

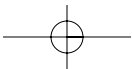
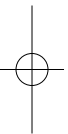
National Social Security Fund
Shirika la Taifa la Hifadhi ya Jamii

Annual Report



We Build Your Future

2007/08



CONTENTS

LETTER OF TRANSMISSION	1
CHAIRPERSON'S STATEMENT	2
DIRECTOR GENERAL'S STATEMENT	5
1.0 Introduction	5
2.0 Membership to the Fund	5
3.0 Contribution Collections	6
4.0 Benefit Payments	7
5.0 Investment	9
6.0 Projects in Progress	11
7.0 Human Resources and Labour Relations	13
8.0 Information and Communication Technology	14
9.0 Public, Corporate and International Relation.	14
10.0 Major Achievements	16
11.0 Challenges	16
12.0 Vote of Thanks	16
REPORT OF TRUSTEES	22
AUDIT REPORT AND FINANCIAL STATEMENTS	29
NOTES TO THE ACCOUNTS	33



A Brighter future stars with you. Join us.

Old Age Pension
Invalidity Pension
Survivors Pension

Social Health Insurance Benefit

Maternity Benefit
Employment Injury Benefit
Funeral Grant



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 all the seven NSSF benefits that includes Health Care Benefit for you and your family.



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

Honourable Minister,

RE: THE ANNUAL REPORT OF THE NATIONAL SOCIAL SECURITY
FUND FOR THE FINANCIAL YEAR 2007/2008

As guided under section 69 of the NSSF Act No.28 of 1997, I hereby submit to you the Annual Report and Audited Accounts of the National Social Security Fund for the financial year ending 30th June 2008. The Report includes:

- (i) A statement by the Chairman of the Board of Trustees of the National Social Security Fund;
- (ii) Operational Report by the Director General of the Fund on the results recorded during the financial year under review; and
- (iii) Audited Accounts presenting the financial results and well-being of the Fund during the operational period ending 30th June 2008.

I submit.



Mrs. Blandina Nyoni
CHAIRPERSON
BOARD OF TRUSTEES
NATIONAL SOCIAL SECURITY FUND



CHAIRPERSON'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2007/08

Honourable Minister and all esteemed stakeholders of the Fund,

Once again I have the pleasure to present to you the Annual Report and Audited Accounts of the Fund for the financial year ending 30th June 2008.

It is gratifying to note that it is yet another year in succession the Fund has shown its ability in attaining its goals by increasing membership size, contribution collections and investments income and improvement in the quantity and quality of benefits administered.

Economy Overview

During the Financial year 2007/2008 the economy continued to grow at the rate of 7.5 percent. The inflation rate has increase to 8.9 percent compared to 7.1 percent recorded in the previous year. The increase in the inflation rate was caused by the increase in fuel, energy and food prices.

During the period under review, overall Treasury bill yield for all maturities declined from 15.59 percent to 7.39 percent. Time deposits rates improved from 7.69 percent to 8.04 percent while the lending rates declined from 16.35 percent to 15.09 percent. The interest rate spread narrowed from 5.77 percent to 4.16 percent.

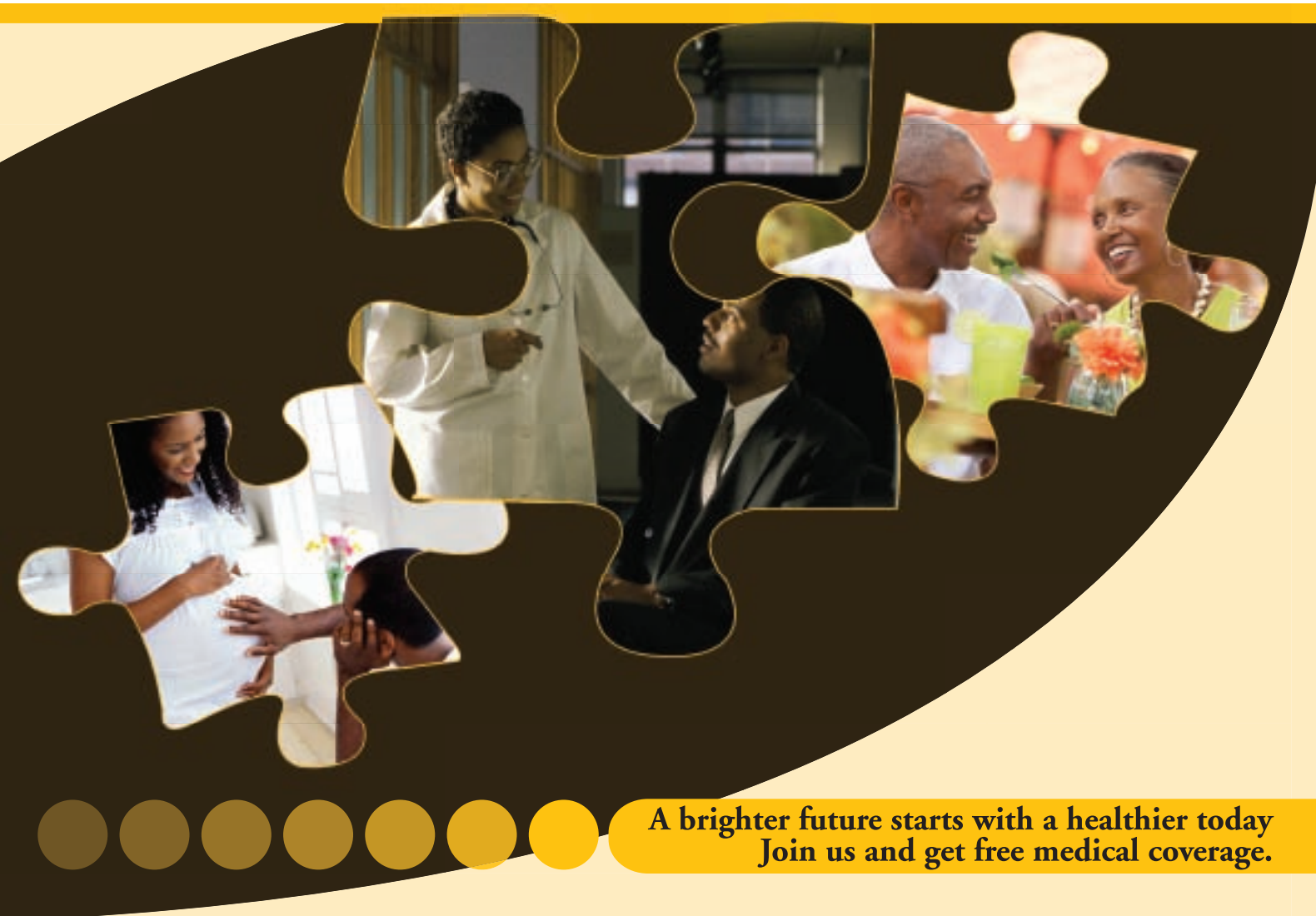
I am glad to report that, despite the above economic down turn, the Fund managed to prosper. In this respect, the Fund membership size increased to 447,797 from 408,970 recorded in previous period. Similarly, contribution collection increased to reach Tshs. 205,385.68 million as compared to Tshs. 162,379.14 million, investments base increased to Tshs. 670,280.03 million compared to Tshs. 517,897.64 million of 2006/07, this led to generation of Tshs. 43,705.49 million as investment income which is higher than Tshs. 34,847.52 million generated in 2006/07.

Membership awareness of the Fund's benefits increased to a higher level thus more members made use of the stipulated benefits. Thus, Benefit payments increased from Tshs. 50,522.74 million to Tshs. 81,818.20 million in which 136,232 beneficiaries were paid compared to 72,636 beneficiaries in the previous period.

Financially, the Fund continued to be stronger with Net assets available for benefit payments increasing to Tshs. 746,449.41 million as compared to Tshs. 597,574.37 million recorded in 2006/07.

Finally, I take this opportunity to sincerely thank the Government of the United Republic of Tanzania for its support, fellow Trustees of the National Social Security Fund, the entire Management and Staff of NSSF for their loyalty, commitment, dedication and support in the collective endeavour to make the Fund realize remarkable achievements during the year 2007/2008.

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



**A brighter future starts with a healthier today
Join us 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





BOARD OF TRUSTEES

National Social Security Fund
ANNUAL REPORT

2007/08



Mrs. B. Nyoni
Chairperson



C. Kariwa
Vice Chairperson



Dr. R.K. Dau
Secretary



K. Mtengwa
Member - Government



H. E. Ekingo
Member - Government



Hon. Z. Mhita
Member - Government



A. Mgaya
Member - Employees



N. Kingazi
Member - Employer



A. Mziray
Member - Employer



Dr. M. Assad
Member - Government



B. Nkakatisi
Member - Employees



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DIRECTOR GENERAL'S STATEMENT 05

1.0 Introduction

Honourable Minister of Labour, Employment and Youth Development and all esteemed stakeholders of the Fund, I would like to inform you that, year 2007/08 was remarkable to the Fund's operations. In this respect, I have a great pleasure to present to you the operation results for 2007/08 which include reports on the operational performance, achievements and challenges encountered during the year.

