



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF WORKERS COMPENSATION FUND FOR THE YEAR
ENDED 30 JUNE, 2019**

Office of the Controller and Auditor General,
National Audit Office,
4 Audit Road,
P.O. Box 950,
41104 Tambukareli
Dodoma.
Tel: 255 (026) 2321759, Telephone: 255(026)2161200,
Fax: 255(026)2117527,
E-mail: ocag@nao.go.tz,
Website: www.nao.go.tz

March, 2020

AR/WCF/2018/2019



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF WORKERS COMPENSATION FUND FOR THE YEAR
ENDED 30 JUNE, 2019**

Office of the Controller and Auditor General,
National Audit Office,
4 Audit Road,
P.O. Box 950,
41104 Tambukareli
Dodoma.
Tel: 255 (026) 2321759, Telephone: 255(026)2161200,
Fax: 255(026)2117527,
E-mail: ocag@nao.go.tz,
Website: www.nao.go.tz

March, 2020

AR/WCF/2018/2019

GENERAL INFORMATION**Mandate**

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005) and further elaborated under S.10 of the Public Audit Act No.11 of 2008. The Controller and Auditor General is the statutory auditor of all Government revenues and expenditures including the revenues and expenditures of the Workers Compensation Fund (WCF).

Vision, Mission and Core Values***Vision***

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core values

In providing quality services NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objectives and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law;
- ✓ **People focus:** We focus on stakeholders needs by building a culture of good customer and having competent and motivated work force;
- ✓ **Innovation:** We are creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resources utilization:** We are an organization that values and uses public resources entrusted to it in efficient, economic and effective manner.

We do this by: -

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by Workers Compensation Fund (WCF). However, upon receipt of the report by the Speaker and once it is tabled in Parliament, it becomes a public record and its distribution may not be limited.

Contents	Page
Corporate Information	iii
Report of the Board of Trustees	1 - 19
Statement of the Board of Trustees' responsibilities	20
Declaration of the Director Responsible for Finance	21
Report of the Controller and Auditor General	22 - 24
Statement of Financial Position	25
Statement of Comprehensive Income	26
Statement of Changes in Funds	27
Statement of Cash Flows	28
Notes to the Financial Statements	29 - 80

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 th Floor, Shamo Tower Bagamoyo Road, 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 Government City, Mtumba, P.O. Box 2890 Dodoma
ATTORNEY GENERAL OFFICE	The Office of Attorney General of Tanzania, P.O. Box 630 Dodoma.

1.0 REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 30TH JUNE, 2019

1.1 INTRODUCTION

The Trustees are pleased to present their report together with the audited financial statements of Workers Compensation Fund ("the Fund") for the year ended 30th June, 2019 which disclose the state of affairs of the Fund, in accordance with Section 85 of the Workers Compensation Act Cap. 263 R.E. 2015.

1.2 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.

1.3 FUND'S VISION

"A Role Model for Workers Compensation Services in Africa."

1.4 FUND'S MISSION

"To Mitigate Social and Economic Impact of Occupational injuries to Employees, their Families & Employers through the Provision of Adequate, Equitable and Reliable Compensation Benefits"

1.5 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 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

Core Values	Description
	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.

1.6 OBJECTIVES AND FUNCTIONS OF THE FUND

1.6.1 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.

1.6.2 Functions of the Fund

- Registration of all employers in Mainland Tanzania.
- Collection of contributions from employers.
- Investment of surplus funds.
- Payment of compensation to employees.
- Assessment of risk exposure at workplaces and tariffs determination.
- 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.

1.7 BENEFITS OFFERED BY THE FUND

Benefits offered by the Fund are:

1.7.1 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.

1.7.2 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.

1.7.3 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.

1.7.4 Funeral Grants

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

1.7.5 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.

1.7.6 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.

