

National Social Security Fund
Shirika la Taifa la Hifadhi ya Jamii

Annual Report



We Build Your Future

2006/07



We Build Your Future

CONTENTS

National Social Security Fund
ANNUAL REPORT

2006/07

LETTER OF TRANSMISSION	2
MESSAGE FROM THE CHAIRPERSON	3
BOARD MEMBERS	5
DIRECTOR GENERAL'S STATEMENT	6
1.0 INTRODUCTION	6
2.0 MEMBERSHIP TO THE FUND	6
3.0 CONTRIBUTION COLLECTIONS	7
4.0 BENEFIT PAYMENTS	7
5.0 INCOME FROM INVESTMENTS	8
6.0 PROJECTS	9
7.0 HUMAN RESOURCES AND PERSONNEL MATTERS	11
8.0 INFORMATION AND COMMUNICATION TECHNOLOGY	12
9.0 PUBLIC, CORPORATE AND INTERNATIONAL RELATIONS	12
10.0 MAJOR ACHIEVEMENTS	14
11.0 CHALLENGES	15
12.0 VOTE OF THANKS	15
MANAGEMENT TEAM	16
REGIONAL CHIEF MANAGERS	17
REGIONAL MANAGERS	18
HEAD OFFICE MANAGERS	19
REPORT OF TRUSTEES	20
REPORT OF AUDITORS	26
STATEMENT OF NET ASSETS AVAILABLE	27
STATEMENT OF CHANGES IN NET ASSETS	28
CASH FLOW STATEMENT	29
NOTES TO THE ACCOUNTS	30

Hon. Prof. Juma A. Kapuya,
Minister for Labour, Employment and Youth Development,
P. O. Box 1422,
Dar es Salaam.

Hon. Minister,

**REF: THE ANNUAL REPORT AND ACCOUNTS OF THE NATIONAL
SOCIAL SECURITY FUND FOR THE FINANCIAL YEAR 2006/2007**

In accordance with Section 69 of the NSSF Act No. 28 of 1997, I hereby submit the Annual Report and Audited Accounts of the National Social Security Fund for the financial year ending 30th June, 2007. The report includes:-

1. A statement by the Chairperson of the Board of Trustees of the National Social Security Fund;
2. The Operational Report by the Director General of the Fund; and
3. The Audited Accounts of the Fund during the period ending at 30th June 2007.

I submit.



Mrs. Blandina Nyoni
Chairperson
Board of Trustees
National Social Security Fund

Honourable Minister and all esteemed stakeholders of the Fund,

I have the pleasure once again to release to you the Annual Report and Audited Accounts of the Fund for the financial year ending 30th June 2007.

For another consecutive year, I am pleased to report that the Fund has been able to record impressive performance, not only in the growth of the Fund's membership, but also in the collection of contributions, investment income and total assets.

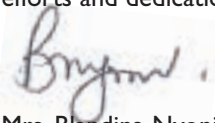
Besides the internal efforts by the Fund, these achievements are a result of good economic policies currently being pursued by the Government, notably, monetary, fiscal and investment policies. During the financial year 2006/2007 the economy continued to grow at the rate of 7.1%, a rate that was recorded in the previous year.

During the year under review, the performance of the Fund was remarkable. In particular, membership increased from the 380,693 recorded in 2005/2006 to 408,970. Total contribution collections grew at a rate of 27.89% from Tshs. 126,967.00 million to Tshs. 162,379.14 million. Total investment income increased by 36.5%. Benefit payments increased from Tshs. 40,183.89 million recorded in the year 2005/06 to Tshs. 50,522.74 million. This increase represents a growth rate of 25.73%. At the end of the year, the total assets of the Fund increased by 23.22% to a level of 625,257.67 million compared to Tshs. 507,440.04 million as at 30th June 2006.

Consequently, the Net Assets available for benefit payments increased by 24.88% from Tshs. 477,763.9 million at the end of June 2006 to Tshs. 596,642.15 million at the end of June 2007. In the light of this remarkable performance, I am pleased to report that the Fund's capacity to meet members' maturing obligations has continued to be strengthened.

Despite the achievements listed above, it is important to note that the Fund also experienced a number of challenges, including the existence of an uneven playing field especially in the area of registering new members, pre-mature withdrawals, limited safe and profitable investment avenues, taxes on investments, i.e. VAT, and income taxes.

On behalf of the Board of Trustees, I once again wish to register my sincere gratitude to the Government, fellow Trustees and other stakeholders for their continued support. At the same time I also wish to record my appreciation to the NSSF Management and staff for their tireless efforts in executing the Fund's operations and responsibilities. Finally, I would like to reiterate our continued efforts and dedication in providing outstanding social security services to all our esteemed members.



Mrs. Blandina Nyoni
Chairperson-Board of Trustees
National Social Security Fund





**A brighter future starts with a healthier today
Join NSSF and get free medical coverage.**

Social Health Insurance Benefit (SHIB) provides free medical support to the insured person and his/ her family at times of illness and injury

The benefit is provided through accredited medical service providers covering Out-Patient Services and In-Patient Services. With the same 20% contribution you can enjoy the seven NSSF benefits that includes Health Insurance Benefit for you and your family.

Join now as a voluntary member

NSSF offers seven benefits as stipulated in the ILO convention 102 of 1952

- Retirement (Old Age) Pension
- Invalidity Pension
- Survivors Pension
- Funeral Grant
- Maternity Benefit
- Social Health Insurance Benefit
- Employment Injury Benefit

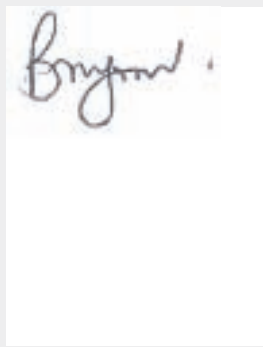
P.O. Box 1322, Dar es Salaam **Hotline:** 0756 140140 **Email:** dg@nssf.ortz



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Mr. Ally Mwinyimvua
Trustee/Vice Chairperson



Mrs. Blandina S. Nyoni
Chairperson



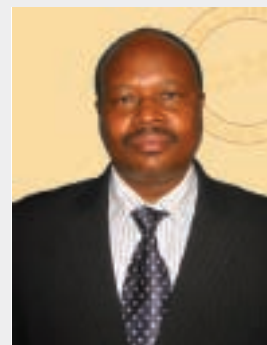
Dr. Ramadhani K. Dau
Secretary



Hon. Ezekiel Maige
Trustee



Mr. Nicholas Mbwangi
Trustee



Dr. Ladislaus C. Komba
Trustee



Mr. Nestory Ngulla
Trustee



Mrs. Adelgunda M. Mgaya
Trustee



Mr. Boniface Y. Nkakatsi
Trustee



Dr. Mussa Assad
Trustee



Mr. Nicolas Kingazi
Trustee



Mr. Ekingo H. M. Ekingo
Trustee

1.0 Introduction

Honourable Minister and all esteemed stakeholders of the Fund, I have great pleasure to release to you the Annual Report and Audited Accounts of the Fund for the financial year ending 30th June 2007. The report contains operational performance, achievements and challenges experienced during the past year. I am also attaching the Audited Accounts of the Fund for the financial year 2006/2007.

1.1 Major Highlights

Below is a summary of the major highlights discussed from Sections 1 to 12 of this Report.

- During this financial year, membership increased from 380,693 to 408,970. The contributions collected increased by 27.89%, while benefit payments rose by 25.73%.
- The Fund invested in commercially profitable, technically feasible, financially viable and socially desirable projects. The Fund's investment portfolio grew by 23.63% during the financial year.
- Construction of the College of Humanities and Social Services of the University of Dodoma and City Business Park for petty traders popularly known as 'Machinga' were among the projects that were under preparation for implementation by the Fund.
- The Fund continued to improve the working environment for the staff and conducted training in order to fill skill gaps.
- Computerization of the Fund's operations were in the finalization process ready to take off in the next financial year.
- NSSF utilized the Dar es Salaam International Trade Fair (DITF) as a means of publicizing its operations. Furthermore, the Fund continued to support the community through various donations to the needy, special groups and projects.
- NSSF continued to lead the social security industry in Tanzania in terms of membership, size, quality of benefits offered and asset base.

2.0 Membership to the Fund

In the financial year 2006/07, the Fund registered 1,596 new employers and 84,554 new insured persons. However, a total of 56,277 insured persons terminated their membership with the Fund due to various reasons including death, retrenchment, termination of employment, long study leave and migration. Table 1 presents the membership trend in the last five years.

Table 1: Membership of the Fund 2002/2003 – 2006/2007

YEAR	EMPLOYERS	MEMBERS
2002/2003	15,097	327,609
2003/2004	15,970	353,835
2004/2005	14,817	356,070
2005/2006	14,465	380,693
2006/2007	14,927	408,970

Source: Fund's Annual Statistical Bulletin.



Members attending an NSSF scheme awareness seminar

The Fund will continue with its efforts of educating the general public in order to increase the level of awareness and importance of joining the NSSF scheme. Similarly, the Fund will continue with its efforts to widen membership coverage in the informal sector.



