

# **SPECIAL ISSUE**



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## **NATIONAL SOCIAL SECURITY FUND**

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2008

### **i) STATEMENT OF NET ASSETS AS AT 30 JUNE 2008**

	<i>Note</i>	<i>June 2008 KSh.'000</i>	<i>June 2007 KSh.'000</i>	<i>Change %</i>
<b>Non-Current Assets</b>				
Property and Equipment	6	380,130	394,861	(3.7)
<b>INVESTMENTS</b>				
Undeveloped Land	7	4,435,630	5,413,698	(18.1)
Land and Buildings	8	20,970,119	22,856,104	(8.3)
Tenant Purchase Schemes	9	4,413,183	2,672,573	65.1
Quoted Equities	10	43,702,325	38,811,620	12.6
Government of Kenya Stocks	11	408,800	408,800	-
Unquoted Stocks & Equities	12	1,380,500	1,380,500	-
Treasury Bills	13	-	155,987	(100)
Treasury Bonds	14	11,185,262	6,919,637	61
Corporate Bond	15	50,000	-	-
Deposits with Financial Institutions	16	988,760	426,750	131.7
<b>Gross Total Investments (A)</b>		<b>87,534,579</b>	<b>79,045,669</b>	<b>10.7</b>
<b>Current Assets</b>				
Debtors and Prepayments	17	1,546,051	1,240,271	24.7
Taxation	18	904,904	299,548	202.1
Accrued Income	19	757,034	833,138	(9.1)
Cash and Cash Balances		877,882	852,611	3.0
<b>Total Current Assets (B)</b>		<b>4,085,871</b>	<b>3,225,228</b>	<b>26.7</b>
<b>Current Liabilities</b>				
Creditors and Accruals	20	1,492,099	1,355,228	(10.1)
<b>Total Current Liabilities (C)</b>		<b>1,492,099</b>	<b>1,355,228</b>	<b>(10.1)</b>

	<i>Note</i>	<i>June 2008 KSh.'000</i>	<i>June 2007 KSh.'000</i>	<i>Change %</i>
<b>NET CURRENT ASSETS (D)=(B-C)</b>		<b>2,593,772</b>	<b>1,870,340</b>	<b>38.7</b>
<b>NET ASSETS (A + D)</b>		<b>90,508,481</b>	<b>81,310,870</b>	<b>11.3</b>
<b>TOTAL FUNDS EMPLOYED</b>	21	<b>90,508,481</b>	<b>81,310,870</b>	<b>11.3</b>

## ii) STATEMENT OF CHANGES IN ASSETS FOR THE YEAR ENDED 30TH JUNE, 2008

<i>Description</i>	<i>June 2008 KSh.'000</i>	<i>June 2007 KSh.'000</i>	<i>Change %</i>
<b>CONTRIBUTIONS RECEIVABLE</b>			
Contributions Receivable	5,670,353	5,445,691	4.1
Benefits Payable	2,375,353	2,420,165	(1.9)
<b>Net additions from dealings with members</b>	<b>3,295,000</b>	<b>3,025,526</b>	<b>8.9</b>
<b>RETURN ON INVESTMENTS</b>			
Investments Income	5,035,684	3,980,015	26.5
Change in market value of investments	4,328,855	5,263,439	(17.8)
<b>TOTAL</b>	<b>9,364,539</b>	<b>9,243,454</b>	<b>1.3</b>
<b>TOTAL REVENUE</b>	<b>12,659,539</b>	<b>12,268,980</b>	<b>3.2</b>
Administrative Expenses	3,648,219	2,705,094	34.9
<b>Net Increase in Scheme Funds during the period</b>	<b>9,011,320</b>	<b>9,563,202</b>	<b>(5.8)</b>

## iii) CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2008

<b>Reconciliation of net increase in assets to Cash Flows from Operating Activities</b>	<i>June 2008 KSh.'000</i>	<i>June 2007 KSh.'000</i>
Net increase in assets	9,011,320	9,563,202
<b>Adjustments for:</b>		
Depreciation	161,837	185,196
Property and Equipment	(43,582)	52,913
Reversal of Contributions 2006/2007	(419,065)	
Profit on sale of Property and equipment	(2,179)	(5,752)
Market Gain in Securities, 2007/2008	(4,328,855)	(5,263,439)
<b>Operating Surplus /(Deficit) before working capital changes</b>	<b>4,379,476</b>	<b>4,532,120</b>
<b>Changes in Working Capital</b>		
Decrease/(Increase) in Debtors & Prepayments	(305,780)	(340,737)
Decrease/(Increase) in Accrued Income	76,104	61,162
Increase/(Decrease) in Creditors & Accruals	136,871	(281,328)
	<b>(92,805)</b>	<b>(560,903)</b>
	-	
<b>Cash flows from operating activities</b>	<b>4,286,671</b>	<b>3,971,217</b>
<b>Investing activities</b>		
(Acquisition) /Redemption of Stocks	(561,850)	(2,128,366)
(Acquisition) /Redemption of Treasury Bonds	(4,265,624)	(1,921,376)
(Acquisition) /Redemption of Treasury Bills	155,987	-
(Acquisition) /Redemption of Corporate Bond	(50,000)	-

