



2005/06

National Social Security Fund ANNUAL REPORT



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HON. CAPT. JOHN CHILIGATI
MINISTER FOR LABOUR, EMPLOYMENT AND YOUTH DEVELOPMENT
P. O. BOX 1422
DAR ES SALAAM

Hon. Minister,

**REF: THE ANNUAL REPORT OF THE NATIONAL SOCIAL SECURITY
FUND FOR THE FINANCIAL YEAR 2005/2006**

Pursuant to 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 2006. The Report includes:-

1. A statement by the Chairperson of the Board of Trustees of the National Social Security Fund;
2. Operational Report by the Director General of the Fund; and
3. Audited Accounts of the Fund during the period ending at 30th June 2006.

I submit.




Mrs. Blandina Niyoni
Chairperson
NSSF Board of Trustees



Honorable Minister and all valued 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 2006.

For another year in succession, I am pleased to report that the Fund has recorded an 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 monetary, fiscal and investment policies currently being pursued by the Government. During the financial year 2005/2006 the economy continued to grow at the rate of 6.7%. Despite the recent drought and increase in oil prices, the inflation rate was stable at an average of 6%.

Government expenditure rose to 28% from 25.7% of GDP recorded in the year 2004/2005. The increase in expenditure is attributed to, among other factors, increase in domestic revenue, grants and concessional loans, debt relief and domestic borrowing. A sharp rise in Government spending in the domestic economy has necessitated rising sales of Treasury bills for sterilization of the injected liquidity. As a result, the Treasury Bill interest rate increased from a weighted average of 7.7% in 2003 to 9.6% in 2004, 14.8% in 2005 and 10.7% in 2006.

Over the same period, government revenue has performed well, rising to 14.2% of the GDP. These gains have been made possible through improvements in tax administration, reduction in exemptions, and broadening the tax base.

On the other hand, Tanzania Investment Centre (TIC) approved 550 projects worth Tshs. 1,876,063 million with employment potential estimated at 55,663 compared to 454 projects worth Tshs. 1,246,040 million and employment potential of 56,057 in the previous year. The reduction in employment potential is attributed to application of capital intensive technologies which demanded fewer workers.

As stated above, performance of the Fund during the year under review was remarkable. In particular, membership increased from 356,070 recorded in 2004/2005 to 376,387 in the period under review. Total contribution collections grew at a rate of 27.3% from Tshs. 97,480.0 million to Tshs. 126,967.00 million. Total investment income increased by 5.6% during the period under review from Tshs. 20,252.6 million to Tshs. 21,771.40 million. At the end of the year, total assets of the Fund increased by 21.0% to a level of 507,440.1 million compared to Tshs. 419,545.6 million as at 30th June 2005.

Consequently, Net Assets available for benefit payments increased by 19.7% from Tshs. 399,055.9 million at the end of June 2005 to Tshs. 477,763.9 million at the end of June 2006. In the light of



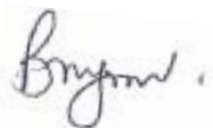
this remarkable performance, I am gratified to report that the Fund's capacity to meet all members' maturing obligations has continued to be strengthened.

Furthermore, I am also delighted to inform the general public that the long awaited final benefit under the NSSF scheme, namely Social Health Insurance Benefit (SHIB) was launched on 8th July 2005. Under this benefit, our insured persons and their families will enjoy medical treatment on NSSF's expenses. In this regard, we kindly request our esteemed members to continue registering with the Fund so that they can be eligible for the wide range of social security benefits, including SHIB.

It is worth noting that the registration card provided by the Fund enables the bearer of the same to enjoy treatment from a medical provider of his/her choice among the list of accredited medical providers contracted by NSSF for this purpose. It is also important to note that all the seven benefits offered by the Fund (including this one of health care) are obtainable from the same 20% contribution made to the Fund, and no extra contribution is needed.

Despite the achievements listed above, it is important to note that the Fund also encountered a number of challenges including existence of unequal playing ground especially in the area of registering new members, pre-mature withdrawals, limited safe and profitable investment avenues, corporate tax on Fund's investment income and various taxes on investment projects. However, the Fund is striving to overcome these challenges with a view to turning them into opportunities. In this respect, we hope the Government will expedite enactment of the long awaited social security law to govern the social security industry in the country. At the same time, it is expected that the Government will consider exempting taxes imposed on the investments and income from investments as per the law establishing the Fund.

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 during the year under review. At the same time I also wish to record my appreciation to NSSF Management and staff for their untiring efforts in executing their responsibilities. Finally, I reiterate our continued efforts and dedication in providing good social security services to all our esteemed members.



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



BOARD MEMBERS'

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Mr. Ally Mwinyimvua
Trustee/Vice Chairperson



Hon. Ezekiel Maige
Trustee



Mr. Nestory Ngulla
Trustee



Dr. Mussa Assad
Trustee

Bryson

Mrs. Blandina S. Nyoni
Chairperson



Mr. Nicholas Mbwani
Trustee



Mrs. Adelgunda M.
Mgaya



Mr. Nicolas Kingazi
Trustee



Dr. Ramadhani K. Dau
Secretary



Dr. Ladislaus C. Komba
Trustee



Mr. Boniface Y. Nkakatisi
Trustee



Mr. Ekingo H. M. Ekingo
Trustee



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Mr. Nestory K. Ngula
Trustee/Vice Chairman



Hon. Siraju K. Juma, (MP)
Chairman



Dr. Ramadhani K. Dau
Secretary



Mr. Ally Mwinyimvua
Trustee



Mr. Boniface Y. Nkakatisi
Trustee



Hon. Haroub S. Masoud, (MP)
Trustee



Mr. Abubakary Rajabu
Trustee



Mr. Dominico M. Kabyemera
Trustee



Mrs. Philipina Moshia
Trustee



Mr. Abdallah H. Magohe
Trustee



Hon. Halima H. Mamuya, (MP)
Trustee



Mrs. Rukia D. Shamte
Trustee



DIRECTOR GENERAL'S STATEMENT

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Honorable Minister and all venerated stakeholders of the Fund,

I have great pleasure once again to release to you the Annual Report and Audited Accounts of the Fund for the financial year ending 30th June 2006. The report contains operational performance, achievements and challenges experienced during financial year 2005/2006. I am also attaching the Audited Accounts of the Fund for the same period for your review.

I am pleased to inform you that, the general operational performance of the Fund has continued to be very good as reflected by the significant growth in all performance indicators as shown in the subsequent sections of this report.

1.0 Membership to the Fund

1.1 In 2005/06 financial year, the Fund registered 1,562 new employers and 75,696 new insured persons. However, a total of 41,073 insured persons terminated their membership with the Fund due to various reasons including death, retrenchment, termination of employment, long study leave and migration. Therefore, the total membership size of the Fund as at 30th June 2006 stood at 376,387. Table 1 below presents the membership trend.

