



THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT  
OF FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR  
THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017

---

Office of the Controller and Auditor General,  
National Audit Office,  
16 Samora Machel Avenue,  
P. O. Box 9080,  
11101 Dar es Salaam.

Tel: 255 (022) 2115157/8  
Fax: 255 (022) 2117527  
E-mail [ocag@nao.or.tz](mailto:ocag@nao.or.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)  
Dar es Salaam, Tanzania

December, 2017

AR/WCF/2017



**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT  
OF FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR  
THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

---

Office of the Controller and Auditor General,  
National Audit Office,  
16 Samora Machel Avenue,  
P. O. Box 9080,  
11101 Dar es Salaam.

Tel: 255 (022) 2115157/8  
Fax: 255 (022) 2117527  
E-mail [ocag@nao.or.tz](mailto:ocag@nao.or.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)  
Dar es Salaam, Tanzania

December, 2017

AR/WCF/2017

## WORKERS COMPENSATION FUND

Contents	Page
Corporate Information	2
Report of the Board of Trustees	3 - 23
Statement of the Board of Trustees' responsibilities	24
Declaration of the Director Responsible for Finance	25
Report of the Controller and Auditor General	26 - 27
Statement of Comprehensive Income	28
Statement of Financial Position	29
Statement of Changes in fund	30
Statement of Cash Flows	31
Notes to the Financial Statements	32 - 69

## WORKERS COMPENSATION FUND

### CORPORATE INFORMATION

#### PRINCIPAL AUDITORS

The Controller and Auditor General  
National Audit Office  
Samora Avenue/Ohio Street  
P.O. Box 9080  
Dar es Salaam

#### DELEGATED AUDITORS

PAMAK Associates  
Certified Public Accountants  
4<sup>th</sup> Floor, Shamo Tower  
Mbezi Beach  
P.O. Box 60475  
Dar es Salaam

#### PRINCIPAL BANKERS

CRDB Bank Plc  
Holland House Branch  
Samora Avenue/Ohio Street  
P.O. Box 71960  
Dar es Salaam

NMB Bank Plc  
Bank House  
Samora Avenue/Pamba Road  
P.O. Box 9213  
Dar es Salaam

#### REGISTERED OFFICE

Plot No. 37, GEPF House  
Regent Estate, Bagamoyo Road  
P.O. Box 79655  
Dar es Salaam

#### PARENT MINISTRY

Prime Minister's Office  
Policy, Parliamentary Affairs, Labour,  
Youth, Employment and Person with  
Disability  
LAPF House  
P.O. Box 2890  
Dodoma



## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 30 JUNE 2017

The Trustees are pleased to present their report together with the audited financial statements of Workers Compensation Fund ("the Fund") for the year ended 30 June 2017 which disclose the state of affairs of the Fund, in accordance with Section 85 of the Workers Compensation Act Cap. 263 R.E. 2015.

#### 1. ESTABLISHMENT OF THE FUND

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act Cap. 263 R.E. 2015. The Fund is responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. In case of death of workers, the Fund is responsible for compensating dependants as per set criteria. The scheme is operated under social security and insurance principles.

All employers and employees in the public and private sectors in Mainland Tanzania are covered and hence are required by Law to contribute to the Fund.

#### 2. COMPARISON OF ACCOUNTING PERIODS

The previous accounting period of the Fund had 16 months i.e. from its establishment in 1 March 2015 to 30 June 2016. This is its second financial period, which has 12 months from 1 July 2016 to 30 June 2017. Therefore, the amounts presented in the financial statements are not entirely comparable.

#### 3. FUND'S VISION

*"To be the role model in the provision of workers compensation services in Africa."*

#### 4. FUND'S MISSION

*"To mitigate the social and economic impact of occupational accidents and diseases on employees, their families and employers through the provision of adequate and equitable compensation in a sustainable, transparent and efficient manner."*

## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 5. FUND'S CORE VALUES

Core Values	Description
Integrity	We will always be ethical and trustful, maintaining good governance practices and not misrepresenting or withholding information to which our stakeholders are entitled.
Teamwork	We expect our staff to be team players. We believe in teamwork to harness multiple skills and experiences to accomplish key work objectives and promote cooperative behaviour among staff.
Accountability	We take responsibility and ownership of all that we do at corporate and individual employee levels and respond appropriately to stakeholder's concerns.
Excellence	We create requisite structures, employ appropriate management styles and invest heavily in training and development of our staff to enable them to attain desired levels of professionalism necessary for achieving excellence in their jobs.
Empathy	We will treat all our customers with compassion while maintaining high moral standards and professionalism.

#### 6. OBJECTIVES AND ACTIVITIES OF THE FUND

##### 6.1 The objectives of the Fund

- Provision of adequate and equitable compensation to employees.
- Implementation of the National Social Security Policy of 2003 in relation to work-related injuries, diseases and deaths.
- Implementation of provision of Section 5 of the Workers Compensation Act [CAP 263 R.E. 2015].
- Provision of a framework for effective, prompt and empathetic consideration, settlement and payment of compensation benefits.
- Provision of a framework for control and management of contributions and payments.
- Promotion of prevention of accidents and occupational diseases.

##### 6.2 Functions of the Fund

- Registration of all employers in Mainland Tanzania.
- Assessment of risk exposure at work places and tariffs determination.
- Collection of contributions from employers.
- Investment of surplus funds.
- Payment of compensation to employees.
- Maintenance of statistics for all occupational accidents, diseases and deaths.
- Promotion of prevention of occupational accidents, diseases and deaths.
- Conducting public education and awareness programs.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **7. BENEFITS OFFERED BY THE FUND**

Benefits offered by the Fund are:

##### **7.1 Medical aid**

Medical aid includes ambulance services, medical consultation, surgical consultation, skilled nursing services, payment for medication, remedial treatment if recommended, supply and repair of prosthesis.

##### **7.2 Compensation for Temporary Disablement**

Employees shall be entitled to payment of temporary disablement if they sustain injuries arising out of occupational accidents or diseases in the course of employment and leads to their temporary disablement. The payment will be made to the affected employees for the period not exceeding 24 months.

##### **7.3 Compensation for Permanent Disablement**

Employees shall be entitled to payment of permanent disability if they sustain injuries arising out of occupational accidents or diseases in the course of employment and leads to permanent disablement. The payment will be made to the affected employee until death or when employees reach retirement age and qualify for payment of pension.

##### **7.4 Funeral Grants**

Funeral grant is paid to the family of the deceased employee who dies as a result of occupational accident or disease.

##### **7.5 Constant Attendant Care Grant**

The payment will be made to a person who constantly takes care of an employee who cannot assist themselves due to injuries sustained because of occupational accident or diseases.

##### **7.6 Compensation to Dependants of the Deceased Employee**

This compensation is made to a spouse and children of an employee who dies as a result of occupational accidents or diseases arising out of and in the course of employment. In case there is no spouse or children, other dependants will be compensated.

## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 7 BENEFITS OFFERED BY THE FUND (CONTINUED)

##### 7.7 Rehabilitation Services

These are services provided to employees who sustain injuries as a result of occupational accidents or diseases with the purpose of restoring their health. The services will be provided to employees to assist them recover and return to work or participate in other economic activities that will earn them some amount of income.

# WORKERS COMPENSATION FUND

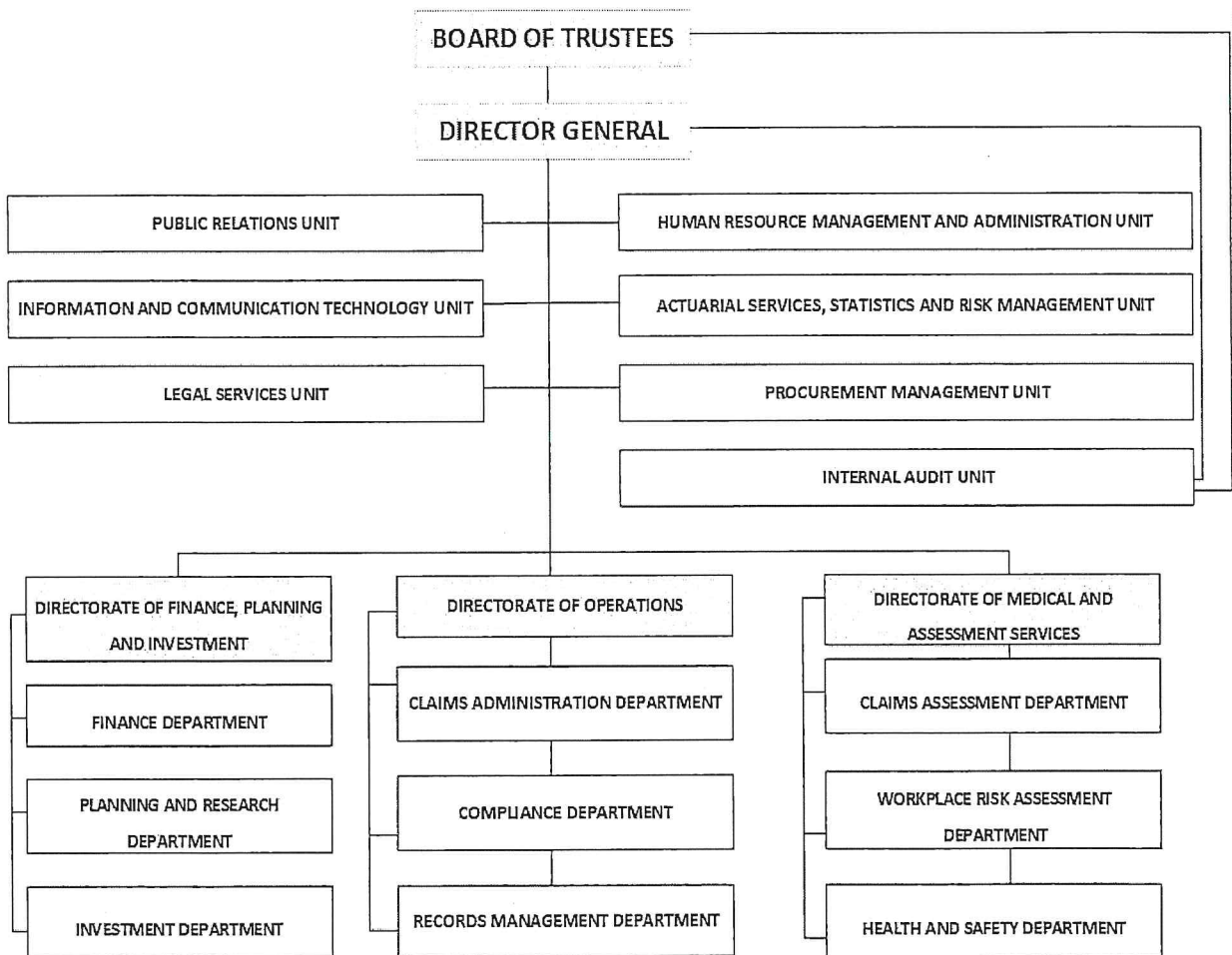
## REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

### 8. THE ORGANISATION STRUCTURE OF THE FUND

The organization structure of the Fund comprises the Board of Trustees and Management Team. The Board of Trustees is the final decision maker on all matters regarding control and administration of the Fund in line with applicable laws while Management team is responsible for day-to-day operations of the Fund.