Reconciliation of net increase in assets to Cash Flows from Operating Activities	June 2008	June 2007
	KSh. '000	KSh. '000
Placement of Deposits with Financial Institutions	(562,010)	(28,749)
Development of Land & Buildings	(588,565)	(379,697)
Proceeds from sale of Land	978,068	306,493
Receipts from Tenant Purchase Scheme	733,940	380,150
Purchase of Property, Plant and Equipment	(103,524)	(254,882)
Proceeds from sale of Property, Plant and Equipment	<u>2,179</u>	<u>5,752</u>
<b>Cash flow from Investing activities</b>	<b><u>(4,261,400)</u></b>	<b><u>(4,020,675)</u></b>
Net Increase/(Decrease) in Cash and Cash equivalents in the Year	25,271	(49,458)
Opening of Cash and Cash Equivalent	<u>852,611</u>	<u>902,069</u>
Cash and Cash Equivalent as at 30th June	<b><u>877,882</u></b>	<b><u>852,611</u></b>

## iv) UNDEVELOPED LAND

	June 2008	June 2007
	KSh. '000	KSh. '000
Hospital Hill Project	-	35,000
Ngong Road Project	150,000	150,000
Elgon Road Project	-	50,000
Tassia Estate	589,396	1,340,592
Mombasa Town Project	98,322	98,322
Likoni Road - Nairobi	-	74,961
Loita Street Project	90,000	90,000
Kajiado Project	-	39,427
Mtwapa Project	316,001	316,000
Belle Vue Project	-	12,522
Nairobi South B	-	17,489
Athi River Project	595,446	595,446
Mavoko Projects	431,883	431,560
Outering Road Project	122,350	122,350
Upper Hill Project	40,000	40,000
Langata Project	400,000	400,000
Bamburi Project	195,490	195,300
Bishops Road Project	200,000	200,000
Muthaiga Project	450,000	450,000
Embakasi Housing Project	755,744	753,731
Forest Edge Langata	<u>95,000</u>	<u>95,000</u>
	<b>4,529,632</b>	<b>5,507,700</b>
<b>Less: Provision for Losses on Suspended Projects</b>	<u>(94,002)</u>	<u>(94,002)</u>
	<b><u>4,435,630</u></b>	<b><u>5,413,698</u></b>

## v) LAND AND BUILDINGS

	June 2008	June 2007
	KSh. '000	KSh. '000
Social Security House - Nairobi	4,880,000	4,880,000

	<i>June</i> <i>2008</i>	<i>June</i> <i>2007</i>
	<i>KSh.'000</i>	<i>KSh.'000</i>
Social Security House -Mombasa	486,174	485,000
Bruce House - Nairobi	1,224,814	1,215,000
Hazina Trade Centre -Nairobi	2,306,755	2,150,000
Hazina Estate	1,091,173	1,106,070
Social Security House Annex - Nairobi	559,499	559,499
Hazina Towers	690,245	690,000
View park Towers	1,150,727	1,150,000
Hazina Plaza Mombasa	375,194	375,000
Hospital Road Development	65,000	150,000
Kenyatta Avenue Development	1,320,100	1,320,100
Nyayo Estate Embakasi	10,052,473	12,017,257
Machakos Development	61,600	61,600
Ojijo Road - Nairobi	338,691	335,000
Mountain View Development	487,698	487,698
Kileleshwa Development	42,346	42,346
Kitisuru Development	688,116	682,020
State House Road	415,000	415,000
Milimani Flats	150,000	150,000
Kapsoya Estate	6,185	6,185
Karen Development	<u>307,971</u>	<u>307,971</u>
	<b>26,699,761</b>	<b>28,585,746</b>
<b>Less:</b>	-	
Provision for Foreseeable Losses	(5,070,339)	(5,070,339)
Provision for Losses on Suspended Projects	<u>(659,303)</u>	<u>(659,303)</u>
	<u>(5,729,642)</u>	<u>(5,729,642)</u>
	<b><u>20,970,119</u></b>	<b><u>22,856,104</u></b>