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DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2006/07

3.0 Contribution Collections

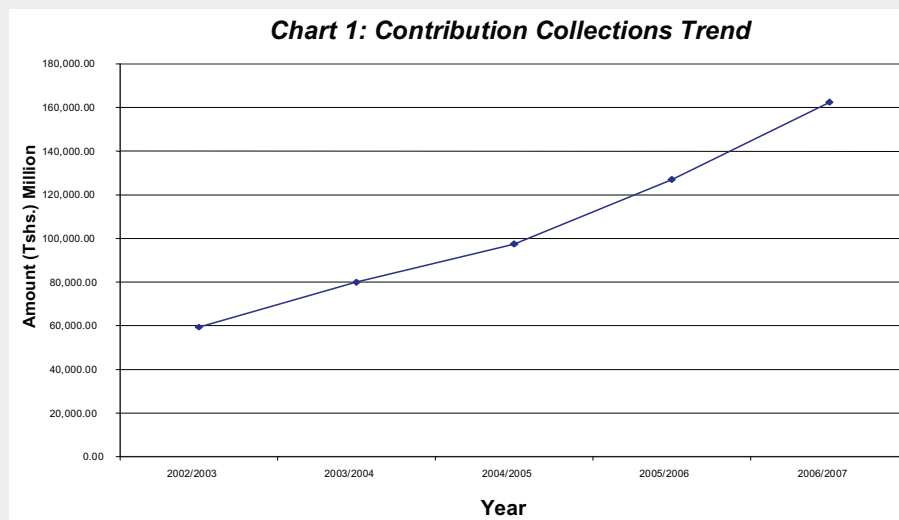
The Fund continued to educate its registered employers on the importance of making accurate and timely remittances of members' contributions. During the period under review, Tshs. 162,379.14 million was collected, representing a growth rate of 27.89% over the previous year's collections of Tshs. 126,967 million. Table 2 and Chart 1 show the trend on the increase of members' contributions from the year 2002/03.

Table 2: Contribution Collections 2002/2003 – 2006/2007

During the period under review, there is a growth rate of 27.89% over the previous year's collections.

YEAR	AMOUNT (in Tshs. Million)
2002/2003	59,347.10
2003/2004	79,984.77
2004/2005	97,480.40
2005/2006	126,967.00
2006/2007	162,379.14

Source: Fund's Audited Accounts



4.0 Benefit Payments

A total of Tshs. 50,522.74 million was paid in the year 2006/07 to 72,636 beneficiaries in relation to various benefits offered by the Fund. This amount is 25.73% higher than the Tshs. 40,183.89 million that was paid to 38,495 beneficiaries in the preceding year. Table 3 and Chart 2 show the trend of the total amounts paid on NSSF benefits.

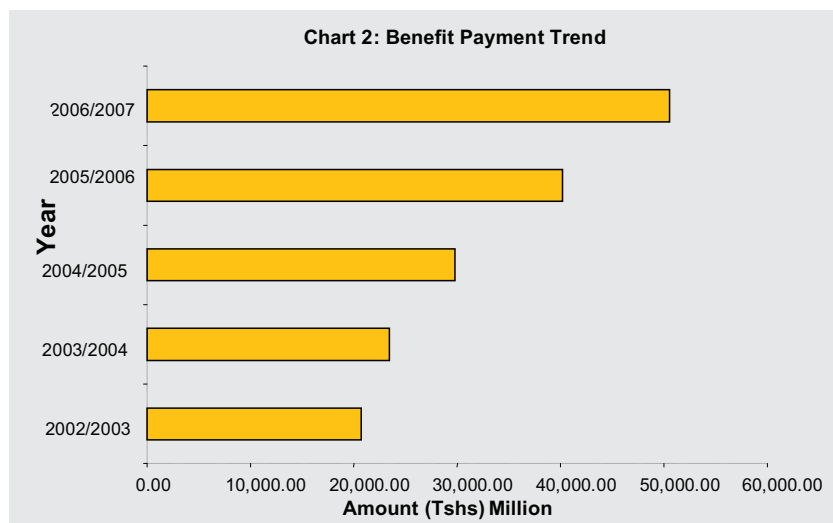
Table 3: Benefit Payments 2002/2003 – 2005/2006

YEAR	AMOUNT (in Tshs. Million)
2002/2003	20,735.60
2003/2004	23,416.00
2004/2005	29,775.27
2005/2006	40,183.89
2006/2007	50,522.74

Source: Fund's Audited Accounts



OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY



The breakdown for the benefits paid during the period under review is given in Table 4 and 5:

Table 4: Breakdown of Benefits Payments under NSSF Scheme 2006/07

S/No	Benefit Type	Members	Amount Paid in Tshs. million
1	Retirement Pension	2,043	1,389.05
2	Invalidity Pension	10	44.13
3	Survivors Pension	6	2,214.56
4	Maternity Benefits	1,040	473.30
5	Funeral Grants	96	26.43
6	Employment Injury	18	37.92
7	Social Health Insurance	24,973	385.09
TOTAL		28,186	4,570.48

Source: Funds Audited Accounts

Benefits paid by the Fund were 25.73% higher than in the preceding year.

Table 5: Breakdown of Benefits Payments under NPF Scheme 2006/07

S/No	Benefit Type	Members	Amount Paid in Tshs. million
1	Old Age	2,266	3,714.58
2	Withdrawals	40,450	42,237.68
TOTAL		42,716	45,952.26

Source: Funds Audited Accounts

The benefit payments increased because members are now more aware of NSSF advantages. The Fund will continue to encourage members to utilize the benefits offered as they become eligible. For this reason, we encourage members to make good use of all Fund's offices and publications so as to familiarize themselves with the NSSF Scheme.

Furthermore, the Fund will continue to educate its members on the importance of pension payments as opposed to lumpsum payments after their retirement period. We hope members' education will help to reduce premature withdrawals.

5.0 Income from Investments

The Fund continued to undertake its noble role of investing members' funds as provided for in the NSSF Act, and guided by the Fund's Investment Policy. In executing this role, the Fund continued to

abide by the universal principles of investment of social security funds of safety, yield, liquidity and socio-economic utility. As a result of these activities, the Fund's investment portfolio as at 30th June 2007 had accumulated to Tshs 532,605.28 million compared to Tshs. 430,790.11 million on 30th June 2006. This reflects a growth rate of 23.63%.

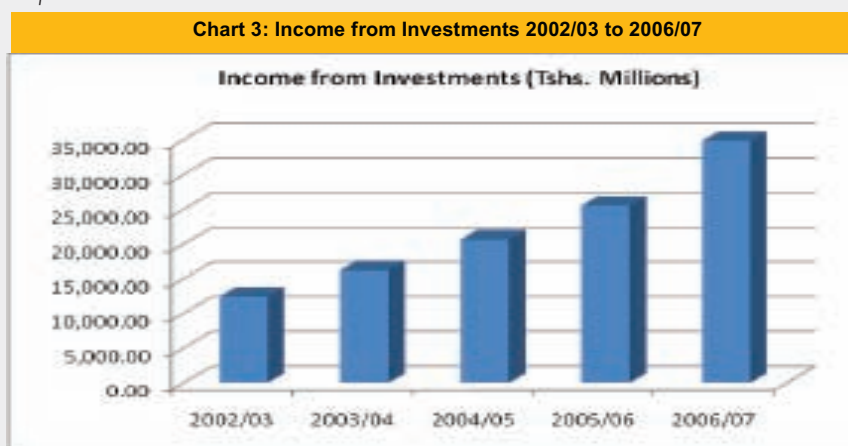
Investment income for the period under review increased from Tshs. 25,537.00 million in the year 2005/06 to Tshs. 34,847.52 million in the year 2006/07. This reflects an increase of 36.46%. Table 6 and Chart 3 show the income from investments for the last five years.

Table 6: Income from Investments (Tshs millions) 2002/03 to 2006/07

Year	Govt. Securities	Fixed Deposit	Loans	Equity	Real Estate	Total
2002/03	7,267.2	917.8	1,444.1	962.6	1,853.7	12,445.3
2003/04	8,404.1	1,038.3	2,546.4	2,135.0	2,111.8	16,235.6
2004/05	9,533.7	1,827.5	4,371.0	2,717.4	2,225.5	20,675.1
2005/06	10,731.9	2,502.8	5,259.4	4,238.4	2,804.6	25,537.0
2006/07	12,700.9	3,020.1	9,928.4	5,238.52	3,959.6	34,847.52

Source: Funds Audited Accounts

Chart 3: Income from Investments 2002/03 to 2006/07



6.0 Projects

During the year under review, the Fund has continued to engage itself in different projects in order to increase investment income.

6.1 Completed Projects

- ii) In the year 2006/07 the Fund managed to complete construction of Government Houses in Dar es Salaam where 25 blocks were built in Kijitonyama to accommodate 200 families.
- ii) Completion of the Benjamin W. Mkaia Pension Towers – DSM
The Benjamin William Mkaia Towers, the tallest building in Dar es Salaam was completed. It consists of three wings. Wing A and B cater for banking halls, shops, supermarkets and secretarial bureaux at the ground and mezzanine floors, while the upper floors are office facilities. Wing C is comprised of hotel apartments.



Some of TPDF's Flats under construction

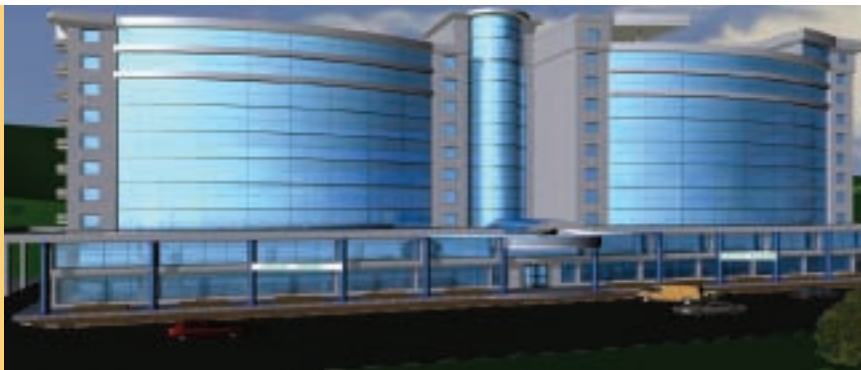


NSSF Kagera Office Complex as it will be seen after completion

The building will accommodate the NSSF corporate office with effect from March 2008. The Mwalimu Nyerere Pension Towers along Bibi Titi Mohamed and Morogoro Road will now be used by the Ministry of Labour, Employment and Youth Development.