The Fund organisation structure is presented on the organogram at Figure 1

Figure 1: Organisation Structure





## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **9. CORPORATE GOVERNANCE**

The Board is committed to the principles of good corporate governance and complies with the legal, regulatory and relevant codes of ethics. The Board is pleased to report that throughout the financial year ended 30 June 2017 and at the date of this report, the Fund applied the principles of, and was compliant with the requirements of, good corporate governance. In compiling this report, the Trustees have referred to the legal and regulatory requirements, code of ethics and conduct for the public service as well as the requirements of best practices in good corporate governance.

Good governance requires professionalism, transparency and accountability. The Fund has put in place internal mechanisms to ensure that this is achieved.

##### **9.1 Board of Trustees**

The Board is comprised of fourteen Trustees with diverse skills and knowledge whereby, apart from the Director General, all other Trustees are non-executive. A non-executive Chairman is by law appointed by the President. The other Trustees are appointed by the Minister responsible for Labour and Employment for a tenure of three years renewable. The Trustees who are appointed by the Minister are representatives of the statutory positions mentioned in the Workers Compensation Act Cap. 263 R.E. 2015.

##### **9.1.1 The role of the Board**

- a) Control and administer the Fund.
- b) Formulate, implement and review policy relating to workers compensation.
- c) Advise the Minister on any matter relating to workers compensation, any amendments of the laws and regulations relating to workers compensation.
- d) Invest surplus money of the Fund.
- e) Provide technical assistance and advisory services for the purpose of promoting workers compensation.
- f) Promote occupation safety and health measures in collaboration with OSHA and other relevant authorities.
- g) Promote public awareness of the rights and obligations of the employees, dependants and employers.
- h) Provide accessible and transparent procedures for lodging and investigation of any complaint regarding the conduct of the Fund and its employees.
- i) Do all such acts and enter into all such transactions as in the opinion of the Board may be necessary for the proper and efficient administration of the Fund.

## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 9 CORPORATE GOVERNANCE (CONTINUED)

##### 9.1.2 Board composition

The Trustees of the Fund at the date of this report since 1 July 2017 (all appointed on 22 January 2015) are as follows:

Name	Position	Age	Qualification /Discipline	Nationality
Mr. Emanuel B. Humba	Chairman	67	Social Security Expert	Tanzanian
Ms Radhmina R. Mbilinyi	Trustee	59	Fisheries specialist	Tanzanian
Mr. Chrysostom M. Agapiti	Trustee	55	Human Resources specialist	Tanzanian
Mr. Jaicy A. Kayera	Trustee	64	Electrical Engineer	Tanzanian
Ms. Rifai A. Mkumba	Trustee	57	Human Resources specialist	Tanzanian
Mr. James K. Rhombo	Trustee	61	Human Resources specialist	Tanzanian
Mr. Athumani H. Msengi	Trustee	45	Journalist	Tanzanian
Dr. Francis K. Michael	Trustee	54	Human Resources specialist	Tanzanian
Mr. Joshua M. Matiko	Trustee	49	Engineer	Tanzanian
Mr. Richard L. Wambali	Trustee	54	Human Resources specialist	Tanzanian
Ms. Nkasori M. Sarakikya	Trustee	42	Lawyer	Tanzanian
Mr. Daudi N. Kaali	Trustee	54	Economist	Tanzanian
Mr. Felix R. Kagisa	Trustee	61	Civil Engineer	Tanzanian
Mr. Masha J. Mshomba	Trustee/ Secretary	46	Accountant	Tanzanian

##### 9.1.3 Board committees

The Fund has three (3) Board committees as follows:

- Operations committee
- Finance and investment committee
- Audit and risk management committee

## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 9. CORPORATE GOVERNANCE (CONTINUED)

##### 9.1.3 Board committees (Continued)

###### a) Operations Committee

The Operation Committee is the oversight of all operational and staff matters, improvement of service delivery and overseeing reforms in the social security sector and their implication to the operation of the Fund. The Committee reports to Board of Trustees and met 3 times during the period under review. The members of the committee are:

Name	Position
Mr. James K. Rhombo	Chairperson
Ms Radhmina R. Mbilinyi	Member
Dr. Francis K. Michael	Member
Mr. Joshua M. Matiko	Member
Mr. Richard L. Wambali	Member
Mr. Masha J. Mshomba	Secretary

During the year the committee reviewed policies, practices and procedures used by the Fund, and advised the Board to register employers, to collect contributions, to pay benefits, to improve service delivery and how the Fund should interact with the Society in general.

The committee reviewed and made recommendations to the Board on development of Human Resources Policies and practices including those pertaining to recruitment and appointment, promotions, training and development of staff, performance appraisal, succession plan and the remuneration and other terms and conditions of appointment of employees.

###### b) Finance and Investment committee

The purpose of the Finance and Investment Committee is to scrutinise, review and provide oversight on all major finance and investment activity of the Fund and provide guidance and recommendations to the Board on these and related matters. The Committee reports to Board of Trustees and met 3 times during the period under review. The members of the committee are:



## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 9. CORPORATE GOVERNANCE (CONTINUED)

##### 9.1.3 Board committees (Continued)

##### b) Finance and Investment committee (Continued)

Name	Position
Dr. Francis K. Michael	Chairperson
Mr. Jaicy A. Kiyera	Member
Ms. Rifai A. Mkumba	Member
Mr. Athumani H. Msengi	Member
Mr. Daudi N. Kaali	Member
Mr. Masha J. Mshomba	Secretary

The Finance and Investment committee reviewed and made recommendations to the Board on asset management, investments proposals, performance, policies and strategies. The committee also reviewed the Fund's Annual Plan and Budget for the year 2017/18, which thereafter was approved by Board of Trustees.

##### c) Audit and Risk Management committee

The purpose of the Audit and Risk Management committee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, risk management and the Fund's process for monitoring compliance with laws and regulations. The Audit Committee reports to Board of Trustees and met 2 times during the period under review. The members of the committee are:

Name	Position
Mr. Richard L. Wambali	Chairperson
Ms. Nkasori M. Sarakikya	Member
Ms Radhmina R. Mbilinyi	Member
Mr. Chrysostom M. Agapiti	Member
Mr. Felix R. Kagisa	Member
Mr. Abraham P. Siyovelwa	Secretary

During the period under review, the Committee received reports from management and held discussion with management and auditors. In discharging its duties the Committee reviewed the financial statements to ensure internal and external quality and acceptability of the accounting policies, practices and financial reporting disclosures.

The Fund has an independent internal audit function. 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 Committee also reviewed risk management functions in the Fund through risk management reports which were submitted by Management and recommended for actions to be taken by the Board of Trustees.

## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 9. CORPORATE GOVERNANCE (CONTINUED)

##### 9.1.3 Board meetings (Continued)

During the financial year ended 30 June 2017, there were a total of 8 Board of Trustees meetings and 8 Board committee meetings that were held. The meetings were necessitated by the need to review Fund's policies and regulations. Details of the Trustees' attendance at all of the Board and committee meetings held in the year are set out on below:

Member	Board meetings	Operations committee meetings	Finance and Investment committee meetings	Audit and Risk Management committee meetings
Mr. Emanuel B. Humba	8	-	-	-
Ms Radhmina R. Mbilinyi	8	3	-	2
Mr. Chrysostom M. Agapiti	8	-	-	2
Mr. Jaicy A. Kiyera	7	-	3	-
Ms. Rifai A. Mkumba	8	-	3	-
Mr. James K. Rhombo	7	3	-	-
Mr. Athumani H. Msengi	6	-	2	-
Dr. Francis K. Michael	8	1	3	-
Mr. Joshua M. Matiko	7	2	-	-
Mr. Richard L. Wambali	8	3	-	2
Ms. Nkasori M. Sarakikya	2	-	-	-
Mr. Daudi N. Kaali	6	-	2	-
Mr. Felix R. Kagisa	7	-	-	2
Mr. Masha J. Mshomba	8	3	3	-

##### 9.1.4 Trustee remuneration

Apart from the Director General, all other trustees of the Fund are non-executive. The remuneration for services rendered by the Trustees of the Fund during the year ended 30 June 2017 includes fees. Payment of Trustees' fees was as follows:

Remuneration	2017 TZS '000	2016 TZS '000
a) Trustees fees		
Chairperson (1)	10,000	8,810
Other trustees (12)	108,000	92,857
b) Allowances		
Chairperson (1)	-	17,300
Other trustees (12)	-	93,450
	<b>118,000</b>	<b>212,417</b>



## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 9. CORPORATE GOVERNANCE (CONTINUED)

##### 9.2 Management team

Responsibility and authorities for day-to-day management of the Fund is delegated to the Director General within an agreed control framework. The Director General establishes targets for the directorates and units which are then cascaded down throughout the Fund.

The structure of the Fund comprises of the following directorates which are headed by directors who report to the Director General:

- (i) Finance, Planning and Investment;
- (ii) Operations;
- (iii) Medical and Assessment Services;

There are seven specified units headed by managers and report directly to the Director General. These are:

- (i) Public Relations Unit;
- (ii) Information and Communication Technology Unit;
- (iii) Legal Services Unit;
- (iv) Human Resource Management and Administration Unit;
- (v) Actuarial Services, Statistics and Risk Management Unit;
- (vi) Procurement Management Unit;
- (vii) Internal Audit Unit.

##### 9.2.3 Key Management Personnel

The key management personnel during the year ended 30 June 2017 and up to the date of this report were:

Name	Designation
Mr. Masha J. Mshomba	Director General
Mr. Anselim K. Peter	Director of Operations
Dr. Abdulsalaam Omary	Director of Medical and Assessment Services
Mr. Bezil P. Ewala	Director of Finance, Planning and Investments
Mrs. Zaina Mohammed	Head of Internal Audit Unit
Mr. James A. Tenga	Head of Actuarial Services, Statistics and Risk Management Unit
Mr. Stephen Goyayi	Head of Information and Communication Technology
Mrs. Laura George	Head of Public Relations Unit
Mr. Abraham P. Siyovelwa	Head of Legal Services Unit

The Fund is now in finalizing recruitment process of Head of Human Resources Management and Administration Unit, Head of Procurement Unit and Records Manager.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **10. RISK MANAGEMENT AND INTERNAL CONTROL**

The Board accepts final responsibility for the risk management and internal control systems of the Fund. It is the task of 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:

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

The Board assessed the internal control systems throughout the financial year ended 30 June 2017 and is of the opinion that they met accepted criteria.

