



ZANZIBAR SOCIAL SECURITY FUND

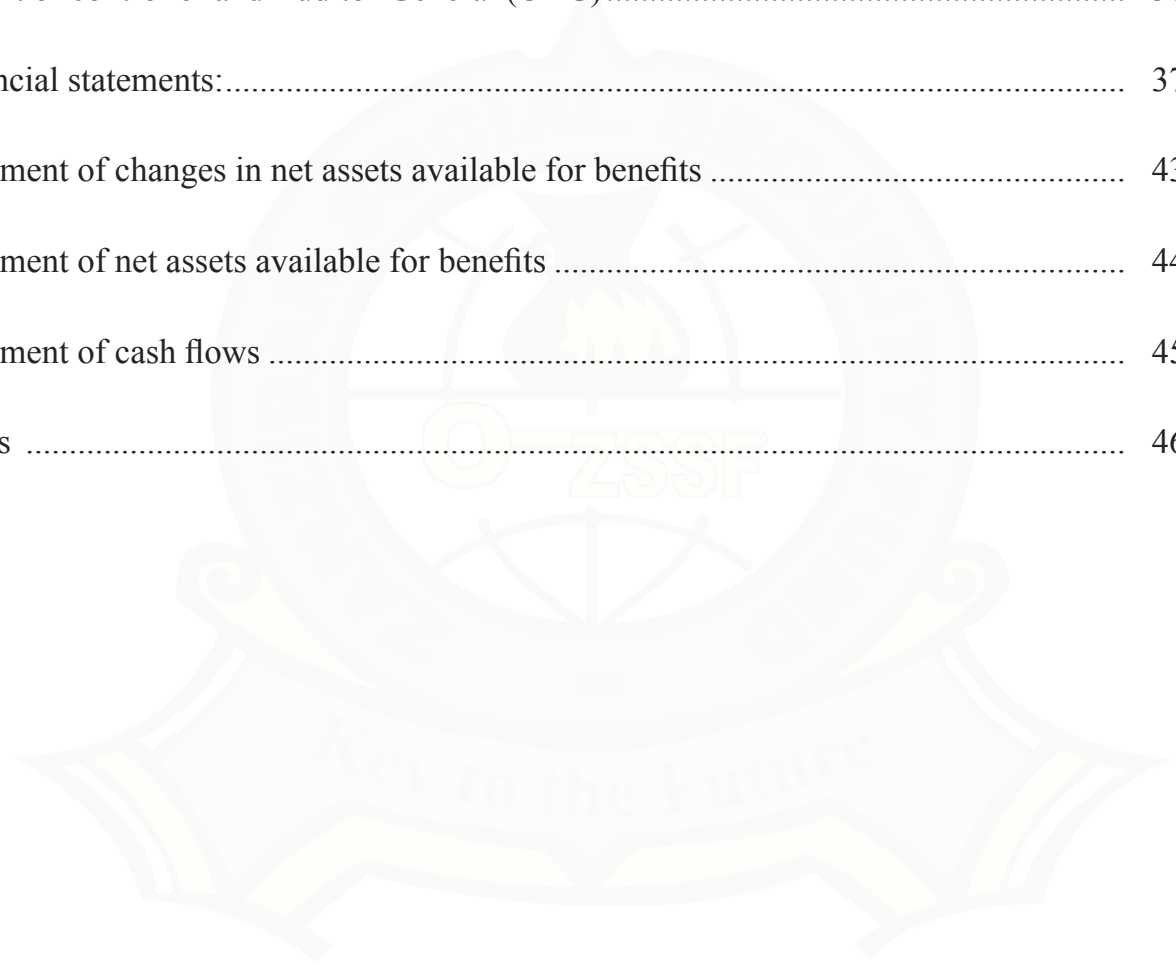
(ZSSF)

ANNUAL REPORT FOR THE YEAR 2016/2017





TABLE OF CONTENTS	Page
Chairman’s Statement	2
Managing Directors’ report	6
Board of Trustees’ report	24
Statement of Trustees’ responsibilities.....	36
Declaration of the head of finance	37
Report of controller and Auditor General (CAG).....	38
Financial statements:.....	37
Statement of changes in net assets available for benefits	43
Statement of net assets available for benefits	44
Statement of cash flows	45
Notes	46



ZANZIBAR SOCIAL SECURITY FUND

CHAIRMAN'S STATEMENT



Dr Suleiman R. Mohamed
Chairman

On behalf of the sixth Board of Trustees of ZSSF, I am pleased to give a brief overview of the Annual report and financial statements of the Fund for the year ended 30th June 2017. I am pleased to inform you that, this is the third presentation since we were appointed to administer a Fund that continues to perform well and has managed to record a net asset of TZS 331.08 billion by the end of financial year 2017.

As we prepare to deal with the challenges and opportunities that will emerge in the future, the Fund has started to implement newly reviewed the third five years corporate plan (2016/2017-2020/2021). The overall performance of the Fund continued to meet with its corporate objectives/targets including registration, collection of contributions, investing and payment of benefits to its members. The Fund has also captured an informal sector that involves a large group of self-employed persons through Zanzibar Voluntary Social Security Scheme (ZVSSS).

During the period under consideration, the Fund succeeded to increase its membership portfolio by 0.26% to 79,272 from 79,066 previously recorded, while the total number of registered employers rose by 8.68% from 1,382 to 1,502. The increased number in membership portfolio created a positive spillover effect in the amount of contributions collected in which the amount collected increased by 12.08 % to TZS 39.06 billion compared to TZS.34.8 billion collected in the year 2015/2016.

Furthermore, the period under review was also characterized by an increase income from our investments' portfolio. The income from ZSSF's investment portfolio increased by 104.9% from TZS 25.6 billion to TZS 52.4 billion. This increase was largely due to good returns we



obtained from the amount of money invested in money market, loans issued and an increase in funds invested in treasury bonds.

During the year under review, the total amount paid by the Fund to its members in the form of various benefits increased by 18.68% from TZS 16.6 billion the year 2015/2016 to TZS 19.7 billion for the year under consideration. The increase in benefits payment was caused by inclusion of new retirees and foreigners who left the country.

Despite the achievements accomplished by the Fund during the year 2016/2017 the fund has been facing a number of challenges including depreciation of Tanzania Shilling, Tax on Fund's income that hinders our efforts on increasing financial sustainability of the scheme, insufficient investment opportunities and low return on real estate.

On account of the said challenges, the Fund has not only been looking for new investment opportunities that offer superior returns but also embarked on implementation of five years ICT Strategic Master Plan in order to improve efficiency and effectiveness of our daily business processes and enhance the risk management procedures.

We extend our sincere appreciation to the Revolutionary Government of Zanzibar for providing a conducive operating environment and support which has enabled the Fund to register a very good performance. We hope that such good operating environment will continue to prevail in the future so as to enable the ZSSF achieve its targets for the betterment of its members and the nation as a whole. We would also like to register our gratitude to the Minister for Finance for the support ZSSF Board Members continue to enjoy from the Ministry in our determination to build sound Social Security Schemes and continuously improve the services we offer to our members and other stakeholders.

I sincerely thank all Trustees for their dedication in discharging their responsibilities with considerable sacrifice in terms of their time and other commitments since they were appointed. The Trustees have displayed strong commitments and exemplary leadership that has enabled the Fund to realize its objectives to a larger extent.

The Management and members of staff of ZSSF have worked tirelessly in fulfilling their obligations and responsibilities. I have no doubt that the team shall keep up the same spirit for the benefit and sustainability of the Fund in the future. On behalf of the Board of Trustees I congratulate the entire ZSSF's team for the work well done.



Dr Suleiman R. Mohamed
Chairman Board of Trustees



ZANZIBAR SOCIAL SECURITY FUND

BOARD OF TRUSTEE



Dr Suleiman R. Mohamed
Chairman



Fatma G. Bilal
Board Member



Khamis M. Mohamed
Board Member



Seif S. Mwinyi
Board Member



Kazija M. Msheba
Board Member



Khamis S. Ali
Board Member



Fatma E. Masimba
Board Member



Sabra I. Machano
Managing Director



Mohamed F. Mzee
Board Secretary



MANAGING DIRECTOR'S PERFORMANCE REPORT FOR THE YEAR ENDED 30TH JUNE 2017.



Sabra I. Machano
Managing Director

On behalf of the Fund Management, it is my pleasure to present to you the review of the operating performance of the Fund for the year ended 30th June 2017. The Zanzibar Social Security Fund Act No.2 of 2005 mandates the Fund to undertake four major functions, namely, registration of members, collection of contributions, investment of funds collected and payment of benefits to members who fulfill the stipulated qualifying conditions.

The report presents operational results for all four key operation areas of the Fund. The results reported are compared to targets set in the Corporate Plan (2016/2017 – 2020/2021) this is the first year of implementing the third Corporate Plan. Similarly, growth analysis is shown in relation to the previous year results (2015/16) and a growth trend for a period of five years (2012/13- 2016/17) is presented in tabular and graphical way.

I am proud to inform you that the overall performance of the Fund for the year 2016/2017 was in line with the Corporate Plan, and the Fund has sustained positive growth in all key areas of its operations.

The report also highlights on other areas associated to its core functions including staff welfare, corporate and public relations, regional and international relations, exhibitions, achievements and challenges experienced during the period, and a summarized Fund's plan for 2016/17.

Stakeholders are encouraged to read this report for the purpose of understanding the performance of the Fund and its financial condition. On the basis of the same,

stakeholders are requested to share their views and opinions with the Management for the betterment of the Fund. Stakeholders are also encouraged to frequently visit the Fund's website: www.zssf.or.tz for more and updated information about the Fund's operations.



MEMBERSHIP TO THE FUND

During the period under review, the Fund undertake member's education as a way of enhancing people's understanding of the social security issues, registering new members and improving its marketing capacity in the country as a way of recruiting more members. Due to these efforts and other strategies employed, the membership size of the Fund continued to expand. By the end of year 2016/2017, the Fund manages to register the total of 79,272 registered employee and 1,502 registered employers. This membership size reflects a growth of 6% to 8% in the total number of registered employee and employers as compared to financial year 2015/16 reported that total of 79,066 employees and 1,382 employers. The details are as given in Table 1 below.

Year	2012/13	2013/14	2014/15	2015/16	2016/2017
Registered Employers	1,091	1,200	1,282	1,382	1,502
Registered Employees	67,584	72,210	75,303	79,066	79,272

The main reasons for the continued growth in the membership size include the fact that ZSSF offer better benefit package and better customer services, therefore, the Fund continued to be the refuge to people seeking social security in Zanzibar.

For the purpose of creating more awareness and a wider acceptability of the Scheme, the Fund will continue to provide education to the general public on the importance of social security and advantages of being a member of ZSSF.

Figure 1: Membership of the Fund – 2012/13 – 2016/17



CONTRIBUTION INCOME

Annual contribution income rose from 34.8 billion in 2015/2016 to 39.1 billion in the period of 2016/2017 representing an annual growth rate of 12%. This growth was attributed by increase in membership size, increased compliance with ZSSF Act and rise in salaries on government and private sector. The compliance was resulted from increased enforcement efforts by the Fund which led to registered employers to comply with ZSSF legislations and submit the employees' contributions. The details are as given in Table 2 below.

Table 2: Contribution Collection 2012/13 – 2016/17

Year	2012/13	2013/14	2014/15	2015/16	2016/2017
Amount Collected	24,828,411,682	29,195,840,764	31,480,418,757	34,851,615,324	39,062,207,837

Source: Audited report

To ensure the sustainability of the above increasing trend, the Fund will further increase its efforts to educate both registered employers and members on the need to comply with ZSSF Act. The Fund will not hesitate to take appropriate actions to any employers who contravene the provisions ZSSF Act. Such measures include penalty charges to employers delaying contribution for more than 15 days from the due date and other legal action against defaulters.

Figure 2: Contribution of the Fund – 2012/13 – 2016/17



SUPPLEMENTARY SCHEME

In order to increase membership coverage and contribution income, the Fund continued to register members from informal sector, formal sector as well as diasporas through its supplementary scheme known as Zanzibar Voluntary Social Security Scheme (ZVSSS). For the year ended 30 June 2017, the membership size increased by 3.7% from 8,165 members in year 2015/16 to 8,471 members in a year 2016/2017. Also, the total of 183.8 million has been collected during the year 2016/17 which is equivalent decrease of 8.8% in reference to the previous year. During the period under review total of 93.4 million has been paid to ZVSSS members. The details are as given in Table 3 below.