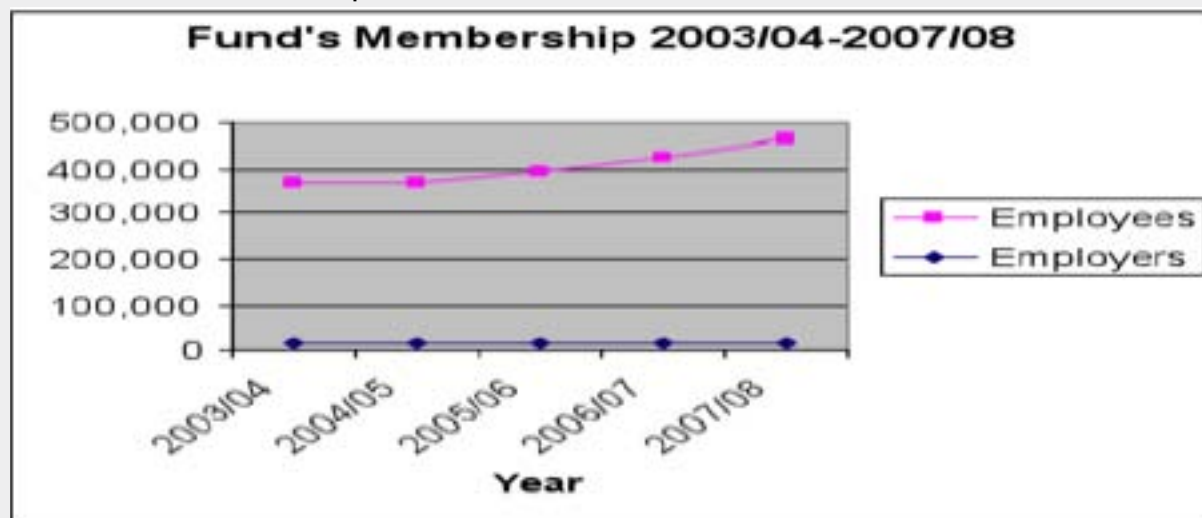
2.0 Membership to the Fund

During the financial year 2007/2008, the Fund registered 1,851 new employers which presented an increase of 15.97% compared to the previous year employers enrolment. Furthermore, annual members registration increased from 84,554 to 101,599 reflecting an increase of 20.15% above previous year's registration record. Therefore, the total membership size at the end of the financial year 2007/08 was 447,797 which is 9.45% higher compared to 408,970 recorded in the preceding year.

Table 1: Total Fund's membership from 2003/04-2007/08

Year	Employers	Employees
2003/04	15,970	353,835
2004/05	14,817	356,070
2005/06	14,465	380,693
2006/07	14,927	408,970
2007/08	15,560	447,797

Chart 1: Fund's membership trend from 2003/04-2007/08





DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2007/08

3.0 Contribution Collections

In addition to registering new members, the Fund continued with its efforts to educate employers /members on the importance of proper and timely remittance of members' contributions. During the period, the Fund sensitized employers on the importance of adhering to contribution deductions based on monthly Gross Earnings of the members as stipulated in the NSSF Act.

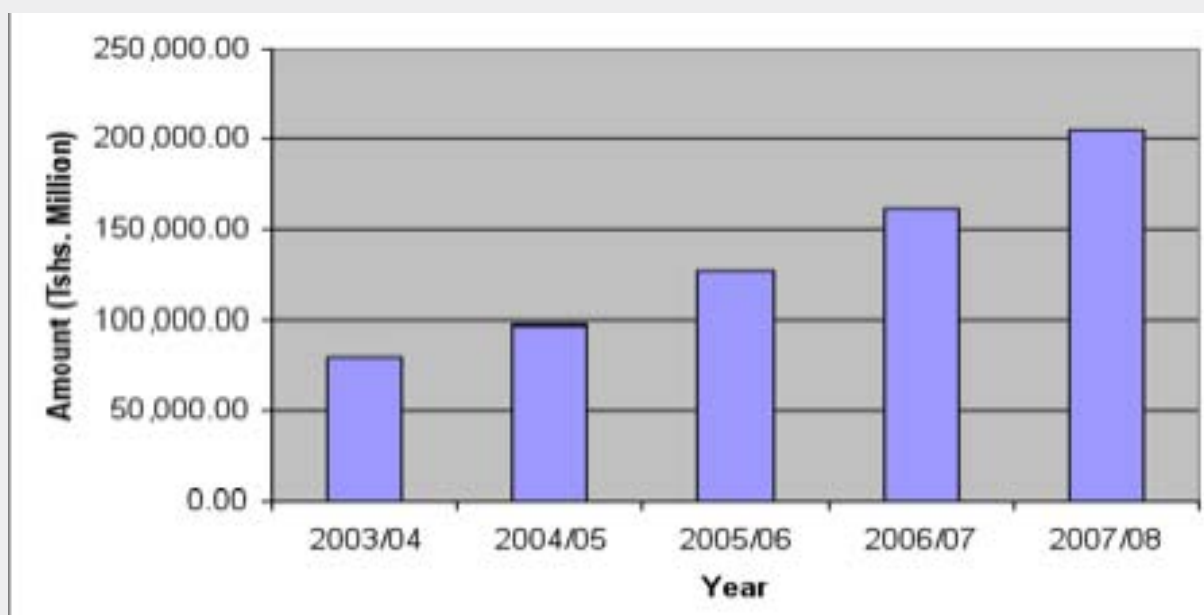
With a view to boosting the contributions, a special task force to undertake the exercise was formed in which non-complying employers were identified and were required to comply. The Fund managed to increase its contribution income from Tshs. 162,379.14 million to Tshs. 205,385.68 million. This marks an increase of 26.49% compared to collections made in the previous year.

Table 2: Fund's Contribution Collection Trend From 2003/04 to 2007/08

Year	Amount (Tshs Million)
2003/04	79,984.77
2004/05	97,480.40
2005/06	126,967.00
2006/07	162,379.14
2007/08	205,385.68

The remarkable results are attributable to among others, the good cooperation offered by Labour officers, employers, members and staff of the Fund. Education on the importance of proper, accurate and timely remittance of contribution will continue to be provided to both employers and employees.

Chart II: Contribution Collection Trend



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DIRECTOR GENERAL'S STATEMENT 07

4.0 Benefit Payments

Payment of benefits is among the core functions of the pension fund. To meet the ever evolving needs of the members, NSSF ensures that benefits are paid timely and that the quality of these benefits is constantly improved.

Seven types of benefits out of nine as guided by ILO are being paid under the NSSF Scheme. These benefits have been categorized into long and short term benefits. The long term benefits include Old Age, Invalidity and Survivors' benefits while the short term benefits include Maternity, Funeral Grant, Employment Injury and Social Health Insurance Benefits.

The Fund also pays withdrawal benefit which was paid under the Provident Scheme (NPF) though efforts are made to educate members on the importance of maintaining membership within the Fund.

During the year under review, 80,644 members have benefited under the NSSF scheme while 55,588 were paid under the NPF Scheme.

The Tables 3a and 3b below show the number of members who benefited under both NSSF and NPF schemes.

Table 3a: Benefited Members for the year 2007/08

S. No	Type of Benefit under NPF	No of Benefited members
1	Withdrawal Benefit	55,588

Table 3b: Benefited Members for the year 2007/08

No	Type of Benefit under NSSF Scheme	No of Benefited Members
1	Retirement Pension	3,393
2	Invalidity Pension	11
3	Survivors Pension	22
4	Maternity Benefit	1,386
5	Funeral Grant	99
6	Employment Injury	16
7	Social Health Insurance Benefit	75,717
	Total	80,644

Source: Funds Audited Accounts

The total benefits payment increased from Tshs. 50,522.74 million recorded in 2006/07 to Tshs. 81,818.20 million in 2007/08. This marks an increase of 61.94% over total benefits made in year 2006/07. Table 4 and Chart III below show the trend of benefit payments for the past five years.



DIRECTOR GENERAL'S STATEMENT

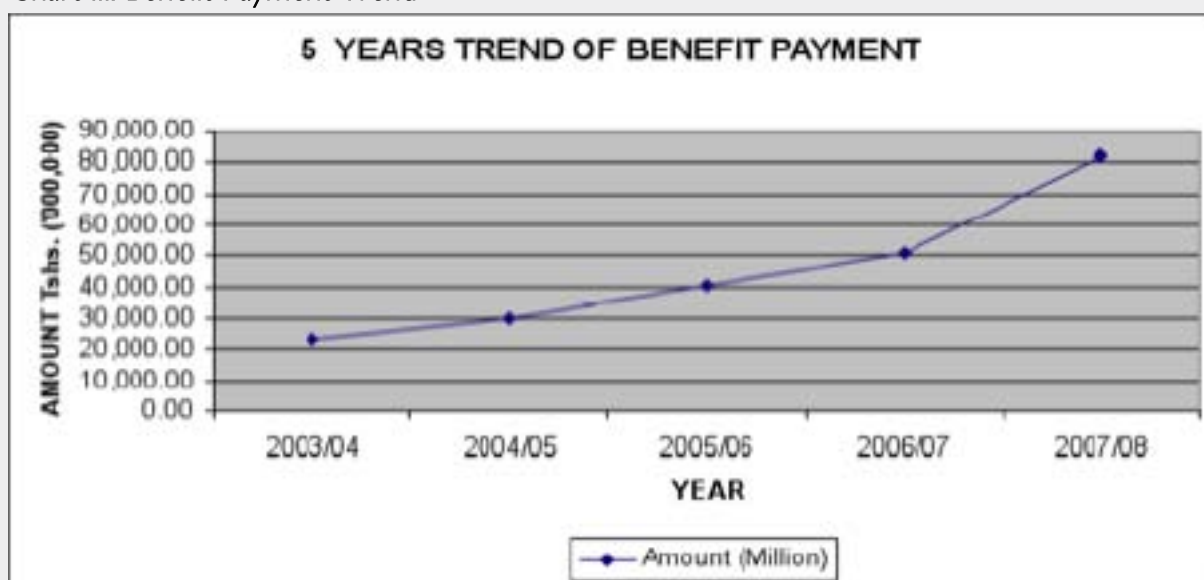
National Social Security Fund
ANNUAL REPORT

2007/08

Table 4: Benefit Payment Trend

Year	Amount (Million)
2003/04	23,416.00
2004/05	29,775.27
2005/06	40,183.89
2006/07	50,522.74
2007/08	81,818.20

Chart III. Benefit Payment Trend



Social Health Insurance Benefit

Among the benefits offered by NSSF include the Social Health Insurance Benefit. This benefit provides support to members to bear the high costs associated with the health services.