1.7.7 Rehabilitation Services

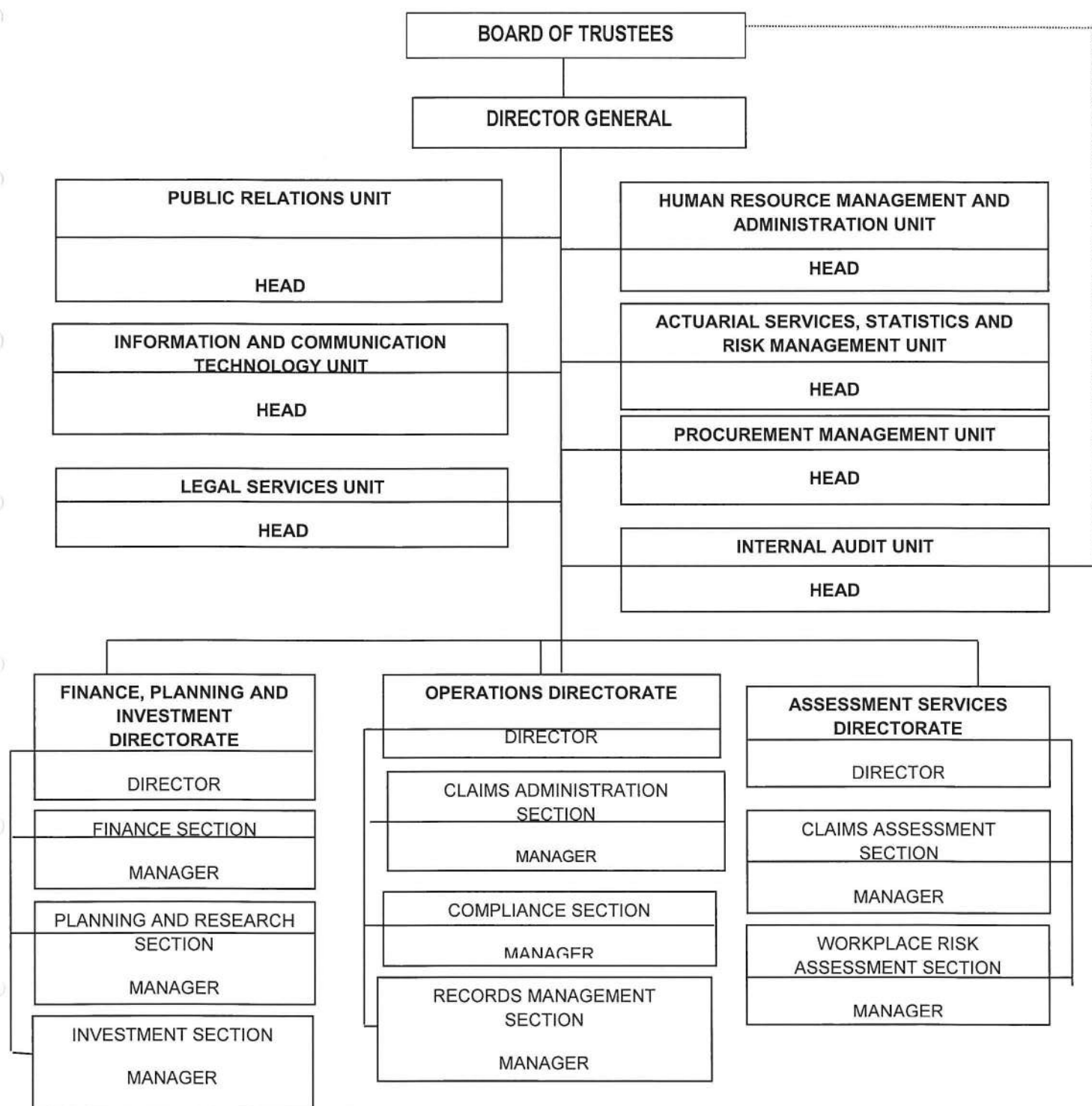
These are services provided to employees who sustain injuries as a result of occupational accidents or diseases with the purpose of restoring their health. The services will be provided to employees to assist them recover and return to work or participate in other economic activities that will earn them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

1.8 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



1.9 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 2019 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.

1.9.1 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.

1.9.2 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.

1.9.3 Board composition

As at the date of this report, the Fund did not have the Board of Trustees. The Board was composed of 14 members whose tenure of three years expired on 21st January 2018.

1.9.4 Board committees

According to the Board Charter, the Board of Trustees has three (3) Board committees as follows:

a) Operations Committee

The Operation Committee is the oversight of 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.

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.

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.

1.9.5 Trustee remuneration

Apart from the Director General, all other trustees of the Fund are non-executive. Trustee fee is the only form of remuneration for services rendered by the Trustees of the Fund. Payment of Trustees' fees was as follows:

Remuneration	2019	2018
	TZS '000	TZS '000
Trustees fees		
Chairperson (1)**	-	5,583
Other trustees (12)**	-	59,850
	-	118,000

**During the period review, there was no trustees' remuneration paid, as there was no Board of Trustees. The Board tenure expired on 21st January 2018.

1.9.6 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.

1.9.7 Management Structure

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) Assessment Services;

There are seven specified units headed by Head of Units 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.