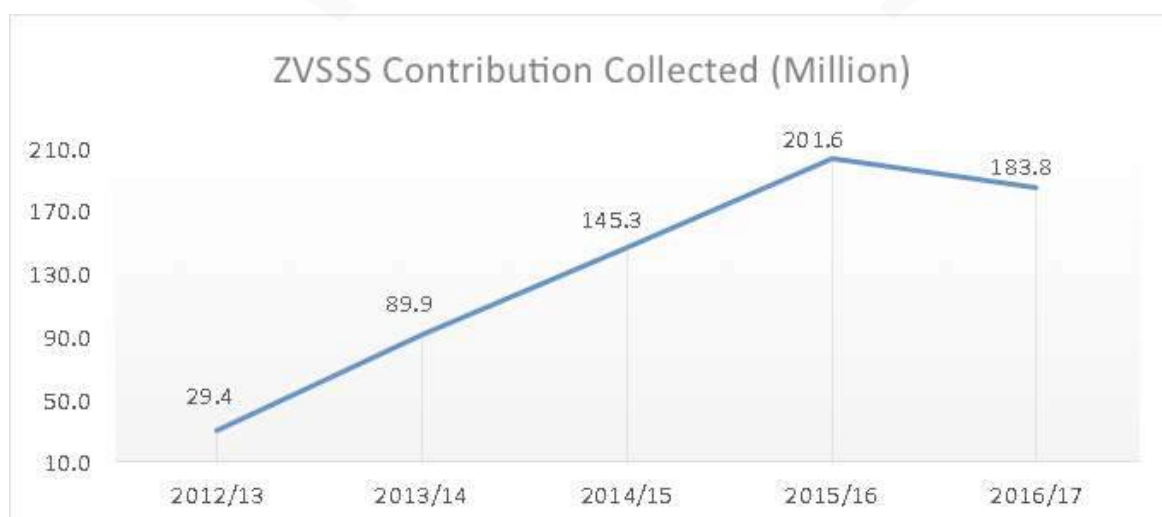
Table 3: ZVSSS Membership Size and Collection - 2012/13-2016/17

Year	2012/13	2013/14	2014/15	2015/16	2016/2017
Registered Members	2,313	4,967	7,087	8,165	8,471
Contribution Collected	29,374,900	89,933,500	145,263,292	201,616,000	183,808,689

Figure 3: Member Registration for the ZVSSS – 2012/13 – 2016/17



Figure 4: Contribution of the ZVSSS – 2012/13 – 2016/17



BENEFIT PAYMENTS

Benefit payment is the major expenditure area of the Fund as it falls under the core functions of the ZSSF Act. Currently the Fund offer four types of benefits stipulated under ZSSF Scheme paid to members which are: -

- Retirement benefit
- Survivor benefit
- Invalidity benefit
- Maternity benefit

For the year 2016/17 a total amount of TZS 19.7 billion were paid as benefits to members compared to TZS 16.6 billion in 2015/16, which is an increase of 18.6%. The details are as given in Table 4 below.

Table 4: Benefit Payment 2012/13 – 2016/17

Year	2012/13	2013/14	2014/15	2015/16	2016/2017
Amount Paid (TZS)	6,500,103,895	9,988,823,304	12,296,880,929	16,634,980,808	19,742,277,441

Source: Audited reports

The increase in benefit payments amount was a result of an increase numbers of claims from retirees as well withdrawal from expatriates who are leaving the country. The other factor of an increase of benefit payment is the generosity of the benefit calculation formula. However, it has been reviewed through the amendment of the Act.

Figure 5: Benefit Payment – 2012/13 – 2016/17

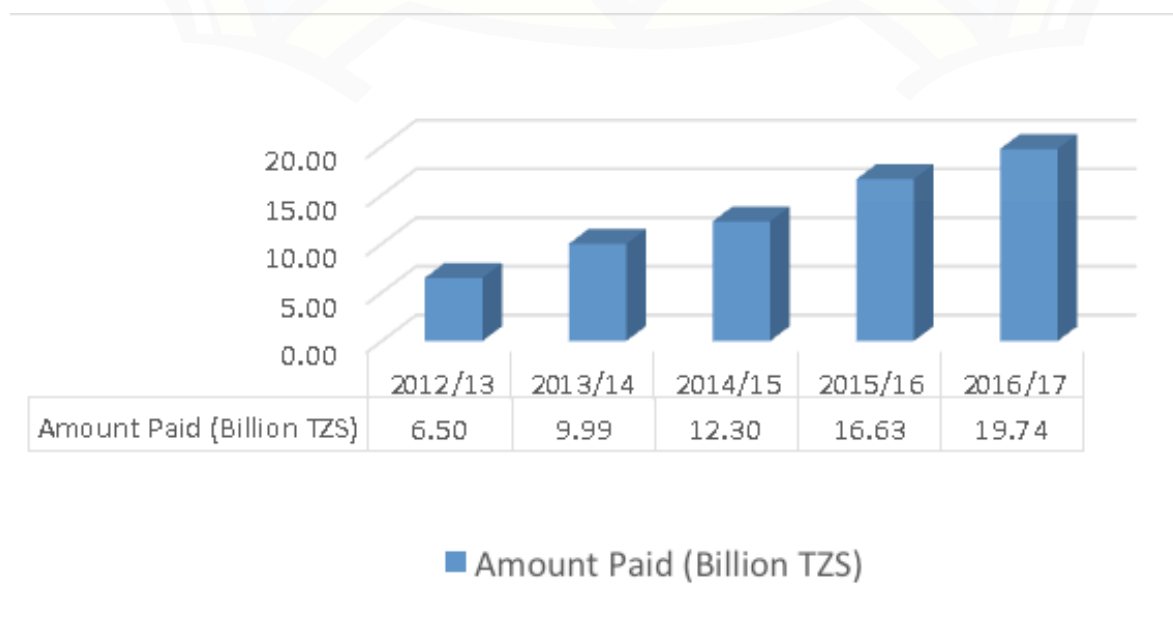
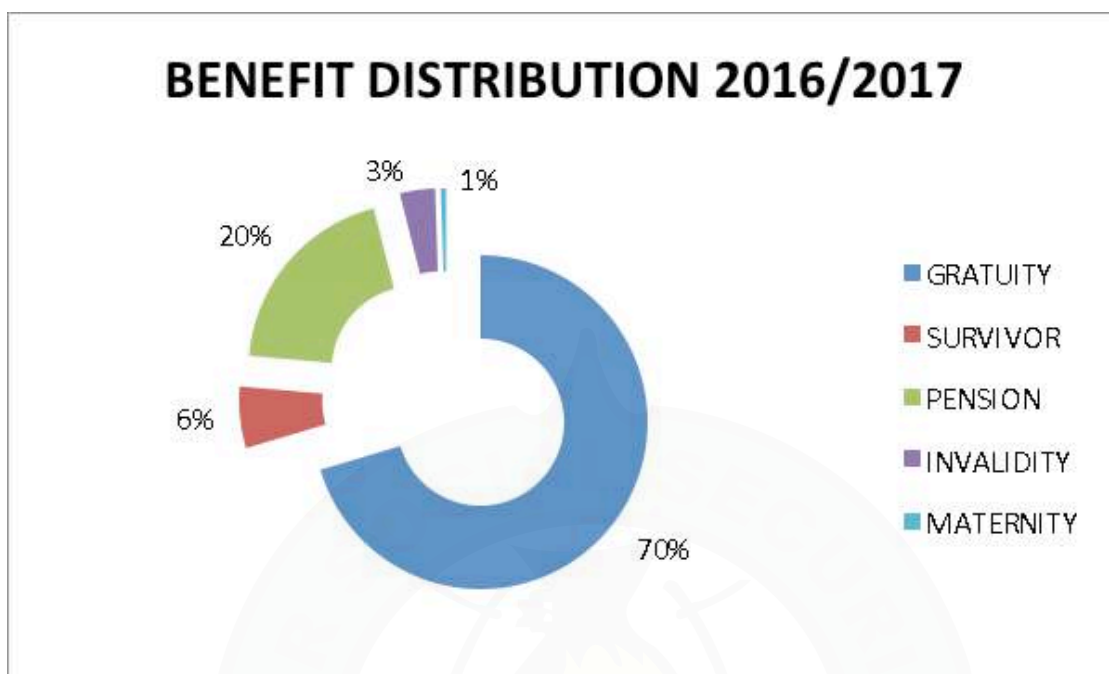


Figure 6: Benefit Distribution as at 30 June 2017



INVESTMENTS PORTFOLIO

The Fund continued to adhere on investment guidelines stipulated in its Investment Policy which requires the Fund to set aside at least 70% of the funds generated in a year for investment purposes. All of the investible funds available during the period were invested in the traditional investment avenues namely Government Securities, Fixed Deposits, Corporate Bonds, Loans, Equities and Real Estates.

The total investments that Fund hold as at 30th June 2017 was TZS 326.1 billion which is equivalent to the increase of 32.4% of the reported year 2015/16. The details are as given in Table 5 below.

Table 5: ZSSF Investment Portfolio 2012/13 – 2016/17

Year	2012/13	2013/14	2014/15	2015/16	2016/2017
Amount TZS	134,211,891,156	169,626,061,714	206,802,346,349	246,285,355,180	326,136,698,413

Source: Audited reports



Figure 7: Investment Portfolio – 2012/13 – 2016/17



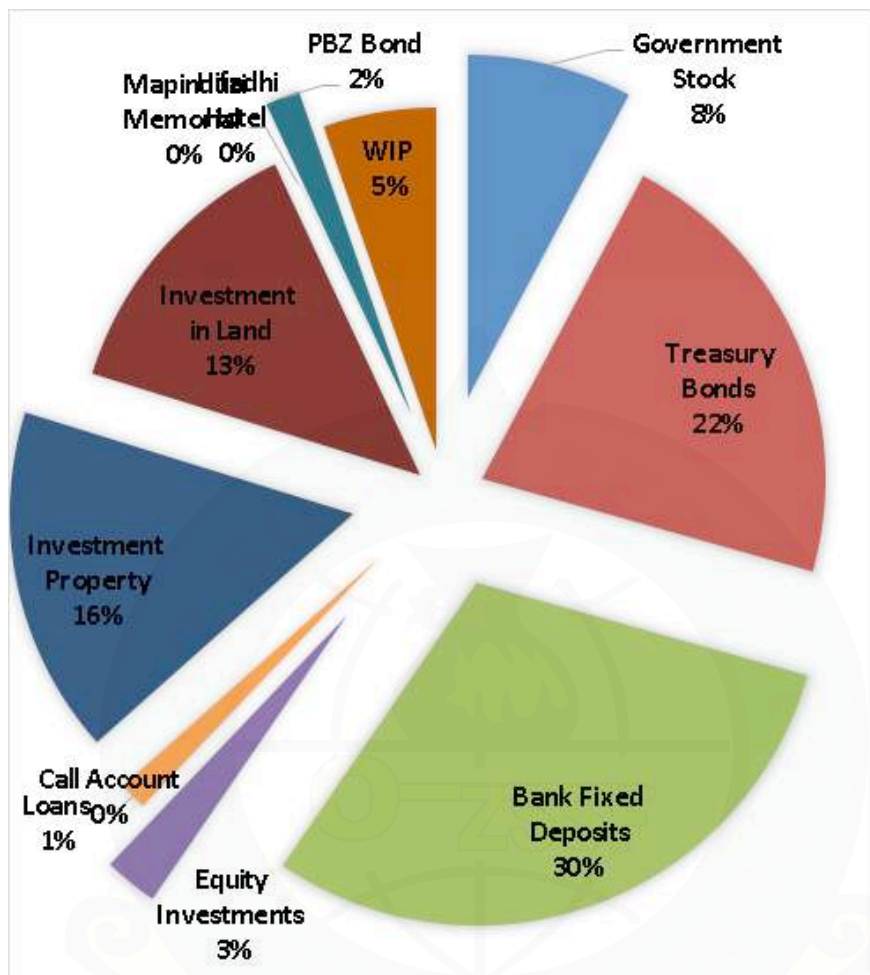
During the past five years, the total investment of the Fund in the avenues mentioned above grew by 143% from TZS 134.2 billion by 2012/13 to TZS 326.1 billion by 2016/17 as explained in the Table 6 below.

Table 6: ZSSF Investment Portfolio 2012/13 – 2016/17

Portfolio	2012/13	2013/14	2014/15	2015/16	2016/17
Treasury Bills	5,325,471,402	-	-	-	-
Government Stock	10,230,000,000	20,594,583,333	22,369,583,333	22,944,583,333	25,344,583,333
Treasury Bonds	35,267,557,353	33,369,132,932	65,793,128,915	68,360,148,694	70,419,630,208
Bank Fixed Deposits	51,210,259,817	65,957,965,753	49,765,931,507	70,992,221,644	98,462,235,251
Equity Investments	6,983,686,556	11,613,488,411	8,277,450,713	7,409,242,345	8,294,894,733
Call Account	16,281,266	16,281,266	16,281,266	16,281,267	-
Loans	12,088,878,163	9,557,716,222	10,925,146,469	7,574,318,527	4,274,800,060
Investment Property	5,149,681,345	4,813,684,349	4,813,684,349	50,325,622,505	53,415,095,829
Investment in Land	4,520,000,000	4,520,000,000	4,520,000,000	4,520,000,000	43,252,866,814
Hifadhi Hotel	-	257,385,901	245,866,049	211,831,590	-
Mapinduzi Memorial Museum Items	-	-	-	-	27,619,610
PBZ Bond	-	-	5,346,465,356	5,290,265,254	5,290,230,254
WIP	3,420,075,254	18,925,823,547	34,922,972,967	8,640,840,021	17,354,742,321
TOTAL	134,211,891,156	169,626,061,714	206,996,510,924	246,285,355,180	326,136,698,413
Percentage changes (%)	28%	26%	22%	19%	32%



Figure 8: Portfolio Distribution as at 30 June 2017



INVESTMENT PROJECTS

During the financial year 2016/17 one project was completed, one project is partially completed, one project under construction and two new projects were approved.

Project which was completed during the period under review:-

- i) ZSSF Chawl Building

Project which was partially completed during the period under review:-

- ii) Mbweni apartments (six blocks completed)

Project which is under the construction

- i) ZSSF Michenzani Shopping Mall

Projects which were expected to commence are:

- i) Service plot – Vitongoji
- ii) Mkoani Hotel - Mkoani
- iii) Mwembekisonge Business Center



The Fund plans to expand its investments by assessing the idea of investing in industry and real estate market in Dar-es- salaam and Dodoma.



Figure 9: Model design for the proposed construction of Mwembe-Kisonge Business Center.

INVESTMENT INCOME

As indicated above, the Fund holds investments in Government Securities (Treasury Bonds, Government Stock and Corporate Bonds), Dividend, Fixed Deposits, Institutional Loan Interests, Real Estates income and Net appreciation in fair value. During the period under review, total of TZS 52.4 billion was collected as income from Fund's investments.

This amount is higher by 104.9% against TZS 25.6 billion which was collected in the previous year. Similarly, during the past five years income from investments also grew from TZS 16.3 billion by the end of June 2013 to TZS 52.4 billion as at June 2017 representing an increase of 221.2%. However, the average rate of return on investment (ROI) for the last five years is 12.4%. The details are as given in Table 7 below:

IBAR SOCIAL SECURITY



Table 7: Investments Income for the Period of 2012/2013 – 2016/2017 (in TZS).