A total of 252, medical providers have been accredited country wide. Out of those 20 providers are in Dar es Salaam. The Fund is encouraging its members to enroll for this benefit.



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5.0 Investments

Investment is one of the core function of the Fund as stipulated in the NSSF Act, and guided by the Fund's Investment Policy. NSSF ensures that the funds collected are invested in a prudent manner. In executing this role, the Fund continued to abide by the universal principles of investment of social security funds, namely, safety, yield, liquidity and socio-economic utility.

Investment Portfolio

As a result of these activities, the Fund's investment portfolio as at 30th June 2008 had accumulated to Tshs 670,280.038 million compared to Tshs. 530,652.64 million on 30th June 2007. This reflects a growth rate of 29.42%.



DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

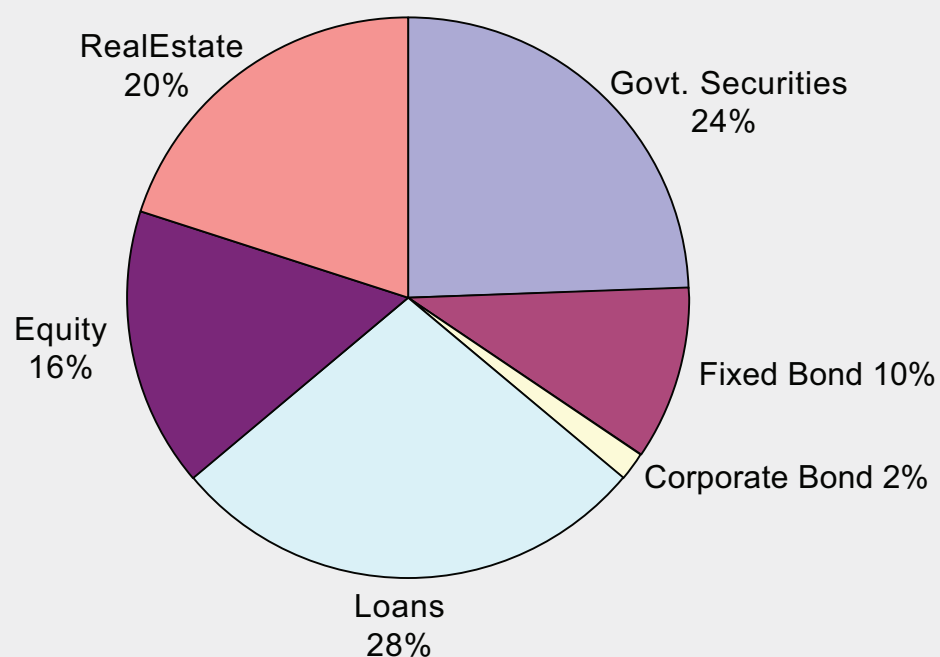
2007/08

Table 5a: Funds Investment Portfolio

	2003/04	2004/05	2005/06	2006/07	2007/08
Govt. Securities	100,826.19	89,391.57	98,384.75	159,832.45	164,969.44
Fixed Deposits	26,731.35	20,299.63	37,647.23	35,545.18	68,298.55
Corporate Bond	10,849.84	13,099.84	15,331.84	12,755.00	10,804.50
Loans	42,102.55	54,842.49	81,782.72	117,315.96	182,251.48
Equity	26,491.70	78,665.10	91,489.16	96,911.50	61,047.41
Real Estate	56,471.73	78,604.80	100,263.39	108,292.55	182,908.64
Total	263,473.36	334,903.43	424,899.09	530,652.64	670,280.03

Source: Funds Audited Accounts

Chart IV: Fund's Investment Portfolio For 2007/08



Investment Income

Investment income for the period under review increased from Tshs. 36,506.75 million in the year 2006/07 to Tshs. 43,485.08 million in the year 2007/08. This reflects an increase of 19.12%. Table 5b shows the income from investments for the last five years.

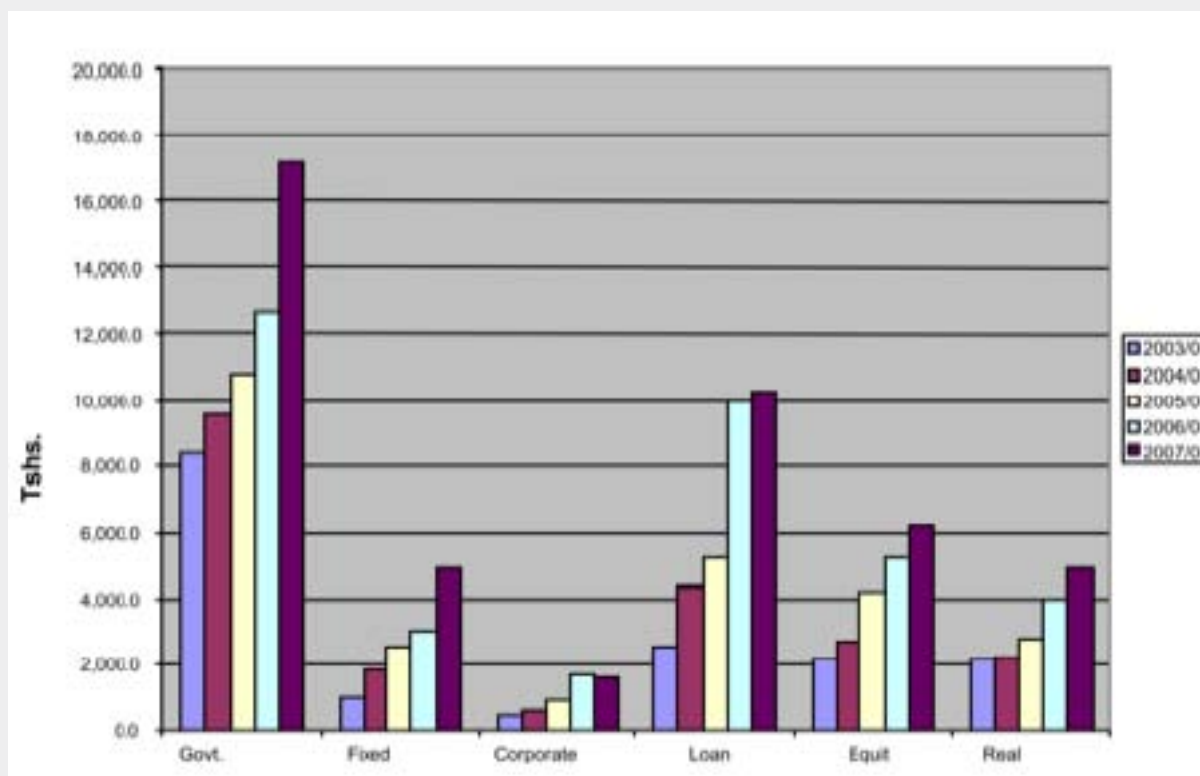
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DIRECTOR GENERAL'S STATEMENT II

Table 5b: Income from Investment

	2003/04	2004/05	2005/06	2006/07	2007/08
Govt. Securities	8,404.10	9,533.70	10,731.90	12,700.90	17,162.65
Fixed Deposit	1,038.30	1,827.50	2,502.80	3,020.10	4,941.03
Corporate Bond	418.6	621.8	927.4	1,659.23	1,587.32
Loans	2,546.40	4,371.00	5,259.40	9,928.40	10,335.75
Equity	2,135.00	2,717.40	4,238.40	5,238.52	4,587.18
Real Estate	2,111.80	2,225.50	2,804.60	3,959.60	4,871.15
Total	16,654.20	21,296.90	26,464.50	36,506.75	43,485.08

Chart IV: Five years trend of Investment Income



6.0 Projects in Progress

The Fund continued to undertake different investment projects that promise to maximize profit and to offer high socio-economic utility. These projects include:

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DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2007/08

- i) **Mwanza Commercial Complex**
This is a commercial complex of 11 storeys. The building has been completed and is in use. It offers a total of 7000 letting space and a 30 room tourist/business hotel and a state of the art conference facility.
- ii) **Kagera Office Building**
It is a 4 storey building. The building is 90% completed.
- iii) **Tanzania People Defense Force Housing Project (DSM and Arusha)**
The partially completed project comprises the accommodation of 242 families, a multipurpose hall and officers' mess
- iv) **Business Park (Ilala, DSM)**
This is a five storey building specifically constructed for small traders famously known as "Machinga" to undertake their businesses. It will accommodate 10,000 petty traders. The building is 70% completed.
- v) **Prevention and Combating of Corruption Bureau Headquarters- DSM**
The Fund is constructing the headquarters for PCCB. It is a 7 storey building and its completion has reached 70%.
- vi) **Tanzania Police Force Residential Houses (Pemba, Unguja, DSM) Phase I**
Phase I of the Police Force Residential houses comprises of 120 flats. The completion of this project has reached 50%.