1.9.8 Key Management Personnel

The key management personnel during the year ended 30 June 2019 and up to the date of this report were:

Name	Designation
Mr. Masha J. Mshomba	Director General
Mr. Anselim K. Peter	Director of Operation
Dr. Abdulsalaam A. Omar	Director of Assessment Services
Mr. Bezil P. Ewala	Director of Finance, Planning and Investment
Mrs. Zaina T. Mohammed*	Head of Internal Audit Unit
Mr. James A. Tenga	Head of Actuarial Services, Statistics and Risk Management Unit
Mr. Stephen J. Goyayi	Head of Information, Communication and Technology Unit
Mrs. Laura G. Kunenge	Head of Public Relations Unit
Mr. Abraham P. Siyovelwa	Head of Legal Services Unit
Mr. Teophory A. Mbilinyi	Head of Human Resources Management and Administration Unit
Mrs. Veronica B. Saeni	Head of Procurement Management Unit

*Mrs Zaina T. Mohamed served as Head of Internal Audit Unit up to 15th May 2019

1.10 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 continuity under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

1.10.1 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:

a) 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 and methodology. The Fund adopted ISO 31000 in preparing risk management framework which is 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, framework and plan were approved by the Board.

b) 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 category of risks and their management includes:

(i) Regulatory risk management

Regulatory risk is the risk that the rules or mandate under which the Board operates may be changed by the legislative action or a decision of the Regulator, or 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.

(ii) 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.

(iii) 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.

(iv) 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 employers. Other sources are investment income and other income.

(v) 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.

(c) Reputational risk management

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.

1.11 OVERVIEW OF THE FUND'S PERFORMANCE

1.11.1 Registration of employers

During the year ended 30 June 2019, the Fund registered 5,266 employers in Mainland Tanzania (2018: 6,979), making the total registered members to be 20,102 as at 30 June 2019. Fund's awareness and education programs, conducting payroll inspection, and taking legal action against non-compliant employers, attributed this achievement.

1.11.2 Benefit Payments

During the year under review, the Fund received 2,101 (2018: 1,631) incident notifications regarding occupational accidents, diseases and deaths from different regions. A total of TZS 4.69 billion (2018: 2.85 billion) was incurred to cover for compensation payments for occupational injuries and deaths to employees. This was attributed by the increase of awareness among beneficiaries and employers regarding claim procedures and the improvement in Fund's efficiency in claims processing.

1.11.3 Contributions

During the year under review, the Fund recorded contributions amounting to TZS 108.96 billion (2018: 116.77 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.

1.11.4 Investment income

The Fund managed to invest the amounts, which were the excess of all collections after deducting benefit as well as administrative expenses. During the year under review TZS 25.02 billion (2018: 17.92 billion) revenue was generated from investments. This was a result of Fund's ability to monitor market performance and make the right investment decisions.

1.11.5 Administrative expenses

Administrative expenses during the year amounted to TZS 18.56 billion (2018: 17.90 billion). The main expenses were staff cost; Compliance and registration, advertising and promotion; stakeholders education and public

awareness; and rent. The increase in administrative expenses was due to the increase in volume of Fund's activities and the higher average market prices for the goods and services.

1.11.6 Promoting prevention of occupational accident and diseases

During the year under review, the Fund conducted 27 workplace risk assessments for high-risk registered employers. In addition, 319 OSH audits to the identified high-risk workplaces were conducted. The Fund also conducted training on basic Occupational Safety and Health where 309 employers and 901 employees participated. The Fund also engaged in various programs promoting for prevention of occupational accident and diseases including preparation of risk assessment Guideline, 2019 World Safety and Health Day, Injury prevention program with 7 employers and OSH information exchange with Geita Gold Mine.

1.11.7 Educational and awareness campaigns

During the year under review, the Fund conducted a total of 46 awareness programs. In addition to that, the Fund was able to prepare and publish several adverts to public through various media channels using blogs, mass media, TV and radio stations. The programs mainly focused on sensitising employers concerning registration, compliance and contribution remittance to the Fund.

1.11.8 Strengthening ICT System and Infrastructure

During the year under review, the automation of the Fund's business processes increased to 65%. This level of automation was attributed by installation and operationization of Enterprise Resource Planning (ERP) and MAC enhancement. Most of Human Resources Management and Administration, Procurement, Finance and Claims Administration and Assessment activities are now automated.

1.11.9 Recruitment of Staff and Training Matters

During the year under review, the Fund managed to recruit 16 (2018; 46) new staff. This made the total number of staff to be 103, of which male were 63 and female were 40. Equally important, for enhancing performance, capabilities and eventually service delivery the Fund trained its staff on various subjects including good governance, fraud and forensic accounting, fundamental of social security, health insurance, ISSA and other Regulatory Guidelines, industrial first aid, Enterprise Risk Management and ICT security.

1.11.10 Financial Performance

During the year under review, the Net Assets of the Fund increased to TZS 278.14 billion (2018; 215.29 billion). This was attributed by an increase in investment income as a result of prudent investment decisions.

1.12 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 2017/18, 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.

1.13 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.