Types of Investment	2012/13	2103/14	2014/15	2015/16	2016/17
Insurance Bond	4,209,180,032	4,587,641,978	6,857,748,082	10,432,673,003	10,311,563,414
Equity Stock	1,092,500,000	1,514,583,333	2,400,000,000	2,400,000,000	2,400,000,000
Insurance Bill	452,537,125	664,531,517	-	-	-
Government Bonds	-	-	346,465,356	770,334,898	826,500,000
Fixed Deposits	6,399,855,824	7,455,248,982	8,436,943,835	7,923,299,612	11,303,124,596
Dividend	601,972,489	373,235,329	239,824,628	209,331,190	176,755,286
Interest	937,175,207	1,035,452,768	1,365,380,844	938,939,912	1,193,561,952
Net Income	274,789,757	241,574,179	1,025,905,802	728,335,833	1,004,373,546
App. in FV	2,353,282,962	4,438,132,761	1,176,758,136	2,176,575,924	25,208,966,018
Total	16,321,293,396	20,310,400,847	21,849,026,683	25,579,490,372	52,424,844,812
ROI (%)	12.6	12.3	10.7	10.4	16.1

Source: Audited reports

ROI = (Net Income before taxes/ Total Assets) *100

NB: NIBT or Investment Income

Figure 10: Investment Income 2012/13 – 2016/17

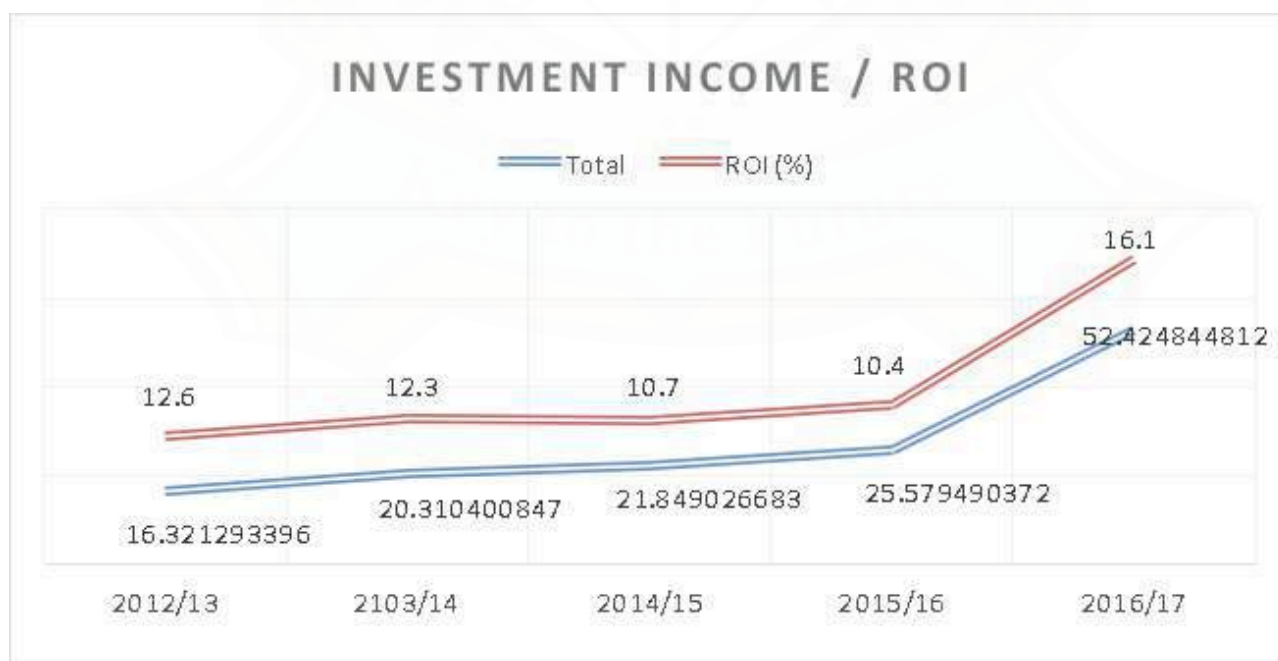
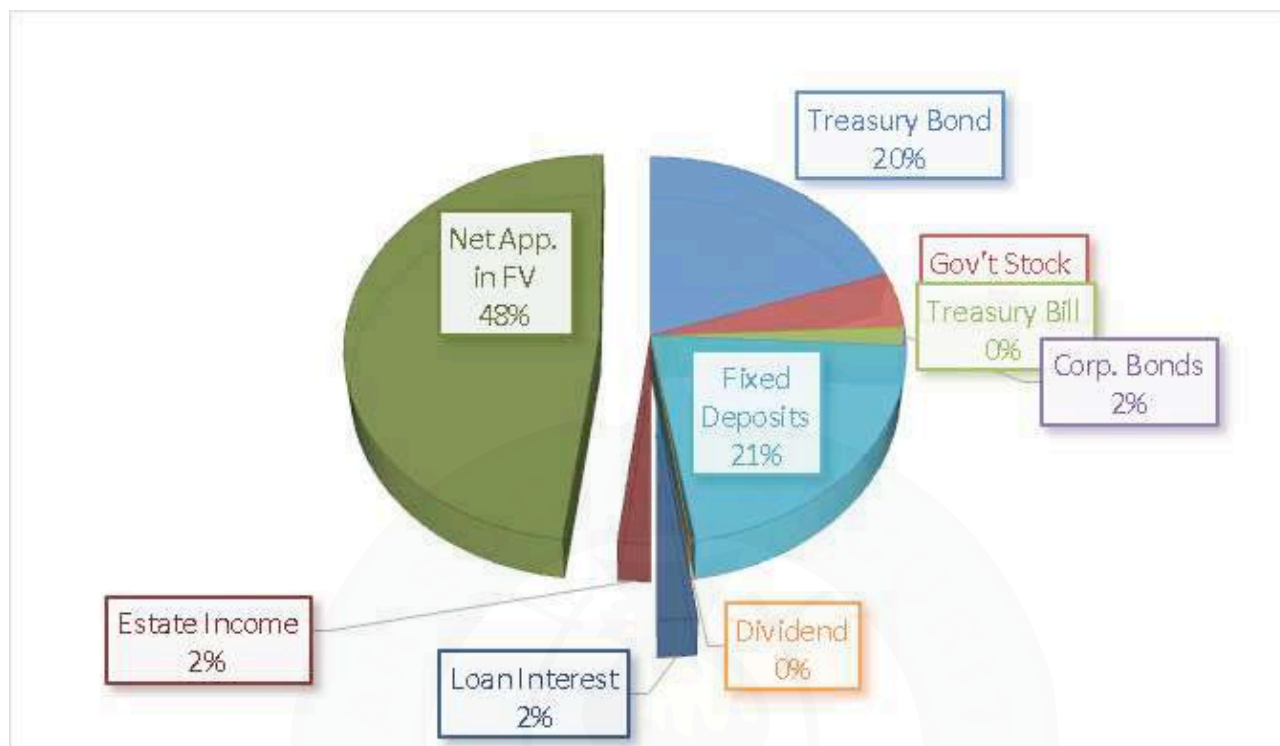


Figure 11: Distribution of Investment Income as at 30 June 2017



SIZE OF THE FUND

The fund has recorded spectacular growth in its Net Asset over the last five years. The net asset increased from TZS 141.6 billion in 2012/13 to TZS 331.1 billion in 2016/17, representing an increase of 133.8%. The details are as given in Table 8 below.

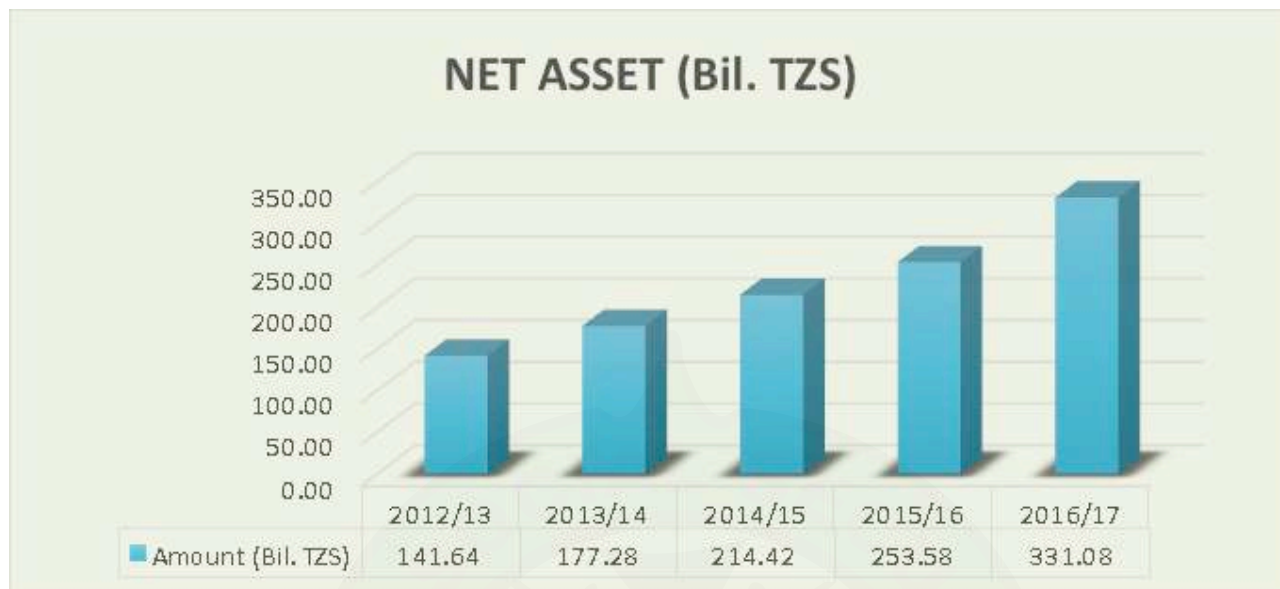
Table 8: Net Asset 2012/13 – 2016/17

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Amount (TZS)	141,637,269,148	177,283,942,537	214,422,312,074	253,582,644,409	331,084,166,379

The growth in Net Asset is mainly attributed by the increase of collection from contribution; capital invested as well as investment income.



Figure 12: Net Asset 2012/13 – 2016/17



HUMAN RESOURCES AND LABOUR RELATIONS

WORKFORCE

During the year 2016/2017 the Fund operated with the manpower of 93 employees compared to manpower of 85 in the previous year, this represent an increase of 9.4%. The current employees were composed of 24 female employees and 69 male employees.

LABOR RELATIONS

Management maintained harmonious relationship with all cadres of staff. This was possible through good leadership; involvement of employees in decision making, monthly departmental meetings, Employee Annual Meeting which involves representative of employees from each department, and constant provision of feedback on key issues discussed by Management and the Board.





Figure 13: Zanzibar Deputy Minister, Tourism and Antiquities Honourable Choum Kombo Khamisi (8th Right) in group photo with ZSSF Staff during the inauguration of Zanzibar Revolution memorial Museum at Mapinduzi Square Mwembe Kisonge.

TRAINING

Being one of its Corporate Objectives of capacity building, the Fund continued to train its employees both locally and internationally. In this respect numbers of employees were trained during the year and several others attended under graduate and post graduate courses at higher learning institutions. During the period under review the Fund spent TZS.164 million on staff training and seminar within and outside the country.

PUBLIC EDUCATION AND AWARENESS

The Fund continues to undertake programmes with the aim of raising the awareness of its members, contributing employers and the general public on the operation of the Fund and matters of interest of stakeholders. These include radio programs, seminars for employers and employees, trade fairs and exhibitions.

PUBLIC RELATIONS

The Fund continues to maintain a good public image through good and mutual relationships with the general public, social security institutions on Mainland and to all other organizations operating within and outside the country.





Figure 14: ZSSF Managing Director Sabra Issa Machano (with blue coat) shakehand with deputy Minister of Health Zanzibar during handing-over donation of healthcare equipment at Mnazi Mmoja Hospital.

During the period under review the Fund donate to the general public in area of education, health and issue of national interest.

The Fund will continue to open its doors to the general public for any kind of constructive relations that will result into the Fund moving forward more efficiently and that will result into significant contribution to the growth of the nation as a whole.

STAKEHOLDERS CONFERENCE

The Fund started holding its Stakeholders Conference in April 2017 at Sheikh Idriss Abdulwakil Hall, Kikwajuni Zanzibar. The main objective of this Conference was to bring together all stakeholders of the Fund including the Government, registered members, registered employers, workers' representatives, other social security institutions both domestically, regionally and internationally so as to know the status of Fund and contribute their ideas and opinions to improve performance of the Fund and push forward social security industry in general.

REGIONAL AND INTERNATIONAL RELATIONS

The Fund maintained is membership status with regional and international social security bodies. The Fund is one of proud members of ECASSA and ISSA. It is also in good relationship with the international body dealing with labour matters, the ILO.



The Fund will keep on maintaining good relationship with other affiliated and non-affiliated organizations for the purpose of sharing experience and creating constructive friendship for the benefit of the Fund and the nation as a whole.

RISK MANAGEMENT

The Fund as any other Social Security Institution in the industry has facing numbers of risk which can affect its performance, However during the period under review the fund has continue to use its Enterprise Risk management (ERM) policy and team mate software to ensure all risk that could affect the Fund are identified and managed in a structured, consistent and integrated manner across the whole organization.

ACHIEVEMENTS

The Fund managed to implement effectively the fifth year of its Corporate Plan. In this respect, the Fund was able to register more members, collect more contributions, collect more investment income and improve benefits payable to members by increase one more benefit which is maternity benefit. All these are in line with the Corporate Plan objectives.