##### **10.1 Risk management policy and strategy**

The Fund has progressed in implementing a formalised and systematic risk management process in order to provide reasonable assurance that set strategies and objectives are achieved. This was driven and achieved through strengthening and enhancement of the following:

##### **10.2 Risk management enablers**

During the year under review, the Fund continued to build on its Risk Management capabilities through the review and updating of the risk management policy, strategy, methodology. It includes preparing risk register in line with the "Guidelines for Developing and Implementing Institutional Risk Management Framework in Public Sector in Tanzania" and other best practice frameworks such as the King Code on Corporate Governance for South Africa 2009 (King III). This is to ensure that the Fund's operations remain relevant; of best practice as well as flexible for any possible changes in the operating environment, and prescripts. The policy, strategy and methodology will be submitted to the Board of the Fund for consideration, recommendation and for approval.

##### **10.3 Risk management**

Management is accountable for designing, implementing and monitoring the risk management processes and their integration to the day-to-day operations.

The most important type of risks and their management includes:

###### **(a) Regulatory risk**

Regulatory risk is the risk that the rules or mandate under which the Board operates may be changed by the legislative action or decision of the Regulator, the Government. Management manages regulatory risk by participating in consultative meetings aimed at ensuring that the rules under which the Board operates comply with the regulations.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **10. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

##### **10.3 Risk management (Continued)**

###### **(b) Solvency risk management**

The Fund is responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. Benefits are guaranteed irrespective of returns from investments and contributions collected. The Fund thus assumes funding risk in case the Fund's assets are inadequate to cover the promised benefits. The Fund engages actuarial consultants to determine the present value of promised benefits to members, after every three years. In case of under-funding different options are sought to address the funding including revising contribution rates (tariffs) depending on risk assessment of workplaces and other relevant factors.

###### **(c) Credit risk management**

Credit risk is the risk that the counterpart to any financial transaction may not be able to fulfil its obligation on due date. The Fund's principal financial assets are bank placements and balances. To minimize credit risk the Fund adheres to set limits on different categories of investments; the Fund has also set exposure limits for each bank where it makes placements of funds.

###### **(d) Liquidity risk management**

Liquidity risk is the risk of failing to meet obligations when they fall due. The Fund manage 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 expenses. The sources of funds include monthly contributions from its contributing members companies and organizations. Other sources are investment income and other income.

###### **(e) Market risk management**

Market risk is the risk of changes in value of net assets of the Fund as a result of adverse price movement for investments and financial assets and liabilities held by the Fund. All the interest bearing financial instruments are at fixed rate and hence no exposure on the move in interest rates. There are no assets or liabilities denominated in forex and hence there is no risk caused by forex changes. None of the assets or liabilities is exposed to price risk.



## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **10. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

##### **10.3 Risk management (Continued)**

###### **(f) Reputation risk**

Reputation risk is the risk that the Board will not conform to good corporate governance principles such as transparency, accountability and the observance of the tenets of good management that may result in negative public perception and loss of credibility. Management will manage reputation risk by providing adequate and timely compensation benefits, publishing statutory annual reports including the Board's operations, financial statements and actuarial valuation reports adherence to set regulations that the fund needs to abide to. Management will seek to regularly hold stakeholders public awareness programs aimed at mitigating the impact of negative public perception.

#### **11. OVERVIEW OF THE FUND'S PERFORMANCE**

##### **11.1 Registration of employers**

During the year ended 30 June 2017, the Fund registered 2,679 employers in Mainland Tanzania (2016; 5,178), making the total registered members to be 7,857 as at 30 June 2017.

##### **11.2 Benefit Payments**

During the year under review, the Fund received a total of 777 incident notifications regarding occupational accidents, diseases and deaths from different regions. Out of these events, 720 were incidents related to occupational accidents, 21 were cases of occupational diseases and 36 occupational deaths. A total of TZS 1.55 billion was incurred to cover for compensation payments and medical expenditure for occupational injuries and deaths to employees.

##### **11.3 Contributions**

During the year under review, the Fund recorded contributions amounting to TZS 77.71 billion (2016; 68.40 billion) from both private and public sectors employers. The contribution rates are currently 0.50% for public sector and 1.00% for private sectors, respectively based on monthly wage bill.

##### **11.4 Investment income**

The Fund managed to invest the amounts collected as contributions. During the year, TZS 10.43 billion (2016; 1.60 billion) was generated from investment.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **11. OVERVIEW OF THE FUND'S PERFORMANCE (CONTINUED)**

##### **11.5 Administrative expenses**

Administrative expenses during the year amounted to TZS 9.42 billion (2016; 3.88 billion). The main expenses were mainly staff cost; advertising and promotion; stakeholders educations and public awareness; and rent.

##### **11.6 Educational and awareness campaigns**

During the year under review, the Fund conducted a total of 78 seminars to 7,500 various stakeholders. The seminars were conducted for the purpose sensitizing the importance of employers to fulfil their obligation, which include, of registering and contributing to the Fund as per the Workers Compensation Act [Cap 263 R.E. 2015] and its Regulations.

Likewise, the Fund conducted various public awareness and education programs through various Media platforms including television, radio, blogs, Fund's website, newspapers and journals.

##### **11.7 Strengthening ICT System and Infrastructure**

The Fund completed assessment of its ICT environment to ascertain the infrastructure requirement and the need for efficient operations of the Fund. The report of the assessment has been used to develop specifications of the Fund's infrastructure, hardware, software and network equipment. The Fund has also enhanced the MAC system by incorporating modules which are facilitating the performance of core functions of the Fund. The modules developed include Employees Registration Module, Finance Module - Receipting Module, Interest Module (Penalty Module), Claims Module, Inspection Module and Case Management Module.

##### **11.8 Recruitment of Staff and Training Matters**

During the year under review, the Fund managed to recruit 42 members of staff who also include members of the management. Equally important, for enhancing performance, the Fund trained its staff on various subjects including good governance, fraud and forensic accounting, fundamental of social security, health insurance, ISSA and SSRA Guidelines, industrial first aid, Enterprise Risk Management and ICT security.

Furthermore, the Fund conducted training to 409 medical practitioners in order to build their capacity on assessment of impairment, occupational injuries and diseases. In addition, members of Parliamentary Committee for Constitutional and Legal affairs were trained on matters of workers compensation while labour officers in the PMO-LYED were trained on matters relating to employment injury schemes and procedures for handling compensation claims for WCF.



## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **11. OVERVIEW OF THE FUND'S PERFORMANCE (CONTINUED)**

##### **11.9 Financial Performance**

During the year under review, the Net Assets of the Fund increased to TZS 112.83 (2016; 65.68) billion.

#### **12. FUNDING POLICY**

All employers are statutorily required to contribute to the Fund on behalf of their employees. Contributions are part of employers' cost and should not be deducted from salaries of employees. Contribution rates (tariffs) are determined periodically by the Fund depending on risk assessment of workplaces and other relevant factors. In the financial year 2016/17, contribution rates for each employer were as follows:

- a) 1.00% of employees' earnings (wage bill) for each employer in the private sector;
- b) 0.50% of employees' earnings (wage bill) for each employer in the public sector

For the Fund's purposes, monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. Public sector employers include employers in the central government, local government, parastatals, executive agencies and all government-related institutions. Private sector employers are all those which are not part of public sector employers.

#### **13. ADMINISTRATIVE EFFICIENCY**

All statutory payments such as PAYE, pension contributions, Workers compensation contributions and other statutory deductions effected from staff salaries were made promptly to the relevant authorities. All properties of the Fund have requisite certificates of ownership. No loss of assets was sustained during the period under review.

#### **14. CHALLENGES FOR THE YEAR ENDED**

##### **14.1 IT systems**

For the year under review, the Fund experienced challenges around IT systems. The inadequate systems in Claims processing, employers' registration, contributions recording, documentations and strong accounting software retards the Fund's operations. Currently, the Fund is using in house developed software in registration of members and recording contributions but the software is strong enough to handle Fund's operations. Also the Fund is using Pastel as accounting software on an interim basis. To overcome this and to deliver quality service, the Fund is in the process of procuring robust Enterprise Resources Planning (ERP) systems which will be put into use effectively in the year 2018/19.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **14. CHALLENGES FOR THE YEAR ENDED (CONTINUED)**

##### **14.2 Lack of awareness about the Fund, its functions and its benefits**

There is failure by some employers to comply with the Workers Compensation Act in terms of registering with the Fund and remitting contributions. The Fund will intensify its marketing and educational campaigns to educate employees, employers and service providers about the existence of the Fund, its objectives and benefits to individual employees and the country at large.

##### **14.3 Lack of awareness as to the right for compensation**

Most people who are employed are not aware of compensation benefits rights which are due to employees when they get injuries or contract occupational diseases. The Fund continues to sensitize the general public to increase awareness amongst workers with regard to compensation from work-related injuries and diseases.

#### **15. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprised the Trustees and key management personnel. The Minister for Finance through Treasury Registrar determines Trustees' remuneration, and the Board of Trustees determines key management remuneration.

The details of transactions and balances with related parties have been disclosed in Note 31 to the financial statements.

#### **16. POLITICAL AND CHARITABLE DONATIONS**

The Fund did not make any political donations during the year. Donations made to charitable organizations during the period amounted to TZS 124.34 million (2016: nil).

#### **17. ENVIRONMENT CONTROL PROGRAMME**

In supporting the conservation and environmental protection efforts, the Fund ensures that, the activities it undertakes and finances are those that comply with the statutory environmental impact assessment requirements.

#### **18. EMPLOYEE WELFARE**

##### **18.1 Employment**

The Fund is committed to employment policies, which follow best practices, based on equal opportunity for all employees irrespective of gender, 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.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **18. EMPLOYEE WELFARE (CONTINUED)**

##### **18.1 Employment (Continued)**

The human capital comprised of competent staff in various operational areas. This provides the assurance to the Fund for attainment of its key strategic goals. Hiring and staffing decisions include assurance that individuals have the integrity, competence and the proper education and experience to carry out their jobs and that the necessary formal, on-the-job, training is provided.

##### **18.2 Management/Employees relationship**

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

##### **18.3 Trainings**

During the year under review, the Fund spent TZS 858.02 million (2016: TZS 49.36 million) on staff training in order to improve employee's technical skills and enhance effectiveness. Training programs have been and are continually undertaken to ensure employees are adequately trained at all levels.