1.14 CHALLENGES FOR THE YEAR ENDED**1.14.1 IT systems**

For the year under review, despite the Fund deploying WCF portal which helps employers to register and pay contributions to the Fund without physically visiting Fund's offices, there are some employers who are not utilizing the facility for lack of knowledge and facilities. The Fund will continue to raise awareness on the usage of the system to employers.

1.14.2 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.

1.14.3 Limited Investment opportunities available in the market

The Fund encounters limited Investment opportunities available in the market. Further, during the period under review, interest rates and share prices have been decreasing. Going forward, The Fund will continue to monitor market performance in order to make the right investment decisions.

1.14.4 Lack of awareness as to the right for compensation

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

1.14.5 Non-disclosure of occupational incidents by employers

There are a number of employers who are not reporting occupational incidents to the Fund out fear that they will be penalized or prosecuted. This results to employees losing their right to compensation. The Fund will continue to raise awareness to employers of their statutory obligation to report to the Fund all occupational incidents.

1.15 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprised the Trustees and key management personnel. The Minister responsible 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 35 to the financial statements.

1.16 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 188.61 million (2018: 241.86 million).

1.17 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.

1.18 EMPLOYEE WELFARE

1.18.1 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.

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.

1.18.2 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.

1.18.3 Training

During the year under review, the Fund spent TZS 872.67 million (2018: TZS 900.51 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.

1.18.4 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.

1.18.5 HIV/AIDS

The Fund 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.

1.18.6 Employees benefit plan

The Fund pays contributions to mandatory Pensions Fund in respect of employees' retirement benefits. Currently, the Fund pays pension contributions to the Public Service Social Security Fund. 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.

1.18.7 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 2019 the Fund had 103 employees, out of which 40 (39%) were females and 63 (61%) were males (2018:87 out of which 34 (39%) were female and 53(61%) were male).

1.19 ENVIRONMENTAL ISSUES

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

1.20 FIDUCIARY RESPONSIBILITY

Members of the Board of Trustees as stewards of public trust always acts 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.

1.21 MAJOR ACHIEVEMENTS DURING THE YEAR

During the year under review, the Fund managed to accomplish its objectives as provided in the action plan approved by the Board of Trustees. Some of the major achievements are as highlighted below:

1.21.1 Increasing of staffing level

During the period under review, the Fund managed to fill all the vacant positions in the management. The managerial positions which were filled include the position of Head of Procurement Management Unit, Head of Human Resources Management and Administration Unit and Records Manager.

1.21.2 Actuarial valuation

During the period under review, the Fund managed to conduct the first actuarial valuation which indicated that the Fund is sustainable in the foreseeable future. The actuarial valuation was conducted by the International Labour Organization (ILO).

1.21.3 Increase in benefit payments

The Fund, during the period under review made significant improvement in the payment of compensation benefits were a total of TZS 4.69 billion (2018:2.85 billion) was paid to various beneficiaries. This is a tremendous step in reducing poverty to employees who suffered occupational injuries and lose the ability to earn income.

1.21.4 Enhance Service Delivery

During the period under review, the Fund have made significant improvement in its service delivery systems through the usage of technology, opening of regional offices, expanding the network of medical aid outlets by contract health service providers and health care providers

and train medical practitioners on diagnosis of occupational diseases and conducting assessment services. Further, the Fund has entered into Memorandum of Understanding with similar institution around the world including DGUV of Germany and WCFCB of Zambia for the purposes of sharing experience and expertise in service delivery. All these initiatives have made it easy for employers and employees to access the services offered by the Fund.

1.21.5 Promote occupational safety and health in workplaces

The Fund, during the period under review, continued to promote occupational safety and health on work place. In order to reduce the number of occupational accidents, the Fund is working with OSHA and the Traffic Department of the Police Force. Further, the Fund continued to raise awareness to employers on occupational safety and health. All these initiatives have increase the level of compliance of employers with respect to prevention of occupational accidents.

1.21.6 Improvement of employer database

During the period under review the Fund made significant improvement of employers' database. The total number of employers recorded in the database reached 20,102 employers. This was achieved by sharing information with other institutions such as TRA, BRELA and NSSF.

1.21.7 Investment in the strategical industrial projects

During the year under review, the Fund identified two strategic industrial projects for investment which includes the rehabilitation of Mponde Tea Factory and the construction of a factory for producing medical products using cotton materials to be constructed at Simiyu Region. The Feasibility study of these projects have been completed and funds to implementing the projects have been reserved in the budget. The implementation of the projects is awaiting approvals from relevant authorities. Implementation of these projects are in line with the government vision 2025 to build a middle income country through industrialization.

1.22 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.

1.23 SOLVENCY AND ACTUARIAL VALUATION

The Board of Trustees confirms that International Financial Reporting standards have been adhered 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.

During the financial year the Fund contracted the International Labour Organisation (ILO) to conduct an actuarial valuation of the Fund as at 30 June 2018.