The Fund was able to write another milestone in its history of successes by holding the first ever Stakeholders Conference which brought together not only local participants but also participants from beyond the national boundaries including ECASSA Council Members and Secretariat.

CHALLENGES

Despite the achievements attained during the period under review, the Fund has encountered a number of challenges which imposed barriers on the Fund's operations. The challenges include:

- delaying in remitting member's contributions by some employers,
- Safe and profitable investment avenues are still limited,
- the Fund still invest in traditional investment avenues,
- non-compliance of private sectors,
- strong competition with other Social Security Fund from mainland.

However, in response to these challenges the Fund will continue increasing awareness among the people in the formal and informal sector to ensure new members are registered, continue educating all employers the importance of remitting contribution at appropriate time and action taken to defaulters. The Fund will also continue with its efforts to explore other investment avenues which were previously not traditional to the Fund. The additional risk to be taken will be mitigated by encouraging joint venture arrangements to implement such investment plans.



CONCLUDING REMARKS

The above explanations indicate that the Fund continue to record successful business operation for the year 2016/17 by attaining targets set in its Five Year Corporate Plan (2016/17-2020/21).

It is our commitment to ensure that this performance is improved further during the implementing of new 5 years Corporate Plan. We, therefore, humbly request all stakeholders to support the efforts of the Fund.

Finally, I wish to take this opportunity to thank ZSSF staff for their continued hard work and commitment dedicated throughout the period. I would like also to thank Board of trustees for their cooperation and guidance, Ministry of Finance and Planning, other Government Ministries, our members and general public for their continued support.

We are looking forward to work hard and for the better prosperity in forthcoming year.
We Build Your Current and Future.



The image shows a handwritten signature in black ink that reads "Machano". The signature is written over a horizontal line and is positioned above the printed name of the signatory.

**MS. SABRA ISSA MACHANO
MANAGING DIRECTOR
ZANZIBAR SOCIAL SECURITY FUND.**



MANAGEMENT TEAM



Sabra I. Machano
Managing Director



Rashid M. Abdulla
Pemba Branch Manager



Khamis F. Thani
Customer Service
Manager



Hamad S. Hamad
Finance and Accounting
Manager



Haji A. Ameir
Information, Communication
Technology Manager



Abdul-aziz I. Iddi
Planning Investment
and Research Manager



Ali S. Ahmada
Acting Human Resource
And Administration
Manager



Mohamed F. Mzee
Principal Legal Officer



Mussa Y. Mussa
Principal Marketing and
Public Relations Officer



Amina M. Ame
Principal Procurement
and Supplies Officer



Jumanne J. Salamba
Principal Internal Auditor



1.0 INTRODUCTION

The Trustees are pleased to present this report together with the audited financial statements of Zanzibar Social Security Fund ('ZSSF' or the 'Fund') for the year ended 30th June 2017, in accordance with Section 36 of the Zanzibar Social Security Fund Act No. 2 of 2005.

2.0 ESTABLISHMENT

Zanzibar Social Security Fund (ZSSF) was established under the Zanzibar Social Security Act No 2 of 1998. The statute was re-enacted in the year 2005 as Act No 2 of 2005. Prior to the inception of ZSSF, public service employees in Zanzibar were covered under the Pensions Act, No 2 of 1990.

3.0 PRINCIPAL ACTIVITIES OF THE ZANZIBAR SOCIAL SECURITY FUND

The principal activities of the Fund as stipulated in Section 5 of the Zanzibar Social Securities Fund Act, 2005 ('the Act') are outlined herein below:

- (a) To receive all the contributions and other moneys which are required to be paid into the Fund;
- (b) To keep and maintain register of all members and employers contributing to the Fund and any other register that the Board of Trustees may advise;
- (c) To establish and maintain record for each member in respect of all payments made by way of contribution;
- (d) To invest the moneys collected in any viable ventures as the Board of Trustees may consider appropriate;
- (e) To open and operate its own bank accounts on conditions set by the Board of Trustees;
- (f) To pay benefits to members or their dependents in accordance with the provisions of the Act;
- (g) To manage and administer the contributions in accordance with the provision of the Act;
- (h) To obtain the services of any person or institutions private or public, to perform any specific act or function;
- (i) To engage in any activity whether alone or together with other organizations in Tanzania or elsewhere, to promote proper, efficient and effective social security administration.
- (j) To do all such acts and things and to enter into all such transactions as in the opinion of the Board of Trustees may be necessary for the proper and efficient administration of the Fund.



There has been no significant change in the principal activities of ZSSF during the financial year ended 30 June 2017.

4.0 FUND'S VISION

To be a leader and a model among Social Security Service providers in the Region.

5.0 FUND'S MISSION

ZSSF is dedicated to be a dynamic provider of Social Security benefits through the utilization of competent and motivated staff.

6.0 CORE VALUES

The core values of the Fund are: -

1. Responsibility and Accountability
2. Efficiency and Competency;
3. Team Work;
4. Integrity and Innovativeness;
5. Respect and Fairness;
6. Equal opportunity for all;
7. Morality and Motivated staff;
8. Excellence;
9. Noble Customer Service; and
10. Transparency.

7.0 GOALS

The Fund will address, through implementation of the Strategic Plan for 2016/17 - 2020/21, the following strategic issues: -

- Sustain a financially sound social security scheme
- Build and maintain strong service delivery that is customer-focused.
- Facilitate access to competitive, reliable benefits to our members.
- Attract, retain and develop a highly competent staff.
- Improve and develop enterprise risk management process



8.0 MAIN OBJECTIVES OF THE FUND

The Fund's main corporate objectives for the five-years period of 2016/2017 to 2020/2021 are as follows:

- Manage an actuary sound social security scheme that maintains reserve ratio of at least five (5) years.
- Develop and maintain a sound, professional and systematic risk management and capital allocation system.
- Increase membership base from the current average of six percent (6%) to eight percent (8%) annually.
- Increase compliance rate from current eighty percent (80%) to ninety five percent (95%) by end of the plan
- Increase an average return on investment from twelve percent (12%) to fifteen percent (15%) by 2021
- Continuously improve quality of work and customer service levels to our members and employers from eighty percent (80%) to hundred percent (100%).
- Regularly develop and maintain on-going stakeholders' information and education to support the mission of the Fund and provide excellence in response.
- Research and communicate the merits of varied solutions that contribute to the long-term sustainability of access and adequacy of the Fund's benefits to our members.
- Increase number of benefits from four (4) to five (5) by 2021.
- Develop and maintain a desirable working environment
- Develop an effective recruitment/retention strategy and a competitive total rewards package.
- Maintain a strong relationship with local and international stakeholders
- Implement corporate governance by Conformance with definition of Social Security that meets international requirements
- ❖ Protect and create value for the Fund and Stakeholders



9.0 THE FUND'S STRATEGIES FOR THE STATED OBJECTIVES

To achieve these objectives the Fund's strategy is as follows: -

- Monitor Fund status
- Foster and maintain an effective working relationship with stakeholders on Fund sustainability issues.
- Establish the Fund's asset allocation to meet the risk adjusted portfolio between 14% to 16%
- Diversify investment portfolio
- Ensure investment decisions are properly executed and tracked by maintaining an effective Investment and Risk Management Committee
- Sale/Lease Aggressively ZSSF investments properties.
- Increase voluntary scheme enrolment by 3000 equivalents to 10% annually.
- Enforcement of ZSSF Act. No. 2/2005.
- Increase investment income in collaboration with public and private institution.
- Collect investment income from different avenues
- Minimize investment operating cost
- Explore, review and consider relevant industry benchmarks that encourage service excellence.
- Carry out ZSSF Core and Support functions in the Improved Technological Environment
- Continue to improve inquiry responsiveness to help members get information and make better financial and retirement decisions.
- Enhance Social Security Service Provisional Environment
- Communicate and promote the Fund sustainability study.
- Implement any legislative changes related to the Fund's operations.
- Provide value added benefit.
- Introduce new products
- Promote a strong workplace culture that demonstrates Fund's core values and emphasizes Fund's mission.
- Provide conducive working environment



- Implement efficient end user support mechanism
- Forecast Human Resources requirements
- Provide employee training and development opportunities.
- Attend bilateral and multilateral discussions with different institutions
- Implement corporate governance by Conformance with definition of Social Security that meet international requirements.
- Enhance ZSSF ICT Administrative Functions
- Improve institutional and managerial performance
- Strengthen internal control, risk management and governance process
- Strength Enterprise Risk Management.

10.0 TRUSTEES

The term of the Board of Trustees that existed during the year expired on 30th June 2017 and a new Board was appointed on 25 July 2017 as shown below:

Table 9: New Board of Trustees appointed 25 July 2017

S/N	Name	Status	Nationality	Qualification	Age	Remarks
1.	Dr. Suleiman R. Mohamed	Chairperson	Tanzanian	PHD, MSc. Finance	56	Re-appointed on 25.07.2017
2.	Sabra Issa Machano	Trustee /MD	Tanzanian	MSc. Development Economics Policy	32	Appointed on 25.09.2017
3.	Mr. Khamis Mwinyi Mohamed	Trustee	Tanzanian	BA in Social Development	52	Re-appointed on 25.07.2017
4.	Fatma G. Bilal	Trustee	Tanzanian	MSc. Finance	59	Re-appointed on 25.07.2017
5.	Seif Shaaban Mwinyi	Trustee	Tanzanian	MSc. HRM, Adv. Diploma Regional Development Planning	53	Appointed on 25.07.2017
6.	Kazija Mussa Msheba	Trustee	Tanzanian	Master of Business Administration (MBA), BBA.	32	Appointed on 25.07.2017
7.	Fatma Elia Masimba	Trustee	Tanzanian	Basic and Medium level Course in front Office	55	Appointed on 25.07.2017
8.	Khamis Salim Ali	Trustee	Tanzanian	Master of Business Administration (MBA) Marketing, Advanced Diploma in Marketing.	56	Appointed on 25.07.2017
9.	Mr. Mohamed Fakhir Mzee	Secretary	Tanzanian	Master's degree in Intellectual Property, Degree in Law	40	Re-appointed on 25.07.2017



The previous members of the Board of Trustees who served for the period under review and who were appointed with effect from 1st July 2014 and their tenure ended 30th June 2017 are: -

Table 9: Previous Board of Trustees ended 30th June 2017

S/N	Name	Status	Nationality	Qualification	Age	Remarks
1.	Dr. Suleiman R. Mohamed	Chairperson	Tanzanian	PHD, MSc. Finance	56	Re-appointed on 25.07.2017
2.	Mr. Abdulwakil Haji Hafidh (MD)	Trustee	Tanzanian	MSc. Finance & PGD Finance	62	Retired on 30 June 2017
3.	Mr. Ali Aboud Mzee	Trustee	Tanzanian	MSc. Business Information Technology, Advance Diploma in Business Studies	50	Retired on 30 June 2017
4.	Mr. Mohamed Piarali Bhaloo	Trustee	Tanzanian	Advance Certificate of Secondary Education Examination (ACSEE), G.E.C Examination Certificate	64	Retired on 30 June 2017
5.	Mr. Joseph Abdalla Meza	Trustee	Tanzanian	MSc. Business Administration, PGD Tax Management ADA	57	Retired on 30 June 2017
6.	Mr. Khamis Mwinyi Mohamed	Trustee	Tanzanian	BA in Social Development	52	Re-appointed on 25.07.2017
7.	Mr. Mussa Omar Tafurwa	Trustee	Tanzanian	Bachelor's degree of Art in Industrial relations	57	Retired on 30 June 2017
8.	Fatma G. Bilal	Trustee	Tanzanian	MSc. Finance	59	Re-appointed on 25.07.2017
9.	Mr. Mohamed Fakhil Mzee	Secretary	Tanzanian	Master's Degree in Intellectual Property, Degree in Law	40	Re-appointed on 30 June 2017

11.0 CORPORATE GOVERNANCE

The Board of Trustees of ZSSF consists of 8 Trustees. All the Trustees are non- executive except the Managing Director. The Board takes overall responsibility for the Fund, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for compliance with sound corporate governance principles. The Board is required to meet at least four times a year. The day-to-day management of the Fund is taken care by Managing Director assisted by Managers and Senior Officers known as Managing Team. During the year the Board held four (4) ordinary meetings and six (6) extra ordinary meetings.

The Fund is committed to the principles of effective corporate governance. The Trustees also recognize the importance of integrity, transparency and accountability. The Board of Trustees has the following board sub-committees to ensure a high standard of corporate governance throughout the Fund.

Finance and Audit Committee

The Board accepts final responsibility for the risk management and internal control systems of the Fund. It is the task of the management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding: -

- Compliance with applicable laws and regulations
- The safeguarding of the Fund's assets
- The effectiveness and efficiency of operations
- Business sustainability under normal as well as adverse conditions and
- The reliability of accounting records



During the year 2017, the Audit Committee received reports from and held discussions with Management and Auditors. In discharging its duties, the Committee reviewed the financial statements published to ensure internal and external quality and acceptability of the accounting policies, practices and financial reporting disclosures. The committee also reviewed the scope of the work of the Fund's Internal Audit Unit and terms of External Audit engagement and reports from External Auditors on accounting and internal controls.

The Audit Committee met four (4) times during the year under review.

Members of the Committee who served the Fund during the year were:-

Name	Role	Number of meetings attended
Mr. Joseph Abdallah Meza	Chairperson	3/3
Mr. Ali Aboud Mzee	Member	3/3
Mr. Khamis Mwinyi Mohamed	Member	3/3
Mr. Kamal Kombo Bakar	Member	3/3

Investment and Project Committee

Members of the committee, who served the Fund during the year under review were;-

Name	Role	Number of meetings attended
Mr. Mussa Omar Tafurwa	Chairperson	4/4
Mr. Mohamed Piarali Bhaloo	Member	4/4
Mr. Abduwakil Haji Hafidh	Member	4/4
Mrs. Fatma G. Bilal	Member	4/4

The Head of Legal Affairs is the Secretary to the Board and Committees.