## vi) QUOTED SECURITIES AT MARKET VALUE

	<i>June</i> <i>2008</i>	<i>June</i> <i>2007</i>
	<i>KSh.'000</i>	<i>KSh.'000</i>
<b>Kenya Power Lighting Co. Ltd.</b>		
6,413,801 Kshs.20 Ordinary Shares,	1,366,176	1,340,520
3,550 cum. Preference Shares,		
750 Cum Preference Shares		
<b>East African Breweries Limited</b>		
43,173,258 Kshs.10 Ordinary Shares	8,591,478	5,540,912
<b>B. A. T (K) Limited</b>		
12,730,136 Kshs.10 Ordinary Shares	2,125,933	2,655,120
<b>Unilever Tea Kenya Ltd</b>		
1,437,500 Kshs.10 Ordinary Shares	68,281	106,375
<b>KenGen Company Ltd.</b>		
17,341,231 ordinary Shares	424,860	450,872

<b>Bamburi Portland Cement Co. Ltd</b>		
54,534,234 Kshs.5 Ordinary Shares	10,634,176	11,680,436
<b>E. A. Portland Cement Co. Ltd.</b>		
24,300,000 Kshs.5 Ordinary Shares	2,794,500	2,673,000
<b>Kenya Commercial Bank Limited</b>		
167,042,478 Kshs.10 Ordinary Shares	5,178,317	4,409,865

<b>Housing Finance Co. of Kenya Ltd.</b>		
15,716,448 Kshs.5 Ordinary Shares	506,855	381,256
<b>Sameer Africa Ltd.</b>		
5,677,550 Kshs.5 Ordinary Shares	55,640	73,808
<b>National Bank Of Kenya Ltd.</b>		
96,105, 519 Kshs.5 Ordinary Shares	5,862,437	4,565,012
<b>Barclays Bank Of Kenya Ltd.</b>		
42,772,467 Ordinary Shares	3,015,388	2,889,558
<b>Standard Bank Of Kenya Ltd.</b>		
5,785,952 Ordinary Shares	1,215,050	1,028,717
<b>Nation Media Group Kenya Ltd.</b>		
3,833,856 Ordinary Shares	1,341,850	951,789
<b>Athi River Mining Company Ltd.</b>		
870,000 Ordinary Shares @ Kshs.5	89,610	64,380
<b>Kenya Re</b>		
20,089,638 Ordinary Shares @ Kshs.5	<u>339,515</u>	<u>64,380</u>
<b>Safaricom Limited</b>		
12,467,400 Ordinary Shares @ Kshs.0.05	<u>92,259</u>	<u>64,380</u>
	<u><b>43,702,325</b></u>	<u><b>38,811,620</b></u>

**GOVERNMENT STOCKS**

	<i>June</i>	<i>June</i>
	<i>2008</i>	<i>2007</i>
	<i>Kshs.'000</i>	<i>Kshs.'000</i>
10% Kenya Stock 2010	<u>408,800</u>	<u>408,800</u>
	<u><b>408,800</b></u>	<u><b>408,800</b></u>

vii) INDEPENDENT PROPERTY MARKET VALUATION REPORT AS AT 30 JUNE 2007

**DEVELOPED LAND**

-	<i>Actual</i>	<i>Valuation</i>	
	<i>June</i>	<i>June</i>	
	<i>2,007</i>	<i>2,007</i>	
	<i>Ksh.'000</i>	<i>Ksh.'000</i>	
Social Security House - Nairobi	4,549,717	4,880,000	

-	<i>Actual June 2,007 Ksh.'000</i>	<i>Valuation June 2,007 KSh.'000</i>	
Social Security House -Mombasa	184,883	485,000	
Bruce House - Nairobi	691,440	1,215,000	
Hazina Trade Centre -Nairobi	3,298,038	2,150,000	
Hazina Estate	1,106,070	1,106,070	
Social Security House Annex - Nairobi	559,499	559,499	
Hazina Towers	591,491	690,000	
View park Towers	918,785	1,150,000	
Hazina Plaza Mombasa	458,854	375,000	
Hospital Road Development	132,174	150,000	
Kenyatta Avenue Development	1,020,298	1,320,100	
Nyayo Estate Embakasi	12,017,257	12,017,257	
Machakos Development	83,574	61,600	
Ojijo Road - Nairobi	181,165	335,000	
Mountain View Development	487,698	487,698	
Kileleshwa Development	42,346	42,346	
Kitisuru Development	682,020	682,020	
State House Road	441,876	415,000	
Milimani Flats	103,562	150,000	
Kapsoya Estate	6,185	6,185	
Karen Development	<u>307,971</u>	<u>307,971</u>	
	<b>27,864,903</b>	<b>28,585,746</b>	
<b>Less:</b>	-	-	
Provision for Foreseeable Losses	(5,070,339)	(5,070,339)	
Provision for Losses on Suspended Projects	<u>(659,303)</u>	<u>(659,303)</u>	
	<u>(5,729,642)</u>	<u>(5,729,642)</u>	
	<b><u>22,135,261</u></b>	<b><u>22,856,104</u></b>	