1.2 The Fund will continue with its efforts of educating the general public to increase the level of awareness on the importance of joining the Fund and the benefits accruing from doing so. Similarly, the Fund will continue with its efforts to widen membership coverage by targeting the informal sector.

Table 1: Membership of the Fund 2001/2002 – 2005/2006

YEAR	EMPLOYERS	MEMBERS
2001/02	15,535	351,975
2002/03	15,097	327,609
2003/2004	15,970	353,835
2004/2005	14,817	356,070
2005/2006	14,465	380,693



2.0 Contributions

2.1 The Fund's efforts to strengthen compliance as reported in previous annual reports have started bearing fruits. During the period under review, a total of Tshs. 126,967.00 million was collected representing a growth rate of 27.3% over and above Tshs. 97,480.40 million collected in the previous financial year. Table 2 below highlights annual contribution collections.

Table 2: Contributions Collections 2001/2002 – 2005/2006

YEAR	AMOUNT (in Tshs. Million)
2001/2002	44,689.10
2002/2003	59,347.10
2003/2004	79,984.77
2004/2005	97,480.40
2005/2006	126,967.00



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2.2 The Fund looks forward to a higher growth rate in the subsequent years. To facilitate this, the Fund will continue educating all registered employers on the importance of timely and accurate remittance of members' contributions. As a last resort, legal action will continue to be taken against all who violate the NSSF Act.

3.0 Benefit Payments

3.1 A total of Tshs. 41,899.64 million was paid in year 2005/06 to 43,628 beneficiaries. This amount is 22.3% higher than Tshs. 29,775.3 million that was paid to 38,495 beneficiaries in the preceding year. Table 3.1 shows the trend of total amounts paid as benefits to members.

Table 3.1: Benefit Payments 2001/2002 – 2005/2006

YEAR	AMOUNT (in Tshs. Million)
2001/2002	13,433.20
2002/2003	20,735.60
2003/2004	23,416.00
2004/2005	29,775.27
2005/2006	40,183.89

3.2 The breakdown for the benefits paid during the period under review is given in Table 3.2 below:

Table 3.2: Breakdown of Benefits Payments 2005/2006

Benefit Type	Amount Paid in Tshs. million
Withdrawals	36,430.92
Survivors	2,198.95
Invalidity	42.65
Maternity	282.66
Funeral grants	14.10
Employment injury	28.36
Health insurance	156.15
Retirement pension	1,030.10
Total	40,183.89

3.3 The growth in benefit payments is mainly attributed to the increasing awareness among the insured persons about the short- and long-term benefits entitled to them. The Fund will continue to encourage members to utilize benefits offered by the Fund as they become eligible. For this reason, we encourage members to make good use of all Fund's offices and publications circulated to them so as to familiarize themselves with the NSSF Scheme.

3.4 However, for the period under review, and as of today, the Fund is still facing the challenge of continued pre-mature withdrawal benefits. These still account for a significant portion of the amount of benefits being paid annually. The challenge is further exacerbated by:

- i) increased labour turnover in the economy;



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- ii) failure of the majority of the retrenched people to find alternative employment within a short time, e.g. within six months; and
- iii) impatience of some of the members to retain their membership.

3.5 The Fund will continue to educate its members on the importance of retaining their membership with the Fund.

4.0 Investments

4.1 During the period under review, the Fund continued to invest members' funds as provided in the NSSF Act, and as per the Investment Policy. In executing this role, the Fund has continued to abide by the universal principles of investment of social security funds of safety, yield, liquidity and socio-economic utility. In addition, the Fund has directed its investments to commercially profitable, technically feasible, financially viable and social-economically desirable projects. As a result of these activities, the Fund's investment portfolio as at 30th June 2006 had accumulated to Tshs 430,790.11 million compared to Tshs. 353,486.25 million, recorded as at 30th June 2005. This reflects a growth rate of 21.5%. Table 4.1 and Table 4.2 present the composition and the overall growth for the Fund's short- and long-term investment portfolio.

Table 4.1: NSSF Long-term Investment Portfolio 2001/2002 – 2005/2006 (Figures in Tshs. Million)

ITEM	2001/02	2002/03	2003/04	2004/2005	2005/2006
GSs	60,325.16	83,103.97*	100,862.19*	89,391.57	98,384.75
RES	57,635.50	49,269.08*	56,471.73*	78,604.80	99,663.39
LOANS	458.20	15,411.84*	42,102.55*	54,842.49	81,782.74
CBs	9,627.69	7,757.53*	10,849.84*	13,099.84	15,331.84
EQUITY	13,966.07	28,297.18*	26,491.70*	78,665.10	91,489.16
TOTAL	142,012.58	183,839.60*	236,778.01*	314,603.68	386,651.88

GSs: Government Securities, REs: Real Estates, CBs: Corporate Bonds

* Restated in the 2005/2006 Annual Report to comply with IFRS

Table 4.2: NSSF Short-term Investment Portfolio 2000/2001 – 2005/2006 (Figures in Tshs. Million)

ITEM	FDs	TBs	TOTAL
2001/2002	21,483.29	23,303.74	44,787.03
2002/2003	18,808.18	28,130.67	46,938.85
2003/2004	26,731.35	17,323.85	44,055.20
2004/2005	20,299.63	18,582.94	38,882.57
2005/2006	37,647.23	6,491.00	44,138.23



FDs: Fixed Deposits, TBs: Treasury Bills

5.0 Income from Investments

5.1 A total of Tshs. 21,771.40 million was generated from various investments during the period under review. This result presents a growth rate of 5.6% over and above Tshs. 20,252.60 million, which was generated in 2004/2005. The Fund will continue investing in high yielding investments with minimal risks. Table 5 shows the trend of investment income



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Table 5: Income from Investments 2000/2001 – 2004/2006 (Figure in Tshs. Million)

YEAR	2001/02	2002/03	2003/04	2004/05	2005/06
G/ SEC.	6,775.8	5,075.5	8,004.4	9,476.7	9,770.8
FDs & CPs	544.4	917.8	1,098.3	1,827.5	2,502.8
INT, DV & CGN	1,398.5	1,819.4	5,499.3	5,795.5	7,700.8
CORPORATE BONDS	154.3	418.6	621.8	927.4	1,797.0
RENT	1,685.2	1,853.6	1,422.5	2,225.5	2,804.7
TOTAL	10,539.0	10,085.0	16,646.1	20,252.6	21,771.4

G/SEC: Government Securities; FDs & CPs: Fixed Deposits and Commercial aper

INT, DV & CGN: Interest, Dividends and Capital Gain

6.0 Administrative Expenditure

6.1 During the period under review, administrative expenditure was Tshs 22,892.91 million against Tshs 17,025.06 million in 2004/05. In spite of the slight increase in administrative expenditure which was caused by the general increase in prices, the expenditure was 14.89% of total sources. This is within Section 61(4) of NSSF Act which states that administrative expenditure should not exceed 15% of the total sources.