During the year ended 30th June 2017, the Investment and Project Committee reviewed and made recommendations to the Board on assets management, investments proposals, performance, policies and strategies. During the year 2017, the Investment and Project Committee held four (4) meetings.



12.0 PERFORMANCE REVIEW FOR THE YEAR

Membership position

During the year ended on 30th June 2017 the number of participating employees was 4,637 while as at 30th June 2016 there were 3,773 employees.

	<u>2016/2017</u>	<u>2015/2016</u>
Government Employees	604	733
Parastatal Employees	83	57
Private Employees	<u>3,950</u>	<u>2,983</u>
TOTAL	<u>4,637</u>	<u>3,773</u>

Additions and deductions from dealing with Members

During financial year 2016/2017 contribution remittances and penalty revenue amounted to TZS 39.1 billion, as compared to TZS 34.8 billion in the previous year hence an increase of 12%. The increase in contribution revenue is attributed to increase in Members' salary and recruitment of new Members.

During the year 2016/2017 total benefit payments were TZS 19.7 billion compared to TZS 16.6 billion of the previous year hence an increase of 18.6%. The increase in benefit payments was a result of new retirements during the year, deferred pensioners attaining qualifying age for monthly pension and increased withdrawals. The increased withdrawals were due to early retirements in anticipation of the changes that were introduced by the new Fund's Act that become effective in 2017/2018.

Refund of contribution amounting to TZS 0.67 billion (2016: TZS 0.85 billion) was made during the year under review.

Net Surplus from dealing with Members increased as at 30th June 2017 to the tune of TZS 18.7 billion compared to TZS 17.3 billion as at 30th June 2016 primarily due to increase in contribution income from TZS 34.8 billion to TZS 39.0 billion.

Other Income

Other Income amounts to TZS 315 million in 2016/17 compared with TZS 354 billion in 2015/16. The main source of other income was Tender fees, sale of scraps, charges from replacement membership cards and rental income of conference hall.

Administrative Expenses

Administrative expenses amounted to TZS 4.7 billion during the year under review compared to TZS 4.2 billion recorded in the previous year, an increase of 11.9%. The increase in expenses was due to increase in staff costs and other operating expenses.



13.0 INVESTMENT PORTFOLIO

The investment portfolio of the Fund as at 30.06.2017 constitute of:

	NOTE	30.06.2017 TZS	30.06.2016 TZS
Investment Assets			
Mapinduzi Memorial Museum Items		27,619,610	-
Work in Progress (WIP)	9 A	17,354,742,321	8,640,840,021
Investment Property - Real estate	9 B	11,624,825,729	8,453,760,759
Investment Property - Recreation and Amusement Park	9 C	41,790,270,099	41,871,861,744
Investment Property- land	10	43,252,866,814	4,520,000,000
Investment in Equity	11	8,294,894,733	7,409,242,346
Investment in Government Security	12	101,054,443,795	96,594,997,281
Fixed Deposit	13	98,462,235,251	70,992,221,644
Loan	14	4,274,800,060	7,574,318,528
Placement in bank		-	16,281,267
Hifadhi Investment		-	211,831,591
Total investments Assets		326,136,698,412	246,285,355,181

The overall investment portfolio grew by 15% during the year compared to growth of 20% recorded in the previous year.

14.0 ACTUARIAL VALUATION OF THE FUND

In accordance with International Accounting Standard (IAS 26) and section 12 (e) of the Zanzibar Social Security Fund Act No.2 of 2005, Actuarial Valuation should be undertaken in an interval of every three years. Zanzibar Social Security Fund (ZSSF) commissioned Muhanna & Co. Actuaries and Consultant to carry out the latest (Third) Actuarial Valuation for Zanzibar Social Security Fund and the report was submitted in the year 2013 and currently continuing to gather information for a new actuarial valuation.

15.0 RELATED PARTY TRANSACTIONS AND BALANCES

The details of transactions and balances with related parties have been disclosed in Note 39 to the financial statements.

16.0 SOLVENCY

The Board of Trustees confirms that International Financial Reporting Standards have been followed in the preparation of financial statements and that the financial statements have been prepared on a going concern basis. The Board of Trustees has reasonable expectation that the Fund has adequate resources to continue operating for the foreseeable future.



17.0 EMPLOYEES OF THE FUND

Employment Policy

ZSSF is committed to employment policies that follow best practices, based on equal opportunity for all employees irrespective of sex, race, religion, disability, age or marital status. The Fund recognizes the need for ensuring fair employment practices in recruitment and selection, and the retention, training and career development of staff.

Management/Employees Relationship

The relationship between employees and Management continued to be good during 2016/2017. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between Management and employees.

Training facilities

During the current year the Fund spent TZS 164 million on staff training and seminar in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually undertaken to ensure employees are adequately trained at all levels.

Medical Facilities

The Fund continues to pay a medical insurance to its staff as stipulated in the staff regulations of the Fund.

Financial Support

All confirmed employees are eligible for staff loan in line with staff incentive scheme and staff regulations.

Employees Retirement Benefit Plan

The fund pays contributions to ZSSF Pension Scheme in respect of its employees on mandatory basis and the scheme qualifies to be a defined contribution plan.

Gender Parity

During the current year 2016/2017 the fund had 93 employees out of which 24 were Females and 69 were Males. In the financial year 2015/2016, the Fund had 85 employees out of which 25 were Females and 60 were Males.

18.0 AUDITORS

CAG is statutory Auditor of the Fund for the year ended 30th June 2017 by virtue of the power given by Constitution of Zanzibar.

BY ORDER OF THE BOARD OF TRUSTEES



Dr. Suleiman R. Mohamed
Chairman of the Board of Trustees



Ms. Sabra Issa Machano
Managing Director



STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2017

The Trustees are required under Section 36 of Zanzibar Social Security Fund Act No. 2 of 2005, to keep proper books of accounts and prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the financial period and of changes in net assets available for benefits for that period.

The Trustees confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 30th June 2017. The Trustees also confirm that applicable accounting standards, the International Financial Reporting Standards, have been followed and that the financial statements have been prepared on a 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. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities. The Trustees are also responsible for the maintenance of an adequate system of internal controls.

Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

BY THE ORDER OF THE BOARD OF TRUSTEES



Dr. Suleiman R. Mohamed
Chairman of the Board of Trustees

13. 08. 2018

Date



Ms. Sabra Issa Machano
Managing Director

13. 08. 2018

Date



DECLARATION OF HEAD OF FINANCE OF ZANZIBAR SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE 2017

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Trustees to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Trustees as per Statement of Trustees' responsibilities on an earlier page.

I, Hamad Saleh Hamad, being the Finance and Accounting Manager of Zanzibar Social Security Fund (ZSSF) hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June 2017 have been prepared in compliance with the International Financial Reporting Standards and Zanzibar Social Security Fund Act No. 2 of 2005.

I thus confirm that the financial statements give a true and fair view of the position of ZSSF as on that date and that they have been prepared based on properly maintained financial records.



Hamad Saleh Hamad
Finance and
Accounting Manager



06.07.2018

Date

NBAA Membership No:- ACPA 1996

To: The Chairman of the Board of Trustees
Zanzibar Social Security Fund (ZSSF)
PO Box 2716
Zanzibar



RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE ZANZIBAR SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE 2017

Introduction

I have audited the financial statements of the Zanzibar Social Security Fund (ZSSF) which comprises of the Statement of net assets available for benefits, Statement of changes in net assets available for benefits, Statement of cash flows and notes to the financial statements for the year ended 30th June 2017 as shown in page 17 to 53 of this report.

Unqualified Opinion

In my opinion, the accompanying financial statements of the Zanzibar Social Security Fund (ZSSF) are presented fairly in all material respects, the financial position of the Zanzibar Social Security Fund (ZSSF) as at 30th June 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of Zanzibar Social Security Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Trustees are responsible for the other information. The other information comprises of the Board of Trustees' Report, Statement of Trustees' Responsibilities and the Declaration by the Head of Finance but does not include the financial statements and our auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the basis for opinion section, I have determined the matters described below to be the key audit matters to be communicated in my report.

No.	Key audit matter	How my audit addressed the key audit matter
1.	Fair value of investment properties	
	<p>When estimating the fair value of investment properties, significant judgments are applied in determining the occupancy rates and rental yields for these properties. These judgments, together with the value of investment properties (TZS 96,668 million) make this a key audit matter.</p> <p>Further details on investment properties have been disclosed in Note 4, 9 and 10 to the financial statements.</p>	<p>I performed audit procedures regarding the selection of experts engaged to conduct the property valuation.</p> <p>I evaluated the appropriateness of the assumptions used by the management regarding occupancy rates and rental yields.</p> <p>I evaluated the presentation and disclosure of the investment properties within the financial statements.</p>
2.	Fair value of unquoted equity investments	
	<p>The statement of net assets available for benefits includes equity investments with a carrying amount of TZS 8,295 million. Out of this amount TZS 1,275 million consist of unquoted shares from Tanzania Reinsurance Company (TAN-Re).</p> <p>The valuation of these shares is subject to a significant level of assumption on its future cash flows and estimation based on observable market data. The valuations have been determining based on the entities performance as at 31stDecember 2016, which is not coterminous with the pension fund's year-end and was updated to reflect performance to 30thJune 2017.</p> <p>These judgments, together with the value of the unlisted shares make this a key audit matter.</p>	<p>I evaluated the appropriateness of the assumptions used by the management regarding discount rate and cash flow growth projection used in the valuation model.</p> <p>I evaluated the presentation and disclosure of the unlisted shares within the financial statements.</p>
No.	Key audit matter	How my audit addressed the key audit matter
	Further details on investments in unlisted shares have been disclosed in Note 4 and 11 to the financial statements.	



Board of Directors' Responsibility for the financial statements

The Trustees of the Zanzibar Social Security Fund (ZSSF) are responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error as per the Statement of Management responsibility on the Financial Statements enclosed to this report.

Responsibilities of the Controller and Auditor General

My responsibility as an auditor is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI) and such other procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I considered the internal control relevant to the Zanzibar Social Security Fund (ZSSF) preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Zanzibar Social Security Fund (ZSSF) internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, section 25(3) of the Public Finance Act No.12 of 2005 requires me to satisfy myself that the accounts have been prepared in accordance with appropriate accounting standards and that reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, direction and instructions applicable thereto have been duly observed and expenditure of public monies have been properly authorized.

Furthermore, Public Procurement Act No. 9 of 2005 and regulation No. 13(c) of the Public Procurement (Goods, Works, non-Consultant Services and Disposal of Public Assets by Tender) Regulations, 2006 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Report on Other Legal and Regulatory Requirements Compliance with Procurement Law

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes reviewed as part of this audit, Zanzibar Social Security Fund (ZSSF) has complied with the provision of the Public Procurement Act, 2005 and its related Regulations of 2006.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

ASSETS	NOTES	2016-2017 TZS	2015-2016 TZS
Non-Current Assets			
Property and Equipment	7	1,848,275,568	1,776,096,503
Intangible Assets	8	406,006,585	209,905,030
Total non-current assets		2,254,282,153	1,986,001,533
Investment Assets			
Mapinduzi Memorial Museum Items		27,619,610	-
Investment Property - WIP	9 A	17,354,742,321	8,640,840,021
Investment Property- Real estate	9 B	11,624,825,729	8,453,760,759
Investment Property- Recreation and Amusement Park	9 C	41,790,270,100	41,871,861,744
Investment Property- land	10	43,252,866,814	4,520,000,000
Investment in Equity	11	8,294,894,733	7,409,242,346
Investment in Government Security	12	101,054,443,795	96,594,997,281
Fixed Deposit	13	98,462,235,251	70,992,221,644
Loan	14	4,274,800,060	7,574,318,528
Placement in bank		-	16,281,267
Hifadhi Investment		-	211,831,591
Total investments assets		326,136,698,413	246,285,355,181
Current Assets			
Inventory	15	97,100,971	94,030,855
Members' contributions receivable	16	1,020,648,175	1,231,617,431
Other receivables	17	2,302,109,534	2,068,367,461
Cash and cash equivalents	18	2,287,998,588	4,316,927,578
Total current assets		5,707,857,268	7,710,943,325
Total assets		334,098,837,833	255,982,300,039
LIABILITIES			
Current liabilities			
Benefit liabilities	19	2,213,643,555	1,891,435,536
Other liabilities	20	787,727,874	480,395,094
Unearned rent	21	13,300,025	27,825,000
Total liabilities		3,014,671,454	2,399,655,630
Net assets available for benefits		331,084,166,379	253,582,644,409

The financial statements from pages 21 to 53 were approved for issue by the Board of Trustees and signed on its behalf by:



Dr. Suleiman R. Mohamed
Chairman of the Board of Trustees

13. 08. 2018

Date



Ms. Sabra Issa Machano
Managing Director

13. 08. 2018

Date

The financial statements from pages 21 to 53 were approved for issue by the Board of Trustees and signed on its behalf by:



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	NOTES	2016-2017 TZS	2015-2016 TZS
CONTRIBUTIONS			
Members Contribution	5	39,062,207,837	34,851,615,325
Voluntary Scheme Contribution	6	90,353,855	148,024,536
Provision for doubtful debt - contributions		(305,491,342)	(153,272,494)
Penalties		15,547,011	11,547,203
Refund	5	(670,114,690)	(851,317,998)
Benefit paid	22	(19,742,277,441)	(16,634,980,809)
		18,450,225,230	17,371,615,763
RETURN ON INVESTMENT			
Investment fair value gain (loss)	23	25,208,966,018	2,176,575,924
Dividend	24	176,755,286	209,331,191
Interest Income	25	26,363,542,416	22,513,229,771
Rental income	26	472,054,755	362,252,353
Amusement Park	27	1,051,339,777	570,727,089
Financial Expenses	28	(67,347,824)	(47,982,346)
Provision – Doubtful Bank Balance	18	(261,444,630)	-
Investment Expense	29	(519,020,985)	(204,643,610)
		52,424,844,813	25,579,490,372
Net Investment Income			
		70,875,070,043	42,951,106,135
Increase in assets from contribution and Investments			
Other income	30	11,277,732,932	354,427,716
		82,152,802,975	43,305,533,851
Total increase			
Administration expenses	31	(4,651,281,004)	(4,266,487,943)
		77,501,521,970	39,039,045,908
Net increase in net assets available for benefits			
Net Asset Available for Benefits			
Net increase during the year		77,501,521,970	39,039,045,908
Beginning of year		253,582,644,409	214,543,598,500
		331,084,166,379	253,582,644,408