## viii) UNDEVELOPED LAND

	<i>Actual Cost 30 June 2007 Kshs.'000</i>	<i>Valuation Cost 30 June 2007 Kshs.'000</i>	<i>Change In Market Value</i>
Upper Hill Project	28,972.00	35,000.00	6,028.00
Ngong Road Project	131,227.00	150,000.00	18,773.00
Elgon Road Project	50,743.00	50,000.00	(743.00)
Tassia Estate	1,340,592.00	1,340,592.00	-
Mombasa Town Project	98,322.00	98,322.00	-
Likoni Road - Nairobi	74,961.00	74,961.00	-
Loita Street Project	70,095.00	90,000.00	19,905.00
Kajiado Project	39,427.00	39,427.00	-
Mtwapa Project	466,050.00	316,000.00	(150,050.00)
Belle Vue Project	12,522.00	12,522.00	-
Nairobi South B	17,489.00	17,489.00	-
Athi River Project	595,446.00	595,446.00	-
Mavoko Project	729,142.00	431,560.00	(297,582.00)
Outering Road Project	122,350.00	122,350.00	-

Upper hill Project	42,385.00	40,000.00	(2,385.00)
Langata Project	383,778.00	400,000.00	16,222.00
Bamburi Project	188,373.00	195,300.00	6,927.00
Bishops Road Project	228,411.00	200,000.00	(28,411.00)
Muthaiga Project	296,550.00	450,000.00	153,450.00
Embakasi Housing Project	753,731.00	753,731.00	-
Forest Edge Langata	<u>40,566.00</u>	<u>95,000.00</u>	<u>54,434.00</u>
	-	-	-
	<b>5,711,132.00</b>	<b>5,507,700.00</b>	<b>(203,432.00)</b>
Less: Provision of Losses on Susepended	<u>(94,002.00)</u>	<u>(94,002.00)</u>	<u>-</u>
<b>Grand Total</b>	<b>5,617,130.00</b>	<b>5,413,698.00</b>	<b>(203,432.00)</b>

The valuation was carried out by Gimco Valuers Ltd.

#### KEY HIGHLIGHTS

##### 1) Growth in Net Assets

Net Assets have risen from Kshs.81.31 billion in 2007 to Kshs.90.51 billion in 2008, an increase of 11.3%. Undeveloped Land and Land & Buildings were valued on open market basis by an external Independent Valuer as at 30 June, 2007.

##### 2) Scheme Funds (Net Surplus)

Net increase in Scheme Funds (Net surplus) was Kshs.9.01 billion as compared to Kshs.9.56 billion in 2007, a marginal decrease of 5.8%.

##### 3) Increase in Contributions

Contributions receivable rose from Kshs.5.45 billion in 2007 to Kshs.5.67 billion in 2008, an increase of 4.1%.

##### 4) Growth in Investments Income

Investment income increased from Kshs.3.98 billion in 2007 to Kshs.5.04 billion in 2008, an improvement of 26.5%

##### 5) Interest on Members' Funds

The Minister for Labour approved interest on members' funds of 5% per annum in the year.

##### 6) Actuarial Valuation

An independent firm of Actuaries carried out an actuarial valuation as at 30 June, 2008. The scheme had a funding ratio of 134%.

##### 7) Message from the Board

The Statement of Net Assets and Statement of Changes in Net Assets are extracts from the Fund's Financial Statements approved by the Board on 26th June, 2009. The Financial Statements have been audited by the Controller and Auditor General. A full set of these financial statements is available at NSSF Head Office, Bishops Road.

##### 8) OUTLOOK FOR 2009

The Kenyan economy grew by 1.7% in 2008 impacted by slow down in agricultural and manufacturing sectors, rising inflation, decline in tourist arrivals, and global financial crisis. However, this is expected to reverse and gains consolidated in 2009 and beyond. The Fund's operations will improve as a result.

By Order of the Board

Dated the 26th June, 2009.

ADAN MOHAMED,  
Chairman.

ALEX KAZONGO,  
Managing Trustee.