7.0 Projects in Progress

7.1 The following investment projects were under implementation during the period under review. While some projects have been completed, others are still being carried out.

- A project to construct Executive Apartments at the Ex-TAZARA hostel plot in Kinondoni area, Dar es Salaam. The Project also involved rehabilitation and conversion of part of the ex-TAZARA hostels for hospital use and it is currently occupied by M/s Tanzania Heart Institute (THI). The project was completed in the financial year 2005/06. The executive apartments have been sold at a profit of 31.1%.
- A project to construct Government Houses at Kijitonyama in Dar es Salaam was completed and commissioned during the period under review. The Government is repaying the investment under a special domestic borrowing arrangement.
- Construction of a multipurpose commercial complex to offer commercial and office space in the city of Mwanza is in-progress. The project is located within the Central Business District of the city of Mwanza. As at 30th June 2006, the project had reached 50% completion level.
- A technical feasibility study on the construction of a bridge to join the Central Business District (CBD) of Dar es Salaam with the fast growing Kigamboni area was completed and a final report submitted to the Government.
- A project to complete Benjamin William Mkapa Pension Towers (Ex-Mafuta House) had reached 85% completion stage.
- Various studies for new investments were also carried out during the period under review.

8.0 Human Resources and Personnel Matters

8.1 Total Workforce

8.1.1 During the period under review, the Fund had a total of 974 employees.

8.1.2 During the period 12 staff were employed including the Director of Human Resource and Administration and SHIB Manager. A total of 84 employees were transferred to other offices to strengthen the Fund's operations.

8.1.3 Whilst 3 staff were terminated on disciplinary grounds, other 3 staff retired after attaining compulsory retirement age.



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8.2 Capacity Building

8.2.1 In recognition of the importance of short and long-term training, the Fund continued to initiate, encourage and sponsor its employees to attend various capacity building training courses organized locally and internationally. In this respect, a total of 39 staff attended short courses of which 12 attended the courses abroad, 27 staff attended courses organized within the country and 33 staff attended in-house training seminars.

8.2.2 A total of 103 staff were attending long-term studies in various areas of specialization; out of these, 67 were undertaking postgraduate programmes, 23 undergraduate degrees and the rest were pursuing programmes at diploma and certificate levels. The Fund will continue supporting its staff who wish to broaden their knowledge and skills through direct sponsorship, educational loans or granting of study leave.

8.3 Industrial Relations

8.3.1 For the purposes of enhancing good relationship between staff and Management and for that matter maintaining peace, harmony and tranquillity at the workplace, the Fund promotes dialogue and negotiation with employees through their democratically elected representatives during Master Worker's Council, Negotiation Council and TUICO. In this respect, during the period under review, the Fund held four sessions of the Negotiation Council. The meetings have reduced the communication gap between Management and employees and enhanced teamwork among the staff.

8.3.2 The Fund has installed Human Resource and Performance Management Systems so as to simplify human resource functions. The Fund will also continue to research and improve motivation packages for the staff to ensure optimum efficiency.

9.0 Information and Communication Technology

9.1 In order to enhance efficiency the Fund is continuing to implement its computerization programmes. These programmes include Integrated ICT solution project, Telecommunication, Member Identification Management System, supply and installation of middleware and support software and ICT security and control.

9.2 For the period under review, the Fund accomplished Procurement of Blade and SAN equipment to be installed at the Benjamin William Mkapa Pension Towers, provided ICT awareness courses to more than 400 members of staff and trained 12 ICT key technical staff in various ICT skills in line with the project implementation requirements.

9.3 During the period under review, the Fund developed the Core Fund Management System. The User Acceptance Test (UAT) has been completed and the registration of employer module is being tested at Kinondoni regional office. Other systems were still at the fine-tuning stage..

9.4 The Financial Accounting Module was implemented and started running at the Head Office since February, 2006. Human Resource and Payroll modules were also implemented where the system customization was completed and went into testing.



- 9.5 The Fund also continued with implementation of the Oracle Enterprise Resource Planning (ERP) project. Under this project, implementation of Inventory and Property Management modules is proceeding well; the customization stage is complete and the modules are currently running under test. Another module, i.e., Document Management System is currently running under test.
- 9.6 The Fund has also continued to maintain its web site www.nssf.or.tz which aims at providing various information to our stakeholders.

10.0 Corporate Social Responsibility and International Relations

10.1 In pursuit of its social obligations, the Fund participated in various community development projects in 2005/06 through provision of financial assistance in areas of education, health service, sports and to people with disability. During the period under review, the Fund received more than 500 applications for donations, but due to budgetary constraints, only 57 applications were successful and a total of Tshs 247 million was granted in kind and in monetary terms..

10.2 For the period under review, the Fund continued with execution of its public education role. In this regard, the Fund prepared and distributed educational materials to its esteemed members and other stakeholders. Different strategies were used to publicise the Social Health Insurance Benefit (SHIB) which was launched during the period under review. Strategies such as road shows, drama and live radio programmes were used.

10.3 In sports, NSSF organised NSSF Media Cup by involving different teams including the Business Times, Mwananchi, TVT, IPP Media, Habari Corporation, Clouds Entertainment and NSSF itself as part of the NSSF Week. The major focus was on promoting and bringing together the Fund and the media. NSSF emerged as the overall winner in football.

10.4 During the period under review, the Fund participated in several international seminars and information exchange programmes. In particular, the Fund hosted delegations from Uganda, Ghana, Gambia, Kenya and Sierra Leone who came to learn from NSSF various aspects of managing a pension fund.

10.5 The Fund participated in conferences and seminars organised by the International Labour Organization (ILO). The Fund also attended the ILO Annual General Meeting held in Geneva. During the period under review, other meetings and workshops attended by the Board members and senior Fund's officials were held in the US, UK, Zambia, Nigeria, Switzerland, Kenya, Malaysia, Russia, South Africa and Swaziland.

11.0 Achievements

11.1 The Fund has continued to be a 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 being reflected in the ever increasing membership size.



11.2 Despite the limited availability of high-yielding and safe investment opportunities, the Fund has managed to construct an efficient portfolio, which promises high returns with minimal risks. The level of income generated is increasing.

11.3 The Fund is continuing to fulfil its noble obligation of contributing to the social and economic development of the country. It has completed construction of its pilot Low Cost Housing Scheme, Phase I and II, at Kinyerezi. For the period under review a total of 194 houses have been sold to members and the general public under hire-purchase agreements.