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

STATEMENT OF CASH FLOWS

	NOTES	2016-2017 TZS	2015-2016 TZS
Cash flow from operating activities			
Contribution and penalties received		38,407,640,158	33,885,471,223
Refund		(753,095,965)	(904,909,313)
Payments to pensioners		(19,742,277,441)	(16,634,980,809)
Cash payments to employees and Suppliers		(4,500,703,145)	(3,196,938,795)
Receipt from miscellaneous income		19,835,859	21,231,362
Net cash flows from operating activities		13,431,399,466	13,169,873,668
Cash flow from investing activities			
Net investment from financial assets		(23,069,278,378)	(18,243,788,227)
Prepayment for furniture & equipment		-	(6,835,688)
Purchase of property and equipment	7	(510,453,068)	(252,096,360)
Proceeds of disposal of property & equipment		-	100,000
Subsequent expenditure in investment property – WIP		(10,820,655,760)	(15,190,049,257)
Interest received		18,299,21,095	21,053,758,776
Dividend received		168,582,901	209,331,191
Rent received		176,755,286	170,151,025
Net cash flow utilized in investment activities		(15,460,328,455)	(12,259,428,540)
Net decrease/(increase) in cash and cash equivalents		(2,028,928,989)	910,445,128
Cash and cash equivalent at beginning of the year		4,316,927,577	3,406,482,449
Cash and cash equivalent at end of the year	18	2,287,998,588	4,316,927,577



1 DESCRIPTION OF PLAN

General

Zanzibar Social Security Fund (ZSSF) was established under the Zanzibar Social Security Act No. 2 of 1998. The statute was re-enacted in the year 2005 as Act No. 2 of 2005.

Prior to the inception of ZSSF, public service employees in Zanzibar were covered under the Pensions Act, No. 2 of 1990.

ZSSF scheme is primarily based on social insurance principles and has an objective of replacing employee earnings during retirement or during working life in the event of contingencies such as old age or invalidity, as well as providing medical care, maternity and survival benefits to its members. Membership to the Fund is mandatory for all government and private employees and employers.

In accordance with the ZSSF Act No. 2 of 2005, five types of benefits are provided to members:

Short Term Benefits

- Medical care
- Maternity

Long Term Benefits

- Old Age, including pension and gratuity
- Survivors benefits
- Invalidity benefits

Long-term benefits include old age benefits for Members who have contributed to the Fund for not less than 60 months. The retirement age is 55 years for early retirement and 60 years for compulsory retirement.

1.1 Funding Policy

The Fund's funding policy provides for monthly contributions at actuarially determined rates that are expressed as percentages of pensionable emoluments, which are sufficient to accumulate assets to pay pensions and allied benefits when due.

Currently, the Fund is mainly financed by contributions paid by its members and their employers. The contribution rate is 15% of the basic salary (5% contributed by employee, and 10% contributed by employer).

The Fund also invests surplus funds in high-grade financial instruments such as Treasury Bills and Treasury Bonds.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of Preparation

The financial statements of Zanzibar Social Security Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, unless otherwise indicated in the following summary of significant accounting policies.

These financial statements comply with the Zanzibar Social Security Fund Act No. 2 of 2005.

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

Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Fund*

The Fund has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

Title	Key requirements
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	<p>Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:</p> <ul style="list-style-type: none">● A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.● An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.● Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.● Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The Amendment has no impact to the Fund as the Fund is exempted from payment of income tax.



Disclosure Initiative –
Amendments to IAS 7

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing ‘net debt’ reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as reconciliation from opening and closing balances, but a specific format is not mandated.

This had no impact to the Fund as it has no external borrowings.

ii. New standards and interpretations not yet adopted by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Fund. The Fund’s assessment of the impact of these new standards and interpretations is set out below;

Title	Key requirements
IFRS 15, ‘Revenue from contracts with customers’	The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Fund is yet to assess the IFRS 15’s full impact.



2.1 Basis of preparation (continued)

ii. New standards and interpretations not yet adopted by the Fund (continued)

Title	Key requirements
IFRS 9, 'Financial instruments'	<p data-bbox="491 392 1444 560">9. IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value.</p> <p data-bbox="563 616 1444 922">Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.</p> <p data-bbox="563 978 1444 1467">All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.</p> <p data-bbox="563 1523 1444 1738">The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.</p>



2.1 Basis of preparation (continued)

ii. *New standards and interpretations not yet adopted by the Fund (continued)*

Title

Key requirements

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model.

With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial asset move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before 1 February 2015, entities can elect to apply IFRS 9 early for any of the following:

- the own credit risk requirements for financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities, or
- C&M requirements for financial assets and liabilities and hedge accounting.

The standard is expected to have no impact to the Fund as the scope of the standard excludes



(a) Basis of preparation (continued)

ii. New standards and interpretations not yet adopted by the Fund (continued)

IFRS Leases

16 IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Fund is currently assessing the impact of the new standards and amendments on the disclosures in its financial statements there are no other standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.



2.2 Property and Equipment

Valuation

Land and buildings are stated at historical cost. Plant and equipment and other noncurrent assets are stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items and depreciation charge is applied as appropriate.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the 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 are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis. Depreciation is charged using the following rates.

Asset Description	Rate per annum %
Land	-
Buildings	2.0
Motor Vehicles, Motor Cycles and Bicycles	10.0
Furniture and Fittings	12.5
Office Machines and Equipment	20.0
Computer	33.3

Property and equipment is periodically reviewed for impairment. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. When the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

The residual values useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of Property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of changes in net assets available for benefits in the year the asset is derecognized.



2.3 Intangible assets – Computer Software

Intangible assets acquired are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged in the statement of changes in net assets available for benefits in the year in which the expenditure is incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Intangible assets – Computer Software (continued)

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at each financial year-end date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets is recognized in the statement of changes in net assets available for benefits. The annual rate of amortization, which has been consistently applied, is 20% per annum.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment of intangible assets. The carrying value of intangible assets as at the year-end is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.4 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of changes in net assets available for benefits on a straight-line basis over the period of the lease. The Fund leases its properties under operating lease.

Fund as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that does not transfers substantially all the risks and rewards incidental to ownership to the Fund is classified as an operating lease. Operating lease payments are recognized as an operating expense in the Statement of Changes in Net Assets on a straight-line basis over the lease term.



Fund as a lessor

Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of changes in net assets due to its operating nature.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties. It also includes property that is being constructed or developed for future use as investment property. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Fund and the cost can be reliably measured. This is usually the day when all risks are transferred. Investment property is measured initially at cost, including transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of financial position date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized. Changes in fair values are recognized in the statement of changes in net assets available for benefits in the year in which they arise. Investment properties are derecognized when they have been disposed. Where the Fund disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefits.



2.6 Inventory - Stationery and consumables

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis (FIFO). Any obsolete items are provided for in full in the year they are detected. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.7 Revenue Recognition

Contributions

Contributions are recognized 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 are 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 the impairment loss is the difference between the carrying amount of the contributions receivable and the present value of estimated future cash flows discounted at a rate reflecting the Fund's sacrifice by not re-investing these funds. Such impairment loss is recognized in the Statement of Changes in Net Assets.

Penalty income

Penalty income is recognized on accrual basis on contribution received. The computation of penalty is done in accordance with Section 22 (1) of the Zanzibar Social Security Fund Act, 2005, where and employer who fails (a) to make deductions or fails to deduct the correct amount (b) fails to pay the contribution or (c) fails to remit to the Fund the amount of any deductions within fifteen (15) days as per stipulations of section 17 of the Act is liable to pay penalty equal to five (5) per centum of the total amount of that contributions for each month or part of a month after the date when payment should have been made and the amount of the penalty shall be covered as a liability of the penalty shall be covered as a liability owing to the Fund by the employer.

Interest Income

Interest income is recognized on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the interest and continues accrediting the discounted as interest income.

Dividend Income

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



Rent Income

Rent income is measured at the fair value of the consideration received or receivable and represents amounts earned from rental of Fund property in the normal course of business.

2.4 Benefits Payable

Pensions and other benefits payable are taken into account in the period in which they fall due.

2.5 Valuation of Investments

If available, quoted market prices are used to value investments. Where there are no quoted market prices, but it is possible to make a reliable estimate of fair value, investments are carried at estimated fair value, otherwise investments that yield determinable payments and have fixed maturities are carried at amortized cost. Equity investments whose fair value cannot be reliably estimated are carried at historical cost.

2.6 Financial Instruments

ZSSF holds short-term investments relating to fixed deposits and treasury bills which are fixed and have determinable payments. These are categorized as held-to-maturity investments and are measured at amortized cost using effective interest rate. Receivables are included in receivables while payables are included in payables in the statement of net assets available for benefits.

2.7 Provision for Impairment of Receivables

Contribution receivables are recognized initially at fair value and subsequently measured at cost less provision for impairment of receivables. Specific provision is made in the accounts against receivables when it is unable to collect all amounts due according to the original terms or receivables. The amount of the provision is recognized in the statement of changes in net assets available for benefits. Bad debts are written off after all steps to recover them have failed.

2.8 Foreign Currency Translation

(a) Functional and Presentation Currency

The financial statements are presented in Tanzania Shillings, which is the ZSSF's functional and presentation currency.

(b) Transaction and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of changes in net assets available for benefits.



2.9 Cash and Cash Equivalents

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

2.10 Impairment of Assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount.

2.11 Provisions

Provisions are recognized 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. When the Fund expects a provision to be reimbursed, for example under insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

2.12 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rates, and price risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance, but the Fund does not hedge any risks.

Risk management is carried out by the Risk Management Department under the supervision of the Audit Committee, which is guided by the policies approved by the Board of Trustees.

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of governance structure, the Board of Trustees has established a comprehensive risk management framework for measuring, monitoring, controlling and mitigating the Fund's risks. This includes, the provision of written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The Fund's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by



means of reliable and up-to-date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Audit Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Fund. The notes below provide detailed information on each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

(i) Foreign exchange risk

The foreign exchange risk (or currency risk) is the risk arising from changes in the value of foreign currencies. However, the Fund has no significant foreign currency transactions and therefore the effects of foreign exchange risk are minimal.

(ii) Interest-rate risk

The Fund's interest income and operating cash flows are affected by changes in market interest rates. The Fund mitigates the risks by investing in the highest yield short-term investments.

(iii) Credit risk

Credit risk is the risk that the counterparty to any financial transaction may not be able to fulfil its obligation on due date. The Fund's credit risk arises from government securities, corporate debt securities, loan receivables as well as bank placements and balances. In order to minimize credit risk, the Fund has set limits on different categories of investments and has also set exposure limits for each bank where it makes placements of funds.

Before granting any loan, which may involve obtaining a guarantee where necessary, the Fund would normally carry out an in-depth credit analysis of the project to establish viability. Day to day management of the Funds' credit risk is vested in the Department of Planning and investments and Research under the supervision of the Management Investment Committee, which is chaired by the Managing Director. The Internal audit unit conducts regular audits of credit processes and management. To manage its exposure of balances with Banks, the Fund uses only reputable banks for banking services.

Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking into account any collateral held and other credit enhancements are disclosed as follows:



	2016 - 2017 TZS	2015 - 2016 TZS
Financial assets		
<i>Investments:</i>		
Government securities	101,054,443,795	96,594,997,281
Loan Investments	4,274,800,060	7,574,318,528
<i>Other assets:</i>		
Cash at bank	2,287,998,588	4,316,927,578
Deposits with financial institutions	98,462,235,251	70,992,221,644
Other receivables	2,302,109,534	2,068,367,461
Contributions receivables	1,020,648,175	1,231,617,431
	209,402,235,403	182,778,449,923
Financial liabilities		
Benefit payable	2,213,643,555	1,891,435,536
Other payable and accrued expenses	787,727,874	480,395,094
	3,001,371,429	2,371,830,630

(ii) Credit risk (continued)

The credit quality of financial assets is summarized as follows;

	2016 - 2017 TZS	2015 - 2016 TZS
a) Neither past due nor impaired*		
Government securities	101,054,443,795	96,594,997,281
Cash at bank	2,287,998,588	4,316,927,578
Deposits with financial institutions	98,462,235,251	70,992,221,644
Loan investments	4,274,800,060	7,574,318,528
Other receivables	2,302,109,534	2,068,367,461
	208,381,587,228	181,546,832,492
b) Past due but not impaired:		
Contributions receivables	1,623,840,432	1,529,318,346
c) Impaired		
Cash at bank**	261,444,630	-
Contributions receivable	603,192,257	297,700,915
	864,636,887	297,700,915
Gross financial assets	210,870,064,547	183,373,851,753

*All assets on the above category are of high quality

**In May 2017, the Central Bank revoked FBME Bank's license and placed it under liquidation. The Fund can only recover up to TZS 1,500,000 of its outstanding balance from the Deposit Insurance Board.



(iii) Liquidity risk

Liquidity risk is the risk of failing to meet obligations when they fall due. The consequences may be the failure to meet obligations to pay benefit expenses to the members. The Fund is exposed to daily calls on its cash obligations for benefits payments and other administrative expenses. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Fund manages liquidity risk by maintaining a pool of short-term placements with banks, which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenditures. The Fund ensures that all excess cash is invested in appropriate high yield investments in accordance with the provisions of the Act. The Fund carries out monthly cash flow projection that is discussed by Management Investment Committee for investment decisions. Main sources of the Fund's income include monthly members' contributions and investment income.