Senior Officers attending one of the capacity building courses

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New projects that are going to take place during the financial year 2008/09 include:

- i) Tanzania Police Force Residential Houses Phase II – 120 Flats
- ii) Commercial building in Arusha (Moshi Road) – 10 Storey
- iii) Commercial building in Arusha (Kaloleni Road) – 5 Storey
- iv) Affordable Houses in Mtoni Kijichi area – DSM
- v) Commercial building at Kahama
- vi) Office cum Commercial building at Kigoma
- vii) Office cum Commercial building at Njombe
- viii) Re- development of Ex-Aisco plot – DSM (JV Project)
- ix) Construction of Chancery building in Nairobi.

7.0 Human Resources and Labour Relations

During the period under review, the Fund had a total of 907 employees. 14 new staff were employed, 38 staff were confirmed, 8 staff were promoted to high posts and 180 staff were transferred to various regional offices to strengthen the Fund's operations.

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.

Management continued to have a good relationship with its staff. This has been perfected through monthly departmental/ directorate meetings and deliberation council meetings that were held to discuss various issues to improve the working environment and the welfare of the employees.



Senior Officers attending one of the capacity building courses



DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2007/08

8.0 Information and Communication Technology

ICT project for integrated System and Telecommunication systems has been accomplished. The system is running on a centralized architecture connecting all NSSF offices using VSAT connectivity, which will enable comprehensive instantaneous Management Information System for quick and accurate decision making.

9.0 Public, Corporate and International Relation.

ICT project for integrated System and Telecommunication systems has been accomplished. The system is running on a centralized architecture connecting all NSSF offices using VSAT connectivity, which will enable comprehensive instantaneous Management Information System for quick and accurate decision making.

During the period under review a total of Tshs. 204, 064, 000 was used as donations in areas of health, education, women and children and other social causes. This includes outdoor campaigns in the form of publicity through the use of sponsoring of major events. Such events include providing sponsorship of Believe Begin Become conference, SHIMIWI competitions in Tanga, Football matches – Tanzania vs. Senegal and Tanzania Vs Mozambique, Geita goldmine - Mt. Kilimanjaro and Chamwino Marking Torch – Mafia Marking Torch.



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

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DIRECTOR GENERAL'S STATEMENT 15

Several Press conferences were held to inform the public on major events and issues. These include:

- 1) The visit of Sierra Leone Minister for employment and Social Security and Director for Public affairs;
- 2) The visit of Seven officials from National Social Security Insurance Trust of Sierra Leone;
- 3) The visit of Mozambique – Board Chairman and his delegation;
- 4) The group of seven officials from Gambia;
- 5) Trade Union leaders; twenty delegates from East and Central Africa.
- 6) Ecassa members met in Bagamoyo
- 7) Signing of contract to build – Machinga Park, PCCB, Police Houses, University of Dodoma, Tanzania embassy in Kenya, Muungano, May Day, SHIB supplements on Insurance.

During the year under review different groups from social security associations in Africa came either for study tours or visits. The groups include:-

- (i) Ministerial delegation from Sierra Leone. The delegation comprised of the Minister for Employment and Social Security, Mr. Minkailu Mansaray and Director of Public Affairs and Customer Services of NASSIT – Sierra Leone, Mrs. Georgiana Stevens;
- (iii) Four officials from NASSIT. The officials were Technical director; Head of benefits, Head of records and Assistant Manager Western region;
- (iv) A team of three high delegations from Mozambique Social Security Association led by its - Board Chairman;
- (v) A group of seven people from Social Security and Housing Finance Corporation (SSHFC) of the Gambia from the sections of IT, Operations and Internal Audit;
- (vi) Trade Union leaders from East and Central African countries who came for a study tour; and
- (vii) East and Central Africa Social Security Association (ECASSA) met in Bagamoyo.

Exhibitions

NSSF being the major social security fund in Tanzania participated in all major exhibitions that took place in the country. The Fund utilized these occasions to enhance public awareness. Among others, NSSF participated in the International Trade Fair event (Saba Saba), Nane nane exhibition, May Day, Investors Forum in Rukwa and the Civil Servants Week.

NSSF Week

Media Cup competitions and donations were among the activities performed during the NSSF week. As part of the celebrations, the Fund renovated a radiology room at the Ocean Road Cancer Institute and several donations were provided. Furthermore, several press conferences were held before or after every occasion.



DIRECTOR GENERAL'S STATEMENT

National Social Security Fund
ANNUAL REPORT

2007/08

10.0 Major Achievements

- The Fund managed to increase the registration of new members together with the collection of contribution. This made NSSF to maintain its leading position in the Social Security industry in Tanzania
- During the Financial year 2007/08 the Fund began the construction of the College of Humanities and Social Science of the University of Dodoma. At present students have already been enrolled and are pursuing their studies. As its completion a total of 20,000 students will be enrolled.
- Organizing seminars for members, partners and stakeholders on the benefits of the Fund.
- Establishment of Membership Identification Management System (MIMS) using Automatic Fingerprints Identification System for Registration and Identification of Members which will ensure unique membership within the Fund. Some of the members have already been issued with smart cards that contain their basic particulars to easy retrieval of members' information for expedited benefit processing.

11.0 Challenges

For every achievement, there are challenges associated with it. The following are some of the challenges encountered during the year under review:

- The number of premature withdrawals have tremendously increased. This is caused by the prevailing socio-economic factors. Efforts are being made to educate members to retain their contributions once the employment ceases so as to benefit from the pensions offered by the Fund.
- Non performance of the loan portfolio. This has mainly been caused by non complying borrowers and the prolonged legal action procedures once the defaulters are taken to court.
- Unfair competition in the process of registration of new members whereby some social security funds use unethical means to induce registration of members.
- Tax on Fund's income reduces the financial capacity to pay meaningful benefits to members.

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

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DIRECTOR GENERAL'S STATEMENT 17

and Youth Development is highly appreciated. I would like to take this opportunity to thank our esteemed members for their understanding and continued support.

Lastly, I would like to express my appreciation to my fellow Board members, Management and Staff of the National Social Security Fund for their hard work and commitment in ensuring that NSSF remains the leading Social Security Fund in Tanzania.



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



MANAGEMENT TEAM

National Social Security Fund
ANNUAL REPORT

2007/08



Dr. R. K. Dau
Director General



K. Bandawe
Deputy Director General



L. Mrosso
Director of Finance



Y. Kidula
Director of Planning
Investments & Projects



C. Magori
Director of Operations



P. Mtunda
Chief Manager
Internal Audit



A. Shuma
Chief Security
Manager



E. Chiume
Chief, Public Relations
& Customer Services



C. Komba
Chief Legal
Secretary



S. Masimango
Director of Information
Technology



C. Matesa
Director of Human
Resources & Admin.



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HEAD OFFICE MANAGERS 19



Mr. Y. Kigembe
Administration & Supplies
Manager



Mr. M. Shabani
Computer Operations
Manager



Mr. F. Masaoe
Systems & Applications
Manager



Mr. D. Kalanje
Chief Accountant



Mr. G. M. Semwenda
Treasury Manager



Mr. A. Mseli
Planning & Investments
Manager



Mr. D. Senkoro
Special Unit
Manager



Dr. A. Mtulia
Social Health Insurance Benefit
Manager



Mr. D. Mbwete
Human Resources
Manager



Mr. A. Nchula
Benefits Administration
Manager



Mr. B. Kinunda
Projects & Estates
Manager



Mr. S.W. Shemliwa
Compliance Manager





REGIONAL CHIEF MANAGERS

National Social Security Fund
ANNUAL REPORT

2007/08



E. Ngabo
Chief Manager Temeke



D. Msasika
Chief Manager Kinondoni



F. Merevi
Chief Manager Ilala



Mrs M. Mwaipeta
Chief Manager Morogoro



Mr S. Nguma
Chief Manager Mwanza



Mr. P. Mniwako
Chief Manager Kilimanjaro



Mr. M. Mwakatobe
Chief Manager Arusha



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REGIONAL MANAGERS 21



D. Hawanga
Regional Manager Rukwa



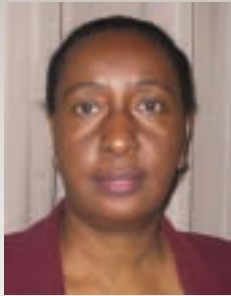
A. Banigwa
Regional Manager Tabora



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



D. Jandwa
Ag. Regional Manager Shinyanga



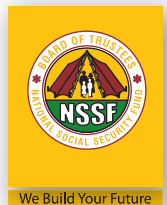
W. Manda
Regional Manager Mara



W. Ndonge
Regional Manager Ruwama



Y. Mhamali
Regional Manager Tanza



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REPORT OF TRUSTEES

National Social Security Fund
ANNUAL REPORT

2007/08

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, 2008.