11.4 We believe that NSSF has set a good example on provision of human settlements for other institutions to emulate. We are convinced that with collective efforts, we can improve the provision of decent accommodation to majority of the people. This is in consistent with Millennium Development Goals of providing majority of Tanzanians with decent but affordable houses.

11.5 During the period under review the Fund also completed the ex-TAZARA rehabilitation project and construction of a new Parliamentary Debating Chamber in Dodoma.

12.0 Challenges

12.1 Despite the achievements listed above, it is important to note that the Fund also encountered a number of challenges including existence of unequal playing ground especially in the area of registering new members, pre-mature withdrawals, limited safe and profitable investment avenues, corporate tax on Fund's investment income and various taxes on investment projects. However, the Fund is striving to overcome these challenges with a view to turning them into opportunities. In this respect, we hope the Government will expedite enactment of the long awaited social security law to govern the social security industry in the country. At the same time, it is expected that the Government will consider exempting taxes imposed on the investments and income from investments as per the law establishing the Fund.

13.0 The Future

13.1 The Fund will continue to educate the general public on the importance of becoming a member. Likewise, the Fund will continue to educate and encourage all eligible employers to register their respective employees and to remit their contributions timely and accurately.

13.2 The Fund will continue with its efforts to ensure that membership coverage is widened to bring on board all registrable employees that are not already covered by any formal social security scheme.

13.3 Investment activities will continue to be directed to those areas with high yield but less risky and having high social and economic value. On a similar vein, investment opportunities that creates employment will be given priority.

13.4 In the course of executing its social responsibilities, the Fund will continue participating in various community services directly and indirectly. Donations and sponsorship to events and development projects in priority sectors such as health, education, HIV/AIDS awareness campaigns and sports will continue to be a priority to the Fund.



14.0 Vote of Thanks

14.1 On behalf of the Fund's Management and staff, I hereby record our thanks and appreciation to the Board of Trustees for their understanding, cooperation and support throughout the period under review. We humbly request them to continue with the same spirit and we promise that the Fund will continue to improve the quality of all its services. under review.



Dr. Ramadhani K. Dau
Director General
National Social Security Fund.



MANAGEMENT TEAM

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Dr. Ramadhani K. Dau
Director General



Ms. K. Bandawe
Deputy Director General



Mr. L. Mrosso
Director of Finance



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



Mr. C. Magori
Director of Operations



Mr. S.A. Masimango
Director of Information
Technology



Mrs. C. Matessa
Director of Human
Resources



Mr. C. Komba
Chief Legal Secretary



Mr. P. Mtunda
Chief Internal Auditor



Mr. A. Shuma
Chief Security Manager



Mrs. E. Chiume
Chief Public Relations
& Customer Services



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Mrs. D. Masika
Reg. Chief Manager
Kinondoni



Mr. F. Merevi
Reg. Chief Manager Ilala



Mrs. E. Ngabo
Reg. Chief Manager Temeke



Mr. P. Mniwako
Reg. Chief Manager
Kilimanjaro



Mr. M. Mwakatobe
Reg. Chief Manager
Arusha



Mr. E. Sanga
Reg. Chief Manager
Mwanza



Mrs. M. Mwaipeta
Reg. Chief Manager
Morogoro



REGIONAL MANAGERS

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Mr. A. Shaban
Reg. Manager Kigoma



Mr. F. Maduga
Reg. Manager Singida



Mr. S. Milanzi
Reg. Manager Mtwara



Mr. W. Manda
Reg. Manager Mara



Mr. W. Ndonde
Reg. Manager Ruvuma



Mr. A. Banigwa
Regional Manager Tabora



Mr. B. Muni
Reg. Manager Iringa



Mr. Y. Mhamali
Reg. Manager Tanga



Mr. S. Kitomari
Reg. Manager Manyara



Mr. S. Mvungi
Regional Manager



Mr. J. Mashinga
Reg. Manager Dodoma



Mr. H. Fakii
Reg. Manager Mbeya



Mr. S. Nguma
Reg. Manager Shinyanga



Mrs. L. Tairo
Reg. Manager Coast



Mr. D. Hawanga
Reg. Manager Rukwa



Mr. J. Ochieng
Reg. Manager Kagera

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Mr. D. Senkoro

Manager - Special Unit
Special Unit

Mr. A. Mseli

Manager - Planning and Investments
Directorate of Planning, Investments
and Projects

Mr. B. Kinunda

Manager - Projects and Estates
Directorate of Planning, Investments
and Projects

Mr. G. Semwenda

Manager - Treasury
Directorate of Finance

Mr. D. Kalanje

Chief Accountant
Directorate of Finance

Mr. Y. Kigembe

Manager - Administrative and Supplies
Directorate of Human Resources
and Administration

Mr. M. S. Mohammed

Manager - Computer Operations
Directorate of Information Technology

Mr. E. N. Masaoe

Manager - Systems and Applications
Directorate of Information Technology

Dr. A. Mtulia

Manager - Social Health Insurance Benefits
Administration
Directorate of Operations

Mr. A. Nchula

Manager - Benefits Administration
Directorate of Operations

Mr. S. Shemliwa

Manager - Compliance, Records and Statistics
Directorate of Operations



REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30TH JUNE, 2006

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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, 2006.

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

2.1 The Trustees of National Social Security Fund who served up to the date of this report and resigned on 31st August 2006 before these accounts were adopted:

	Name	Status	Nationality
1	Hon. Siraju K. Juma, (MP)	Chairman	Tanzanian
2	Mr. Nestory K. Ngula Trustee/Vice	Chairman	Tanzanian
3	Mr. Dominico M. Kabyemera	Trustee	Tanzanian
4	Mr. Abubakary Rajabu *	Trustee	Tanzanian
5	Hon. Haroub S. Masoud, (MP)	Trustee	Tanzanian
6	Mr. Ally Mwinyimvua	Trustee	Tanzanian
7	Mrs. Philipina Moshia	Trustee	Tanzanian
8	Mr. Abdallah H. Magohe	Trustee	Tanzanian
9	Hon. Halima H. Mamuya, (MP)	Trustee	Tanzanian
10	Mrs. Rukia D. Shamte	Trustee	Tanzanian
11	Mr. Boniface Y. Nkakatisi	Trustee	Tanzanian
12	Dr. Ramadhani K. Dau	Trustee/Secretary	Tanzanian

* Served up to 31st December, 2005

2.2 The Trustees of National Social Security Fund appointed on 1st September 2006 and who are currently serving at the time the accounts are approved and signed:

	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. Nicholaus Mbwanji	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



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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, 2006. 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:



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Income	2006 Tzs. millions	2005 Tzs. millions
Interest from investments	21,771.30	18,392.62
Rent income	2,804.65	2,225.51
Other income	1,052.85	313.15
Discount on bonds	961.06	422.41
Increase in investments at market/fair values	179.44	6,936.88
Total investment income	26,769.33	28,290.59
Contribution from employers	126,966.99	97,480.38
Total Income	153,736.33	125,770.97