##### **18.4 Medical assistance**

The Fund meets medical cost for all members of staff with a maximum number of five beneficiaries (dependents) under National Health Insurance scheme.

##### **18.5 HIV/AIDS**

The Funds focuses on creating awareness on HIV/AIDS among staff members by providing them with update information on HIV/AIDS with emphasis on the preventive strategies and education against the pandemic. The Fund encourages employees to undertake voluntary counselling and testing.

##### **18.6 Employees benefit plan**

The Fund pays contributions to mandatory pension funds in respect of employees' retirement benefits. Currently, the Fund pays pension contributions to the Public Service Pensions Fund (PSPF), National Social Security Fund (NSSF), PPF Pensions Fund (PPF) and the Government Employees Provident Fund (GEPF). The Fund also contributes to Workers Compensation Fund to cover its employees in case of occupational injuries or if they contract occupational diseases arising out of and in the course of their employment.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **19. EQUAL OPPORTUNITY**

The Fund is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 30 June 2017 the Fund had 42 employees, out of which 13 (31.00%) were females and 29 (69.00%) were males (2016:1 out of which 0 was female and 1 was male).

#### **20. ENVIRONMENTAL ISSUES**

The Fund's operations are not regulated by any significant environmental regulations under a law of the United Republic of Tanzania.

#### **21. FIDUCIARY RESPONSIBILITY**

Members of the Board of Trustees as stewards of public trust always acted for the good of the Fund rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the Fund without placing the Fund under unnecessary risks.

#### **22. MAJOR ACHIEVEMENTS DURING THE YEAR**

For the financial year 2016/17, WCF managed to accomplish its goals as provided in the activity plan approved by the Board of Trustees. Some of the major achievements are as highlighted below:

##### **22.1 Launching of benefits payment**

The Fund officially launched the payment of compensation benefits on 20 December 2016. The event was officiated by Hon. Jenista Mhagama (MP), Minister in the Prime Minister's Office. Through the event, the public was notified of an official commencement of benefits payment for all work related incidences that occurred from 1 July 2016.

Immediately after the launch of benefits, the Fund started receiving notifications for claim. By 30 June 2017, the Fund received a total of 777 incident notifications categorized as follows: -

- a) Occupational Accidents - (720)
- b) Occupational Diseases - (21)
- c) Occupational Deaths - (36)

Claims were investigated and valid claims were paid during the period under review.

## **WORKERS COMPENSATION FUND**

### **REPORT OF THE BOARD OF TRUSTEES (CONTINUED)**

#### **22. MAJOR ACHIEVEMENTS DURING THE YEAR**

##### **22.2 Developing a framework for customer satisfaction;**

As at 30 June 2017, the Fund finalized preparation of various policies and guidelines that would guide work procedures and set operational standards for customer satisfaction. These include Member and Claims Administration System - MAC, ICT Policy and Data security among others. Further, the Call Center office was established in January 2017 with two (2) toll free lines. The Call Center office operates for 12 hours a day, for 6 days per week. By 30 June 2017, the call center received 1,874 calls from our customers.

##### **22.3 Increasing of staffing level**

During the period under review, the Fund managed to fill the vacant positions. It should be noted that by 30th June 2016, the Management team had the Director General alone, with few staff borrowed from other institutions. However, by 30th June 2017, most of the directorates, units and departments of the Fund had been filled. The total number of staff therefore increased from 1 to 42 staff.

##### **22.4 Preparing the first five years Corporate Plan from 2017/2018 to 2021/2022**

During the period under review the Fund commenced processes to prepare its first five-year Strategic Plan of the Fund. By 30 June 2017, the Fund had a draft Strategic Plan that was ready for review by the Board. The Strategic Plan will provide future direction of the Fund in implementing aspirations of the Act that established the Fund.

##### **22.5 Acquisition of Plot for the Fund in Dodoma**

During the period under review, the Fund acquired a plot with 3,213 square metres in the country's capital city Dodoma for construction of the Fund's Investment property. Once completed, the offices will be available for renting to private and government establishment hence facilitate smooth relocation to Dodoma.

##### **22.6 Investment in the industrial projects**

During the period under review, the Fund identified industrial projects to invest as part of fulfilling industrialization agenda of the Government. By 30 June 2017, plans were at an advanced stage for the Fund to invest in Grape Processing Factory by cooperating with GEPF Retirement Benefits Fund and Chamwino District Council. The Parties under this project have entered into agreement to establish a Special Purpose Vehicle (SPV) which will carry out all activities.



## WORKERS COMPENSATION FUND

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

#### 23. EVENTS AFTER REPORTING YEAR

There are no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

#### 24. 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 in operation existence for the foreseeable future.

#### 25. STATEMENT OF COMPLIANCE

The Trustees' report has been prepared in compliance with Tanzania Financial Reporting Standard No. 1 (Directors' Report) and constitutes an integral part of the financial statements.

#### 26. AUDITORS

Controller and Auditor General is the statutory auditor of the Fund by virtue of article 143 of the constitution of the United Republic of Tanzania, amplified in Public Audit Act No.11 of 2008. However, in accordance with section 33 of Public Audit Act, PAMAK Associates, were authorized to carry out the audit of the Fund on behalf of the Controller and Auditor General.

BY ORDER OF THE BOARD



Mr. Emanuel B. Humba  
Chairman

22 December 2017

## **WORKERS COMPENSATION FUND**

### **STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2017**

The Workers Compensation Act Cap.263 R.E.2015 requires the Trustees to 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 year and of the operating results of the Fund for the year. The Trustees are also obliged to ensure that the Fund keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.


The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Workers Compensation Act Cap. 263 R.E. 2015 and for such internal controls as Trustees determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

The Trustees accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Workers Compensation Act Cap. 263 R.E. 2015. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

The Trustees certify that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and complete in every respect.

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**

  
\_\_\_\_\_  
Mr. Emanuel B. Humba  
Chairman

\_\_\_\_\_  
22 December 2017

## **WORKERS COMPENSATION FUND**

### **DECLARATION OF THE DIRECTOR RESPONSIBLE FOR FINANCE FOR THE YEAR ENDED 30 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 Directors/Governing Body/Management 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.

I Bezil Ewala being the Director responsible for Finance for Workers Compensation Fund ("the Fund") hereby acknowledge my responsibility of ensuring that financial statements of the Fund for the year ended 30 June 2017 have been prepared in compliance with IFRS and statutory requirements. I thus confirm that the financial statements give a true and fair view position of Workers Compensation Fund as of that date and that they have been prepared based on properly maintained financial records.

Signed by: .....  .....

Bezil Ewala

**Position: Director responsible for Finance**

**NBAA Membership No: ACPA 1512**

**Date: 20 December 2017**

# WORKERS COMPENSATION FUND

## AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Emanuel B. Humba  
Chairman of the Board  
Workers Compensation Fund  
Plot No. 37, GEPF House  
Regent Estate, Bagamoyo Road  
PO Box 79655  
Dar es Salaam.

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR THE YEAR ENDED 30 JUNE 2017

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Workers Compensation Fund as at 30 June 2017 and its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Workers Compensation Act Cap. 263 R.E. 2015.

### *Basis for Opinion*

I have conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with NBAA and International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) ethical requirements, and I have fulfilled our 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 our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of the Director's Report 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

This section of our auditor's report is intended to describe the matters selected from those communicated with those charged with governance that, in our professional judgment, were of most significance in our audit of the financial statements. We have determined that there are no such matters to report.



## WORKERS COMPENSATION FUND

### *Trustees' responsibility for the financial statements*

The Board of Trustees of Workers Compensation Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### *Responsibilities of the Controller and Auditor General*

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA), and such other audit 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 about 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's 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 Fund's internal control.

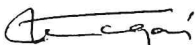
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Furthermore, Sect.48 (3) of the Public Procurement Act No. 7 of 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.

### *Report on other legal and regulatory requirements* *Compliance with Public Procurement Act*

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Workers Compensation Fund has generally complied with the Public Procurement Act No.7 of 2011 and its related Regulations of 2013.

  
Benjamin Mashauri  
Ag.CONTROLLER AND AUDITOR GENERAL

National Audit Office  
DAR ES SALAAM.

29 December 2017






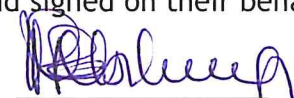
# WORKERS COMPENSATION FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 TZS '000	2016 TZS '000
<b>Revenue</b>			
Contributions	9	77,714,703	68,400,079
Investment income	10	10,425,506	1,599,361
Other income	11	-	2,000
<b>Total revenue</b>		<b>88,140,209</b>	<b>70,001,440</b>
<b>Expenses</b>			
Benefits	12	(1,554,760)	-
Impairment of assets	13	(26,664,543)	-
Administrative expenses	14	(9,497,758)	(3,877,768)
<b>Total expenses</b>		<b>(37,717,061)</b>	<b>(3,877,768)</b>
<b>Surplus before income tax</b>		<b>50,423,148</b>	<b>66,123,672</b>
Income tax expense	15	(3,276,329)	(443,826)
<b>Surplus for the year</b>		<b>47,146,819</b>	<b>65,679,846</b>
<b>Other comprehensive Income</b>			
Tax effect of other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<b>47,146,819</b>	<b>65,679,846</b>

The financial statements on pages 28 to 69 were authorized and approved for issue by the Board of Trustees on 22 December 2017 and signed on their behalf by:

  
Mr. Emanuel B. Humba  
Board Chairman

  
Ms. Radhmina R. Mbilinyi  
Trustee

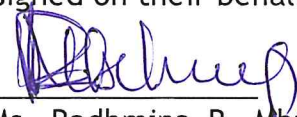
WORKERS COMPENSATION FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	Notes	2017 TZS '000	2016 TZS '000
<b>ASSETS</b>			
<b>Investments</b>			
Fixed deposits	18	13,220,695	27,139,619
Treasury Bonds	19	58,576,008	-
Treasury Bills	20	6,664,727	-
Investment Properties	21	2,622	-
<b>Total Investments</b>		<b>78,464,052</b>	<b>27,139,619</b>
<b>Other Assets</b>			
Deferred tax assets	16	-	1,604
Income tax receivable	17	209,338	-
Property and equipment	22	1,483,254	332,018
Intangible assets	23	8,840	4,569
Advance towards Publicly Quoted shares	24	20,300,000	-
Contributions receivables	25	13,094,755	33,840,689
Prepayments		839,041	539,061
Other receivables	26	192,582	204,302
Cash at bank	27	376,101	4,383,374
		<b>36,503,911</b>	<b>38,967,426</b>
<b>TOTAL ASSETS</b>		<b>114,967,963</b>	<b>66,445,236</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deferred tax liability	16	488,982	-
Income tax payable	17	-	112,140
Other payables and accrued expenses	28	964,866	653,250
Claims Provision	29	687,450	-
		<b>2,141,298</b>	<b>765,390</b>
<b>NET ASSETS</b>		<b>112,826,665</b>	<b>65,679,846</b>
<b>RESERVES</b>			
Accumulated funds		112,826,665	65,679,846
<b>TOTAL RESERVES</b>		<b>112,826,665</b>	<b>65,679,846</b>