The table below summarises the ILO's report on the actuarial financial position of the Fund:

	TZS Million
Accrued liabilities	
Value of accrued Benefits liabilities of incidents that have occurred as at 30 June 2018	10,813
Assets	
Assets of the Fund as at June 2018	217,783
Actuarial Reserve	
Excess of asset over accrued benefits liabilities as at June 2018	206,970

The next actuarial valuation is due at 30 June 2021.

ACTUARY OPINION

ILO Actuary's' opinion is as follows:

- a) Globally, the data collection process at the Workers Compensation Fund is appropriate and reliable. However, the scheme is new, so limited experience has emerged. Hence, appropriate methods were used to fill the gaps in data (e.g. smoothing techniques and usage of proxy data).
- b) The assumptions used for the report are reasonable and appropriate both in the aggregate and individually, even if they do rely on limited data of the experience of scheme. It is expected that the assumptions will be based on more robust data in future actuarial valuations as more experience will emerge from the scheme;
- c) The methodology employed is appropriate and consistent with accepted actuarial practice; and
- d) WCF is financially sustainable over the projection period if the current contribution rates are maintained or the recommended changes are applied.

The report and the opinions given have been prepared in accordance with the accepted actuarial practice as provided by the *International Standards of Actuarial Practice 2: Financial Analysis of Social Security Programs* of the *International Actuarial Association* to the extent they are applicable to employment injury protection schemes.

1.24 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.

1.25 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. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office
Labour, Youth, Employment and Persons with Disability (PMO-LYED)


.....February, 2020

2.0 STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2019

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. Andrew W. Massawe

Permanent Secretary

Prime Minister's Office

Labour, Youth, Employment and Persons with Disability (PMO-LYED)

26th February 2020

3.0 DECLARATION OF THE DIRECTOR RESPONSIBLE FOR FINANCE FOR THE YEAR ENDED 30 JUNE 2019

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 of Finance, Planning and Investment for Workers Compensation Fund ("the Fund") hereby acknowledge my responsibility of ensuring that financial statements of the Fund for the year ended 30 June 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) 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: 

CPA Bezil P. Ewala

Position: Director responsible for Finance

NBAA Membership No: CPA 1512

 February 2020

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Permanent Secretary,
Prime Minister's Office
Labour, Youth, Employment and Person
with Disability,
Government City, Mtumba,
P.O. Box 2890
Dodoma

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR THE YEAR ENDED 30TH JUNE, 2019**Unqualified Opinion**

I have audited the financial statements of Workers Compensation Fund (the Fund), which comprise the statement of financial position as at 30th June, 2019, and the statement of comprehensive income, statement of changes in Fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Workers Compensation Fund as at 30th June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Trustees' Report and the Declaration by the Director responsible for finance but does not include the financial statements and my audit report thereon.

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there were no key audit matters to communicate in my report.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations

Report on Compliance with the Procurement Legislation

Compliance with the Public Procurement Act, 2011 (as amended in 2016)

In view of my responsibility on the Procurement legislation, and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Workers Compensation Fund (WCF) has generally complied with the requirements of the Public Procurement Act No 9 of 2011 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).


Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania.



2nd March 2020

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

	Notes	2019 TZS '000	2018 TZS '000
ASSETS			
Investments			
Fixed deposits	9	2,788,902	2,284,176
Treasury bonds	10	203,938,835	135,024,546
Corporate bonds	11	2,906,234	2,142,609
Unlisted equity shares	12	286,971	4,403,440
Listed equity shares	13	19,105,880	19,105,880
Dividend receivables	14	47,628	15,213
Investment property	15	2,622	2,622
Total Investments		229,077,072	162,978,486
Other Assets			
Income tax recoverable	16	1,705,741	755,727
Property and equipment	17	2,353,091	2,240,952
Intangible assets	18	124,147	100,916
Contributions receivable	19	48,592,985	57,033,755
Prepayments	20	1,876,758	654,966
Other receivables	21	387,908	361,230
Staff loans	22	3,837,953	2,555,441
Bank balances and cash	23	712,188	625,557
Inventory		62,919	-
		59,653,690	64,328,544
TOTAL ASSETS		288,730,762	227,307,030
LIABILITIES			
Deferred tax liability	24	502,769	150,209
Over drawn cashbook balances	23	5,865,411	8,082,501
Other payables and accrued expenses	25	3,275,142	2,523,905
Claims Provision	26	950,202	1,259,503
		10,593,524	12,016,118
NET ASSETS		278,137,238	215,290,912
ACCUMULATED FUNDS			
Restated/beginning balance		182,181,288	112,826,665
Comprehensive income for the year		95,955,950	102,464,247
TOTAL ACCUMULATED FUNDS		278,137,238	215,290,912