Expenditure	2006 Tzs. millions	2005 Tzs. millions
Direct benefit payments to members	41,899.64	29,775.27
Administration expenses	22,892.91	17,025.06
Long Term Staff Benefit	4,574.69	586.17
Depreciation and Ammortisation	2,817.20	953.83
Bad/doubtful debts	5.28	4,100.55
Provision for impairment of receivables	1,799.56	5,366.70
Other charges	1,039.08	78.13
Total Expenditure	75,028.36	57,885.72
Net Increase in Assets	78,707.97	67,885.25
NET ASSETS AVAILABLE FOR BENEFITS BROUGHT FORWARD	399,055.87	331,170.62
CARRIED FORWARD	477,763.84	399,055.88

5.2 The size of the Fund as at 30th June, 2006 was as follows:-

	30.06.2006 Tzs. Millions	30.06.2005 Tzs. Millions
Investment at market values	175,716.61	152,758.49
Investment at fair values	255,073.50	201,178.24
Total Investments	430,790.11	353,936.73
Other Assets	76,649.94	65,608.81
TOTAL ASSETS	507,440.05	419,545.55
LIABILITIES	29,676.20	20,489.67
NET ASSETS AVAILABLE	477,763.84	399,055.88

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.



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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 30.06.2006 are in respect of June deductions which were paid early July, 2006. All properties of the Fund are adequately insured.

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

The Fund had a total manpower of 974 employees as at 30th June, 2006.

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.

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. 248,841,911 as follows;- education Tzs 29,500,000, health Tzs 23,841,000 Sports Tzs 135,905,751 and other social avenues Tzs 59,595,160.



REPORT OF THE TRUSTEES

National Social Security Fund
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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.

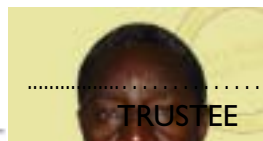
12.0 Independent Auditors

TAC Associates (Certified Public Accountants) were the auditors of the Fund for the financial year ended 30th June, 2006.

BY THE ORDER OF THE BOARD:


.....
CHAIRPERSON

DATE: 11/01/2007
.....



We have audited the accompanying statement of net assets available for benefits as at 30th June, 2006 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 state of affairs of National Social Security Fund as at 30th June, 2006, 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)*



S.F.SAYORE - FCCA
MANAGING PARTNER
DAR ES SALAAM
11TH JANUARY, 2007

16 JAN 2007



STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30TH JUNE, 2006

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		30.06.2006	30.06.2005
	Notes	TZS	Restated TZS
ASSETS			
INVESTMENTS AT QUOTED MARKET VALUES			
Government papers	4	104,875,746,364	107,974,514,524
Corporate debt securities	6	52,979,065,748	33,484,468,959
Corporate equity securities	7	17,861,793,840	11,299,507,180
		175,716,605,952	152,758,490,663
INVESTMENTS AT ESTIMATED FAIR VALUES			
Loans		81,782,745,493	54,842,493,222
Corporate equity securities	8	73,627,366,056	67,731,075,183
Real estates	26	99,663,392,913	78,604,676,908
		255,073,504,462	201,178,245,313
TOTAL INVESTMENTS		430,790,110,414	353,936,735,976
OTHER ASSETS			
Cash and bank balances	9	8,909,350,553	8,943,730,354
Contributions and penalties receivables	10	12,883,451,504	10,419,293,701
Receivables, advances and prepayments	11	12,554,974,108	10,203,250,448
Tax receivable	12	6,478,416,546	6,330,099,004
Accrued interest	13	9,874,746,164	5,848,166,756
Inventory		483,170,823	252,737,767
Property, plant and equipment	36	21,699,441,875	22,119,641,869
Intangible assets	25	3,766,388,607	1,311,892,108
		76,649,940,180	65,428,812,007
NON CURRENT ASSETS HELD FOR SALE			
Real estates (Plot No. 104 Arusha)		0	180,000,000
TOTAL ASSETS		507,440,050,594	419,545,547,983
LIABILITIES			
Accounts payable	14	6,757,203,964	5,566,271,742
Funds for TTCL pensioners	27	9,487,326,238	6,066,409,459
Long-term staff benefits	28	13,431,677,024	8,856,990,212
TOTAL LIABILITIES		29,676,207,226	20,489,671,413
NET ASSETS AVAILABLE		477,763,843,368	399,055,876,570

NOTES 1 TO 37 FORM PART OF THESE ACCOUNTS


CHAIRMAN

DATE: 11/01/2007


TRUSTEE

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

		2005/2006	2004/2005
		TZS	Restated TZS
ADDITIONS			
Interest from investments	15	21,771,300,220	18,392,627,349
Rent income		2,804,654,721	2,225,515,382
Other income	16	1,052,875,435	313,150,490
Discount on bonds		961,062,689	422,412,756
Increase in investments at market/fair values	29	179,444,259	6,936,889,701
Total investment income		26,769,337,324	28,290,595,678
Contribution from employers	17	126,966,995,942	97,480,383,147
		153,736,333,266	125,770,978,825
DEDUCTIONS			
Direct benefit payments to members	18	41,899,641,865	29,775,268,529
Administration expenses	19	22,892,912,366	17,025,060,535
Long Term Staff Benefit		4,574,686,812	586,172,499
	25 &		
Depreciation and Ammortisation	36	2,817,203,772	953,839,978
Bad/doubtful debts	20	5,279,433	4,100,550,226
Provision for impairment of receivables		1,799,561,077	5,366,704,854
Other charges	21	1,039,081,142	78,132,677
		75,028,366,467	57,885,729,298
Net increase in assets		78,707,966,799	67,885,249,527
NET ASSETS AVAILABLE FOR BENEFITS			
BROUGHT FORWARD		399,055,876,569	331,170,627,042
CARRIED FORWARD		477,763,843,368	399,055,876,569

NOTES 1 TO 37 FORM PART OF THESE ACCOUNTS



CHAIRMAN

11/01/2007
 DATE:



TRUSTEE



CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006

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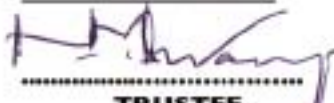
2005/06