(iv) Price risk

The Fund is also exposed to price risk in arising from investments in equity securities classified in the statements of net assets available for benefits as available for sale as a result of movement in market prices. The exposure to price risk is managed primarily by diversifying the Fund's investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the Fund.

At 30 June 2017, if the prices of all quoted equity investments had increased or decreased by 2%, with all other variables held constant, the increase or decrease in net assets available for benefits for the financial year would have been TZS 136,942,813).

Fair value of financial assets and liabilities

Financial instruments not measured at fair value

The carrying amount of financial assets and liabilities not presented on the Fund's statement of net assets available for benefits at their fair values approximates their fair value.

The fair value for financial assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Deposits with financial institutions

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount receivable on demand.

The fair values of deposits with financial institutions approximate their carrying values at the reporting date.



Loans and receivables

The fair value of term loans is the present value of the estimated future cash flows. The estimated amounts to be recovered are discounted at the effective interest rate after taking into account the timing of recovery. The amounts to be recovered are established using the historical data or agreed repayment plans.

(iv) Price risk (continued)

Financial instruments measured at fair value

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.



Financial assets	Level 1	Level 2	Level 3	Total
30 June 2017	TZS	TZS	TZS	TZS
Assets				
Quoted equity investments	7,020,278,679	-	-	7,020,278,679
Unquoted equity investments	-	-	1,274,616,054	1,274,616,054
	7,020,278,679	-	1,274,616,054	8,294,894,733
30 June 2016				
Assets				
Quoted equity investments	5,073,462,303	-	-	5,073,462,303
Unquoted equity investments	-	-	2,335,780,043	2,335,780,043
	5,073,462,303	-	2,335,780,043	7,409,242,346

Assumptions for level 3 disclosures are disclosed in note 11.

Non-financial assets measured at fair value - Level 3	2017 - 2016	2016 - 2015
	TZS	TZS
Investment properties – Work in progress	17,354,742,321	8,640,840,021
Investment properties – Real Estate	11,624,825,729	8,453,760,759
Investment properties – Amusement Parks	41,790,270,100	41,871,861,744
Investment properties – Land	43,252,866,814	4,520,000,000
	114,022,704,964	63,486,462,524

Assumptions are disclosed in note 9

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of financial assets at amortized cost

Determination of impairment of financial assets requires significant judgment. The Fund assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial instrument is reduced through use of an allowance account. The amount of the loss is recognized in the statement of changes in net assets available for benefits. Additional information is disclosed under note 3.

(ii) Fair value of unquoted equity investments

The fair value of available for sale financial assets traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any



deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques. The Fund uses discounted cash flow methods for equity investments that are not traded in active markets. The fair values of these financial instruments are determined using appropriate assumptions on credit risk and market volatility.

Changes in valuation assumptions could affect the reported fair value of financial instruments. For example, to the extent that the Trustees increased the discount rate by 20 basis points, the fair values would be estimated at TZS 1,180,156,411 as compared to their reported fair value of TZS 1,274,616,054 at 30 June 2017. If the discount rate had decreased by 20 basis points the fair value would be estimated at TZS 1,381,744,759.

(iv) Estimation of fair value of investment property

The valuation of investment properties was determined principally using discounted cash flow projections based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has assumed constant cash flow from rental income based on existing short-term contracts (3-5 years) that the Fund has with existing tenants. Additional information is disclosed under note 9 and 10.

(v) Property and equipment

Critical estimates are made by the Trustees in determining depreciation rates for properties and equipment and their residual values. The rates applied are set out in note 2.2.



5 MEMBERS' CONTRIBUTIONS

	Gross Contributions 30-Jun-17 TZS	Refund 30-Jun-17 TZS	Net Contribution 30-Jun-17 TZS	Net Contribution 30-Jun-16 TZS
Government -Unguja	16,878,577,582	-	16,878,577,582	15,069,160,873
Government-Pemba	5,190,093,673		5,190,093,673	4,741,966,580
Sub total	22,068,671,255	-	22,068,671,255	19,811,127,453
Parastatal–Unguja	3,566,788,460		3,566,788,460	3,227,883,121
Parastatal– Pemba	24,734,115		24,734,115	22,408,129
Sub total	3,591,522,575	-	3,591,522,575	3,250,291,250
Private- Unguja	13,042,689,497	670,114,690	12,372,574,807	10,725,144,175
Private- Pemba	359,324,510	-	359,324,510	356,641,297
Sub total	13,402,014,007	670,114,690	12,731,899,317	11,081,785,472
TOTAL	39,062,207,837	670,114,690	38,392,093,147	34,143,204,175

6 ZVSS MEMBERS' CONTRIBUTION

	30-Jun-17 TZS	30-Jun-16 TZS
Members' Contribution	183,808,689	201,615,851
Less: VSSF Refund	93,454,834	53,591,315
	90,353,855	148,024,536

7 PROPERTY AND EQUIPMENT

	Land TZS	Buildings TZS	Motor vehicles TZS	Furniture and Fittings TZS	Office Machine & Equipment TZS	Total TZS
Cost						
Balance 1 st July 2016	270,000,000	1,228,444,818	350,590,743	250,272,268	1,086,552,075	3,185,859,904
Additions	-	-	-	46,751,878	195,349,500	242,101,378
As at 30th June 2017	270,000,000	1,228,444,818	350,590,743	297,024,146	1,281,901,575	3,427,961,282
Depreciation						
Balance 1 st July 2016	-	305,478,739	171,366,642	157,597,706	775,320,315	1,409,763,402
Charge for the year	-	24,568,896	33,108,687	20,899,566	91,345,163	169,922,312
As at 30th June 2017	-	330,047,635	204,475,329	178,497,272	866,665,478	1,579,685,714
Net carrying amount						
As at 30th June 2017	270,000,000	898,397,183	146,115,414	118,526,874	415,236,097	1,848,275,568



8	INTANGIBLE ASSETS	Computer Software TZS
	Cost	
	As at 1 st July 2016	486,197,529
	Additions during the year	<u>268,351,690</u>
	As at 30 th June 2017	<u>754,549,219</u>
	Amortization	
	As at 1 st July 2016	276,292,499
	Amortization charge	<u>72,250,135</u>
	As at 30 th June 2017	<u>348,542,634</u>
	As at 30th June 2017	<u>406,006,585</u>
	As at 30 th June 2016	<u>209,905,030</u>

9 INVESTMENT PROPERTIES

(A) WORK IN PROGRESS (WIP)

	Opening balance 01.07.2016 TZS	Additions TZS	Valuation gain TZS	Closing balance 30.06.2017 TZS
Mbweni	8,477,841,498	6,005,249,442	-	14,483,090,940
Chawal	162,998,523	2,708,652,858	-	2,871,651,381
Total	<u>8,640,840,021</u>	<u>8,713,902,300</u>	-	<u>17,354,742,321</u>

(B) REAL ESTATE

ZSSF Conference Center -				
Pemba	2,370,000,000	211,831,591	285,715,817	2,867,547,408
Mbweni	4,149,000,000	61,382,522	-	4,210,382,522
Mwanakwerekwe	1,934,760,759	-	1,776,532,578	3,711,293,337
Kilimani (Bakharessa)	-	661,953,413	173,649,049	835,602,462
Total	<u>8,453,760,759</u>	<u>935,167,526</u>	<u>2,235,897,444</u>	<u>11,624,825,729</u>



(C) RECREATION AND AMUSEMENT PARKS

	Opening balance 01.07.2016	Additions	Valuation Gain/(Loss)	Closing balance 30.06.2017
	TZS	TZS	TZS	TZS
Uhuru (Kariakoo)	24,935,821,617		640,863,383	25,576,685,000
Umoja (Tibirinzi)	9,850,191,707		(916,220,70)	8,933,971,000
Mapinduzi Tower	7,085,848,420	187,148,589	6,617,090	7,279,614,100
	42,059,010,334	187,148,589	(268,740,23)	41,790,270,100

10 INVESTMENT PROPERTY - LAND

Pemba Tibirinzi	150,000,000	-	289,040,000	439,040,000
Mbweni	1,080,000,000	-	10,680,000,000	11,760,000,000
Mwanakwerekwe	250,000,000	-	850,000,000	1,100,000,000
Tunguu	840,000,000	-	2,141,481,481	2,981,481,481
Kigamboni Muongozo	-	3,257,403,750	139,596,250	3,397,000,000
Kariakoo	2,200,000,000	-	7,224,800,000	9,424,800,000
Kilimani Baharessa	-	677,046,587	177,608,413	854,655,000
Michezani - Makontena	-	5,403,150,000	-	5,403,150,000
Mapinduzi Tower	-	5,559,407,000	-	5,559,407,000
Tibirinzi Umoja	-	2,333,333,333	-	2,333,333,333
TOTAL	4,520,000,000	17,230,340,670	21,502,526,144	43,252,866,814

The following table summarizes the quantitative information about significant unobservable inputs used in recurring fair value measurement of investment properties.

Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Applicable rate	Relationship of unobservable input to fair value	Fair value at	
					30 June 2017	30 June 2017
Level 3	Income approach	Capitalization rate	7.75% - 8%	The higher the capitalization rate, the lower the fair value	114,022,704,963	63,486,462,524

Work in progress is measured at cost, as fair value cannot be established reliably. None of the Fund Investment property has been pledged as collateral.

The Fund leases out all its investment properties under operating leases. The leases are for terms of one year or more. There are no restrictions on reliability of investment property or remittance of income and proceeds from disposal.



11 EQUITY INVESTMENTS	2016-2017 TZS	2015-2016 TZS
Tanzania Reinsurance Company Limited (TAN-RE)	1,274,616,054	2,335,780,043
UTT- Umoja	2,789,496,908	2,616,236,780
UTT- Jikimu	400,259,171	400,381,272
Tanzania Portland Cement Company	1,126,468,800	778,700,240
CRDB Bank Plc	125,453,300	272,412,810
NMB Bank Plc	1,728,600,500	1,005,731,200
Vodacom	850,000,000	-
	<u>8,294,894,733</u>	<u>7,409,242,346</u>
12 INVESTMENT IN GOVERNMENT SECURITIES		
Government stock/Loan	25,344,583,333	22,944,583,333
Treasury Bonds	70,419,630,208	68,360,148,694
PBZ Bond	5,290,230,254	5,290,265,254
	<u>101,054,443,795</u>	<u>96,594,997,281</u>
13 FIXED DEPOSIT		
People's Bank of Zanzibar Limited	48,513,669,863	29,683,520,525
TIB BANK	11,666,503,288	8,109,041,096
TIB BANK (USD)	-	2,080,867,808
Kenya Commercial Bank	1,094,931,507	3,731,027,397
Diamond Trust Bank	1,022,246,575	3,296,767,123
Bank of Africa	5,339,232,877	5,134,794,521
EXIM Bank	-	-
Banc ABC	9,007,756,164	3,384,150,685
TPB Bank	15,903,082,192	12,233,970,297
NMB Bank Plc	4,783,716,895	3,338,082,192
Azania Bank	1,131,095,890	-
	<u>98,462,235,251</u>	<u>70,992,221,644</u>



14	LOAN INVESTMENTS	2016-2017 TZS	2015-2016 TZS
	ZRB Loan	80,097,781	508,742,491
	ZIFA Loan	1,266,621,564	1,412,813,000
	Fast Ferry Syndicate Loan	1,297,169,395	2,352,775,381
	Halmashuri Wilaya Kaskazini B (U)	64,936,915	85,963,631
	Zanzibar Cable Limited	126,456,519	390,539,493
	Zanzibar Institute of Tourism Development	19,037,727	36,541,698
	Zanzibar Water Authority	658,710,214	832,331,614
	Afyā SACCOS	67,318,735	95,737,791
	ZATUC Loan	101,421,177	-
	IPA Loan	593,030,033	-
	ZPC Loan	-	1,858,873,428
		4,274,800,060	7,574,318,528
15	INVENTORIES		
	Stationery and Consumable Items	97,100,971	94,030,855
16	MEMBER CONTRIBUTIONS RECEIVABLE		
	Government Employee	23,814,593	83,156,771
	Parastatal Employee	99,513,221	117,935,501
	Private Employees	1,500,512,618	1,328,226,073
	Gross contribution receivable	1,623,840,432	1,529,318,346
	Less Provision	(603,192,257)	(297,700,915)
	Net contribution receivable	1,020,648,175	1,231,617,431
17	OTHER RECEIVABLES		
	Staff loans	686,768,678	539,024,095
	Rent Receivable	471,979,033	308,693,263
	Dividend Receivable	8,172,385	-
	Dishonored cheques	88,397,173	208,436,975
	UTT Jikimu Dividend receivable	9,514,410	19,028,820
	Government Pension Receivable	583,680,353	581,661,584
	Staff Education loans	424,203,935	375,087,037
	Prepaid for Website	-	14,800,000
	Salary Advance	29,393,567	21,635,688
		2,302,109,534	2,068,367,461



18 CASH AND CASH EQUIVALENT**2016-2017
TZS****2015-2016
TZS**

PBZ Bank Account 021104000884	-	1,453,252,223
PBZ Bank Account 041103000012	446,683,255	495,990,681
NBC Bank Account 021103004742	181,878,919	41,630,345
PBZ Bank Account 022103000043	1,051,366,051	2,037,730,356
PBZ Bank account 081108000002	48,164,472	161,066,926
FBME Bank	261,444,630	104,278,507
PBZ Bank Account 021103000672	113,057,122	22,978,539
NMB Bank	446,848,769	-
Provision for doubtful balance - FBME	(261,444,630)	-
	2,287,998,588	4,316,927,577