During the year under review, NSSF provided TPDC with a space of seven floors at wing A for use on permanent basis. The spaces provided are:-

- Basement floor for keeping of research samples, and
- 4th to 10th floor of the 10 storey Block for offices.



The completed NSSF Mwanza Complex in Mwanza

The Fund has continued to engage itself in different projects in order to increase investment income.

6.2 Projects in Progress

i) Completion of the Mwanza Office Complex

The Mwanza complex is a landmark building in Mwanza. Construction commenced in August 2006. By June 2007 construction had reached 80%. The complex is composed of office spaces, two banking halls at the ground and mezzanine floors and hotel rooms in the upper floors. A modern swimming pool and gymnasium are at the top floor.

ii) Construction of TPDF houses

Construction of houses and other facilities for the Tanzania Peoples Defence Force (TPDF) to accommodate 242 families commenced in December 2006 and was scheduled to be

completed in December 2007. By June 2007, 70% of the project was completed.

iii) Construction of Office Complex- Kagera

Construction works commenced in January 2007. By June 2007, 60% of the project was completed. The completion date for this project was May 2008.

iv) Construction of a Parking Arcade – Dar es Salaam

A parking arcade is being constructed adjacent to the Benjamin William Mkapa Pension Towers. Construction commenced in February 2007. The arcade will provide ample parking lots for the tenants of the Benjamin William Mkapa Pension Towers where it will accommodate 350 cars. This will reduce parking problems facing many people in the city.



The Benjamin William Mkapa Towers, the tallest building in Dar es Salaam was completed.

Benjamin William Mkapa Pension Towers

6.2 Future Projects

The following future projects were scheduled to begin in the 2007/08 financial year. These projects included:-

- College of Humanities and Social Sciences of the University of Dodoma (Phase I and Phase II);
- Arusha Office Complex – Moshi Road;
- Construction of Police Houses – Dar es Salaam, Zanzibar and Pemba;
- Construction of a PCCB Office Building- Dar es Salaam;
- Construction of the Kahama Office Complex;
- Construction of the Njombe Office Complex;
- Construction of affordable houses – Mtoni Kijichi in Dar es Salaam;
- Construction of the Kigoma Office Complex;
- Construction of a DCC Business Park- Ilala;
- Construction of an Office Complex – Mbozi; and
- Finalization of Planning of the Kigamboni Bridge. NSSF was and is still negotiating with the Government on the modality of implementing the project. Plans are under way to implement the project on a Public Private Partnership.

7.0 Human Resources and Personnel Matters

7.1 Total Workforce

- During the year under review, the Fund started with 975 employees. At the end of the financial year the total workforce stood at 950. The reduction in workforce was caused by natural attrition and resignation

- During the year under review, 18 employees were promoted while 2 were demoted
- For the purpose of strengthening the Funds' operations and improve performance, 133 employees were transferred to various new stations and 32 others were recategorized.

7.2 Employees Training

In recognition of the importance of training, the Fund continued to initiate, encourage and sponsor its employees to attend various training courses organized locally and internationally. A total of 588 employees attended different training programmes where 24 attended external courses, 22 attended courses internally. On the other hand, 82 members of staff are still undergoing long term courses while 460 attended in-house training. Directors, Chief Managers and Managers attended Performance Management seminars.



Other in-house courses attended by members of staffs included:-

- International Finance Regulations Systems;
- PC Technician Courses;
- ICT Training;
- Microsoft Exchange and Customer Care Courses; and
- Internal Audit ACI Training.

Senior Officers attending one of the capacity building courses

8.0 Information and Communication Technology

During the year under review, ICT projects for Integrated Systems, Members Identification Management Systems and Telecommunication Systems which involve VSAT and wireless communication for 23 regional and 13 district offices were completed. The systems were expected to be in operation in the 2007/08 financial year.

9.0 Public, Corporate and International Relations

9.1 Public Awareness Campaigns

The Fund continued to provide public information to the community. Public education seminars were conducted countrywide for the purpose of disseminating education and information relating to the NSSF Scheme.

Various publicity activities were undertaken. These included press conferences and press releases, print and electronic adverts, supplements and programmes, sponsorships, interviews as well as distribution of promotional materials such as posters, T-shirts, Caps and Wheel covers. In total 15 press conferences were organized. These included conferences held during the NSSF week while signing for the investment contracts, conferences for Gambia and Mozambique delegates, DITF and Nane Nane Exhibitions.

9.2 Exhibitions

NSSF utilized the Dar es Salaam International Trade Fair (DITF) as a means of publicizing its schemes. In this regard, the Fund participated in the 30th DITF under the Financial Institutions category. The Fund emerged as First Winner under the category and Third Overall winner.



NSSF Director General, Dr. Ramadhani Dau, receiving 3rd overall winner award from President Jakaya M. Kikwete

9.3 Corporate and Social Responsibility

In the case of community related projects, the Fund continued supporting the community through donations to the needy, special groups and projects.

The Fund donated a total of Tshs. 209,481,318 in areas of health, education, sports, women and children and other social avenues. Table 7 shows the distribution of donations to various sectors.

Table 7: Distribution of Donation by the Fund to various sectors

Sector	Amount Donated
Health	17,346,120.00
Education	64,124,500.00
Women and Children	15,129,368.00
Social Affairs	112,881,329.7
Total	209,481,317.7

Source: Monthly Statistical Report

Furthermore, the NSSF Media Cup was organised by NSSF to enhance media relations and celebrate the Annual NSSF Week.

9.4 Domestic and International Relations

The Fund continued to maintain its good relations with other social security schemes nationally and internationally by participating in various meetings, seminars, dialogues and social events such as the Easter Bonanza hosted by the Zanzibar Social Security Fund- ZSSF.

Internationally, NSSF participated in various activities such as study tours, seminars and workshops that were held in the country and outside the country. The Director General and Board Members attended the ISSA Conference in Mahe, Seychelles during the meeting of Directors of Social Security Organizations for English speaking countries. The Fund also hosted the following:-

- a delegation from the Mozambique Social Security Organisation led by its Board Chairman;
- a delegation from the Gambia Social Security and Housing Finance Corporation (SSHFC) in the area of Information Technology and Internal Audit;
- Trade Union leaders from East and Central African countries;

- the East and Central Africa Social Security Association (ECASSA) meeting in Bagamoyo;
- the ISSA Finance and Investment Working Group; and
- a delegation from Sierra Leone led by the Minister for Employment and Social Security of Sierra Leone.
- NSSF attended a members conference in Sierra Leone and the Deputy Director General presented a paper on social security transformation, the Tanzanian experience.
- NSSF Media Forum – a two day seminar for managing editors of major national media houses - was organized to inform them about social security concepts, development/transformation, challenges of social security industry in Tanzania, NSSF achievements and performance for the last 5 years. (2001-2006)



NSSF Director General, Dr. Ramadhani K. Dau, attending an ISSA Finance and Investment Seminar

The Fund has continued to be the leading social security institution in the country in terms of both membership size and the number of benefits offered to its esteemed members.

10.0 Major Achievements

- The Fund had continued to be the leading social security institution in the country in terms of both membership size and the number of benefits offered to its esteemed members. Acceptability and sense of belongingness of the Fund to the society is reflected in the ever increasing membership size.
- The Fund managed to increase its contribution collections from Tshs.126,967 million to Tshs.157,001.44 million. This was above the target of collecting Tshs.146,695 million.
- Construction of Government houses at Kijitonyama to accommodate 200 families. This reduced the accommodation problem facing Government officials in Dar es Salaam.
- Construction of houses for the Tanzania Peoples Defence Force (TPDF). The project entailed the construction of houses to accommodate 242 families, a multipurpose hall and an Officers' mess. This was envisaged to reduce the accommodation problem facing TPDF officials.
- Financing of sisal production undertaken by Katani Limited in Tanga region. The project is expected to increase sisal production for local and international markets. The project is also expected to support numerous outgrowers and create jobs for people in the region.
- Financing of a textile factory in Morogoro Region known as 21st Century Textiles Limited. The factory created 1300 employment opportunities, supports about 4,000 outgrowers and it produces yarn and clothes for both the local and international markets.
- Participation in the Dar es Salaam Stock Exchange (DSE) and Unit Trust of Tanzania. During the

year under review the Fund participated in the Initial Public Offering (IPO) of Tanzania Portland Cement and trading through the secondary market at DSE.

11.0 Challenges

For every achievement, there must be challenges associated with it. The following are some of the challenges that the Fund had experienced during the period under review:

- Premature withdrawals continued to be a major problem facing the Fund. This is due to the low level of appreciation of the social security principles and the fact that some members are employed on temporary or contractual basis. Upon termination of their contracts they found it difficult to continue with their membership until they secured other employments.
- Competition continued to remain unfair in the social security industry, becoming serious during the process of registering new members. There is a need to expedite the process of establishing a Regulator to regulate this industry.
- Forged claims posed a problem within the Fund. This caused delays in the payment of benefits because oftentimes the Fund had to countercheck withdrawal claims with various offices such as the Registration Insolvency and Trusteeship Agency (RITA), courts and the central identification bureau.