The financial statements on pages 28 to 69 were authorized and approved for issue by the Board of Trustees on 22 December 2017 and signed on their behalf by:



Mr. Emanuel B. Humba  
Board Chairman



Ms. Radhmina R. Mbilinyi  
Trustee

WORKERS COMPENSATION FUND

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR/PERIOD ENDED 30 JUNE 2017

Accumulated funds	2017 TZS '000	2016 TZS '000
At start of the year/period	65,679,846	-
Surplus for the year/period	<u>47,146,819</u>	<u>65,679,846</u>
At end of the year/period	<u><u>112,826,665</u></u>	<u><u>65,679,846</u></u>

The financial statements on pages 28 to 69 were authorized and approved for issue by the Board of Trustees on 22 December 2017 and signed on their behalf by:



Mr. Emanuel B. Humba  
Board Chairman



Ms. Radhmina R. Mbilinyi  
Trustee

# WORKERS COMPENSATION FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR/PERIOD ENDED 30 JUNE 2017

	Notes	12 months ended 30 June 2017 TZS'000	16 months ended 30 June 2016 TZS'000
<b>Cash flows from operating activities</b>			
Contributions received		71,796,086	34,559,390
Other income received		-	2,000
Advance from SSRA		-	1,073,184
Repayment of advance from SSRA		(402,000)	(671,154)
Benefit Paid		(359,461)	-
Tax Paid		(3,107,221)	(333,290)
Payments for administrative expenses		<u>(10,178,227)</u>	<u>(4,314,552)</u>
<b>Net cash generated from operating activities</b>		<u><b>57,749,177</b></u>	<u><b>30,315,578</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(1,348,291)	(371,275)
Purchase of intangible assets		(4,909)	(4,836)
Proceeds from investment income		8,062,943	319,386
Investment in Treasury Bonds		(55,024,553)	-
Investment in Treasury Bills		(4,533,904)	-
Advance in acquisition of Listed Equities		(20,300,000)	-
Acquisition of Investment Property		(2,622)	-
Proceeds from fixed deposits		<u>19,632,070</u>	<u>(25,875,479)</u>
<b>Net cash used in investing activities</b>		<u><b>(53,519,266)</b></u>	<u><b>(25,932,204)</b></u>
Increase in cash and cash equivalents		4,229,911	4,383,374
Cash and cash equivalents at start of the year		<u>4,383,374</u>	<u>-</u>
<b>Cash and cash equivalents at end of the year/period</b>	<b>27</b>	<u><u><b>8,613,285</b></u></u>	<u><u><b>4,383,374</b></u></u>



## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1. GENERAL INFORMATION

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act Cap. 263 R.E. 2015. The Fund was established on 1 March 2015 and started its operation on 1 July 2015. It is headquartered in Plot No. 37, GEPI House situated along New Bagamoyo Road, in Dar es Salaam.

The following description of the Fund is a summary only. For detailed and complete information about the Fund, reference should be made to the Trustees Report which is an integral part of these financial statements and the Workers Compensation Act, which can be accessed at [www.wcf.go.tz](http://www.wcf.go.tz).

#### 2. COMPARISON OF ACCOUNTING PERIODS

The previous accounting period of the Fund had 16 months i.e. from its establishment in March 2015 to 30 June 2016. This is its second financial period, which has 12 months from 1 July 2016 to 30 June 2017. Therefore, the amounts presented in the financial statements are not entirely comparable.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies will consistently be applied to the year presented, unless otherwise stated.

##### 3.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the financial statements are disclosed in Note 4.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

##### 3.2 Presentation currency

The financial statements are presented in Tanzania Shillings (TZS), which is the functional currency of the Fund, rounded to the nearest thousand.

## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 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 year beginning 1 July 2016:

Title	Key requirements
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	<p>The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible is inappropriate. This presumption can be overcome only when revenue and consumption of the economic benefits of the intangible asset are "highly correlated" or when intangible asset is expressed as a measure of revenue.</p> <p>The Amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset e.g. changes in sales volume and prices.</p>
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<p>Changes in method for disposal</p> <ul style="list-style-type: none"><li>• If an entity changes the method of disposal of an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of change in method, the entity measures the carrying amount of that asset (or disposal group) and recognises any write down (impairment loss) or subsequent increase in the fair value less costs to sell/distribution of the asset (or disposal group), and</li><li>• If an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.</li></ul>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 3.3 Changes in accounting policy and disclosures (Continued)

## (i) New and amended standards adopted by the Fund (Continued)

Title	Key requirements
IFRS 7 <i>Financial instruments: Disclosures</i>	“continuing involvement” for servicing contracts IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in case where they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance in the transferred asset e.g. if the servicing fee is dependent on the amount or timing of cash flows collected from the transferred financial assets. The collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement’.

The adoption of these amendments did not have any impact on the current year or any prior period and is not likely to affect future years. As these amendments merely clarify the existing requirements, they do not affect the Fund’s accounting policies or any of the disclosures.

## (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017 and have not been early adopted by the Fund. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following Standards and Interpretations that are applicable to the business of the Fund and may have an impact on future financial statements:

Title	Description	Effective date
IFRS 7	<i>Disclosure initiative</i> IAS 7: Statement of Cash Flows The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Fund will likely include a new disclosure explaining the movement in the cash flows from financing activities between the current reporting period and the comparative period. The Fund do not anticipate a material impact on the financial statements from this amendment.	Annual periods beginning on or after 1 January 2017

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Changes in accounting policy and disclosures (Continued)

##### (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IAS 12	<p><i>Recognition of deferred tax assets for unrealised losses</i></p> <p>IAS 12: Income Taxes</p> <p>The amendments provide additional guidance on the existence of deductible temporary differences which:</p> <ul style="list-style-type: none"> <li>• depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period; and</li> <li>• is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.</li> </ul> <p>The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.</p>	Annual periods beginning on or after 1 January 2017
IAS 12	<p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p> <p>The Trustees do not anticipate that adoption will result into material impact on the financial statements.</p>	Annual periods beginning on or after 1 January 2017
IFRS 9	<p>Financial Instruments</p> <p>IFRS 9 (as revised in 2014) will supersede IAS 39 <i>Financial Instruments: Recognition and Measurement</i> upon its effective date.</p> <p>IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurements of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.</p>	Annual periods beginning on or after 1 January 2018



## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 Changes in accounting policy and disclosures (Continued)

- (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IFRS 9 (Continued)	<p><b>Classification:</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</p> <p><b>Impairment.</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.</p> <p><b>Derecognition.</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</p> <p>The Fund is in the process of evaluating the potential effect of this standard. The impact of IFRS 9 is not reasonably estimable at the reporting date.</p>	

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Changes in accounting policy and disclosures (Continued)

##### (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IFRS 15	<p><i>Revenue from Contracts with Customers</i></p> <p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, and SIC-31 Revenue - Barter of Transactions Involving Advertising Services.</p> <p>This standard contains a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> <li>• Identify the contract with the customer</li> <li>• Identify the performance obligations in the contract</li> <li>• Determine the transaction price</li> <li>• Allocate the transaction price to the performance obligations in the contracts</li> <li>• Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul> <p>Guidance is provided on topics such as accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p> <p>The requirements of IFRS 15 are not expected to have a material impact on revenue.</p>	Annual periods beginning on or after 1 January 2018
IAS 40	<p><i>Transfer of investment property</i></p> <p>IAS 40: Investment Property</p> <p>The amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.</p> <p>It is not expected that this amendment will have a material impact on the financial statement.</p>	Annual periods beginning on or after 1 January 2018.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 3.3 Changes in accounting policy and disclosures (Continued)

## (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IFRIC 22	<p><i>Foreign Currency Transactions and Advance Considerations</i></p> <p>When foreign currency consideration is paid or received in advance of the item it relates to - which may be an asset, an expense or income - IAS 21 (The Effects of Changes in Foreign Exchange Rates) is not clear on how to determine the transaction date for translating the related item.</p> <p>This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.</p> <p>The Fund does not expect a significant impact on foreign currency transactions as a result of IFRIC 22 due to low level of foreign transactions.</p>	<p>Annual reporting periods beginning on or after 1 January 2018</p>
IFRIC 23	<p><i>Uncertainty over Income Tax Treatments</i></p> <p>This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements.</p> <p>IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:</p> <ul style="list-style-type: none"> <li>• judgements made;</li> <li>• assumptions and other estimates used; and</li> <li>• the potential impact of uncertainties that are not reflected.</li> </ul> <p>The Fund does not expect IFRIC 23 to have a significant impact on the Annual Financial Statements.</p>	<p>Annual periods beginning on or after 1 January 2019</p>

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Changes in accounting policy and disclosures (Continued)

- (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IFRS 10 and IAS 28	<p><i>Sale or contribution of assets between an investor and its associate or joint venture</i></p> <p>IFRS 10: Consolidated Financial Statements IAS 28: Investments in Associates and Joint Ventures</p> <p>The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.</p> <p>This amendment is not expected to have an impact on the Fund.</p>	Annual periods beginning on or after 1 January 2019
IFRS 16	<p><i>Leases</i></p> <p>IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract - the customer or lessee and the supplier or lessor.</p> <p>IFRS 16 replaces the previous leases standard, IAS 17: Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.</p> <p>The new requirements of IFRS 16 are expected to result in an increase in leased assets and financial liabilities and a significant impact to the extent of the operating leases commitments would need to be disclosed in the financial statements.</p>	Annual periods beginning on or after 1 January 2019



## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 Changes in accounting policy and disclosures (Continued)

- (ii) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted (Continued)

Title	Description	Effective date
IFRS 17	IFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	1 January 2021

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 years and on foreseeable future transactions.

##### 3.3 Accrual for contributions where assessments not raised

Where assessments for contributions for a given month have not been raised, the Fund makes an estimate by the assessments revenue due from employers. The estimate is based on the most recent assessment recognised in the previous months. Employers who have not made any contribution to the Fund are not included in the estimate.

##### 3.4 Revenue recognition

Revenue is recognised in the statement of financial performance on the accrual basis of accounting, at fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is made.

## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.4 Revenue recognition (Continued)

###### a) Contributions

Employees' contributions are remitted by employers and are accounted for in the year in which they fall due. The contributions are accounted for on accrual basis.