The financial statements were authorized and approved for issue by the Permanent Secretary, PMO-LYED on 26th February 2020 and signed by:



Mr. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office LYED

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2019

		2019	2018
	Notes	TZS '000	TZS '000
Revenue			
Contribution income	27	108,962,736	116,766,256
Investment income	28	25,023,531	17,915,505
Other income	29	82,559	99,644
Total revenue		134,068,826	134,781,405
Expenses			
Benefits	30	(4,687,307)	(2,846,409)
Impairment of financial assets	31	(3,521,804)	(5,809,754)
Investment management expenses		(149,791)	(89,043)
Administrative expenses	32	(18,560,433)	(17,910,994)
Regulator's Levy	33	(291,855)	(296,762)
Fair value change of equity shares	12&13	(4,116,469)	(1,194,118)
Total expenses		(31,327,659)	(28,147,080)
Surplus before income tax		102,741,167	106,634,325
Income tax expense	34	(6,785,217)	(4,170,078)
Surplus for the year		95,955,950	102,464,247
Other Comprehensive Income			
Tax effect of other comprehensive income		-	-
Total Comprehensive Income for the year		95,955,950	102,464,247

The financial statements were authorized and approved for issue by the Permanent Secretary, PMO-LYED on 26th February 2020 and signed by:



Mr. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office LYED

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30TH JUNE, 2019

Accumulated funds	Note	2019 TZS '000	2018 TZS '000
At start of the year		215,290,912	112,826,665
IFRS 9 Day 1 Impact	3.15	(33,109,624)	-
Restated balance at start of the year		<u>182,181,288</u>	<u>112,826,665</u>
Surplus for the year		<u>95,955,950</u>	<u>102,464,247</u>
At end of the year		<u>278,137,238</u>	<u>215,290,912</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		81,366,111	72,919,881
Other income received		82,559	99,644
SSRA Levy paid		(291,855)	(296,762)
Benefit Paid		(3,653,239)	(1,686,657)
Tax Paid		(7,382,672)	(5,055,238)
Payments for administrative expenses		(19,679,257)	(16,789,251)
Net cash generated from operating activities		50,441,647	49,240,603
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(829,690)	(1,319,806)
Purchase of intangible assets		(37,288)	(103,321)
Proceeds from investment income		22,286,329	16,224,649
Investment in Treasury bonds		(66,459,571)	(74,005,491)
Investment in Treasury bills		-	6,018,550
Investment in unlisted equity shares		-	(4,403,440)
Investment in fixed deposits		(700,000)	(3,117,546)
Investment in Corporate bonds		(800,000)	(2,000,000)
Investment in loans		(1,339,421)	(2,555,441)
Net cash used in investing activities		(47,879,641)	(65,261,846)
Increase in cash and cash equivalents		2,562,006	(16,070,229)
Cash and cash equivalents at start of the year		(7,456,944)	8,613,285
Cash and cash equivalents at end of the year	23	(4,894,938)	(7,456,944)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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, GEPF 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.

2. COMPARATIVE PERIOD AND FIGURES

Where necessary, certain comparative figures have been reclassified to conform to the presentational requirements in the current year.

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.

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.

3.3 Accounting policies changes

(i) Changes in accounting policies brought by adoption of new and amended standards

New and amended standards and interpretations The Fund applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the financial year 2017/2018, but do not have an impact on the financial statements. The Fund has not early-adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Fund adopted IFRS 15 and there were no material changes in recognition of contribution income.

IFRS 9 Financial Instruments.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund adopted IFRS 9 prospectively. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30th June, 2018 but are recognised in the opening balance sheet on 1 July 2018.

The change in the classification of financial instruments and detailed components of the financial assets subjected to ECL have disclosed in note 3.15. The nature of these adjustments are described below:

3.3 Accounting policies changes

(i) Changes in accounting policies brought by adoption of new and amended standards

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Fund's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Fund's business model was made as of the date of initial application, 1 July 2018, and was applied prospectively. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Fund. WCF continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Fund's financial assets:

- i. Contribution receivables previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.
- ii. Quoted debt instruments previously classified as Available-for-sale (AFS) financial assets are now classified and measured as Debt instruments at fair value through OCI. WCF expects to hold the assets to collect contractual cash flows and also to sell when the need arises. The Fund's quoted debt instruments are regular government and corporate bonds that passed the Solely-Payments-of-Principal-and-Interest (SPPI) test.
- iii. Equity investments in non-listed entities previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. WCF elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

3.3 Accounting policies changes

(i) Changes in accounting policies brought by adoption of new and amended standards

- iv. Listed equity investments previously classified as AFS financial assets are now classified and measured as Financial assets at fair value through profit or loss.