	2005/2006	2004/2005
		Restated
Cash flows from operating activities	TZS	TZS
Interest on investments	13,416,341,703	15,759,756,341
Rent received	2,323,147,127	1,759,500,652
Interest received on loans	5,953,775,706	2,672,519,940
Administrative expenditure	(20,798,906,275)	(16,585,410,754)
Receipts from agency	172,620,235	34,730,443
Staff loans	(1,499,060,942)	(1,007,453,070)
Miscellaneous receipts	486,251,578	334,568,708
Commission & fees expenses	(705,162,373)	(30,960,012)
TRA receivable A/c	(180,457,190)	(50,000,000)
Taxes	(3,565,088,629)	(3,415,551,215)
Net cash flow from operating activities	(4,396,539,060)	(528,298,967)
Cash flows from investing activities		
Cash paid on investments	(82,223,261,592)	(107,871,447,086)
Redeemed investments	48,527,472,163	67,883,625,539
Payments to the projects	(20,598,677,821)	(16,267,367,707)
Loans disbursed	(24,811,884,700)	(13,877,558,289)
Deposit-sale of Tabora building	(500,000)	10,000,000
Loans repayment received	738,912,828	2,608,281,023
Additions to fixed assets	(4,835,629,497)	(2,466,158,156)
Proceeds from disposal of assets	328,313,861	71,239,050
Net cash flows from investing activities	(82,875,254,758)	(69,909,385,626)
Cash flows from financing activities		
Members contributions	120,164,333,418	94,730,945,413
Benefits payments	(40,469,753,348)	(28,045,940,673)
TTCL pensioners fund	3,095,899,750	3,490,372,164
Receipts on reserve accounts	1,142,350,610	1,146,260,057
Net cash flows from financing activities	83,932,830,430	71,321,636,961
Net increase/(decrease) in cash and cash equivalents	(3,338,963,388)	883,952,368
Cash and cash equivalents at beginning of period	20,171,415,828	19,287,463,460
Cash and cash equivalents at end of period	16,832,452,440	20,171,415,828

NOTES 1 TO 37 FORM PART OF THESE ACCOUNTS


CHAIRMAN

DATE: 11/01/2007


TRUSTEE

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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 & International Financial Reporting Interpretations Committee (IFRICs) that are not yet mandatory

IFRSs

The following IFRSs have been issued by the IASB but were not yet mandatory as at the reporting date on the Statement of Net Assets Available for Benefits:

- IFRS 6: Exploration for and Evaluation of Mineral Resources which applies to annual periods beginning on or after 1st January, 2006. This Standard does not apply to the circumstances of the Fund.
- IFRS 7: Financial Instruments: which applies to annual periods beginning on or after 1st January, 2007. IFRS 7 applies to the circumstances of the Fund.

IFRICs

The following IFRIC pronouncements, apply to annual periods beginning on or after 1st January, 2006:

- IFRIC 4: Determining whether an Arrangement contains a Lease
- IFRIC 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds – incorporating an Amendment to IAS 39
- IFRIC 6: Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The following IFRIC, applies to annual periods beginning on or after 1st March, 2006:

- IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies



The following IFRIC, applies to annual periods beginning on or after 1st May, 2006.

- IFRIC 8: Scope of IFRS 2.

The IFRICs mentioned above do not apply to the circumstances 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



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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



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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. Comparatives

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

p. Country of incorporation

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



3. INVESTMENTS

	30.06.2006	30.06.2005
	Tzs	Tzs
Investments that represent 5% or more of the net assets are separately identified below:		
HEPZ (Hifadhi Processing Zone) Shares	<u>47,156,025,114</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	11,394,043,500	5,106,361,180
Tanzania Cigarette Company Ltd	3,842,752,500	3,206,041,200
DAHACO	1,404,427,400	1,263,131,000
Simba Shares		1,377,037,800
Investments at estimated fair values		
Azania Bancorp		3,341,000,225
CDC Mbeya Cement		1,152,024,742
Ubungu Plaza	9,817,038,702	8,696,757,551
Tanre Shares		1,000,000,000
HEPZ (Hifadhi Processing Zone) Shares	47,156,025,114	47,156,025,114
Tanzania Pharmaceutical Industries	5,628,431,506	5,250,000,000
MGC Reedmable cum, Preference shares	<u>3,809,064,616</u>	
CORPORATE DEBT SECURITIES		
EADB Bond	5,751,288,880	7,501,288,880
PTA Bond	3,751,550,000	4,169,550,000
Exim Bank (T) Ltd	3,900,000,000	3,000,000,000
Azania Bancorp Ltd	<u>5,020,853,321</u>	<u>2,900,042,977</u>
LOANS		
Mohammed Enterprises		4,499,739,045
Kagera Sugar Co. Ltd.	12,000,000,000	12,000,000,000
Quality Group Limited	6,750,000,000	7,500,000,000
Mabibo Student Hostel	16,473,396,378	16,473,396,379
Pensions Properties Limited	10,689,072,824	3,605,013,206
General Tyre East Africa Ltd	<u>11,446,421,470</u>	<u>6,172,209,789</u>
GOVERNMENT PAPERS		
Special Government Bond (Russian)-Debt Swap	5,934,494,365	5,715,688,768
Special Government Bond (Bulgaria) -Debt Swap	10,187,365,555	15,352,571,561
Special Government Bond (Hungary) -Debt Swap	<u>11,135,768,502</u>	



4. GOVERNMENT PAPERS

	30.06.2006	30.06.2005
	Tzs	Tzs
Government stocks	2,550,966,900	3,025,400,300
Special government bonds	27,257,628,421	26,068,260,329
Treasury bonds	68,576,146,144	60,297,914,537
Bank of Tanzania - Treasury bills	6,491,004,899	18,582,939,358
	<u>104,875,746,364</u>	<u>107,974,514,524</u>

5. CASH AND CASH EQUIVALENTS

Cash at banks	5,518,887,594	5,323,697,730
Funds in transit & in collection	2,219,921,809	2,356,603,240
Fixed deposits and C.P maturing	7,243,654,000	3,246,149,803
Treasury bills	1,849,989,036	9,244,965,056
	<u>16,832,452,439</u>	<u>20,171,415,829</u>

6. CORPORATE DEBT SECURITIES

Bonds with banks	15,331,838,880	13,099,838,880
Fixed deposits	37,647,226,868	20,384,630,079
	<u>52,979,065,748</u>	<u>33,484,468,959</u>

7. CORPORATE EQUITY SECURITIES AT MARKET VALUE

Investment in companies	<u>17,861,793,840</u>	<u>11,299,507,180</u>
	17,861,793,840	11,299,507,180

8. CORPORATE EQUITY SECURITIES AT FAIR VALUE

Investment in companies	73,123,366,056	67,731,075,183
Provision in Diminution in value	(96,000,000)	0
	<u>73,027,366,056</u>	<u>67,731,075,183</u>

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



CASH AND BANK BALANCES

National Social Security Fund
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9. CASH AND BANK BALANCES

	30.06.2006	30.06.2005 <i>Restated</i>
	Tzs	Tzs
Bank current accounts	5,028,574,688	5,274,798,701
Forex bank account	490,312,906	48,899,029
Funds In transit and in collection a/cs	2,219,921,809	2,356,603,240
Petty Cash	105,300	
Benefit imprest accounts	1,170,435,850	1,263,429,384
	8,909,350,553	8,943,730,354