###### b) Interest income

Investment income comprises interest income on funds invested. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### 3.5 Claims incurred

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Claims and loss adjustment expenses are charged to surplus or deficit as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are calculated based on an estimated average cost per claim for each underwriting year. The incurred but not reported claims ("IBNR") are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims register.

##### 3.6 Provision for outstanding claims

Liabilities for unpaid claims are calculated based on a trend of annual claim payments. The trend is achieved by grouping claims paid in each of the previous financial years according to the year of the accident or diagnosis of the disease and the number of years until a payment is made. The Fund makes an allowance for short-term factors and future claims inflations to project the likely incidence of future claim payments. Furthermore, a 'tail factor' is applied to the results to reflect the fact that the claims data contains claim payments in respect of accidents that occurred ten or more years ago. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims registered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property of the Fund comprises leasehold land. Investment property is initially measured at cost and includes all transaction costs.

Subsequent to initial recognition, investment properties is measured at fair value and changes in fair value is recognised in profit or loss.

Transfers are made to or from investment property when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Fund accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.8 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to surplus or deficit during the year in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of asset to their residual values over their estimated useful lives, as follows:

Asset Category	Percentage
Buildings	2%
Furniture fixture and fittings	20%
Office equipment	20%
Computer hardware	20%
Motor vehicles	20%

The estimated assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus/deficit.

3.9 Intangible assets

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the Statement of financial performance in the expense category consistent with the function of the intangible assets.

The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. These costs are amortised over their useful lives. The annual rate used is 10% per annum.

3.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Payments made by the Fund under operating lease arrangements are recognised as an operating expense in the comprehensive income on a straight line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of not more than three months.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balance. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**3.12 Employees' benefits**

Employees' benefits include short-term benefits (for example, wages and salaries, annual leave), post-employment benefits such as retirement benefits and termination benefits.

**a) Employees Contribution plan**

The Fund makes fixed contributions to PSPF, NSSF, GEPP, PPF and LAPF for its employees on a mandatory basis. The Fund does not have any legal or constructive obligation to pay further contribution to the defined benefit plans or any of the mandatory plans if the plans do not hold sufficient assets to pay benefits relating to employee service in the current and prior year. The contributions are recognised as employee benefit expense when they are due.

**b) Terminal benefits**

Terminal benefits are payable when employment is terminated by the Fund before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Fund recognizes terminal benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to their present value.

**c) Short-term employees' benefits**

Short-term employees' benefit obligations such as wages, salaries and other allowances are recognised in the year in which the benefit is earned by the employee and are measured on an undiscounted basis and are expensed as the related service is provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**3.13 Provisions**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued as at the end of the reporting year.

**3.14 Taxation**

***Current income tax***

Income tax expense is the aggregate of the charge to comprehensive income in respect to current and deferred income tax. Current income tax is the amount of tax payable on the taxable surplus for the year determined in accordance with the Tanzanian Income tax Act, 2004. Tax is recognised in comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year.

The Trustees periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences incurred by Fund.

Deferred tax assets are recognised only to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxation (Continued)

Deferred tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through surplus and deficit, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets designated as loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Fund has no financial assets and liabilities designated as available for sale. Payables and accrued liabilities and annuity fund payable are designated as other financial liabilities.

a) Financial assets

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and held to maturity investments. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

i. *Financial Assets at Fair Value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (assets held for trading) or if so designated by the Trustees. Derivatives are also categorized as held for trading unless they are designated as hedging instruments. The Fund classifies trading equity investment as financial assets at fair value.

## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.15 Financial instruments (Continued)

###### a) Financial assets (Continued)

###### *ii. Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Fund provides money or services directly to a debtor with no intention of trading the receivable. All loans and receivables held by the Fund fall under this category.

###### *iii. Held-to-Maturity*

Held-to-Maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that the Fund has a positive intention and ability to hold to maturity. The Fund classifies its investments in fixed income assets as held-to-maturity i.e. investments in government securities and placement with banks.

##### ***Recognition and Measurement of Financial Assets***

Purchase and sale of investments are recognized on trade date on which the Fund commits to purchase or sale the asset. Loans and receivables are recognized on the day the funds are advanced or when an invoice is raised. Financial assets are initially recognized at fair value or at cost plus transaction costs for all financial assets not carried at fair value. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and the Fund has subsequently transferred all risks and rewards of ownership.

At subsequent reporting date different classes of financial assets are measured as follows:

###### *i. Loans and Receivables*

Loans and receivables are measured at amortized cost using the effective interest rate method. Receivables which do not carry interest rate are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables.

###### *ii. Held-to-Maturity Financial Instruments*

Held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (Continued)

a) Financial assets (Continued)

ii. *Held-to-Maturity Financial Instruments (Continued)*

***Recognition and Measurement of Financial Assets (Continued)***

Investments for which fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

***Impairment of Financial Assets***

The Fund assesses at each reporting date whether there is objective evidence that a financial assets or a group of financial assets is impaired. An impairment loss is recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired. Impairment loss on financial assets other than equity securities classified as available for-sale is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that, in case of held-to-maturity investments, the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

b) Financial liabilities

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and, in the case of payables, net of directly attributable transaction costs. The Fund's financial liabilities include accruals and other payables

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (Continued)

b) Financial liabilities (Continued)

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Fund has not designated any financial liability as at fair value through profit or loss.

*De-recognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.16 Accounts payables

Accounts payables are not interest bearing and are stated at their nominal value.

3.17 Comparatives

The financial statements under review cover a short period of twelve (12) months because, last year's financials covered the period of sixteen (16) months from the commencement of the Fund's operation on 1 March 2015 to 30 June 2016. Therefore, figures in the financial statements are not comparable due to unequal periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the process of applying the Fund's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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. These are dealt with below:

**Impairment losses on financial assets**

At the end of each reporting year, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

**Income tax**

Significant judgment is required in determining the Fund's overall income tax provision or estimated future recovery of deferred income tax asset. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Fund recognise liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the years in which the determination is made.

**Property and equipment**

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the board of trustees determined no significant changes in the useful lives and residual values.

**Contribution receivables**

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed during from 1 July 2015 to 30 June 2017 and that the estimate amount was based on the latest contribution which was made by the employer. The estimates are likely to be affected by the unreported changes of the number of employees and gross salaries over a period of time. The increment in the time lag from the latest contribution to the reporting date increases the risk of misstatement of the estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (CONTINUED)**

**Claims Incurred But Not Reported ("IBNR")**

During the current year the Management started to make estimates of the claims which occurred but were not reported to the Fund by the employers. These are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims register.

**5. ACTUARIAL PRESENT VALUE OF THE FUND**

Section 86 of Workers Compensation Act Cap. 263 R.E. 2015 requires that all assets of the Fund from time to time as the Board may consider necessary, but in any event at the interval of not more than three years, be valued by an actuary appointed by the Board to determine the sufficiency of the Fund. The Fund started its operations on 1 July 2015. The Fund has started paying benefit with effect from 1 July 2016. The Fund expects carry out its first actuarial valuation before end of the financial year 2017/18.

**6. FINANCIAL RISK MANAGEMENT**

The Fund is exposed to a variety of financial risks, which arise out of a variety of its activities.

The Fund's risk management policies are designed to identify and analyse 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 Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of its governance structure the Board of Trustees has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigation of the Fund's risks. The policies are integrated in the overall management information system of the Fund and supplemented by a management reporting structure.

The financial risks to which the Fund is exposed to include credit risk, liquidity risk and market risk.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 6.1 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. Credit risk is managed by the finance department of the Fund. Credit risk arises principally from fixed deposits and contributions receivable. The biggest receivable is from the Government of the republic of Tanzania for contributions on behalf of all the public sector employees. Other than this, there are no significant concentrations of credit risk.

**Management of credit risk**

To minimize credit risk the Fund adheres to the limits set by the regulator on different categories of investments and also on the exposure limits set for each bank where it makes placements of funds. The limits are in line with the Social Security Schemes Investment Guidelines, 2015 issued by the Bank of Tanzania. Current accounts are also held with the approved banks. For the contributions receivable, the set period for receipt are 30 days after the month end which is set by the regulations. Follow ups are done when the contributions are not received in time as these are monitored on a monthly basis.

The following table shows Investment Categories and Limits as prescribed in "The Social Security Schemes Investment Guidelines, 2015":

Investment Category	Investment limit as a percentage of Total Assets
Government Securities (Treasury Bills, Treasury Bonds.)	20-70
Direct Loans to the Government	10
Commercial Paper, Promissory Notes and Corporate Bonds	20
Real Estate	30
of which Non-Income Earning Property	5
Ordinary and Preference Shares	30
of which Unquoted Equity	5
Infrastructure Investments	25
Fixed Deposits, Time Deposits and Certificates of Deposits with Licensed Banks and Financial Institutions*	35
Investment in Licensed Collective Investment Schemes	30
Loans to Corporate and Cooperative Societies	10

\*Exposure in fixed deposits, savings and current account balances with any single bank or financial institution shall not exceed twenty per cent of the total fixed deposits, savings and current account balances of the scheme with all banks and financial institutions.

The table below represents the worst-case scenario of credit exposure, taking into account that there is no any collateral held.

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 6.1 Credit risk (Continued)

##### Management of credit risk (Continued)

	30 June 2017	30 June 2016
Maximum exposure to credit risk		
Financial assets	TZS '000	TZS '000
Fixed deposits	13,220,695	27,139,619
Treasury Bonds	58,576,008	-
Treasury Bills	6,664,727	-
Contributions receivables	13,094,755	33,840,689
Advance towards Publicly Quoted Shares	20,300,000	743,363
Other Receivables	192,582	-
Cash at Bank	376,101	4,383,374
Total	<u>112,424,868</u>	<u>65,567,984</u>

##### Credit quality of financial assets as at 30 June 2017

	Current	Past due	Impaired	Total
Financial assets	TZS '000	TZS'000	TZS '000	TZS '000
Fixed deposits	13,220,695	-	-	13,220,695
Treasury Bonds	58,576,008	-	-	58,576,008
Treasury Bills	6,664,727	-	-	6,664,727
Contributions receivables	13,094,755	-	26,597,589	39,692,344
Advance towards Publicly Quoted Shares	20,300,000	-	-	20,300,000
Other receivables	192,582	-	-	192,582
Cash at Bank	376,101	-	-	376,101
Total	<u>112,424,868</u>	<u>-</u>	<u>26,597,589</u>	<u>139,022,457</u>

##### Credit quality of financial assets as at 30 June 2016

	Current	Past due	Impaired	Total
Financial assets	TZS '000	TZS'000	TZS '000	TZS '000
Fixed deposits	27,139,619	-	-	27,139,619
Treasury Bonds	-	-	-	-
Treasury Bills	-	-	-	-
Contributions receivables	33,840,689	-	-	33,840,689
Other receivables	204,302	-	-	204,302
Cash and cash equivalents	4,383,374	-	-	4,383,374
Total	<u>65,567,984</u>	<u>-</u>	<u>-</u>	<u>65,567,984</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

## 6.1 Credit risk (Continued)

## Management of credit risk (Continued)

Out of the amounts that are past due, TZS 26.60 billion is due from the government of the United Republic of Tanzania and relates to outstanding contribution for all public service employees, whose payroll is processed by the Treasury, for the 12 months to 30 June 2016. The Fund has fully provided for the same but continues to engage the government to settle the amounts outstanding and do not consider the receivable to be impaired due to the credit quality of the debtor. The other amounts that were past due as at 30 June 2017 have subsequently been received.

