thabiti Finance Limited	168,841	—
	1,291,550	1,621,478
	=====	=====



NOTES TO THE ACCOUNTS (Continued)

Other Investments

Nairobi City Council	296,597	305,851
Specific provisions against other investments	430,574	—
	727,171	305,851
	2,018,721	1,927,329

18 Debtors, prepayments and debit balances

	1994 KShs. '000	1993 KShs. '000
Sundry debtors	143,435	90,649
Deposits and prepayments	16,066	10,428
Debits balances	—	89,083
Cash losses not yet written off	—	880
Advances and imprests	16,337	12,329
Legal	252,370	—
Staff debtors	110,163	119,860
	538,371	323,229

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

19 Accrued income

	1994 KShs. '000	1993 KShs. '000
Rent — Social Security House — Nairobi	1,072	726
Rent — Social Security House — Mombasa	6,160	7,743
Rent — Bruce House — Nairobi	2,971	179
Rent — Moktar Daddah Street property	265	—
Dividends/interest on stocks	—	75,561
Interest long term deposits	486,620	435,778
Interest short term deposits	486,715	402,187
	983,803	922,174



NOTES TO THE ACCOUNTS (Continued)

20 Creditors, accruals and other liabilities

	1994 KShs. '000	1993 KShs. '000
Income received in advance	1,277,029	165,402
Sundry creditors and accruals	17,946	11,161
Credit balances	54,479	13,233
Unclaimed benefits	47,490	37,080
Unclaimed refunds	1,924	1,839
	1,398,868	228,715
	=====	=====

21 Accumulated surplus

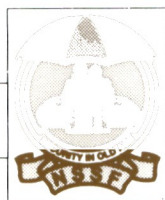
	1994 KShs. '000	1993 KShs. '000
Balance brought forward	10,281,757	9,423,110
Prior years' adjustments	(855,973)	(1,259,610)
Underprovision for prior years' taxation	(2,006,964)	—
Underprovision for prior year's interest on members' contribution	(717,582)	—
Surplus after tax	187,666	2,118,257
	6,888,904	10,281,757
	=====	=====

Prior years' adjustments are analysed below:-

	KShs. '000
Adjustments relating to the financial years 1992/93 and earlier which might have been passed in the financial statements 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
	855,973
	=====

22 Revaluation reserve

	Quoted Shares KShs. '000	Property KShs. '000	Total KShs. '000
Balance as at 1 July 1993	—	46,984	46,984
Revaluation during the year	4,970,531	—	4,970,531
	4,970,531	46,984	5,017,515
	=====	=====	=====



NOTES TO THE ACCOUNTS (Continued)

23 Revaluation of quoted equities

In the accounting periods to 30 June 1993, investments in quoted equities were accounted for at nominal value, not cost. As noted in note 1 (e) to the accounts, the accounting policy in the current year has been changed to record investments in quoted equities at market value. To correctly record the surplus/(deficit) arising on revaluation, the investment in quoted equities was restated at cost. The adjustments made were as follows:-

	KShs. '000
Quoted equities at nominal value	297,634
Quoted equities at cost	158,856
Written off under prior year adjustments	138,778
Quoted equities were revalued as follows:-	
	KShs. '000
Quoted equities at cost	158,856
Quoted equities at market value	5,129,387
Surplus transferred to revaluation reserve (Note 22)	4,970,531

24 Standard contributions

	1994 KShs. '000	1993 KShs. '000
1971	1	11
1972	2	60
1973	1,832	19
1974	1	18
1975	3	20
1976	—	(4)
1977	—	3
1978	6	8
1979	25	11
1980	33	5
1981	137	110
1982	163	111
1983	147	328
1984	75	281



NOTES TO THE ACCOUNTS (Continued)

Standard Contributions (Continued)

1985	153	(137)
1986	150	341
1987	896	685
1988	622	1,565
1989	26,313	12,921
1990	27,338	6,461
1991	3,454	25,663
1992	66,960	774,767
1993	764,709	456,976
1994	542,173	—
	1,435,193	1,280,223
	-----	-----

25 Capital commitments

As at 30 June 1994, NSSF's Board of Trustees had authorised and contracted for capital commitments amounting to approximately KShs. 2.4 billion. Capital commitments authorised but not contracted for amounted to approximately KShs. 0.6 billion.

26 Contingent liabilities

As at 30 June 1994 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.

27 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 body corporate managed by a Board of Trustees appointed by the Minister responsible for Social Security.