10. CONTRIBUTIONS AND PENALTIES RECEIVABLES

Statutory contributions receivable	16,224,373,695	11,069,598,347
Penalties receivable	2,151,557,526	3,280,766,867
	18,375,931,221	14,350,365,214
Less: Provision for Impairments	(5,492,479,717)	(3,931,071,513)
	12,883,451,504	10,419,293,701

11. RECEIVABLES, ADVANCE AND PREPAYMENTS

Sundry prepayments	90,563,467	60,167,698
Other deposits	500,000	1,820,933
Rent receivable	3,970,178,204	2,945,985,789
Dishonoured cheques	905,146,600	813,251,297
Contributions underpaid by employers	466,117,851	271,345,559
Dividend Receivable	348,964,826	0
Accounts receivable - NBC	145,708,556	144,567,873
VAT	3,228,243,909	3,018,370,173
TRA receivable account	180,457,190	50,000,000
Other receivables	215,139,038	223,639,038
Staff debtors	4,128,877,795	3,799,696,100
Field offices account receivable	45,379,781	43,568,414
	13,725,277,217	11,372,412,874
Less : Provision for impairment	(1,170,303,109)	(1,169,162,426)
	12,554,974,108	10,203,250,448



OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

12. TAX RECEIVABLES

	30.06.2006	30.06.2005
	Tzs	Tzs
Withholding tax on interest	7,197,312,692	6,813,961,561
Corporation tax overcharged	2,100,191,561	2,097,072,277
	9,297,504,253	8,911,033,838
Less : Provision for impairment	(2,819,087,707)	(2,580,934,834)
	6,478,416,546	6,330,099,004

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

13. ACCRUED INTEREST ON INVESTMENTS

Government stocks	197,937,252	214,781,036
Treasury bills	344,634,145	191,405,176
Bank fixed deposits	787,381,754	383,180,790
Special Govt. bonds	823,743,830	175,413,198
Treasury bonds	1,858,227,812	1,379,917,222
Bonds with banks	678,793,978	432,349,946
TTCL Pensioners interest receivable	290,651,093	499,846
Corporate loans	5,874,124,662	4,051,367,904
	10,855,494,526	6,828,915,118
LESS : Provision for impairment	(980,748,362)	(980,748,362)
	9,874,746,164	5,848,166,756

14. ACCOUNTS PAYABLE

	30.06.2006	30.06.2005
	Tzs	Tzs
Accounts payable(benefits)	0	3,252,457
Rent received in advance	302,543,823	230,011,349
Loan interest overpaid	7,739,383	7,739,383
Treasury Bills Interest overpaid	48,090,000	0
13.5% Loan from CRDB	3,802,849,191	0
Endowment scheme	42,913,350	43,208,043
Contributions overpaid by employers	1,646,084,931	972,667,136
Stale benefit cheques	324,959,963	227,538,050
Creditors-discounted T/bills	0	3,598,179,068
Deposit-sale of Tabora building	10,000,000	10,000,000
Accrued expenses	509,109,990	423,946,256
Provision for gratuity	12,913,333	4,730,000
Provision for audit fees	50,000,000	45,000,000
	6,757,203,964	5,566,271,742



INVESTMENT INCOME

National Social Security Fund
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15. INVESTMENT INCOME

	2005/2006	2004/2005
	Tzs	Restated Tzs
Government securities	9,770,753,743	9,476,716,787
Corporate bonds	1,797,023,531	927,387,199
Fixed deposits	2,502,747,899	1,827,471,201
Loans	5,259,380,634	4,371,044,382
Dividends	2,218,211,114	1,483,069,132
Gain on sale of investments	223,183,299	306,938,648
	21,771,300,220	18,392,627,349

16. OTHER INCOME

Disposal of fixed assets	148,345,861	0
Miscellaneous income	717,463,229	278,420,047
Agency commission	172,620,235	34,730,443
Gain on sale of investments	14,446,110	0
	1,052,875,435	313,150,490

17. MEMBERS CONTRIBUTIONS ACCOUNT

	2005/2006	2004/2005
	Tzs	Tzs
Members contributions		
Employers	62,640,129,682	47,578,162,123
Employees	62,640,129,682	47,578,162,123
Interest credited to members	1,664,628,093	2,110,221,623
Other	22,108,485	213,837,278
	126,966,995,942	97,480,383,147

18. BENEFIT PAYMENTS

Withdrawal	32,011,549,076	22,715,582,653
Age	4,419,369,179	1,878,150,046
Survivors	2,198,950,981	1,837,428,001
Emigration	0	34,422,993
Invalidity	42,646,159	44,101,583
Maternity	282,658,489	174,874,189
Funeral grants	14,104,880	16,050,042
Employment injury	28,360,631	2,252,454
Health insurance	156,148,420	157,280,753
Refund of excess contributions	50,230,645	29,834,493
Interest credited to members	1,664,628,093	2,110,221,623
Retirement pension	1,030,995,312	775,069,699
	41,899,641,865	29,775,268,529



OLD AGE | INVALIDITY | SURVIVORS | RETIREMENT PENSION

19. ADMINISTRATIVE EXPENSES

Personnel emoluments	12,645,291,025	8,708,634,479
Office expenses	2,322,006,514	1,330,735,193
Travelling expenses	1,455,901,249	1,229,669,656
Maintenance and running expenses	2,196,503,163	1,842,332,776
Cleaning	215,379,283	381,911,809
Training expenses	750,818,444	673,598,428
Conferences and missions	647,004,637	677,438,011
Board meeting expenses	470,801,032	388,737,145
Audit fees	45,000,000	40,000,000
Commissions and fees expenses	45,908,430	30,960,012
Staff welfare expenses	356,044,808	211,353,799
Promotion and publicity expenses	697,318,115	446,779,644
Donations	248,841,911	99,375,480
Fees and other charges	605,362,485	447,514,182
Other expenses	190,669,502	515,475,632
Loss account	61,768	544,289
	<u>22,892,912,366</u>	<u>17,025,060,535</u>

20. BAD/DOUBTFUL DEBTS W/OFF

	2005/2006	2004/2005
	Tzs	Tzs
Penalties receivable	0	2,213,717,397
Staff debts	4,138,750	11,719,513
Underpayments	1,140,683	151,966,738
Contribution Receivable	0	1,723,146,578
	<u>5,279,433</u>	<u>4,100,550,226</u>

21. OTHER CHARGES

Withholding tax on dividends	71,398,907	26,715,437
(Gain)/loss on matured bond	0	43,160,210
Loss on disposal of fixed assets	0	8,257,030
Deficit on sale of Investments	159,897,108	0
Dimunition in shares value	96,000,000	0
13.5% CRDB Loan Interest	711,785,127	0
	<u>1,039,081,142</u>	<u>78,132,677</u>



22. ACTUARIAL VALUATION

As per actuarial valuation of the Fund which was carried out as on 30/06/2002, the Fund will remain in financial equilibrium for a period of 53 years.