## 6.2 Liquidity risk

Liquidity risk is the risk of failing to meet obligations when they fall due. The Fund manage 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 expenses. The sources of funds include monthly contributions from its contributing members companies and organizations. Other sources are penalty income and investment income.

The table below analyses the Fund's financial liabilities as at the end of reporting year that will be settled on a cash basis. The amounts disclosed in the table below are the undiscounted cash flows. Balances due equal their carrying balances, as the impact of discounting is not significant.

Financial liabilities	Less than 1 month	Between 1-3 months	Between 3-12 months	Over 12 months	Total
	TZS '000	TZS '000	TZS'000	TZS'000	TZS'000
<b>30 June 2017</b>					
Other payables and accrued expenses	<u>2,141,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,141,298</u>
<b>30 June 2016</b>					
Other payables and accrued expenses	<u>765,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,390</u>

## 6.2 Market risk

Market risk is the risk of changes in value of net assets of the Fund as a result of adverse price movement for investments and financial assets and liabilities held by the Fund.

Market risk has been subdivided into interest rate risk, foreign exchange risk and price risk.

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 6.3 Market risk (Continued)

##### 6.3.1 Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund invests in short term instruments when interest rates are considered to be low temporarily.

The Fund's interest rate financial instruments are government securities and deposits with financial institutions. All the financial instruments are at fixed rate and hence no exposure on the move in interest rates.

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2017:

	Carrying amount TZS '000	Interest bearing TZS '000	Non-interest bearing TZS '000
<b>Financial assets</b>			
Fixed deposits	13,220,695	13,220,694	-
Treasury Bonds	58,576,008	58,576,008	-
Treasury Bills	6,664,727	6,664,727	-
Contributions receivables	13,094,755	-	13,094,755
Advance towards Publicly Quoted Shares	20,300,000	-	20,300,000
Other receivables	192,582	-	192,582
Cash at bank	376,101	376,101	-
<b>Total financial assets</b>	<b>112,424,868</b>	<b>78,837,530</b>	<b>33,587,337</b>
<b>Financial liabilities</b>			
Other payables and accruals	2,141,298	-	2,141,298
<b>Total financial liabilities</b>	<b>2,141,298</b>	<b>-</b>	<b>2,141,298</b>
<b>Net interest sensitivity gap</b>	<b>110,283,570</b>	<b>78,837,530</b>	<b>31,446,039</b>

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2016:

	Carrying amount TZS '000	Interest bearing TZS '000	Non-interest bearing TZS '000
<b>Financial assets</b>			
Fixed deposits	27,139,619	27,139,619	-
Contributions receivables	33,840,689	-	33,840,689
Other receivables	204,302	-	204,302
Cash and cash equivalents	4,383,374	4,383,374	-
<b>Total financial assets</b>	<b>65,567,984</b>	<b>31,522,993</b>	<b>34,044,991</b>
<b>Financial liabilities</b>			
Other payables and accruals	765,390	-	765,390
<b>Total financial liabilities</b>	<b>765,390</b>	<b>-</b>	<b>765,390</b>
<b>Net interest sensitivity gap</b>	<b>65,341,655</b>	<b>31,522,993</b>	<b>33,818,662</b>



## WORKERS COMPENSATION FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 6.3 Market risk (Continued)

##### 6.3.1 Foreign exchange risk management

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 there are no assets or liabilities denominated in forex and hence there is no risk caused by forex changes and the Fund's currency risk is ranked as low.

##### 6.3.2 Price risk management

Price risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

None of the financial instruments held by the Fund is exposed to price risk.

#### 7. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2017

	Loans and receivables TZS'000	Held to Maturity TZS'000	At FV through P&L TZS'000	Available for Sale TZS'000	Total TZS'000
<b>Financial assets</b>					
Fixed deposits	-	13,220,695	-	-	13,220,695
Treasury Bonds	-	58,576,008	-	-	58,576,008
Treasury Bills	-	6,664,727	-	-	6,664,727
Contributions receivables	13,094,755	-	-	-	13,094,755
Advance towards Publicly Quoted Shares	20,299,998	-	-	-	20,299,998
Other receivables	192,582	-	-	-	192,582
Cash at bank	376,101	-	-	-	376,101
<b>Total</b>	<b>33,963,436</b>	<b>78,461,430</b>	<b>-</b>	<b>-</b>	<b>112,424,866</b>
<b>Financial liabilities</b>					<b>Amortised cost</b>
Claims					687,450
Other payables and accruals					964,866
<b>Total</b>					<b>1,652,316</b>

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 30 June 2016

	Loans and receivables	Held to Maturity	At FV Available through for Sale P&L	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Financial assets</b>				
Fixed deposits	-	27,139,619		27,139,619
Contributions		-		33,840,689
receivables	33,840,689			
Other		-		204,302
receivables	204,302			
Cash and cash		-		4,383,374
equivalents	4,383,374			
<b>Total</b>	<b>38,424,365</b>	<b>27,139,619</b>		<b>65,567,984</b>
<b>Financial liabilities</b>				<b>Amortised cost</b>
Other payables	765,390	-	-	765,390
and accruals				
<b>Total</b>	<b>765,390</b>	<b>-</b>	<b>-</b>	<b>765,390</b>

### 8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy as at 30 June 2017. There were no any financial instruments at fair value as at 30 June 2017.

The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

30 June 2017	Note	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total TZS '000
Fair value through profit or loss:					
Treasury bonds	19	-	58,576,008	-	58,576,008
Treasury bills	20	-	6,664,727	-	6,664,727
Investment property	21			2,622	2,622
		-	65,240,735	2,622	65,243,377

The Fund's investment property at 30 June 2017 relates to the purchases price of land in Dodoma Municipality.

### 9. CONTRIBUTIONS

	2017 TZS '000	2016 TZS '000
Private sector contributions	51,388,143	41,735,536
Public sector contributions	26,326,560	26,664,543
	<u>77,714,703</u>	<u>68,400,079</u>

Contributions are charged at the rate of 1.00% and 0.50% for private and public sector employees respectively.

	2017 TZS '000	2016 TZS '000
10. INVESTMENT INCOME		
Interest from fixed deposits	3,507,719	1,517,059
Interest from call account	550,725	82,302
Interest from Treasury Bills	1,002,127	-
Interest from Treasury Bonds	5,364,935	-
	<u>10,425,506</u>	<u>1,599,361</u>

### 11. OTHER INCOME

Miscellaneous income	-	2,000
----------------------	---	-------

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 TZS '000	2016 TZS '000
<b>12. BENEFIT EXPENSES</b>		
Benefit administration costs	253,467	-
Medical aids	231,536	-
Temporary disablement	147,419	-
Permanent disablement	165,085	-
Funeral grants	8,800	-
Dependants/Survivors grant	61,003	-
Claims Provision	687,450	-
	<u>1,554,760</u>	<u>-</u>
<b>13. IMPAIRMENT OF ASSET</b>		
Opening Impairment balance	-	-
Contribution Receivable from Government	26,664,543	-
	<u>26,664,543</u>	<u>-</u>
<b>14. ADMINISTRATIVE EXPENSES</b>		
Staff Costs [Note 14(A)]	3,033,815	392,464
Staff welfare	842,046	376,106
Advertising and promotions	376,772	416,125
Trustees' fees and expenses	570,998	337,078
Training	858,020	227,994
Auditor's remuneration	251,068	158,359
Consulting	584,813	193,581
Stakeholders education and public awareness	1,202,487	843,531
Rent	632,682	403,120
Depreciation and amortisation	197,692	39,524
Other administrative expenses	947,365	489,886
<b>Total</b>	<u>9,497,758</u>	<u>3,877,768</u>
<b>A: STAFF COSTS</b>		
Salaries and allowances	2,806,592	366,421
Contribution to Social Security Institutions	227,223	26,043
	<u>3,033,815</u>	<u>392,464</u>



WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INCOME TAX EXPENSE

	2017 TZS '000	2016 TZS '000
<b>A: Amount recognised in Profit or Loss</b>		
<b>Current tax expense</b>		
Current year	2,785,743	445,430
Changes in estimates relating to previous years	-	-
	<u>2,785,743</u>	<u>445,430</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	399,051	(1,604)
Adjustments relating to previous years	<u>91,535</u>	<u>-</u>
Income tax expense reported in the statement of profit or loss	<u><u>3,276,329</u></u>	<u><u>443,826</u></u>
<b>B: Reconciliation of income tax expense and tax on accounting profit</b>		
Surplus before tax	<u>50,423,148</u>	<u>66,123,672</u>
Tax calculated at rate of 30%	<u>15,126,944</u>	<u>19,837,102</u>
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	2,516,896	1,092,473
Tax effect on disallowed depreciation charge	59,308	22,417
Tax effect on disallowed Benefit expenses	8,887,592	11,858
Tax effect on income not subject to tax	<u>(23,314,411)</u>	<u>(20,520,024)</u>
Income tax expense	<u><u>3,276,329</u></u>	<u><u>443,826</u></u>

16. DEFERRED TAX

Movement in deferred tax assets balances

Balance as at 1 July	1,604	-
Adjustments relating to previous years	(1,604)	-
Increase/(decrease) in deferred tax	<u>-</u>	<u>1,604</u>

Balance as at 30 June	<u>-</u>	<u>1,604</u>
-----------------------	----------	--------------

Movement in deferred tax liability balances

Balance as at 1 July	-	-
Adjustments relating to previous years	89,931	-
Increase/(decrease) in deferred tax	<u>399,051</u>	<u>-</u>

Balance as at 30 June	<u><u>488,982</u></u>	<u><u>-</u></u>
-----------------------	-----------------------	-----------------

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. INCOME TAX RECEIVABLE/(PAYABLE)

	2017 TZS '000	2016 TZS '000
Balance as at 1 July	(112,140)	-
Less: paid during the year/period	3,107,221	333,290
Add: charge during the year	<u>(2,785,743)</u>	<u>(445,430)</u>
	<u>209,338</u>	<u>(112,140)</u>