19 BENEFIT LIABILITY

Gratuity payable	2,213,643,555	1,618,410,729
Pension Payable	-	130,117,958
Refund Payable	-	142,906,848
	2,213,643,555	1,891,435,536

20 ACCRUED EXPENSES

Consultancy Payable –Mnara	117,848,548	-
Consultancy Payable- Kariakoo	-	185,774,001
Consultancy Payable- BiCO	43,155,000	-
Consultancy Payable- CORE Tech	154,927,020	-
Retention money- Tibirinzi	-	213,905,542
Security Cost	17,520,000	17,520,000
Provision for Audit Fees	46,680,000	35,000,000
Caution Money	18,180,540	18,380,540
Salary Payable	-	9,292,276
PAYE Payable	-	522,736
Unallocated contributions – PBZ	169,809,441	-
Advance Mbweni	219,607,325	-
	787,727,874	480,395,094



21 UNEARNED RENT	2016-2017 TZS	2015-2016 TZS
Un-earned rent relates to rent income received in advance for:-		
Mwanakwerekwe	6,455,000	8,355,000
Mbweni	26,761,680	-
Head Office	8,420,000	8,420,000
Mnara	200,000	6,000,000
Kariakoo	6,690,000	5,050,000
	48,526,680	27,825,000
Less provision	35,226,655	-
	13,300,025	27,825,000
22 BENEFITS PAID		
Gratuity	13,898,105,616	10,789,971,798
Survivor	1,181,977,583	907,694,653
Pension	3,885,862,622	3,123,859,232
Invalidity	673,914,587	-
Maternity	102,417,034	96,019,205
	19,742,277,441	14,917,544,888
23 NET APPRECIATION OF FAIR VALUE OF INVESTMENTS		
Investment property - Land	23,835,859,477	3,129,000,000
Investment property- real estate	2,235,897,444	-
Investment property - recreation and Parks	(268,740,234)	-
UTT Umoja- fair value gain	173,260,128	128,885,182
UTT JIKIMU - Fair value loss	(122,102)	(8,067,902)
TPCC- fair value loss	(281,934,496)	(361,655,760)
NMB- fair value gain/(loss)	722,869,300	(1,175,448,340)
CRDB- Fair value loss	(146,959,510)	(64,518,840)
Fair value (loss)/gain TAN-Re	(1,061,163,989)	562,416,043
Loss on Hifadhi investment	-	(34,034,458)
	25,208,966,018	2,176,575,924
24 DIVIDEND INCOME	2016-2017 TZS	2015-2016 TZS
TPCC	68,421,360	99,699,696
TAN –RE	-	63,292,528
CRDB	8,172,385	14,624,267
NMB	62,103,902	-
UTT Jikimu	38,057,639	31,714,700
	176,755,286	209,331,191



25 INTEREST INCOME

Interest from Govt stock/loan	2,400,000,000	2,400,000,000
Interest from Treasury bond	10,311,563,414	10,432,673,003
Interest from fixed deposit	12,129,684,630	7,923,299,612
Interest from staff loan	-	27,398
Interest on short call	-	2,321,865
Interest from ZRB loan	452,430,880	176,608,312
Interest from ZIFA loan	215,636,907	237,120,438
Interest from Zanzibar Cable	49,144,346	72,444,081
Interest from Syndicate Loan	97,392,240	237,938,741
Interest from ZAWA	109,695,814	133,735,909
Interest from Halmashauri	13,041,106	14,990,887
Interest from PBZ Bond	826,500,000	770,334,898
Interest from ZITOD	5,179,988	8,043,857
Interest from ZPC	142,182,279	100,722,497
Interest from AFYA SACCOS	14,963,823	2,968,271
Interest from ZATUC	18,818,712	
Interest from IPA	75,075,857	
Withholding tax	(497,767,580)	-
	26,363,542,416	22,513,229,771

26 RENTAL INCOME

Mapinduzi Tower	50,665,000	30,029,500
Hifadhi Hotel	30,375,000	4,243,000
Mwanakwerekwe	199,322,400	182,227,400
Kilimani head office	41,160,000	40,520,000
Mbweni	150,532,355	105,232,453
	472,054,755	362,252,353



27	AMUSMENT PARK INCOME A-KARIAKOO INCOME	2016-2017 TZS	2015-2016 TZS
	Shop rent	158,450,000	166,500,000
	Entrance fee	407,691,000	236,825,000
	Rides fees	708,922,100	439,824,000
	Total income	1,275,063,100	843,149,000
	less kariakoo expenses	(416,100,305)	(408,622,054)
	Net income	<u>858,962,795</u>	<u>434,526,946</u>
	B-TIBIRINZI INCOME		
	Shop rent	9,009,312	14,297,500
	Entrance fee	127,794,669	19,605,000
	Rides fee	138,966,500	123,321,000
	Total income	275,770,481	157,223,500
	Less: Tibirinzi expenses	(83,393,499)	(22,937,057)
	Net income	<u>192,376,982</u>	<u>134,286,443</u>
	TOTAL(A+B)	<u>1,051,339,777</u>	<u>568,813,389</u>
28	FINANCIAL EXPENSES		
	Transfer and bank charge	<u>67,347,824</u>	<u>47,954,846</u>
29	INVESTMENT EXPENSES		
	Mwanakwerekwe Expense	24,712,537	29,453,984
	Mbweni Housing Expense	52,403,000	43,610,511
	Mapinduzi Tower Expense	36,106,095	15,619,299
	General Investment expenses	405,799,354	117,653,069
		<u>519,020,985</u>	<u>206,336,863</u>
30	OTHER INCOME		
	Miscellaneous income	19,835,859	21,181,362
	Gain in exchange rate	295,340,073	276,375,901
	Gain from disposal of property and equipment	-	100,000
	Government grant – Michenzani Makontena Land	5,403,150,000	-
	Government grant - Mapinduzi Tower Land	5,559,407,000	-
		<u>11,277,732,932</u>	<u>297,657,263</u>



31 ADMINISTRATION EXPENSES

Employee Benefits Expenses (Note 32)	2,396,371,525	2,287,650,378
Operational expenses (Note 33)	1,523,937,105	1,295,087,719
Depreciation expenses (Note 9)	242,172,447	256,057,700
Repair and maintenance (Note 34)	73,413,559	92,732,948
Other expenses (Note 35)	415,386,369	347,432,933
	4,651,281,005	4,278,961,677

32 EMPLOYEE BENEFIT EXPENSES

Salaries Expense	1,603,260,004	1,462,813,694
Overtime	9,294,043	9,813,716
Staff Welfare Expenses	167,670,580	153,153,648
Training Expense	91,779,500	160,606,800
10% ZSSF Contribution	156,361,847	143,402,535
Staff Uniform	20,600,000	24,050,000
Acting allowance	25,947,798	10,982,590
Transport on leave	59,320,000	60,425,000
Health insurance	186,902,087	188,238,507
SDL LEVY	75,235,666	74,163,888
	2,396,371,525	2,287,650,378

33 OPERATIONAL EXPENSES

Electricity and water	72,363,024	59,251,000
Cleaning expense	47,543,182	42,219,502
Telephone and postage	106,947,430	126,653,753
Property insurance	16,225,000	11,697,648
Travel on duty	158,446,587	150,572,475
Printing and stationary	74,975,980	88,177,967
Consultancy	107,732,120	7,970,000
Seminar and conference	72,277,125	105,542,925
Board expenses	330,800,875	243,920,000
ECSAA fee	29,362,500	20,250,000
ISSA fee	35,449,295	34,841,256
TSSA fee	22,812,500	15,133,875
Security cost	17,520,000	17,520,000
Fuel expense	195,579,488	198,188,150
Audit expense	13,300,000	11,880,000
ICT expense	182,601,999	126,269,168
Audit fees	40,000,000	35,000,000
	1,523,937,105	1,295,087,719



34 REPAIR AND MAINTENANCE

Repair and maintenance- motor vehicles	24,642,121	25,912,708
Repair of Furniture and Fitting	16,572,700	31,074,000
Office maintenance	30,599,838	35,746,240
Electricity maintenance	-	-
Generator Maintenance	1,598,900	-
	73,413,559	92,732,948

35 OTHER EXPENSES

Entertainment Expense	8,493,000	6,648,800
Publicity Expenses	194,111,895	161,888,014
Funeral Expense	1,150,000	800,000
Other staff expense	145,962,234	158,068,179
Newspapers and Periodicals	695,240	1,562,940
Donation	64,974,000	18,465,000
	415,386,369	347,432,933

36 ACTUARIAL POSITION

The last actuarial valuation of the Fund as at 30 June 2015 was completed in November 2016 by Muhanna & Co Actuaries & Consultants, an independent firm of Actuaries and Consultants, using the projected unit method. This is a recommended method of valuing pension liabilities by the International Financial Reporting Standards. According to the valuation as at the date, the actuarial present value of promised retirement benefits was as follows:

	2015 TZS '000	2011 TZS' 000
Accrued liabilities		
Value of accrued benefit liability	1,260,185,801	445,299,373
Assets		
Value placed on Fund assets as at 30 June	(214,422,312)	(84,752,723)
Actuarial deficit		
Excess of accrued liabilities over assets	(1,045,763,489)	(360,546,650)
Funding level	17.0%	19.03%

Vested and non-vested benefits	2015	2011	2015	2011
		%	TZS'000	TZS'000
Vested	37	14	470,087,299	62,322,299
Non-vested	63	86	790,098,502	382,977,074



Vested benefits refers to past service liabilities. Non-vested benefits refer to future service liabilities. Vesting of benefits occurs when the employee completes the number of years of service required to receive benefits under the plan at some point in the future. Non-vested benefits are those in which the employee has not completed the required years of creditable service in order to earn the right to receive benefits under the terms of the plan. The next valuation is due at 30 June 2018 as per the Fund's accounting policy.

Summary of core actuarial basis

The assumptions that were used in the 2015 actuarial valuation are set out below:

Demographic assumptions

- Voluntary/early retirement is at age 55 and compulsory is at age 60. There are members with age of above 60 years that are still contributing to the Fund. In the long-term all members are assumed to retire by age of 65;
- Any member over the normal retirement age is deemed to have retired on the valuation date;
- Mortality rate: Age related mortality rates for Zanzibar population projection based on adjusted rates from World Health Organisation (WHO).
- Invalidity rate of 4% and 15% for males and females respectively;
- Mortality rate of invalids is 150% of mortality rates of actives;

36 ACTUARIAL POSITION (CONTINUED)

Demographic assumptions (continued)

- Withdrawal rate for refund benefits ranging from 0.1% to 1% for male members and 0.1% to 2% for female members
- Retirement rates: Age related retirement age is 60 years and 59 years for male and female respectively



Financial assumptions	Percentage rate per annum
Discount rate	6%
Investment return	12%, gradually reducing to 5% after the next 5 years
Salary growth	9%, decreasing to 4% after the next 5 years
Growth rate of number of contributors	4.5% over the next 10 years 2.5% for the following years to 2050 1% after the year 2050
Contribution rate	5% of salary by employee 10% of salary by employer
Administration expenses	11.2% of total contribution rate reduced to 8% over the next 10 years

37 OWNERSHIP

Zanzibar Social Security Fund owned by its members who contribute by contribution, and managed by Board of Trustee and Revolutionary Government of Zanzibar is guarantor through Ministry of Finance and Economic Affair

38 INVESTMENTS CONCENTRATION

	2016-2017 TZS	2015-2016 TZS
Net Assets Available for Benefits	331,084,166,379	253,582,644,408
5% thereof	16,554,208,319	12,679,132,220

The following investments are held by the Fund at amounts, which exceed 5% of the net assets.

	2016-2017 TZS	%	2015-2016 TZS	%
Government loan	25,344,583,333	7.7	22,944,583,333	9.0%
Treasury bonds	70,419,630,208	21.3	68,360,148,694	27.0%
Fixed Deposits	98,462,235,251	29.7%	70,992,221,644	28.0%
Investment Property– Others	96,667,962,642	29.2%	11,624,825,729	4.6%
Investment Property – Work in progress	17,354,742,321	5.2%	8,640,840,021	3.4%



39 RELATED PARTY TRANSACTION AND BALANCES

Related party transaction and balances as follows: -

(a) Remuneration of Key Management Personnel <i>Short Term Employees Benefit</i>	2016-2017 TZS	2015-2016 TZS
Board expenses	330,800,875	243,920,000
Staff loan	686,768,678	539,024,095
Staff education loan	55,971,134	55,971,134
Salaries	389,326,512	389,326,512
	<u>1,462,867,199</u>	<u>1,228,241,741</u>
(b) Investment in related Parties		
Government stock/loan	25,344,583,333	22,944,583,333
Treasury bond	70,419,630,208	68,360,148,694
Corporate loans	2,024,467,286	4,649,302,231
Corporate Bond– PBZ	5,290,230,254	5,290,265,254
	<u>103,078,911,081</u>	<u>101,244,299,512</u>

40 SOCIAL SECURITY FUND COSTS

The Funds employees are members of Zanzibar Social Security Fund. The staff contribute 5% of their gross salary and employer contributes 10%.

Total contribution during reporting period were as follows:

	2016-2017 TZS	2015-2016 TZS
Employees	78,180,924	71,701,268
Employer	156,361,847	143,402,535
Total	<u>234,542,771</u>	<u>215,103,803</u>

41 TAXATION

All PAYE deductions had been submitted in full to Tanzania Revenue Authority for the above balance sheet date. Section 27(4) of Zanzibar Social Security Fund Act No. 2 of 2005, exempts all contribution and other income of the Fund from taxation.



42 CAPITAL COMMITMENTS

The Fund had capital commitments during the year ended 30th June 2017 for construction of new Uhuru, Tibirizi Amusement Park, Mapinduzi Tower and ZSSF Mbweni Real Estate.

43 EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date that required disclosure or adjustment.

44 CONTINGENT LIABILITIES

There were no contingent liabilities at the year-end.