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 unless otherwise stated are as follows:

	Name	Status	Nationality
1	Mrs. Blandina S. J. Nyoni	Chairperson	Tanzanian
2	Mr. Ally Mwinyimvua	Trustee/Vice Chairperson up to October, 2008	Tanzanian
3	Hon. Ezekiel Maige	Trustee – up to March, 2008	Tanzanian
4	Mr. Ekingo H. M. Ekingo	Trustee	Tanzanian
5	Dr. Mussa J. Assad	Trustee	Tanzanian
6	Mrs. Adelgunda M. Mgaya	Trustee	Tanzanian
7	Mr. Nicholas Kingazi	Trustee	Tanzanian
8	Mr. Nicholas Mbwanji	Trustee – up to October, 2008	Tanzanian
9	Mr. Boniface Y. Nkakatisi	Trustee	Tanzanian
10	Dr. Ladislaus C. Komba	Trustee – up to December, 2008	Tanzanian
11	Mr. Nestory Ngulla	Trustee	Tanzanian
12	Ms Hildegard A. Mziray	Trustee – from October, 2008	Tanzanian
13	Mr. Cornelius K. Kariwa	Trustee/ Vice Chairperson from October, 2008	Tanzanian
14	Hon. Zabein M. Mhita	Trustee - from March, 2008	Tanzanian
15	Ms K.R. Mtengwa	Trustee – from December, 2008	Tanzanian
16	Dr. Ramadhani K. Dau	Trustee/Secretary	Tanzanian

3.0 Main Activities of the Fund

- 3.1 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.

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

REPORT OF TRUSTEES 23

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.

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

4.0 Summary of Operations:

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

Income	2007/2008 Tzs. millions	20 06/2007 Tzs. millions
Interest from investments	38,614.93	30,887.77
Rent income	4,871.15	4,637.73
Other income	219.41	1,743.87
Discount on bonds	2,826.92	1,605.75
Increase in investments at market/fair values	<u>29,449.79</u>	<u>666.99</u>
Total investment income	75,977.99	39,542.11
Contribution from employers	<u>205,385.68</u>	<u>162,379.14</u>
Total Income	281,367.88	201,921.26

Expenditure		
Direct benefit payments to members	81,818.21	50,522.74
Administrative expenses	33,143.17	22,887.51
Long Term Staff Benefit	4,318.16	940.85
Depreciation and Ammortisation	3,533.48	3,247.93
Bad/doubtful debts	64.30	23.99
Provision for impairment of receivables	8,817.08	3,786.57
Other charges	<u>798.44</u>	<u>701.14</u>
Total Expenditure	<u>132,492.84</u>	<u>82,110.73</u>
Net Increase in Assets	148,875.04	119,810.53
NET ASSETS AVAILABLE FOR BENEFITS BROUGHT FORWARD	<u>597,574.37</u>	<u>477,763.84</u>
CARRIED FORWARD	<u>746,449.41</u>	<u>597,574.37</u>



REPORT OF TRUSTEES

National Social Security Fund
ANNUAL REPORT

2007/08

4.2 The size of the Fund as at 30th June, 2008 was as follows:-

	30.06.2008 Tzs. millions	30.06.2007 Tzs. millions
Investment at market values	278,761.80	233,646.35
Investment at fair values	391,518.23	298,958.93
Total Investments	670,280.03	532,605.28
Other Assets	113,378.45	93,584.61
TOTAL ASSETS	783,658.45	626,189.89
LIABILITIES	37,209.07	28,615.52
NET ASSETS AVAILABLE	746,449.41	597,574.37

5.0 Actuarial valuation of the Fund was carried out as on 30/06/2006 by ILO actuarial expert Mr. Georges Langi's. According to the Actuary Report, the Fund will be in financial solvency over the projection period of 50 years.

6.0 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 30.06.2008 are in respect of June deductions which were paid early July, 2008. All properties of the Fund are adequately insured.

The ratio of administrative expenditure to total income is 11.78%. 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 911 employees as at 30th June 2008.

7.0 Liquidity

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

8.0 Employees Welfare

8.1 Relationship Between Management and Employees

The relationship between employees and management continued to be good. Management continued to honor 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.

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8.2 Equal Opportunity Employer

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

8.3 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.

8.4 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.

8.5 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.

9.0 Donations

The fund donated a total of TZS 218.940 million on the following avenues: Education Tzs 38.860 million, Health Tzs.61.163 million, Sports Tzs 28.083, Women and Children Tzs 12.800 and other social avenues Tzs 78.032 million.

10.0 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.

11.0 Future Developments

This is the first year of the Fund's three years' corporate plan. The major focus of the Fund will continue to be on increasing membership size, increase contribution collection, increase investment income, improve and maintain a strong financial base, improve benefits payable to members, improve efficiency and effectiveness in service delivery to members and stakeholders and undertake institutional capacity building and improve the working environment.

12.0 Corporate Social Responsibility

12.1 Environmental Protection

The Fund ensures that construction projects undertaken are environmental friendly and corporate loans granted for industrial and other business activities meets the environment assessments requirements.



REPORT OF TRUSTEES

National Social Security Fund
ANNUAL REPORT

2007/08

12.2 Anti Corruption

Transparency is an important aspect of good corporate governance. Fund's operations are carried out with transparency in all aspects. Procurements are governed by Public Procurement Act of 2004. The Fund also ensures that its operations abide to other laws of the country.

12.3 Fight against HIV/AIDS

The Fund has been joining hands with the nation in the fight against HIV/AIDS. The Fund provides financial support in form of donations to some organizations in the fight against the HIV/AIDS pandemic. Education is given to Fund's staff in in-house training conducted by the Fund. The Fund has its own HIV/AIDS Policy. The Fund is a member of AIDS Business Coalition Tanzania, an Association of Institutions in the fight against AIDS.

13.0 Independent Auditors

The Controller and Auditor General is the statutory auditor of National Social Security Fund by virtue of the Article 143 of the constitution of the United Republic of Tanzania (URT), as amplified by section 30(1)(c) of the Public Finance Act No.6 of 2001 (Revised 2004). However, the audit was jointly carried by M/S TAC Associates and CAG in accordance with section 37(5) of the Public Finance Act, 2001, and letter reference No. DF.314/641/18 dated 2nd August 2008.

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

Section 25(4) of the Public Finance Act. No. 6 of 2001 and the NSSF Act (No. 28) of 1997 requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of NSSF as at the end of the financial year and of the operating results of the NSSF for that year. It also requires the Trustees to ensure that the management keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of NSSF. They are also responsible for safeguarding the assets of NSSF

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Public Finance Act and the NSSF Act of 1997.

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REPORT OF TRUSTEES 27

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of NSSF and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that NSSF will not remain a going concern for the foreseeable future.

BY THE ORDER OF THE BOARD:


.....
CHAIRMAN


.....
TRUSTEE

DATE: 31 07 09



AUDIT REPORT AND FINANCIAL STATEMENTS

National Social Security Fund
ANNUAL REPORT

2007/08

I have audited the financial statements of National Social Security Fund, set out on pages 14-38 which comprise statement of Net Assets Available for Benefits, Statement of Changes In Net Assets, Cash Flow Statement, Directors' Report, summary of significant accounting policies and other explanatory notes and supporting schedules

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Sect. 25(4) of the Public Finance Act. No. 6 of 2001 (revised 2004) as well as the provisions of the National Social Security Fund Act (No. 28) of 1997. This responsibility includes; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or errors; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In addition, Regs. 28-35 of the Public Finance Regulations (PFR) 2001 as revised in 2004 requires the Trustees and the organization management to establish an effective internal control system, internal audit unit and audit committee appropriate to the circumstances of the National Social Security Fund.

Auditors' Responsibility

My responsibility as an auditor is to express an independent audit opinion on these financial statements based on my audit. According to Sect. 30 of the PFA, my specific responsibilities are to examine, inquire into, audit and report on the accounts of National Social Security Fund for the year ended 30th June, 2008.

I am also, required to satisfy myself whether the funds budgeted by the National Social Security Fund, were used exclusively and judiciously to meet eligible expenditures with due regard to economy, efficiency and on the procurement procedures adopted by the National Social Security Fund based on the audit

Further, Sect 44(2) of the Public Procurement Act No.21 of 2004 and Regulation No. 31 of the Public Procurement Act (Goods, Works, Non-Consultant Services and Disposal of Public Assets by Tender) Regulations of 2005 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the law and its Regulations.