The Fund did not restate prior period relevant balances as a result of adoption of IFRS 9. The Fund has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for WCF's financial liabilities.

In summary, upon the adoption of IFRS 9 on 1st July, 2018, The Fund had the following required or elected reclassifications:

IAS 39 measurement category	TZS '000	IFRS 9 Measurement Category		
		Fair value through profit or loss	Amortised cost	Fair value through OCI
		TZS '000	TZS '000	TZS '000
Loans and receivables				
Contribution Receivable	31,684,450	-	31,684,450	-
Dividends receivable	15,213	-	15,213	-
Other receivables	361,231	-	361,231	-
Staff loans	2,555,441	-	2,555,441	-
Held to maturity				
Fixed deposits	2,294,590	-	2,294,590	-
Treasury bonds	135,024,546	-	135,024,546	-
Available for sale	-	-	-	-
Fair Value Through Profit or Loss				
Corporate bonds	2,142,609	2,142,609	-	-
Listed equity shares	19,105,880	19,150,880	-	-
Unlisted equity shares	4,403,440	4,403,440	-	-

a) Impairment

The adoption of IFRS 9 has fundamentally changed WCF's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

requires the Fund to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9 on 1 July 2018, WCF recognised additional impairment on the Fund's Contribution receivables and other Debt instruments subsequently measured at amortised costs of TZS 32,635,699,000.00 and TZS 473,925,000.00 respectively, which resulted in a decrease in Retained earnings of TZS 33,109,624,000.00 as at 1st July, 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 30 June 2018	Re- measurement	ECL under IFRS 9 as at 1 July 2018
	TZS '000	TZS '000	TZS '000
Loans and receivables under IAS 39/Financial assets at amortized cost under IFRS 9.	26,664,544	32,635,243	59,300,243
HTM financial asset under IAS 39/Debt instruments at amortized cost under IFRS 9.	5,809,754	473,925	6,283,679

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2019 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	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

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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.

33

Title	Description	Effective date
IFRS 9	Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
	The narrow-scope amendments made to AASB 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.	
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> 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.	Annual periods beginning on or after 1 January 2019.
	IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: <ul style="list-style-type: none"> • judgements made; • assumptions and other estimates used; and • the potential impact of uncertainties that are not reflected. The Fund does not expect IFRIC 23 to have a significant impact on the Annual Financial Statements.	

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

Title	Description	Effective date
2015-2017 Improve ment Cycle	<p><i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i></p> <p>The following improvements were finalised in December 2017: □ IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. □ IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. □ IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. □ IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.</p>	1 January 2019.
IAS 19	<p><i>The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: □ calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change □ any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling □ separately recognise any changes in the asset ceiling through other comprehensive income.</i></p>	1 January 2019.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

IAS 28	<p><i>Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28</i></p> <p>The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.</p>	1 January 2019.
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</p>	Annual periods beginning on or after 1 January 2019.

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.

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.

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.

3.4 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 assessment's 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.

3.5 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.

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.

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.

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.

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 contributes to Public Service Social Security Fund 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.

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.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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.

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

The Fund has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Fund did not early adopt any of IFRS 9 in previous periods.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures on the basis that it is not possible to do so without the use of hindsight. Any adjustments to the carrying amounts of financial assets and liabilities at the date of first adoption were recognised in the opening retained earnings and other reserves of the current period. Below is the table showing effects of first adoption of IFRS 9 on carrying amount for assets that fall under IFRS 9 requirements as at 1 July 2018:

	1 July 2018 (prior to IFRS 9)	1 July 2018 (after IFRS 9)	Effect on Retained earnings on 1 July 2018
	TZS '000	TZS '000	TZS '000
Financial assets			
Treasury bonds	135,024,546	134,793,595	(230,951)
Corporate bonds	2,142,609	2,114,437	(28,172)
Staff Loans	2,555,441	2,519,498	(35,943)
Contributions receivables	48,374,518	15,739,071	(32,635,699)
Bank balances	6,567,550	6,388,691	(178,859)
Total	196,959,254	163,796,555	(33,109,624)

Date of Recognition

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is the date that the Fund commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

a) Financial assets

Classification of financial assets

IFRS 9 '*Financial Instruments*' divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

At initial recognition, the financial asset is classified based on Fund's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

i. Financial Assets at Amortised Cost

A financial asset is measured at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial Assets at Fair Value Through Other Comprehensive Income

The financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii. Financial Assets at Fair Value Through Profit or Loss

The financial assets are classified and measured at fair value through profit or loss if they are not held in one of the two business models mentioned in part (i) and (ii).