12.0 Vote of Thanks

On behalf of the Management and staff, I hereby record our thanks and appreciation to the members of the Board of Trustees for their guidance, co-operation and support throughout the period under review. The support that we had received from the Ministry of Labour, Employment and Youth Development is also acknowledged. Last but not least, I would like to thank our esteemed members for their understanding and continued support.



Dr. Ramadhani K. Dau

Director General

National Social Security Fund.



MANAGEMENT TEAM

16



Dr. Ramadhan K. Dau
Director General



Mrs. K. Bandawe
Deputy Director General



Mr. L. Mrosso
Director of Finance



Mr. Y. Kidula
Director of Planning,
Investments & Projects



C. Magori
Director of Operations



Mr. S. Masimango
Director of Information
Technology



Mrs. C. Matessa
Director of Human
Resources & Admin.



Mr. C. Komba
Chief Legal Secretary



Mr. Mtunda
Chief Manager
Internal Audit



Mr. A. Shuma
Chief Security Manager



Mrs. E. Chiume
Chief Manager Relations
& Customer Services



E. Ngabo
Chief Manager Temeke



D. Msasika
Chief Manager Kinondoni



F. Merevi
Chief Manager Ilala



Mrs. M. Mwaipeta
Chief Manager Morogoro



Mr. E. Sanga
Chief Manager Mwanza



Mr. P. Mniwako
Chief Manager Kilimanjaro



Mr. M. Mwakatobe
Chief Manager Arusha



D. Hawanga
Regional Manager Rukwa



A. Banigwa
Regional Manager Tabora



J. Ochieng
Regional Manager Kagera



J. Mashinga
Regional Manager Dodoma



L. Tairo
Regional Manager Coast



S. Kitomari
Regional Manager Manyara



S. Mvungi
Regional Manager Lindi



S. Milanzi
Regional Manager Mtwara



A. Shaban
Regional Manager Kigoma



B. Mmuni
Regional Manager Iringa



F. Maduga
Regional Manager Singida



H. Faki
Regional Manager Mbeya



S. Nguma
Regional Manager Shinyanga



W. Manda
Regional Manager Mara



W. Ndonde
Regional Manager Ruwuma



Y. Mhamali
Regional Manager Tanza



Mr. Y. Kigembe
Administration & Supplies
Manager



Mr. M. Mohammed
Computer Operations
Manager



Mr. F. Masaoe
System & Applications
Manager



Mr. Mseli A.
Planning & Investment
Manager



Mr. A. Nchula
Benefit Administration
Manager



Mr. D. Senkoro
Special Unit
Manager



Mr. B. Kinunda
Project & Estate
Manager



Mr. D. Kalanje
Chief Accountant



Mr. G. M. Semwenda
Treasury Manager



Dr. A. Mtulia
Social Health Insurance benefit
Manager



Mr. D. Mbwete
Human Resources
Manager



Mr. M. Magheke
Ag. Compliance Manager

1.0 INTRODUCTION

The Trustees of the National Social Security Fund are pleased to present their report and the Fund's audited financial statements for the year ended 30th June, 2007.

These Financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) and Tanzania Financial Accounting Standards (TFAS). TFAS No. 12 and 23 continued to be applied by the Fund having no equivalent IFRSs.

2.0 TRUSTEES

The Trustees of National Social Security Fund appointed on 1st September 2006 and who remained in that capacity to date are as follows:

Name	Status	Nationality
1 Mrs. Blandina S. Nyoni	Chair Person	Tanzanian
2 Mr. Ally Mwinyimvua	Vice Chair Person	Tanzanian
3 Hon. Ezekiel Maige	Trustee	Tanzanian
4 Mr. Ekingo H. M. Ekingo	Trustee	Tanzanian
5 Dr. Mussa Assad	Trustee	Tanzanian
6 Mrs. Adelgunda M. Mgaya	Trustee	Tanzanian
7 Mr. Nicolas Kingazi	Trustee	Tanzanian
8 Mr. Nicholas Mbwani	Trustee	Tanzanian
9 Mr. Boniface Y. Nkakatisi	Trustee	Tanzanian
10 Dr. Ladislaus C. Komba *	Trustee	Tanzanian
11 Mr. Nestory Ngulla	Trustee	Tanzanian
12 Dr. Ramadhani K. Dau	Trustee/Secretary	Tanzanian

* Served from 1st January, 2006

3.0 STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Trustees are required under the NSSF Act (No. 28) of 1997 to prepare financial statements of the Fund for each financial year, as at the end of the financial period, that give a true and fair view of the state of affairs of the Fund for that period.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2007. The Trustees also confirm that the International Financial Reporting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and which enable them to ensure that the financial statements comply with the NSSF Act of 1997. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

4.0 Main Activities of the Fund

- 4.1 The National Social Security Fund was established by the National Social Security Fund Act. (No. 28), 1997 which transformed the National Provident Fund (NPF) into a social security scheme.

The Fund covers all employees in the private sector; non pensionable government employees and employees in the parastatal sector not covered by the Parastatal Pension Fund.

The main activities of the Fund include registration of employers and employees, collection of contributions from registered employers, investment of the funds collected and payment of benefits to qualifying members.

- 4.2 The benefits offered include, retirement pension, invalidity pension, survivors pension, funeral grants, maternity benefit, employment injury benefit and health insurance.

5.0 Summary of Operations:

- 5.1 In accordance with IAS 26 on Accounting and Reporting of Retirement Benefit Plans, changes in net assets available for benefits are as follows:

Income	2006/2007 Tzs. millions	2005/2006 Tzs. millions
Interest from investments	30,887.77	21,771.30
Rent income	3,959.75	2,804.65
Other income	1,743.87	1,052.88
Discount on bonds	1,605.75	961.06
Increase in investments at market/fair values	<u>666.99</u>	<u>179.44</u>
Total investment income	38,864.13	26,769.33
Contribution from employers	<u>162,379.14</u>	<u>125,252.14</u>
Total Income	201,243.28	152,021.47
Expenditure		
Direct benefit payments to members	50,522.74	40,184.78
Administration expenses	23,141.75	22,892.91
Long Term Staff Benefit	940.85	4,574.69
Depreciation and Ammortisation	3,247.93	2,817.20
Bad/doubtful debts	23.99	5.28
Provision for impairment of receivables	3,786.57	1,799.56
Other charges	<u>701.14</u>	<u>1,039.08</u>
Total Expenditure	82,364.97	73,313.51
Net Increase in Assets	118,878.31	78,707.96
NET ASSETS AVAILABLE FOR BENEFITS		
BROUGHT FORWARD	477,763.84	399,055.87
CARRIED FORWARD	596,642.15	477,763.84

5.2 The size of the Fund as at 30th June, 2007 was as follows:-

	30.06.2007	30.06.2006
	Tzs.	Tzs.
	Millions	Millions
Investment at market values	233,646.35	175,869.26
Investment at fair values	298,958.93	255,073.50
Total Investments	532,605.28	430,942.76
Other Assets	92,652.39	76,497.28
TOTAL ASSETS	625,257.67	507,440.04
LIABILITIES	28,615.52	29,676.20
NET ASSETS AVAILABLE	596,642.15	477,763.84

6.0 Actuarial valuation of the Fund was carried out on 30/06/2002 by ILO actuarial expert Mr. Renisen Kahakachchi. According to the Actuary Report, the fund will remain in financial equilibrium for a period of 53 years, with effect from July, 2002.

7.0 Administrative Efficiency

All statutory payments such as PAYE and other statutory deductions effected from staff salaries were made promptly to the relevant authorities. Outstanding balances as at 30.06.2007 are in respect of June deductions which were paid early July, 2007. All properties of the Fund are adequately insured. The ratio of administrative expenditure to total income is 11.50%. This is within the requirement of NSSF Act which sets the limit at 15%.

The existing management systems are invariably complied with. This has resulted to smooth operations of the Fund.

The Fund had a total manpower of 950 employees as at 30th June 2007

8.0 Liquidity

The Fund is liquid as the current assets adequately cover current liabilities.

9.0 Employees Welfare

9.1 Relationship Between Management and Employees The relationship between employees and management continued to be good. Management continued to honour the voluntary agreement entered with the workers union. The Workers/Management Reconciliation Council worked smoothly during the accounting period. The workers through Master Workers Council were fully involved in the planning and evaluation of the Fund's targets.

9.2 Equal Opportunity Employer

The Fund is an equal opportunity employer and gives disabled persons opportunities for those vacancies that they are able to fill.

9.3 Training

The Fund continued to sponsor staff to long and short term training. The Fund also conducted in house tailored seminars and on the job training. The Fund provided education loans to the members of staff for long term courses.

Maternity Benefit

Maternity benefits are payable to a female member who as a result of confinement needs some support to take care of herself and her baby before and after confinement.

1

2

Survivors' Pension

This benefit is aimed at providing financial support to the surviving dependants of the insured person who dies while working.

Social Health Insurance Benefit (SHIB)

NSSF is offering medical insurance and provisions of essential drugs to the insured person with the nucleus family (of up to 4 children under the age of 18 or 21 years if engaged in studies full time)

5

6

Retirement (Old Age) Pension

Is payable in a form of pension to retired members who qualify



In its commitment to meet member's evolving social security offers seven main Benefits to its members. For further information please visit our offices near you so we can start building your future.

7 reasons why you should join us.

3

● **Funeral Grant**

This is fixed lumpsum cash grant payable to the person responsible for the funeral arrangements of deceased member. The amount payable shall be reviewed from time to time to ensure that it is sufficient to mean reasonable burial expenses.