Basis of Opinion

The audit was conducted in accordance with International Standards on Auditing (ISA), INTOSAI standards and such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also, includes assessing the significant estimates and judgments made by management in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of National Social Security Fund and that they have been consistently applied and adequately disclosed. Moreover, it involves evaluating

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the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unqualified Opinion

In my opinion, the financial statements fairly reflect, in all material respects, the financial position of National Social Security Fund as at 30th June, 2008 and the result of its operations and cash flows statement for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the National Social Security Fund Act, 1997.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matters:

As at 30th June 2008, NSSF had overdue loans and interests adding to T.shs 23,611,894,111 some relating to the previous years. As such, there is a risk of loss of funds because recovery of the outstanding loans and their respective accumulated interests is doubtful and management has started to make provisions for bad debts.

Report on Compliance with Procurement Legislation

In view of my responsibility on the procurement legislation, I state that, except for the procurement weaknesses listed below National Social Security Fund has generally complied with the requirements of the PPA No.21 of 2004 and its underlying Regulations of 2005.

- There were irregularities associated with Sale of Executive Apartments at Ada Estate Kinondoni, including signing of disposal contract and costs linked to delayed payments by the buyer.
- Management sold one of NSSF's landed asset namely 'Club Oasis' without observing competitive disposal procedures/method. In the circumstances, there is no proof that the sale price was the most attractive.
- There were cases of irregular signing of procurement contracts contrary to section 33 (h) of the Public Procurement Act, 2004; which gives the Chief Executive Officer exclusive mandates of signing procurement contracts on behalf of the procuring entity.
- The process of procurement of services from a security company, contravened Section 65 of the PPA, 2004 and its Regulations since evaluation criteria set before were changed during award stage.

Ludovick S. L. Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania,
..... July, 2009



AUDIT REPORT AND FINANCIAL STATEMENTS

National Social Security Fund
ANNUAL REPORT

2007/08

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30TH JUNE, 2008

		30.06.2008	30.06.2007
			Restated
	Notes	TZS	TZS
ASSETS			
INVESTMENTS AT QUOTED MARKET VALUES			
Government papers	3	164,969,441,609	159,832,446,254
Corporate debt securities	5	79,103,047,123	50,252,833,630
Corporate equity securities	6	34,689,313,000	23,561,066,420
		278,761,801,732	233,646,346,304
INVESTMENTS AT ESTIMATED FAIR VALUES			
Loans	7	182,251,482,832	117,315,955,550
Corporate equity securities	8	26,358,101,956	26,194,403,564
Investments in Properties	9	182,908,645,626	155,448,577,208
		391,518,230,414	298,958,936,322
TOTAL INVESTMENTS		670,280,032,146	532,605,282,626
OTHER ASSETS			
Cash and bank balances	10	14,972,878,069	8,814,072,217
Contributions and penalties receivables	11	20,014,324,136	19,086,769,639
Receivables, advances and prepayments	12	17,249,413,112	16,395,001,428
Tax receivable	13	7,812,470,970	5,734,139,610
Accrued interest	14	17,030,710,351	13,152,283,609
Inventory	15	459,615,855	853,358,603
Property, plant and equipment	16	27,670,944,017	20,917,290,015
Intangible assets	17	2,801,523,806	3,907,758,294
		108,011,880,316	88,860,673,415
NON CURRENT ASSETS HELD FOR SALE	18	5,366,575,951	4,723,935,191
TOTAL ASSETS		783,658,488,443	626,189,891,233
LIABILITIES			
Accounts payable	19	9,324,194,739	5,838,819,904
Funds for TTCL pensioners	20	10,027,913,189	8,742,267,255
Provision For Long-term staff benefits	21	17,856,969,855	14,034,437,561
TOTAL LIABILITIES		37,209,077,783	28,615,524,720
NET ASSETS AVAILABLE		746,449,410,630	597,574,366,512

NOTES 1 TO 41 FORM PART OF THESE ACCOUNTS


CHAIRMAN

DATE: 31 07 09


TRUSTEE

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30TH JUNE, 2008**

		2007/2008	2006/2007
			Restated
	Notes	TZS	TZS
ADDITIONS			
Interest from investments	22	38,614,930,955	30,887,772,453
Rent income		4,871,150,242	4,637,727,059
Other income	23	219,409,853	1,743,866,919
Discount on bonds		2,826,924,638	1,605,753,729
Increase in investments at market/fair values	24	29,449,788,240	666,996,040
Total investment income		75,982,203,928	39,542,116,200
Contribution from employers	25	205,385,678,913	162,379,139,912
		281,367,882,841	201,921,256,112
DEDUCTIONS			
Direct benefit payments to members	26	81,818,198,878	50,522,744,807
Administration expenses	27	33,143,173,152	22,887,509,410
Long Term Staff Benefits	21	4,318,162,719	940,850,700
Depreciation and Ammortisation	16 & 17	3,533,476,861	3,247,931,105
Bad/doubtful debts	28	64,302,779	23,989,958
Provision for impairment of receivables	29	8,817,083,228	3,786,568,484
Other charges	30	798,441,106	701,138,505
		132,492,838,723	82,110,732,969
Net increase in assets		148,875,044,118	119,810,523,143
NET ASSETS AVAILABLE FOR BENEFITS			
BROUGHT FORWARD		597,574,366,507	477,763,843,368
CARRIED FORWARD		746,449,410,630	597,574,366,512

NOTES 1 TO 41 FORM PART OF THESE ACCOUNTS


CHAIRMAN

DATE: 31.07.09


TRUSTEE



AUDIT REPORT AND FINANCIAL STATEMENTS

National Social Security Fund
ANNUAL REPORT

2007/08

CASH FLOW STATEMENT FOR THE YEAR ENDED
30TH JUNE 2008

	2007/2008	2006/2007
Cash flows from operating activities	TZS	TZS
Interest on investments	25,520,762,908	23,366,615,424
Rent received	6,144,827,009	5,795,672,238
Interest received on loans	8,884,797,111	4,771,704,630
Administrative expenditure	(29,175,188,963)	(22,441,757,004)
Receipts from agency	75,447,694	66,645,241
Staff loans	(2,376,248,533)	(1,350,424,519)
Miscellaneous receipts	214,639,286	97,381,000
Commission & fees expenses	(65,866,229)	(197,765,173)
Accounts Payable	(100,000,000)	12,436,915
TRA receivable A/C	0	(50,000,000)
Taxes	(2,887,814,317)	(1,524,570,789)
Net cash flow from operating activities	6,235,355,966	8,545,937,967
Cash flows from investing activities		
Cash paid on investments	(53,116,809,766)	(59,670,525,573)
Redeemed investments	616,638,227	7,780,843,815
Payments to the projects	(7,290,337,438)	(13,984,234,578)
Loans disbursed	(77,538,337,696)	(42,931,444,325)
Deposit-sale of Tabora building	0	814,052,000
Loans repayment received	3,295,630,568	9,136,778,076
Additions to fixed assets	(2,999,817,175)	(2,710,741,909)
Proceeds from disposal of assets	25,210,400	1,148,350
Net cash flows from investing activities	(137,007,822,880)	(101,564,124,144)
Cash flows from financing activities		
Members contributions	200,015,129,696	155,757,784,758
Benefits payments	(83,276,094,393)	(50,305,559,135)
TTCL pensioners fund	918,110,833	271,908,688
Loan Repayment	(94,992,009)	(3,831,246,095)
Receipts on reserve accounts	700,095,117	606,820,699
Net cash flows from financing activities	118,262,249,244	102,499,708,915
Net increase/(decrease) in cash and cash equivalents	(12,510,217,670)	9,481,522,739
Cash and cash equivalents at beginning of period	26,313,975,178	16,832,452,439
Cash and cash equivalents at end of period	13,803,757,508	26,313,975,178

NOTES 1 TO 41 FORM PART OF THESE ACCOUNTS


 CHAIRMAN

DATE: 31 07 09


 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 & 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.

- I AS 23: Borrowing cost: which is effective for annual periods beginning on or after 1st January 2009
- IFRS 8 : Operating segment: effective for annual periods beginning on or after 1st January 2009.
- I 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.



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

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 recognized 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 capitalized 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 recognized as part of the cost of the hardware. Costs of acquiring other software are recognized as intangible assets and are amortized 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 recognized 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 recognized as an expense as incurred.

Computer software development costs recognized as assets are amortized 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.



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

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.

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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 recognized 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



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

- (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 amortized 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 amortized 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 direct-ly 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. GOVERNMENT PAPERS

	30.06.2008	30.06.2007
	Tzs	Tzs
Government stocks	2,550,966,900	2,550,966,900
Special government bonds	24,608,198,178	27,892,077,543
Treasury bonds	98,333,671,084	91,909,285,979
Treasury bills	39,476,605,447	37,480,115,832
	164,969,441,609	159,832,446,254

4 CASH AND CASH EQUIVALENTS

Cash at banks	7,812,291,067	4,814,769,815
Funds in transit & in collection	4,991,466,442	3,738,694,289
Fixed deposits	1,000,000,000	7,975,450,000
Treasury bills	0	9,785,061,074
	13,803,757,509	26,313,975,178



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

5. CORPORATE DEBT SECURITIES

Corporate Bonds		10,804,500,000	12,755,000,000
NSSF/TTCL Pensioners		(154,503,874)	1,952,651,277
Fixed deposits		68,453,050,997	35,545,182,353
		79,103,047,123	50,252,833,630

6. CORPORATE EQUITY SECURITIES AT MARKET VALUE

Investment in companies		34,689,313,000	23,561,066,420

7. INVESTMENT IN LOANS

Government Institutions	101,275,817,657	46,832,114,753
Other Companies	82,915,578,308	68,256,556,227
Kinyerezi Housing	2,391,531,867	2,227,284,570
	186,582,927,832	117,315,955,550
Less: Provision for impairment of Loans	4,331,445,000	0
	182,251,482,832	117,315,955,550

8. CORPORATE EQUITY SECURITIES AT FAIR VALUE

Investment in companies	26,454,101,956	26,290,403,564
Provision in Diminution in value	(96,000,000)	(96,000,000)
	26,358,101,956	26,194,403,564

Included under investment in companies are associate companies; Azania Bank Ltd and Ubungu Plaza Ltd stated at TZS 3,341,000,225 and TZS 9,817,038,702 respectively .