23. CAPITAL COMMITMENTS

The Fund had capital commitments of TShs 16,100,000,000.00 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.

24. CONTINGENT LIABILITIES

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

25. INTANGIBLE ASSETS

Application Software	As at 30.06.2006 Tzs	As at 30.06.2005 Tzs
Cost		
1st July, 2005	1,641,249,751	324,806,227
Additions	3,091,940,500	1,316,443,524
30th June, 2006	<u>4,733,190,251</u>	<u>1,641,249,751</u>
Depreciation		
1st July, 2005	329,357,644	264,396,398
Charge for the year	637,444,000	64,961,245
30th June, 2006	<u>966,801,644</u>	<u>329,357,643</u>
Net Book Value		
30th June, 2006	<u>3,766,388,607</u>	<u>1,311,892,108</u>

26. INVESTMENT IN REAL ESTATES

Investment in real estates includes cost incurred in on going construction of Mafuta House amounting to Tzs. 21,049,241,294. The value of the buildings will be determined by valuation on completion.

27. 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.

28. LONG TERM STAFF BENEFITS

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

29. 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, 2006.



30. RESTATEMENT OF BALANCES

Dividend receivable of Tzs 365,486,301 on 10% Tanzania Pharmaceutical Industries (TPI) cumulative preference shares were inadvertently not included in 2004/2005 financial statements. The error is now retrospectively corrected. The correction affects items on financial statements, namely, interest income and investment in 10% Tanzania Pharmaceutical Industries cumulative preference shares grouped under corporate equity securities at fair values. The effect of reinstatement on those financial statements is summarised below:-

	Effect in 2004/2005 Tzs
Increase on interest on investment	365,486,301
Increase on net assets available for benefits	365,486,301
Increase on corporate equities (fair values)	365,486,301
Increase on net assets available for benefits	365,486,301

31. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

	30.06.2006 Tzs	30.06.2005 Tzs
Salaries and allowances	773,458,497	637,953,996
Trustees fees and allowances	137,055,425	201,863,600
	<u>910,513,922</u>	<u>839,817,596</u>

Fixed deposit and loans to associate companies

Fixed Deposit with Azania Bancorp Ltd	5,020,853,321	2,900,042,976
Outstanding Loan with Ubungo Plaza Ltd	1,153,201,105	1,066,995,992

32. 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:

	30.06.2006 Tzs	30.06.2005 Tzs
Gross investment in the leases	4,067,140,615	1,778,946,746
Present value of minimum lease payments	2,158,129,435	1,095,705,329
Unearned HP interest	<u>1,909,011,180</u>	<u>683,241,417</u>

33. 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:

	2005/2006 Tzs	2004/2005 Tzs
Fund's contribution to NSSF	688,693,665	467,256,045
Fund's contribution to PPF	<u>1,151,824,708</u>	<u>801,404,289</u>

At year-end the following amounts were payable to NSSF and PPF. They relate to the June contributions and have subsequently been paid.

	2005/2006 Tzs	2004/2005 Tzs
Fund's contributions - NSSF	58,353,219	56,430,301
Employees' contributions - NSSF	58,353,219	56,430,301
Fund's contributions - PPF	95,708,707	95,965,219
Employees' contributions - PPF	<u>27,156,280</u>	<u>27,090,045</u>
	<u>239,571,425</u>	<u>235,915,866</u>

34. 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:

	2005/2006 Tzs	2004/2005 Tzs
Skills and Development levy	649,931,158	420,184,756
	<u>649,931,158</u>	<u>420,184,756</u>

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

	2005/2006 Tzs	2004/2005 Tzs
PAYE	2,090,587,624	1,526,903,480
	<u>2,090,587,624</u>	<u>1,526,903,480</u>

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

35. TAXATION

There is no tax charge for the year because the Fund has carried forward tax losses amounting to Tzs 135,355 million (2005 Tzs 146,144 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 statement 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.



PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS	MOTOR VEHICLES	FURNITURE AND FITTINGS	OFFICE MACHINES AND EQUIPMENT	COMPUTERS	WORK IN PROGRESS	TOTAL
	TZS	TZS	TZS	TZS	TZS	TZS	TZS
COST/VALUATION							
COST/VALUATION AS AT 01.07.2005	19,370,874,587	2,300,368,598	260,908,792	1,903,815,617	2,362,990,081	37,538,174	26,236,495,849
ADDITIONS	81,446,936	480,687,078	14,884,838	302,033,295	803,330,348	77,177,300	1,759,559,795
DISPOSAL/ADJUSTMENT	0	(248,044,232)	(124,165,404)	(771,901,731)	0	0	(1,144,111,367)
COST/VALUATION AS AT 30.06.2006 (A)	19,452,321,523	2,533,011,444	151,628,226	1,433,947,181	3,166,320,429	114,715,474	26,851,944,277
DEPRECIATION AS AT 01.07.2005	384,027,293	1,169,538,411	185,662,783	1,023,352,931	1,354,272,563	0	4,116,853,981
CHARGE DURING THE YEAR	814,700,720	515,638,475	45,770,652	352,653,734	450,996,191	0	2,179,759,772
DISPOSAL/ADJUSTMENT	0	(248,044,232)	(124,165,388)	(771,901,731)	0	0	(1,144,111,351)
DEPRECIATION AS AT 30.06.2006 (B)	1,198,728,013	1,437,133,654	107,268,047	604,104,934	1,805,268,754	0	5,152,502,402
NET BOOK VALUE AS AT 30.06.2006 (A-B)	18,253,593,510	1,095,878,790	44,360,179	829,842,247	1,361,051,675	114,715,474	21,699,441,875
NET BOOK VALUE AS AT 30.06.2005	18,986,847,294	75,246,009	1,130,830,187	880,462,704	1,008,717,501	37,538,174	22,119,641,869



37. 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 Finance Division. Exposure to losses from foreign liabilities is managed through prompt payment of outstanding liabilities and forward purchase of foreign currencies.

c) Liquidity risk

The Fund does not face any liquidity risk as it has unutilised bank facilities to cover its working capital needs for the foreseeable future.

d) Credit risk management

Potential concentration of credit risk consists principally of short term cash and trade debtors. The Fund deposits short term cash surpluses only with banks of high credit standing. Trade debtors are presented net of allowance for doubtful debts. For all exports, full upfront payment is demanded. Accordingly, the Fund has no significant concentration of credit risk that has not been adequately provided for.



NATIONAL SOCIAL SECURITY FUND
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