4

● **Invalidity Pension**

Invalidity benefit is paid in cash to a member who has lost his/her earning capacity due to physical or mental inability as will be certified by a medical board.

7

● **Employment Injury Benefit**

This benefit is payable to a member who in the course of his/ her employment happens to be injured or contracts a disease which is related to the nature of his employment.

needs and expectations, National Social Security Fund
on how to become a member and enjoy the benefits,
future.



9.4 Medical Facilities

The Fund continued to provide free medical care to all staff, spouses and up to four children not exceeding eighteen years of age or twenty one years if under full time education.

9.5 Financial Support

Loans, salary advances and other financial assistance are available to all confirmed staff depending on the assessment by management in relation to governing policies.

10.0 Donations

The Fund donated a total of Tshs. 209,481,318.00 as follows:- Education Tzs 64,124,500.00, Health Tzs 17,346,120.00, Sports Tzs 28,628,946.70, Women and Children Tzs 15,129,368.00 and other social avenues Tzs 84,252,383.30.

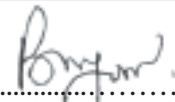
11.0 Board Meetings

The Board of Trustees held all ordinary and special meetings in line with the second schedule of the National Social Security Act, (No.28), 1997.

12.0 Independent Auditors

TAC Associates (Certified Public Accountants) were the auditors of the Fund for the financial year ended 30th June, 2007.

BY THE ORDER OF THE BOARD:



CHAIRMAN



TRUSTEE

DATE: 27-12-2007

We have audited the accompanying statement of net assets available for benefits as at 30th June, 2007 and the related statement of changes in net assets and cash flows for the year then ended. We received all the information and explanations which we considered necessary for audit purposes.

RESPECTIVE RESPONSIBILITIES OF BOARD OF TRUSTEES AND AUDITORS

Under the provisions of the National Social Security Fund Act (No. 28) of 1997, the Fund's Board of Trustees is responsible for the preparation of financial statements which give a true and fair view of the state of affairs and operating results of the Fund. Our responsibility is to express an independent opinion on the financial statements based on our audit and report our opinion.

BASIS OF OPINION


We conducted our audit in accordance with International Standards on Auditing. An audit includes an assessment of significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of National Social Security Fund as at 30th June, 2007, and the results of its operations, net increase in assets and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the National Social Security Fund Act (No.28) of 1997 and comply with the Public Finance Act, 2001 and the Public Procurement Act, 2004.

TAC ASSOCIATES (Certified Public Accountants)


J.S. ESAYORE - FCCA
MANAGING PARTNER
DARES SALAAM

DATE 21 DEC 2007

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30TH JUNE, 2007

National Social Security Fund
ANNUAL REPORT

2006/07

		30.06.2007	30.06.2006
	Notes	TZS	TZS
ASSETS			
INVESTMENTS AT QUOTED MARKET VALUES			
Government papers	4	159,832,446,254	104,875,746,364
Corporate debt securities	6	50,252,833,630	53,131,717,025
Corporate equity securities	7	<u>23,561,066,420</u>	<u>17,861,793,840</u>
		233,646,346,304	175,869,257,229
INVESTMENTS AT ESTIMATED FAIR VALUES			
Loans		117,315,955,550	81,782,745,493
Corporate equity securities	8	73,350,428,678	73,027,366,056
Real estates	29	<u>108,292,552,095</u>	<u>100,263,392,913</u>
		<u>298,958,936,323</u>	<u>255,073,504,462</u>
TOTAL INVESTMENTS		<u>532,605,282,627</u>	<u>430,942,761,691</u>
OTHER ASSETS			
Cash and bank balances	9	8,814,072,217	8,909,350,554
Contributions and penalties receivables	10	19,086,769,639	12,883,451,504
Receivables, advances and prepayments	11	15,462,785,396	12,554,974,108
Tax receivable	12	5,734,139,610	6,478,416,546
Accrued interest	14	13,152,283,609	9,722,094,887
Inventory	23	853,358,603	483,170,823
Property, plant and equipment	38	20,917,290,015	21,699,441,875
Intangible assets	28	<u>3,907,758,294</u>	<u>3,766,388,607</u>
		<u>87,928,457,383</u>	<u>76,497,288,904</u>
NON CURRENT ASSETS HELD FOR SALE	13	<u>4,723,935,191</u>	<u>0</u>
TOTAL ASSETS		<u>625,257,675,201</u>	<u>507,440,050,595</u>
LIABILITIES			
Accounts payable	15	5,838,819,904	6,757,203,964
Funds for TTCL pensioners	30	8,742,267,255	9,487,326,238
Long-term staff benefits	31	<u>14,034,437,561</u>	<u>13,431,677,024</u>
TOTAL LIABILITIES		<u>28,615,524,720</u>	<u>29,676,207,226</u>
NET ASSETS AVAILABLE		<u>596,642,150,481</u>	<u>477,763,843,368</u>

NOTES 1 TO 30 FORM PART OF THESE ACCOUNTS

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27-12-2007

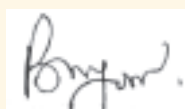
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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2007

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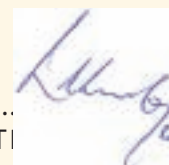
		2006/2007	2005/2006
	Notes	TZS	TZS
ADDITIONS			
Interest from investments	16	30,887,772,453	21,771,300,220
Rent income		3,959,751,765	2,804,654,721
Other income	17	1,743,866,919	1,052,875,435
Discount on bonds		1,605,753,729	961,062,689
Increase in investments at market/fair values	32	<u>666,996,040</u>	<u>179,444,258</u>
Total investment income		38,864,140,906	26,769,337,323
Contribution from employers	18	<u>162,379,139,912</u>	<u>125,252,137,203</u>
		<u>201,243,280,818</u>	<u>152,021,474,526</u>
DEDUCTIONS			
Direct benefit payments to members	19	50,522,744,807	40,184,783,126
Administration expenses	20	23,141,750,146	22,892,912,366
Long Term Staff Benefits	31	940,850,700	4,574,686,811
Depreciation and Ammortisation	28 & 38	3,247,931,105	2,817,203,772
Bad/doubtful debts	21	23,989,958	5,279,433
Provision for impairment of receivables	24	3,786,568,484	1,799,561,077
Other charges	22	<u>701,138,505</u>	<u>1,039,081,143</u>
		<u>82,364,973,705</u>	<u>73,313,507,728</u>
Net increase in assets		<u>118,878,307,113</u>	<u>78,707,966,799</u>
NET ASSETS AVAILABLE FOR BENEFITS			
BROUGHT FORWARD		<u>477,763,843,368</u>	<u>399,055,876,569</u>
CARRIED FORWARD		<u><u>596,642,150,481</u></u>	<u><u>477,763,843,368</u></u>

NOTES 1 TO 39 FORM PART OF THESE ACCOUNTS



CHAIRMAN

DATE: ... 27-12-2007 ..



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CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007

National Social Security Fund
ANNUAL REPORT

2006/07


	2006/2007	2005/2006
	TZS	TZS
Cash flows from operating activities		
Interest on investments	23,366,615,424	13,416,341,703
Rent received	5,795,672,238	2,323,147,127
Interest received on loans	4,771,704,630	5,953,775,706
Administrative expenditure	(22,441,757,004)	(20,798,906,275)
Receipts from agency	66,645,241	172,620,235
Staff loans	(1,350,424,519)	(1,499,060,942)
Miscellaneous receipts	97,381,000	486,251,578
Commission & fees expenses	(197,765,173)	(705,162,373)
Accounts Payable	12,436,915	
TRA receivable A/c	(50,000,000)	(180,457,190)
Taxes	(1,524,570,789)	(3,565,088,629)
Net cash flow from operating activities	<u>8,533,501,050</u>	<u>(4,396,539,060)</u>
Cash flows from investing activities		
Cash paid on investments	(59,670,525,573)	(82,223,261,592)
Redeemed investments	7,780,843,815	48,527,472,163
Payments to the projects	(13,984,234,578)	(20,598,677,821)
Loans disbursed	(42,931,444,325)	(24,811,884,700)
Deposit-sale of Tabora building	814,052,000	(500,000)
Loans repayment received	9,136,778,076	738,912,828
Additions to fixed assets	(2,710,741,909)	(4,835,629,497)
Proceeds from disposal of assets	<u>1,148,350</u>	<u>328,313,861</u>
Net cash flows from investing activities	<u>(101,564,124,144)</u>	<u>(82,875,254,758)</u>
Cash flows from financing activities		
Members contributions	155,757,784,758	120,164,333,418
Benefits payments	(50,293,122,220)	(40,469,753,348)
TTCL pensioners fund	271,908,685	3,095,899,750
Loan Repayment	(3,831,246,095)	0
Receipts on reserve accounts	<u>606,820,699</u>	<u>1,142,350,610</u>
Net cash flows from financing activities	<u>102,512,145,831</u>	<u>83,932,830,430</u>
Net increase/(decrease) in cash and cash equivalents	9,481,522,739	(3,338,963,388)
Cash and cash equivalents at beginning of period	<u>16,832,452,439</u>	<u>20,171,415,828</u>
Cash and cash equivalents at end of period	<u><u>26,313,975,178</u></u>	<u><u>16,832,452,440</u></u>

NOT A PART OF THESE ACCOUNTS

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DATE:

27-12-2007

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I. BASIS OF PREPARATION

These financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards and the National Social Security Fund Act (No. 28) of 1997. The financial statements are prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The accounting policies have been consistently applied to all periods presented in these financial statements.