18. FIXED DEPOSITS

Principal	12,583,641	25,875,479
Interest Receivable	<u>637,054</u>	<u>1,264,140</u>
	<u>13,220,695</u>	<u>27,139,619</u>
<b>Maturity analysis</b>		
Maturing up to 3 months	6,752,538	-
Maturing 3 to 12 months	<u>6,468,157</u>	<u>27,139,619</u>
	<u>13,220,695</u>	<u>27,139,619</u>

19. TREASURY BONDS

2 Years Bonds	11,778,470	-
5 Years Bonds	27,487,075	-
7 Years Bonds	17,288,426	-
Interest Receivable	<u>2,022,037</u>	<u>-</u>
	<u>58,576,008</u>	<u>-</u>
<b>Maturity analysis</b>		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	-	-
Maturing over 12 months	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 TZS '000	2016 TZS '000
<b>20. TREASURY BILLS</b>		
364 Days Treasury Bills	6,018,550	-
Interest Receivable	<u>646,177</u>	<u>-</u>
	<b><u>6,664,727</u></b>	<b><u>-</u></b>
<b>Maturity analysis</b>		
Maturing up to 3 months	1,484,646	-
Maturing 3 to 12 months	5,180,081	-
Maturing over 12 months	<u>-</u>	<u>-</u>
	<b><u>6,664,727</u></b>	<b><u>-</u></b>
<b>21. INVESTMENT PROPERTY</b>		
Land	<u>2,622</u>	<u>-</u>
	<b><u>2,622</u></b>	<b><u>-</u></b>

During the year under review, the Fund bought a piece of land in Dodoma city centre measuring 3200 square metre. It intends to construct an investment building on in the near future.

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. PROPERTY AND EQUIPMENT

	Computers	Office Equipment	Furniture Fixture & Fittings	Motor Vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>					
1 March 2015	-	-	-	-	-
Additions	82,904	95,404	192,967	-	371,325
<b>At 30 June 2016</b>	<b>82,904</b>	<b>95,404</b>	<b>192,967</b>	<b>-</b>	<b>371,325</b>
At 1 July 2016	82,904	95,404	192,967	-	371,325
Additions	308,029	246,543	431,012	362,706	1,348,291
<b>At 30 June 2017</b>	<b>390,933</b>	<b>341,947</b>	<b>623,979</b>	<b>362,706</b>	<b>1,719,566</b>
<b>Accumulated depreciation</b>					
At 1 March 2015	-	-	-	-	-
Charge for the year	10,560	1,476	27,221	-	39,258
<b>At 30 June 2016</b>	<b>10,560</b>	<b>1,476</b>	<b>27,221</b>	<b>-</b>	<b>39,258</b>
At 1 July 2016	10,560	1,476	27,221	-	39,258
Charge for the year	37,680	30,315	66,904	62,155	197,054
<b>At 30 June 2017</b>	<b>48,240</b>	<b>31,791</b>	<b>94,125</b>	<b>62,155</b>	<b>236,311</b>
<b>Net book Value</b>					
At 30 June 2016	72,344	93,928	165,746	-	332,018
At 30 June 2017	342,693	310,156	529,854	300,551	1,483,254



WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 TZS '000	2016 TZS '000
<b>23. INTANGIBLE ASSETS- COMPUTER SOFTWARE</b>		
<b>Cost</b>		
At the beginning of year	4,836	-
Additions	4,909	4,836
At the end of year	<u>9,745</u>	<u>4,836</u>
<b>Amortisation</b>		
At the beginning of year	267	-
Charge for the year	638	267
At the end of year	<u>905</u>	<u>267</u>
<b>Net book value at 30 June</b>	<u><u>8,840</u></u>	<u><u>4,569</u></u>

**24. ADVANCE TOWARDS PUBLICLY QUOTED SHARES**

The Fund made the payment to various brokerage firms below to purchase of IPO of shares of Vodacom Tanzania Plc. The share subscription was on May 2017.

	No. of Shares	Unit price	Total Amount TZS '000
Orbit Securities	5,500,000	850	4,675,000
TIB Rasilimali	10,000,000	850	8,500,000
ZAN Securities	7,382,350	850	6,275,000
Victory Financial Services	1,000,000	850	850,000
			<b>20,300,000</b>

	2017 TZS '000	2016 TZS '000
<b>25. CONTRIBUTION RECEIVABLES</b>		
Private sector contributions (Rate at 1%)	3,777,113	7,176,145
Public sector contributions (Rate at 0.5%)	35,982,186	26,664,544
	<u>39,759,299</u>	<u>33,840,689</u>
Allowance for doubtful receivables	<u>(26,664,544)</u>	<u>-</u>
	<u><u>13,094,755</u></u>	<u><u>33,840,689</u></u>

The Fund has recognised an allowance for doubtful debts of 100% against a receivable from the Ministry of Finance relating to accrued contributions for Government employees from July 2015 to 30 June 2016. Allowances for doubtful debts are recognised against contribution receivables.

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. CONTRIBUTION RECEIVABLES (CONTINUED)

Contribution receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Fund has not recognised an allowance for doubtful debts because are still considered recoverable.

	2017 TZS '000	2016 TZS '000
<u>Age of receivables that are past due but not impaired</u>		
60-180 days	-	-
121-300 days	-	-
301-360days	-	-
361 days and above	-	-
	<u>-</u>	<u>-</u>

#### Movement in the allowance for doubtful debts

Balance at beginning of the year/period	-	-
Impairment losses recognised on receivables	<u>26,664,544</u>	<u>-</u>
		-
Amounts written off during the year as uncollectible	<u>-</u>	<u>-</u>
	<u>26,664,544</u>	<u>-</u>

The impairment recognised represents the difference between the carrying amount of these contribution receivables and the present value of the expected cash flows. The Fund does not hold any collateral over these balances.

	2017 TZS '000	2016 TZS '000
<b>26. OTHER RECEIVABLES</b>		
Imprests	178,658	190,378
Rent security deposit	<u>13,924</u>	<u>13,924</u>
	<u>192,582</u>	<u>204,302</u>

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CASH AT BANK

	2017 TZS '000	2016 TZS '000
Cash at bank		
NMB Bank Plc. - current account	-	978,442
NMB Bank Plc. - call account	424	527,631
CRDB Bank - current account	-	1,830,670
CRDB Bank - call account	<u>1,838,208</u>	<u>1,046,631</u>
Balance as at 30 June	<u>1,838,632</u>	<u>4,383,374</u>
Overdrawn bank balances		
NMB Bank Plc. - current account	(242,358)	-
CRDB Bank - current account	<u>(1,220,173)</u>	<u>-</u>
Balance as at 30 June	<u>(1,462,531)</u>	<u>-</u>
Total net cash balance	<u>376,101</u>	<u>4,383,374</u>

For the purpose of statement of cash flows, the year-end cash and cash equivalents comprise the following:

Treasury Bills maturing within 3 months (Note 18)	1,484,646	-
Fixed deposits maturing within 3 months (Note 18)	6,752,538	-
Cash at bank	1,838,632	-
Overdrawn bank balance	<u>(1,462,531)</u>	<u>-</u>
	<u>8,613,285</u>	<u>-</u>

28. OTHER PAYABLES AND ACCRUED EXPENSES

Advance from SSRA	9,023	402,030
Stale cheques	11,057	5,192
Accrued Benefit expenses	507,849	-
Accrued administrative expenses	411,857	246,028
Retention	<u>25,080</u>	<u>-</u>
	<u>964,866</u>	<u>653,250</u>

WORKERS COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2017 TZS '000	2016 TZS '000
<b>29. PROVISION FOR OUTSTANDING CLAIMS</b>		
Opening Balance	-	-
Increase (Decrease) in Provision during the year	687,450	-
	<u>687,450</u>	<u>-</u>

**Actuarial Assumptions**

- Projection were made based on the total projected numbers of claims incidents of financial 2016/17.
- The number of possible claims incurred but not reported was established by taking into consideration the claims accept and claims rejected by the Fund as at June 2017.
- A rejection factor of 8.30% was used to determine the number of probable accepted claims arising from the financial 2016/17.
- Claims reserving was done by considering average benefit payments as at June 2017.
- 6% increase was done taking into account increase in medical aid cost.

**30. RELATED PARTY TRANSACTIONS**

**30.1 Parent and ultimate controlling party**

The Government of United Republic of Tanzania is the guarantor of the Fund. The Fund's activities are controlled by the Board of Trustees.

**30.2 Advance from SSRA**

During the year under review, the Fund received funds from SSRA and made repayment as shown below:

	2017 TZS '000	2016 TZS '000
<b>Details</b>		
Balance as at 1 July	402,030	-
Advance during the year	9,023	1,073,184
Repayments	<u>(402,030)</u>	<u>(671,154)</u>
Balance as at 30 June	<u>9,023</u>	<u>402,030</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

## 30.3 Transactions with key management personnel

a) *Key management personnel compensation*

The remuneration of the Trustees and the key management personnel of the Fund are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2017 TZS'000	2016 TZS'000
Senior management - salaries	777,333	267,644
Senior management - contribution to defined benefit schemes	135,267	26,043
Trustee's fees and allowances	144,925	212,417
	<u>1,057,525</u>	<u>506,104</u>

Compensation of the Fund's key management personnel includes salaries and contributions to the post-employment defined benefit plan.

a) *Key management personnel transactions*

During the year under review, there were no transactions between key management personnel and the Fund.

## 31. CONTRACTUAL COMMITMENTS

## Operating leases – Fund as lessee

The Fund has entered into operating leases with GEPF Retirement Benefits Fund for its head office. The lease typically runs for a period of two years with an option to renew after that date.

The rent paid to the landlord is adjusted to market rentals at regular intervals and the Fund does not have an interest in the residual value of the land and building. As a result, it was determined that substantially all of the risks and rewards of the land and building are with the landlord.

During the year under review, the Fund has not entered in any sub-lease arrangements.

# WORKERS COMPENSATION FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31. CONTRACTUAL COMMITMENTS (CONTINUED)

#### Future minimum rental payments

Future minimum rentals payable under non-cancellable operating leases is as follows:

	2017 <u>TZS'000</u>	2016 <u>TZS'000</u>
Less than one year	<u>632,682</u>	<u>625,358</u>
 Amounts recognized in comprehensive income		
Lease expense	632,682	403,120
Contingent rent expense	<u>-</u>	<u>-</u>
	<u>632,682</u>	<u>403,120</u>

### 32. CONTINGENT LIABILITIES

The Fund is not involved currently in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial performance and financial position of the Fund.

### 33. EVENTS SUBSEQUENT TO FINANCIAL YEAR

At the date of signing the financial statements, the Trustees are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the statement of financial performance and financial position of the Fund.