9. INVESTMENT IN PROPERTIES

	30.06.2008	30.06.2007
	Tzs	Tzs
1st July, 2007	155,448,577,208	147,419,418,027
Additions	27,460,068,418	8,029,159,181
	182,908,645,626	155,448,577,208

Additions in investment in properties includes Tzs. 16,143,703,959 representing surplus on revaluation

NOTES TO THE ACCOUNTS 41

10. CASH AND BANK BALANCES

	30.06.2008	30.06.2007
	Tzs	Tzs
Bank current accounts	6,971,518,516	4,023,171,009
Forex bank account	840,772,551	791,598,806
Funds In transit and in collection a/cs	4,991,466,442	3,738,694,290
Petty Cash	0	451,600
Benefit imprest accounts	2,169,120,560	260,156,512
	14,972,878,069	8,814,072,217

11.

CONTRIBUTIONS AND PENALTIES RECEIVABLES

Statutory contributions receivable	28,078,946,555	22,999,750,592
Penalties receivable	900,137,575	1,568,549,577
	28,979,084,130	24,568,300,169
Less: Provision for Impairments	(8,964,759,994)	5,481,530,530
	20,014,324,136	19,086,769,639

12. RECEIVABLES, ADVANCE AND PREPAYMENTS

	30.06.2008 Tzs	30.06.2007 Tzs
Sundry prepayments	58,960,522	426,604,095
Other deposits	500,000	500,000
Rent receivable	4,995,982,453	5,122,312,970
Dishonoured cheques	813,197,319	965,299,082
Contributions underpaid by employers	1,230,648,632	594,839,492
Dividend Receivable	2,408,307,935	1,445,099,452
VAT	2,511,567,266	4,094,447,686
TRA receivable account	230,457,190	230,457,190
Other receivables	427,255,180	202,255,180
Staff debtors	5,858,533,790	4,593,120,497
Field offices account receivable	38,157,170	59,246,557
	18,573,367,457	17,734,182,201
Less : Provision for impairment	(1,324,154,345)	(1,339,180,773)
	17,249,413,112	16,395,001,428

TAX RECEIVABLES



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

13. TAX RECEIVABLES

Withholding tax on interest	8,962,479,396	7,785,734,355
Corporation tax overcharged	2,100,191,561	2,100,191,561
	11,062,670,957	9,885,925,916
Less : Provision for impairment	(3,250,199,987)	(4,151,786,306)
	7,812,470,970	5,734,139,610

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

14. ACCRUED INTEREST ON INVESTMENTS

Government stocks	121,799,982	198,512,452
Treasury bills	524,176,751	834,657,897
Bank fixed deposits	1,360,810,190	610,196,318
Special Govt. bonds	486,840,655	333,839,268
Treasury bonds	3,344,421,744	2,882,188,410
Bonds with banks	1,096,397,452	622,883,372
TTCL Pensioners interest receivable	159,922,090	137,999,816
Corporate loans	14,628,562,340	10,662,987,290
	21,722,931,204	16,283,264,823
LESS : Provision for Impairment	(4,692,220,853)	(3,130,981,214)
	17,030,710,351	13,152,283,609

15. INVENTORY

Stationery and Consumables	345,977,118	457,993,099
Kinyerezi Houses	113,638,737	395,365,503
Total	459,615,855	853,358,603

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS TSHS.	MOTOR VEHICLES TSHS.	FURNITURE AND FITTINGS TSHS	OFFICE MACHINES AND EQUIPMENT	COMPUTERS TSHS	WORK IN PROGRESS TSHS	TOTAL TSHS
COST/VALUATION							
COST/VALUATION AS AT 01.07.2007	19,524,154,935	2,816,026,490	152,908,226	1,662,111,260	3,912,778,313	78,347,730	28,146,326,954
ADDITIONS REVALUATION ADJUSTMENTS	362,728,752 3,437,812,153	406,697,227 0	58,868,700 0	1,119,004,760 0	1,207,061,503 0	138,983,830 0	3,293,344,772 3,437,812,153
DISPOSAL ADJUSTMENT	0	(102,643,732')	(58,530,466')	(10,146,100')	0	(71,625,130')	(242,945,428')
COST/VALUATION AS AT 30.06.2008 (A)	23,324,695,840	3,120,079,985	153,246,460	2,770,969,920	5,119,839,816	145,706,430	34,634,538,451
DEPRECIATION AS AT 01.07.2007	2,014,445,194	1,887,114,84	128,868,252	903,439,731	2,295,168,909	0	7,229,036,923
CHARGE DURING THE YEAR	849,729,253	514,452,261	8,443,210	337,846,424	685,252,093	0	2,395,723,241
DISPOSAL/ADJUSTMENT Revaluation adjustments	0 (2,489,845,450')	(102,643,732')	(58,530,448')	(10,146,100')	0	0	(171,320,280') (2,489,845,450')
DEPRECIATION AS AT 30.06.2008 (B)	374,328,997	2,298,923,366	78,781,014	1,231,140,055	2,980,421,002	0	6,963,594,434
NET BOOK VALUE AS AT 30.06.2008 (A-B)	22,950,366,843	821,156,619	74,465,446	1,539,829,865	2,139,418,814	145,706,430	27,670,944,017
NET BOOK VALUE AS AT 30.06.2008	17,509,742	928,911,653	24,039,973	758,671,530	1,617,609,395	78,347,730	20,917,290,015



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

17. INTANGIBLE ASSETS

Application Software	As at 30.06.2008 Tzs	As at 30.06.2007 Tzs
Cost		
1st July, 2007	6,011,998,366	4,733,190,250
Additions	31,519,131	1,278,808,115
30th June, 2008	6,043,517,497	6,011,998,365
Depreciation		
1st July, 2007	2,104,240,072	966,801,644
Charge for the year	1,137,753,619	1,137,438,427
30th June, 2008	3,241,993,691	2,104,240,071
Net Book Value		
30th June, 2008	2,801,523,806	3,907,758,294

18. NON CURRENT ASSETS HELD FOR SALE

Kinondoni Executive Apartment	,340,0015,001	4,450,699,241
Club Oasis	365,235,950	273,235,950
	5,366,575,951	4,723,935,191

19. ACCOUNTS PAYABLE

	30.06.2008	30.06.2007
	Tzs	Tzs
Accounts payable(SHIB)	41,141,370	41,810,020
Rent received In advance	1,119,094,469	1,079,744,374
Treasury Bills Interest overpaid	48,090,000	48,090,000
Endowment scheme	61,107,534	42,913,350
Unallocated Contributions	2,632,967,635	2,012,559,824
Stale benefit cheques	631,446,448	483,977,905
Advance for ex - Tazara Sale	814,052,000	814,052,000
Deposit Refundable	10,000,000	148,536,735
Accrued expenses	1,680,606,067	1,105,316,250
Provision for gratuity	14,320,830	6,819,446
NHC (Refund Mafuta Costs)	1,342,532,530	0
Stamp Duty Payable	748,835,856	0
Provision for audit fees	180,000,000	55,000,000
	9,324,194,739	5,838,819,904

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

20. FUNDS FOR TTCL PENSIONERS

Funds for TTCL Pensioners are stated at Tzs 10,027,913,189. 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.