Continuing application of some TFASs issued by the National Board of Accountants and Auditors (NBAA)

The following Tanzania Financial Accounting Standards, having no equivalent IFRSs, continue to be effective and applied by the Fund:

TFAS No 12 Directors Report
TFAS No 23 Accounting for Value Added Tax

The Fund has applied TFAS No 12, except for the parts referring to related party transactions which it has deemed to have been superseded by IAS 24 Related Party Disclosures.

IFRSs & IFRICs that are not yet mandatory

The following IFRSs and IFRICs have been issued by the IASB but were not yet mandatory as at the reporting date of these financial statements.

IFRS 7: Financial Instruments: which applies to annual periods beginning on or after 1 January 2007.

IFRS 8 : Operating segment: effective for annual periods beginning on or after 1st January 2009.

IFRIC 10 : Interim Financial: reporting and impairment, effective for annual periods beginning on or after 1st November 2006.

IFRIC 11 of IFRS 2 : Group and Treasury share Transactions: effective for annual periods beginning on or after March 2007.

IFRIC 12: Service concession arrangements effective for annual periods beginning on or after January 2008.

The adoption of these standards and interpretations when effective, will have no material impact on the financial statements of the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES**a. Buildings**

Buildings are initially recorded at cost. Cost comprises of expenditure that is directly attributable to acquisition or construction of buildings. Subsequently, buildings are carried at valuation (being fair value at the date of revaluation) less subsequent accumulated depreciation and subsequent accumulated impairment loss.

b. Land

Land held by the Fund is accounted for as property held under operating lease.

c. Plant and equipment

All items of plant and equipment are initially recorded at cost. Cost comprises of expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the accounting period in which they are incurred.

Subsequently, items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

d. Computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs of acquiring software that is regarded as an integral part of some identifiable hardware are recognised as part of the cost of the hardware. Costs of acquiring other software are recognised as intangible assets and are amortised over their estimated useful lives (three to five years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Fund, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development and an appropriate portion of relevant overheads.

Other costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

e. Depreciation and amortisation

Depreciation is provided on a straight-line basis and is calculated separately for each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item. Applicable depreciation rates are as follows:

Buildings	2%
Furniture and Fittings	12.5%
Computer Hardware	20%
Motor Vehicles	25%
Equipment	20%
Partitions	20%

Software is amortised at a rate of 20%

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation or amortisation is charged if the residual value of an item is equal to or greater than the item's carrying value.

f. Impairment of assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Fund makes an estimate of the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

g. Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale include only assets available for immediate sale in their present condition in respect of which there is a high probability that a sale will have been completed within one year from the date of reclassification.

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell and are not depreciated.

h. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using first-in first-out (FIFO) method.

i. Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a

result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

j. Functional currency and presentation currency

The functional currency of the Fund, which is also its presentation currency, is Tanzanian Shillings. Where it is convenient to do so, amounts in the financial statements are shown in thousands of Shillings (Shs'000).

k. Foreign currency transactions

Transactions in foreign currencies during the year are converted into Tanzania Shillings at rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are restated in Tanzanian shillings using the rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the statement of changes in net assets in the year in which they arise.

l. Leases

Fund as Lessor

Leases where the Fund retains substantially all the risks and benefits incidental to ownership of the leased item are classified as operating leases. All other leases are classified as finance leases.

m. Cash and cash equivalents

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents comprise of investments in money market instruments with maturity periods of three months or less.

n. Revenue recognition

Statutory Contributions

Statutory contributions are recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Subsequently, contributions receivable are measured at carrying amounts less impairment losses. Contributions receivable shall be tested for impairment annually to determine their recoverable values.

An allowance for impairment of contributions receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the contributions.

The amount of impairment loss is the difference between the contributions receivable carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate, or where more appropriate, at the interest rate that the Fund would have to pay to finance contributions receivable. The amount of impairment loss is recognized in the Statement of Changes in Net Assets.

Hire Purchase Transactions

Selling profit or loss on hire purchase sales is equivalent to the profit or loss recognised on outright sale of similar items in arm's length transactions.

Finance Lease Income

Finance income from hire purchase transactions and other finance leases is recognised in income on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

Operating Lease Income

Lease income from operating leases is recognised as income on a straight line basis over the lease term.

Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues accreting the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

o. Financial Instruments

A financial asset or liability is recognized when the Fund becomes party to the contractual provisions of the instrument. Purchase and sale of investments are recognized on trade date – the date on which the Fund commits to purchase or sale the assets. Loans and receivables are recognized on the day the funds are advanced or when an invoice is raised

Financial assets are initially recongnized at fair value or at cost plus transaction costs for all financial assets not carried out fair value. Financial assets are derecognised when the rights to receive cash flow from the investments have expired or have been transferred and the Fund has subsequently transferred all risks and rewards of ownership.

The Fund classifies its financial assets into the following categories:-

- (i) Financial assets at fair value through profit or loss
- (ii) Loans, advances and receivables
- (iii) Held to maturity investments; and
- (iv) Available for sale assets

Financial assets at fair value through profit or loss

A financial asset classified in this category if acquired principally for purpose of selling in the short term or if so designated by management. Classified in this category includes investments in quoted shares. These are stated at fair value.

Loans advances and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money or services directly to a debtor with no intention of trading the receivable. All loans and receivables held by the Fund fall under this category. Are stated at amortised costs. Receivable which do not carry interest rate are stated at their invoice price.

Held to Maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held to maturity assets, the entire category would be tainted and classified as available for sale.

Government securities comprising of Government Stock, Treasury bills, Treasury Bonds, and Special Government Bonds and Corporate Bonds and placement in banks falls in this category and are stated at amortised costs.

Available for sale financial instruments

Financial assets that are not (a) financial assets at fair value through profit or loss (b) loans, advances and receivables or (c) financial assets held to maturity. The Fund classified unquoted shares and Umoja trust units are available for sale measured at fair value except where the fair value cannot be reliably measured; they are measured at cost and are subject to impairment losses.

Impairment and uncollectability of financial assets

At each reporting date, all financial assets are subject to review for impairment. If it is probable that the Fund will not be able to collect all amount due; then impairment loss has occurred. The amount of the loss is the difference between assets carrying amount and present value of expected future cash flows discounted at the financial instrument's original interest rate (recoverable amount).

The amount of the loss incurred is included in the statement of changes in net assets available for benefits.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

Financial Liabilities

Financial liability is recognized initially at its fair value plus transaction costs that are directed attributable to issue of financial liability.

After initial recognition, all financial liabilities are measured at amortised costs using the effective interest method.

p. Comparatives

Where necessary, comparative figures have been restated to conform to the presentation in the current year.

q. Country of incorporation

The Fund is incorporated in Tanzania under the NSSF Act (No. 28) of 1997.

3. INVESTMENTS

	30.06.2007	30.06.2006
	<i>Tzs</i>	<i>Tzs</i>
Investments that represent 5% or more of the net assets are separately identified below:		
HEPZ (Hifadhi Processing Zone) Shares	<u>47,156,025,113</u>	<u>47,156,025,114</u>
Investments that represent 5% or more of the particular class of investments are separately identified below:		
CORPORATE EQUITY SECURITIES		
Investments at quoted market values		
Tanzania Breweries Limited	15,477,728,820	11,394,043,500
Tanzania Cigarette Company Ltd	4,743,834,200	3,842,752,500
DAHACO	1,369,684,800	1,404,427,400
Simba Shares	<u>1,259,311,240</u>	
Investments at estimated fair values		
Ubungu Plaza	9,817,038,702	9,817,038,702
HEPZ (Hifadhi Processing Zone) Shares	47,156,025,114	47,156,025,114
Tanzania Pharmaceutical Industries	11,196,503,001	5,628,431,507
MGC Reedmable cum, Preference shares	<u>3,809,064,616</u>	<u>3,809,064,616</u>
CORPORATE DEBT SECURITIES		
EADB Bond	4,000,000,000	5,751,288,880
PTA Bond	2,926,000,000	3,751,550,000
Exim Bank (T) Ltd	5,120,000,000	3,900,000,000
Azania Bank Ltd	<u>5,025,458,809</u>	<u>5,020,853,321</u>
LOANS		
Kagera Sugar Co. Ltd.	12,000,000,000	12,000,000,000
Quality Group Limited	6,750,000,000	6,750,000,000
Mabibo Student Hostel	8,236,698,188	16,473,396,379
Pensions Properties Limited	11,196,503,001	10,689,072,824
Government House	12,009,233,975	
21 st Century	10,000,000,000	
TPDF Loan	26,910,883,339	
General Tyre East Africa Ltd	<u>12,240,000,000</u>	<u>11,446,421,470</u>
GOVERNMENT PAPERS		
Special Government Bond (Russian)-Debt Swap	0	5,934,494,365
Special Government Bond (Bulgaria) -Debt Swap	10,370,007,863	10,187,365,555
Special Government Bond (Hungary) -Debt Swap	<u>11,344,736,605</u>	<u>11,135,768,502</u>

4. GOVERNMENT PAPERS

	30.06.2007 Tzs	30.06.2006 Tzs
Government stocks	2,550,966,900	2,550,966,900
Special government bonds	27,892,077,543	27,257,628,421
Treasury bonds	91,909,285,979	68,576,146,144
Treasury bills	37,480,115,832	6,491,004,899
	<u>159,832,446,254</u>	<u>104,875,746,364</u>