21. PROVISION FOR 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.

	30.06.2008 Tzs	30.06.2007 Tzs
1st July, 2007	14,034,437,561	13,431,677,024
Charge for the year	<u>4,318,162,719</u>	<u>940,850,700</u>
	18,352,600,280	14,372,527,724
Paid During the Year	<u>(495,630,425)</u>	<u>(338,090,163)</u>
30th June, 2008	<u>17,856,969,855</u>	<u>14,034,437,561</u>

22. INVESTMENT INCOME

	2007/2008 Tzs	2006/2007 Tzs
Government securities	17,162,652,928	12,700,956,634
Corporate bonds	1,587,316,653	1,659,227,306
Fixed deposits	4,941,032,830	3,020,114,066
Loans	10,335,749,453	9,928,441,602
Dividends	4,478,903,241	3,453,981,925
Gain on sale of investments	108,275,850	125,050,920
	38,614,930,955	30,887,772,453

23. OTHER INCOME

Disposal of fixed assets	28,510,000	28,150,000
Miscellaneous income	115,452,159	1,649,071,678
Agency commission	75,447,694	66,645,241
	219,409,853	1,743,866,919



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

24. 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 Dar es Salaam Stock Exchange (DSE) and/or surplus on revaluation of land, buildings and investment in properties as at 30th June, 2008. Increase during the year is arrived at as follows:-

	30.06.2008 Tzs	30.06.2007 Tzs
Quoted equity securities	7,943,192,673	666,996,040
Investments in Properties	<u>21,506,595,567</u>	<u>0</u>
	<u>29,449,788,240</u>	<u>666,996,040</u>

25. MEMBERS CONTRIBUTIONS ACCOUNT

	2007/2008 Tzs	2006/2007 Tzs
Members contributions		
Employers	102,707,493,918	81,174,946,420
Employees	102,707,493,918	81,174,946,420
Others	21,913,148	43,357,432
Refund of Excess Contributions	(51,222,071)	(14,110,360)
	205,385,678,913	162,379,139,912

26. BENEFIT PAYMENTS

Withdrawal	70,778,692,396	42,237,684,804
Age	4,743,490,875	3,714,576,961
Survivors	2,811,734,001	2,214,557,212
Invalidity	43,929,731	44,129,936
Maternity	768,127,054	473,303,779
Funeral grants	30,600,954	26,426,109
Employment injury	18,497,262	37,923,177
Health insurance	550,454,072	385,089,669
Retirement pension	2,072,672,533	1,389,053,160

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

NOTES TO THE ACCOUNTS 47

27. ADMINISTRATIVE EXPENSES

	2007/2008	2006/2007
	Tzs	Tzs
Personnel emoluments	16,592,184,434	12,913,897,076
Office expenses	3,285,370,798	1,812,837,051
Traveling expenses	2,287,667,703	1,562,124,923
Maintenance and running expenses	5,070,670,716	1,640,859,411
Cleaning	87,554,906	348,448,654
Training expenses	1,302,434,470	983,151,712
Conferences and missions	1,082,706,439	503,133,835
Board meeting expenses	492,663,686	395,796,195
Audit fees	179,870,000	55,000,000
Commissions and fees expenses	65,866,229	55,624,701
Staff welfare expenses	356,668,959	319,737,736
Promotion and publicity expenses	1,141,219,987	929,680,612
Donations	218,940,077	209,481,318
Fees and other charges	590,416,831	582,875,460
Other expenses	385,004,817	573,791,068
Loss account (Members benefits)	3,933,100	1,069,658
TOTAL	33,143,173,152	22,887,509,410

28. BAD/DOUBTFUL DEBTS W/OFF

Dishonoured Cheque	59,656,946	0
Staff debts	4,645,833	23,989,958
Underpayments	0	0
	64,302,779	23,989,958

29. PROVISION FOR IMPAIRMENT OF RECEIVABLE

Tax Receivable	(901,586,319)	1,332,698,599
Statutory Contribution Receivable	3,483,229,464	(10,949,187)
Rent Receivable	342,755,444	69,610,889
Dishonoured cheques	0	270,927,927
Provision Receivable Reversed	0	(25,952,596)
Interest Receivable on Loans	1,561,239,639	2,150,232,852
Corporate Loans	4,331,445,000	0
	8,817,083,228	3,786,568,484



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

30. OTHER CHARGES

	2007/2008	2006/2007
	Tzs	Tzs
Gain/Loss on exchange rates (Loans)	261,215,846	0
Projects Written off	0	536,156,680
Loss on sale of Buildings	537,225,260	0
Dimunition in shares value	0	(5,555,550)
13.5% CRDB Loan Interest	0	170,537,375
	798,441,106	701,138,505

31. INVESTMENTS

	30.06.2008	30.06.2007
	Tzs	Tzs
Investments that represent 5% or more of the net assets are separately identified below:		
HEPZ (Hifadhi Processing Zone) Shares	47,156,025,114	47,156,025,113
15% TPDF Loan	46,732,211,382	-
Benjamin Mkapa Tower	42,937,000,000	0.00
Investments that represent 5% or more of the particular class of investments are separately identified below:		
Investments in Properties		
Benjamin Mkapa Tower	42,937,000,000	28,949,181,588
HEPZ (Hifadhi Processing Zone) Shares	47,156,025,114	47,156,025,113
Water Front Building	23,000,000,000	19,611,276,075
Mwanza Commercial Complex	13,793,946,690	8,986,818,648
CORPORATE EQUITY SECURITIES		
Investments at quoted market values		
Tanzania Breweries Limited	20,553,518,160	15,477,725,820
Tanzania Cigarette Company Ltd	7,232,669,820	4,743,834,200
Simba Shares	3,702,888,240	1,259,311,240
Investments at estimated fair values		
HEPZ (Hifadhi Processing Zone) Shares	47,156,025,114	47,156,025,114
Tanzania Pharmaceutical Industries	10,145,337,019	11,196,503,001
MGC Reedmable cum, Preference shares	3,809,064,616	3,809,064,616
CORPORATE DEBT SECURITIES		
Exim Bank (T) Ltd	6,500,000,000	5,120,000,000
Azania Bank Ltd	4,996,052,844	5,025,458,809
LOANS		
Kagera Sugar Co. Ltd.	12,000,000,000	12,000,000,000
Pensions Properties Limited	10,145,337,020	11,196,503,001
General Tyre East Africa Ltd	12,070,000,000	12,240,000,000
Kiwira Coal and Power Ltd. Loan	9,009,000,000	0.00
15% TPDF Loan	46,732,211,382	
University of Dodoma Loan	20,739,614,492	0.00
11% 2 nd Century Loan	10,000,000,000	0.00
Government Houses	12,420,400,398	12,240,000,000
GOVERNMENT PAPERS		
Special Government Bond (Bulgaria)	10,573,989,904	10,370,007,863

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

32. ACTUARIAL VALUATION

Actuarial valuation of the Fund which was carried out as at 30/06/2006, the Fund will be in the financial solvency over the projection period of 50 years. Actuarial valuation has been carried out by Mr. Georges Langis from ILO.

33. CAPITAL COMMITMENTS

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

34. CONTINGENT LIABILITIES

As at the balance sheet date, the Fund has an appeal case in the Court of Appeal of Tanzania against the ruling of the High Court of paying Tzs 600 millions to New Kilimajaro Bazaar.

35. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel
Year ended

	30.06.2008	30.06.2007
	Tzs	Tzs
Salaries and allowances	851,713,205	752,771,231
Trustees fees and allowances	487,507,186	225,784,000
	1,339,220,391	978,555,231

Fixed Deposit and Loans to Associate Companies: -

Fixed Deposit with Azania Bank Ltd	4,779,353,268	5,087,895,936
Outstanding Loan with Ubungu Plaza Ltd	692,902,000	1,180,436,521
Outstanding Loan with Azania bank	3,714,285,714	0
Outstanding Loan with Pension Properties Ltd	10,145,337,020	11,196,503,001
	19,331,878,002	17,464,835,458

The Fund runs an insurance agency for Jubilee Insurance Company (T) Ltd. Agency commission received by Fund is Tshs.75.45 million (2006/2007 Tshs. 55.64 million). All transactions with related parties were carried at arm's length basis.

36. LEASES

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

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



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

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

	30.06.2008	30.06.2007
	Tzs	Tzs
Gross investment in the leases	4,383,812,566	4,135,261,595
Present value of minimum lease payments	2,391,531,866	2,227,284,569
Unearned HP interest	1,992,280,700	1,907,977,026

37. 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:		
	2007/2008	2006/2007
	Tzs	Tzs
Fund's contribution to NSSF	898,255,450	710,243,342
Fund's contribution to PPF	1,420,868,441	1,136,076,095

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

	30.06.2008	30.06.2007
	Tzs	Tzs
Gross investment in the leases	4,383,812,566	4,135,261,595
Present value of minimum lease payments	2,391,531,866	2,227,284,569
Unearned HP interest	1,992,280,700	1,907,977,026

38. 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:

OLD AGE | INVALIDITY | SURVIVORS | FUNERAL GRANT | MATERNITY

NOTES TO THE ACCOUNTS 51

	200 7/200 8	200 6/200 7
	Tzs	Tzs
Skills and Development levy	833,425,980	632,073,683
	833,425,980	632,073,683

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

	2007/2008	2006/2007
	Tzs	Tzs
PAYE	<u>2,849,802,042</u>	<u>2,092,763,138</u>
	<u>2,849,802,042</u>	<u>2,092,763,138</u>

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

39. TAXATION

There is no tax charge for the year because the Fund has carried forward tax losses amounting to Tzs 93.742 million (2006/2007 Tzs 114,927 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.

40. RESTATEMENT OF BALANCES

Rent income, service charges and output VAT for Tzs 677,975,296, 254,240,736 and 135,595,059 respectively receivable from Tanzania Heart Institute were inadvertently not included in 2006/2007 financial statement. These are now retrospectively corrected. The corrections affects items on financial statements, namely Rent Income, Administration Expenses, VAT Receivable and Rent Receivable. The effect of reinstatement on those financial statements are summarised below:-

	2006/2007 Tzs
Increase in Rent Income	677,975,296
Decrease in Administration Expenses	<u>254,240,736</u>
Increase in net assets available for Benefits	<u>932,216,032</u>
Increase in Receivable Advances and Prepayments	932,216,032
Increase in Receivable Advances and Prepayments	<u>932,216,032</u>



NOTES TO THE ACCOUNTS

National Social Security Fund
ANNUAL REPORT

2007/08

41. 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.