5. CASH AND CASH EQUIVALENTS

Cash at banks	4,814,769,815	5,518,887,594
Funds in transit & in collection	3,738,694,289	2,219,921,810
Fixed deposits	7,975,450,000	7,243,654,000
Treasury bills	9,785,061,074	1,849,989,036
	<u>26,313,975,178</u>	<u>16,832,452,440</u>

6. CORPORATE DEBT SECURITIES

Bonds with banks	12,755,000,000	15,331,838,880
NSSF/TTCL Pensioners	1,952,651,277	152,651,277
Fixed deposits	35,545,182,353	37,647,226,868
	<u>50,252,833,630</u>	<u>53,131,717,025</u>

7. CORPORATE EQUITY SECURITIES AT MARKET VALUE

Investment in companies	<u>23,561,066,420</u>	<u>17,861,793,840</u>
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8. CORPORATE EQUITY SECURITIES AT FAIR VALUE

Investment in companies	73,446,428,678	73,123,366,056
Provision in Diminution in value	<u>(96,000,000)</u>	<u>(96,000,000)</u>
	<u>73,350,428,678</u>	<u>73,027,366,056</u>

Included under investment in companies is a 100% owned subsidiary HEPZ reported at Tzs 47,156,025,114 and associate companies; Azania Bank Ltd, Ubungu Plaza Ltd and Pension Properties Ltd stated at Tzs 3,341,000,225, Tzs 9,817,038,702 and Tzs 3,500,000 respectively. No consolidation was made with regard to HEPZ as it has a direct full control from the Fund

9. CASH AND BANK BALANCES

	30.06.2007	30.06.2006
	Tzs	Tzs
Bank current accounts	4,023,171,009	5,028,574,688
Forex bank account	791,598,806	490,312,907
Funds In transit and in collection a/cs	3,738,694,290	2,219,921,809
Petty Cash	451,600	105,300
Benefit imprest accounts	260,156,512	1,170,435,850
	<u>8,814,072,217</u>	<u>8,909,350,554</u>

10. CONTRIBUTIONS AND PENALTIES RECEIVABLES

Statutory contributions receivable	22,999,750,592	16,224,373,695
Penalties receivable	<u>1,568,549,577</u>	<u>2,151,557,526</u>
	24,568,300,169	18,375,931,221
Less : Provision for Impairments	<u>5,481,530,530</u>	<u>(5,492,479,717)</u>
	<u>19,086,769,639</u>	<u>12,883,451,504</u>

11. RECEIVABLES, ADVANCE AND PREPAYMENTS

Sundry prepayments	426,604,095	90,563,467
Other deposits	500,000	500,000
Rent receivable	4,054,501,879	3,970,178,204
Dishonoured cheques	965,299,082	905,146,600
Contributions underpaid by employers	594,839,492	466,117,851
Dividend Receivable	1,445,099,452	348,964,826
Accounts receivable - NBC.	0	145,708,556
VAT	4,230,042,746	3,228,243,909
TRA receivable account	230,457,190	180,457,190
Other receivables	202,255,180	215,139,038
Staff debtors	4,593,120,497	4,128,877,795
Field offices account receivable	<u>59,246,554</u>	<u>45,379,781</u>
	16,801,966,169	13,725,277,217
Less : Provision for impairment	<u>(1,339,180,773)</u>	<u>(1,170,303,109)</u>
	<u>15,462,785,396</u>	<u>12,554,974,108</u>

12. TAX RECEIVABLES

	30.06.2007	30.06.2006
	Tzs	Tzs
Withholding tax on interest	7,785,734,355	7,197,312,692
Corporation tax overcharged	<u>2,100,191,561</u>	<u>2,100,191,561</u>
	9,885,925,916	9,297,504,253
Less : Provision for impairment	<u>(4,151,786,306)</u>	<u>(2,819,087,707)</u>
	<u>5,734,139,610</u>	<u>6,478,416,546</u>

The Tax is receivable as the Fund has won a case against TRA in the tax appeals tribunal.

13. NON-CURRENT ASSETS HELD FOR SALE

Kinondoni Executive Apartment	4,450,699,241	0
Club Oasis	<u>273,235,950</u>	<u>0</u>
	<u>4,723,935,191</u>	<u>0</u>

14. ACCRUED INTEREST ON INVESTMENTS

Government stocks	198,512,452	197,937,252
Treasury bills	834,657,897	344,634,145
Bank fixed deposits	610,196,318	787,381,754
Special Govt. bonds	333,839,268	823,743,830
Treasury bonds	2,882,188,410	1,858,227,812
Bonds with banks	622,883,372	678,793,978
TTCL Pensioners interest receivable	137,999,816	137,999,815
Corporate loans	<u>10,662,987,290</u>	<u>5,874,124,662</u>
	16,283,264,823	10,702,843,249
LESS : Provision for Impairment	<u>(3,130,981,214)</u>	<u>(980,748,362)</u>
	<u>13,152,283,609</u>	<u>9,722,094,887</u>

15. ACCOUNTS PAYABLE

	30.06.2007	30.06.2006
	Tzs	Tzs
Accounts payable(SHIB)	41,810,020	0
Rent received In advance	1,079,744,374	302,543,823
Loan interest overpaid	0	7,739,383
Treasury Bills Interest overpaid	48,090,000	48,090,000
13.5% Loan from CRDB	0	3,802,849,191
Endowment scheme	42,913,350	42,913,350
Unallocated Contributions	2,012,559,824	1,646,084,931
State benefit cheques	483,977,905	324,959,963
Advance Kinondoni Apartment Sale	814,052,000	0
Deposit Refundable	148,536,735	10,000,000
Accrued expenses	1,105,316,250	509,109,990
Provision for gratuity	6,819,446	12,913,333
Provision for audit fees	55,000,000	50,000,000
	<u>5,838,819,904</u>	<u>6,757,203,964</u>

16. INVESTMENT INCOME

Government securities	12,700,956,634	9,770,753,743
Corporate bonds	1,659,227,306	1,797,023,531
Fixed deposits	3,020,114,066	2,502,747,899
Loans	9,928,441,602	5,259,380,634
Dividends	3,453,981,925	2,218,211,114
Gain on sale of investments	<u>125,050,920</u>	<u>237,629,410</u>
	<u>30,887,772,453</u>	<u>21,771,300,220</u>

17. OTHER INCOME

Disposal of fixed assets	28,150,000	148,345,861
Miscellaneous income	1,649,071,678	717,463,229
Agency commission	<u>66,645,241</u>	<u>172,620,235</u>
	<u>1,743,866,919</u>	<u>1,052,875,435</u>

18. MEMBERS CONTRIBUTIONS ACCOUNT

	2006/2007 Tzs	2005/2006 Tzs
Members contributions		
Employers	81,174,946,420	62,640,129,682
Employees	81,174,946,420	62,640,129,682
Others	43,357,432	22,108,486
Refund of Excess Contributions	(14,110,360)	(50,230,646)
	<u>162,379,139,912</u>	<u>125,252,137,203</u>

19. BENEFIT PAYMENTS

Withdrawal	42,237,684,804	32,011,549,077
Age	3,714,576,961	4,419,369,179
Survivors	2,214,557,212	2,198,950,981
Invalidity	44,129,936	42,646,159
Maternity	473,303,779	282,658,490
Funeral grants	26,426,109	14,104,877
Employment injury	37,923,177	28,360,632
Health insurance	385,089,669	156,148,419
Retirement pension	<u>1,389,053,160</u>	<u>1,030,995,312</u>
	<u>50,522,744,807</u>	<u>40,184,783,126</u>

20. ADMINISTRATIVE EXPENSES

Personnel emoluments	12,913,897,076	12,645,291,025
Office expenses	1,812,837,051	2,322,006,514
Travelling expenses	1,562,124,923	1,455,901,249
Maintenance and running expenses	1,895,100,148	2,196,503,163
Cleaning	348,448,654	215,379,283
Training expenses	983,151,172	750,818,444
Conferences and missions	503,133,835	647,004,637
Board meeting expenses	395,796,195	470,801,032
Audit fees	55,000,000	51,660,200
Commissions and fees expenses	55,624,701	45,908,430
Staff welfare expenses	319,737,736	349,384,608
Promotion and publicity expenses	929,680,612	697,318,115
Donations	209,481,318	248,841,911
Fees and other charges	582,875,460	605,362,485
Other expenses	573,791,610	190,669,502
Loss account	<u>1,069,655</u>	<u>61,768</u>
	<u>23,141,750,146</u>	<u>22,892,912,366</u>

21. BAD/DOUBTFUL DEBTS W/OFF

	2006/2007	2005/2006
	<i>Tzs</i>	<i>Tzs</i>
Penalties receivable		0
Staff debts	23,989,958	4,138,750
Underpayments	0	1,140,683
	<u>23,989,958</u>	<u>5,279,433</u>

22. OTHER CHARGES

Withholding tax on dividends	0	71,398,907
Projects Written off	536,156,680	0
Deficit on sale of Investments	0	159,897,109
Dimunition in shares value	(5,555,550)	96,000,000
13.5% CRDB Loan Interest	170,537,375	711,785,127
	<u>701,138,505</u>	<u>1,039,081,143</u>

23. INVENTORY

Stationery and Consumables	457,993,099	131,661,684
Kinyerezi House s	<u>395,365,503</u>	<u>351,509,139</u>
	<u>853,358,603</u>	<u>483,170,823</u>

24. PROVISION FOR IMPAIRMENT OF RECEIVABLE

Tax Receivable	1,332,698,599	238,152,873
Statutory Contribution Receivable	(10,949,187)	1,561,408,204
Dishonoured cheques	69,610,889	0
Rent Receivable	270,927,927	0
Provision Receivable Reverse d	(25,952,596)	0
Interest Receivable on Loans	<u>2,150,232,852</u>	<u>0</u>
	<u>3,786,568,484</u>	<u>1,799,561,077</u>

25. ACTUARIAL VALUATION

As per actuarial valuation of the Fund which was carried out as at 30/06/2002, the Fund will remain in financial equilibrium for a period of 53 years. Moreover, another actuarial valuation for the period which ended 30/06/2006 has been carried out by Mr. Georges Langis from ILO. The report will be submitted in January 2008.

26. CAPITAL COMMITMENTS

The Fund had capital commitments of TShs 9,000,000,000.00 representing capital expenditures

which had been approved and contracted for but not yet expended. All capital expenditures incurred up to the balance sheet date have been provided for.

27. CONTINGENT LIABILITIES

As at the balance sheet date, the Fund had no material contingent liabilities.

28. INTANGIBLE ASSETS

Application Software	As at 30.06.2007 Tzs	As at 30.06.2006 Tzs
Cost		
1st July, 2006	4,733,190,250	1,641,249,751
Additions	1,278,808,115	3,091,940,500
30th June, 2007	<u>6,011,998,365</u>	<u>4,733,190,251</u>
Depreciation		
1st July, 2006	966,801,644	329,357,644
Charge for the year	1,137,438,427	637,444,000
30th June, 2007	<u>2,104,240,071</u>	<u>966,801,644</u>
Net Book Value		
30th June, 2007	<u>3,907,758,294</u>	<u>3,766,388,607</u>

29. INVESTMENT IN REAL ESTATES

Investment in real estates includes cost incurred in on going construction of Mafuta House amounting to Tzs. 28,948,641,088. The value of the buildings will be determined by valuation on completion.

30. FUNDS FOR TTCL PENSIONERS

The Fund is entrusted to manage a pension fund for paying pensions to TTCL employees on terminations of employments as per the existing terms of employment.

31. LONG TERM STAFF BENEFITS

The Fund has provided for terminal benefits payable to the Fund's employees on termination of employment as per the existing terms of employment.

	30.06.2007 Tzs	30.06.2006 Tzs
1st July, 2006	13,431,677,024	8,856,990,213
Charge for the year	<u>940,850,700</u>	<u>4,574,686,811</u>
	14,372,527,724	13,431,677,024
Paid During the Year	<u>338,090,163</u>	<u>0</u>
30th June, 2007	<u>14,034,437,561</u>	<u>13,431,677,024</u>

32. INCREASE/DECREASE IN INVESTMENT AT MARKET FAIR VALUES

Increase/decrease in investment values is the difference of market value at the beginning and end of the period of quoted equity securities at Dare es Salaam Stock Exchange (DSE) and/or surplus on revaluation of land, buildings and investment in properties as at 30th June, 2007.

33. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

	Year ended	
	30.06.2007	30.06.2006
	Tzs	Tzs
Salaries and allowances	752,771,231	773,458,497
Trustees fees and allowances	225,784,000	137,055,425
	<u>978,555,231</u>	<u>910,513,922</u>

Transactions with investees Companies

These companies and respective Fund's holdings are as follows

Aza nia Bank Ltd	40%
Ubungo Plaza Ltd	35%
Pension Properties Ltd	35%
Jubilee Insurance (T) Ltd	10%

The following amounts are due from related parties: -

Fixed Deposit with Aza nia Bank Ltd	5,087,895,936	5,020,853,321
Outstanding Loan with Ubungo Plaza Ltd	1,180,436,521	1,153,201,105
Outstanding Loan Pension Properties Ltd	<u>11,196,503,001</u>	<u>10,689,072,824</u>
TOTAL	<u>17,464,835,458</u>	<u>16,863,127,250</u>

The Fund runs an insurance agency for Jubilee Insurance Company (T) Ltd. Agency commission received by Fund is Tzs 66.64 million (2005/2006 Tzs 65,70 million). All transactions with related parties were carried at arms length basis.

34. LEASES

The Fund owns a number of premises for which it is a lessor under operating leases agreements.

The Fund also has a project through which it constructs houses and sells them either under hire purchase terms or on outright sale basis.

The hire purchase balances, which are included in 'Investments in Loans and Receivables' are as follows:

	30.06.2007	30.06.2006
	Tzs	Tzs
Gross investment in the lease s	4,135,783,595	4,067,140,615
Present value of minimum lease payments	<u>2,227,806,569</u>	<u>2,158,129,435</u>
Unearned HP interest	<u>1,907,977,026</u>	<u>1,909,011,180</u>

35. SOCIAL SECURITY COSTS

Some Fund's employees are members of the Parastatal Pension Fund (PPF) and others are members of the National Social Security Fund (NSSF). For NSSF, the Fund and employees each contribute 10% of employees' gross salary to the scheme, on a monthly basis, whereas for PPF, the Fund contributes 15% of employees' gross salary to the scheme and the employee contributes 5%. The employer's contribution is charged to the income statement when payable.

The amount charged to income in the year in respect of the Fund's contribution is:

	2006/2007 Tzs	2005/2006 Tzs
Fund's contribution to NSSF	710,243,342	688,693,665
Fund's contribution to PPF	<u>1,136,076,095</u>	<u>1,151,824,708</u>

36. OTHER STATUTORY PAYROLL REMITTANCES

Other statutory payroll remittances include Pay As You Earn (PAYE), Skills and Development Levy. PAYE and Skills and Development Levy are payable by the Fund to the Tanzania Revenue Authority (TRA) in accordance with the Income Tax Act.

The amounts charged to the Statement of Changes in Net Assets Available for Benefits in the year in respect of the Skills and Development Levy remittances are

	2006/2007 Tzs	2005/2006 Tzs
Skills and Development levy	632,073,683	649,931,158
	<u>632,073,683</u>	<u>649,931,158</u>

The amount deducted from the employees' salaries and wages in the year in respect of PAYE is:

	2006/2007 Tzs	2005/2006 Tzs
PAYE	2,092,763,138	2,090,587,624
	<u>2,092,763,138</u>	<u>2,090,587,624</u>

At year-end the all amounts had been paid to relevant authorities in accordance with the respective regulations.

37. TAXATION

There is no tax charge for the year because the Fund has carried forward tax losses amounting to Tzs 114,927 million (2005 Tzs 135,355 million). This tax loss has not yet been agreed with the Tanzania Revenue Authority. The deferred tax asset has not been recognized in these financial statements due to the uncertainties as to whether sufficient taxable profits will be available in the future against which the temporary differences giving rise to the deferred tax asset can be utilized.

NOTES TO THE ACCOUNTS

NOTE 38 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS TZS	MOTOR VEHICLES TZS	FURNITURE AND FITTINGS TZS	OFFICE MACHINES AND EQUIPMENT TZS	COMPUTERS TZS	WORK IN PROGRESS TZS	TOTAL TZS
COST VALUATION							
COST VALUATION AS AT 01.07.2006	19,452,321,523	2,533,011,444	151,628,226	1,433,947,181	3,166,320,429	114,715,474	26,851,944,27
ADDITIONS	71,833,412	316,973,186	1,280,000	228,164,061	746,457,885	10,724,773	1,375,433,31
DISPOSAL/ADJUSTMENT	0	(33,958,140)	0	0	0	(47,092,517)	(81,050,657
COST VALUATION AS AT 30.06.2007 (A)	19,524,154,935	2,816,026,490	152,908,226	1,662,111,242	3,912,778,314	78,347,730	28,146,326,93
DEPRECIATION AS AT 01.07.2006	1,198,728,013	1,437,132,654	107,268,031	604,104,934	1,805,268,754	0	5,152,502,38.
CHARGE DURING THE YEAR	815,717,181	483,940,323	21,600,221	299,334,797	489,900,155	0	2,110,492,67
DISPOSAL/ADJUSTMENT	0	(33,958,140)	0	0	0	0	(33,958,140
DEPRECIATION AS AT 30.06.2007 (B)	2,014,445,194	1,887,114,837	128,868,252	903,439,731	2,295,168,909	0	7,229,036,92
NET BOOK VALUE AS AT 30.06.2007 (A-B)	17,509,709,742	928,911,653	24,039,973	758,671,530	1,617,609,385	78,347,730	20,917,290,01
NET BOOK VALUE AS AT 30.06.2006	18,253,593,510	1,095,878,790	44,360,194	829,842,247	1,361,051,657	114,715,474	21,699,441,87.

39. FINANCIAL RISK MANAGEMENT

a) Treasury risk management

The Fund operates a treasury function to provide competitive funding costs, invest and monitor financial risk. The treasury activities are routinely reported to the Board. The Fund does not use derivative financial instruments for speculative purposes.

b) Foreign currency risk

Foreign currency risk is managed at an operational level and monitored by the Directorate of Finance. Exposure to losses from foreign liabilities is managed through prompt payment of outstanding liabilities.

c) Liquidity risk

The Fund does not face any liquidity risk due to its nature of operations and investment policies in place help management of liquidity.

d) Credit risk management

Potential concentration of credit risk consists principally of short term cash and contribution receivables. The Fund deposits short term cash surpluses only with banks of high credit standing. Contribution receivables are presented net of allowance for impairment. Accordingly, the Fund has no significant concentration of credit risk that has not been adequately provided for.



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OLD AGE INVALIDITY FUNERAL GRANT

NATIONAL SOCIAL

National Social Security Fund

ANNUAL REPORT 2006/07



SURVIVORS



MATERNITY



EMPLOYMENT INJURY



SOCIAL HEALTH INSURANCE



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