Impairment of Financial assets

The impairment of financial assets is based on expected credit losses and the Fund uses the simplified approach and external ratings in determining the impairment of financial assets. A loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The impairment model in IFRS 9 is based on the premise of providing for expected losses. With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

The Standard considers credit risk low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Standard suggests that 'investment grade' rating might be an indicator for a low credit risk.

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The Fund has adopted approach that is consistent with IFRS 9 requirement to assess whether credit risk has increased significantly (provided that An approach can be consistent with the requirements even if it does not include an explicit probability of default occurring as an input. The application guidance provides a list of factors that may assist an entity

in making the assessment. Also, whilst in principle the assessment of whether a loss allowance should be based on lifetime expected credit losses is to be made on an individual basis, some factors or indicators might not be available at an instrument level. In this case, the Fund performed the assessment on appropriate groups or portions of a portfolio of financial instruments.

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that was determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the Fund has considered reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

For applying the model to a loan commitment, the Fund considered the risk of a default occurring under the loan advanced.

In particular, for lifetime expected losses, the Fund estimated the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

The Fund has incorporated reasonable and supportable information (i.e., that which was reasonably available at the reporting date). Information is reasonably available if obtaining it does not involve undue cost or effort (with information available for financial reporting purposes qualifying as such).

In establishing its Impairment Model for financial assets, the Fund based on the following key assumptions, which are consistent with IFRS 9 requirements:

- i. Collateral value is assumed to be the cash recovery rate as determined by external rating agent in most cases Standard & Poor Rating (S & P ratings).
- ii. For investment in Government securities, Effective interest rate (EIR) is assumed to be the nominal/coupon interest rate on the respective financial asset or Bank of Tanzania discounting rate whenever interest rate is unavailable.
- iii. Financial assets categorized as low risk are marked as Stage 1. They consist of all favourable ratings ranging from AAA to B- at initial recognition. On these instruments, only 12 months Expected Credit Loss (ECL) is computed. For the case of loans and advances, ECL model is built on the assumption that loans with number of days past due

between 0 - 30 days are placed in Stage 1 and 12 month Expected Credit Loss (ECL) is computed.

3.16 Financial instruments (Continued)

- iv. Financial assets marked as Stage 2 are characterized as there is a significant increase in credit risk, a lifetime ECL is calculated on it. For the case of external ratings, Stage 2 comprises of all ratings from ratings at initial recognition that has degraded 3 notches from the rating at initial recognition (e.g. rating from AAA to AA+). For the case of loans and advances, ECL model is built on the assumption that loans with number of days past due between 31 - 90 are places in Stage 2 and life time Expected Credit Loss (ECL) is computed. Any breach of these specified limits triggers a migration between stages of IFRS 9, could be upward migration or downward migration.
- v. Loans and other financial assets classified under 90+ days are assumed to be in Stage 3 and lifetime ECL is calculated on it and classified as loss. For the case of external ratings, Stage 3 is comprised with all ratings definition that has migrated from CCC+ to CC.
- vi. Loss given default (LGD) is taken as 100% minus recovery rate established by the rating agent. The management believe the recovery rates established by rating agencies are unbiased and probabilistic weighted averages. If present value (PV) of forced sale value (FSV) is enough to cover the exposure at default (EAD), then LGD is taken to be NIL.
- vii. Probability of default (PD) rates unless for the case of external ratings, are usually based on both the historical trend analysis and macro-economic variables. The historical analysis is required to be conducted for 5 years based on loan past due days of individual customer and macro-economic variables, but considering the situation at hand and unavailable historical information, the ECL model used external credit ratings scores for each counterparty except for instruments measured using simplified approach e.g. contribution receivables.

Probability of default (PD)

In estimating the PD rates (in percentages), unless for the case of external ratings, the model used both quantitative and qualitative indicators. Further the same approach is used in analyzing the significant increases in credit risks of each financial instrument. The analysis of PD rates was supposed to involve historical data for at least 5 to 10 years from 2013 to meet the requirement of Bank of Tanzania as stipulated in the IFRS 9 implementation guidance for instruments with significant financing component. However, WCF operations and its financial instruments do not have significant financing component, therefore, probability of defaults has been computed using external ratings and simplified approach as recommended in paragraph 5.5.15 of IFRS 9.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

PD parameter is normally calculated for each non-defaulted risk group within given risk portfolio. For each risk portfolio separate migration matrix is constructed. The method of PD parameter estimation was supposed to be based on the migrations of outstanding balance within different risk groups over time. However, in the PD model, since WCF does not have default history on its financial instruments, it applied already computed PD rates for each counterparty as computed by ratings agencies.

Therefore, probability of default for instruments that do not have default status e.g. placements with other banks, cash balances, investment in fixed deposits, Bonds and etc. has been developed using credit ratings from external rating agencies like Standard & Poor's (S&P), Moody's, Fitch Group, etc. Since WCF had not conducted risk assessment for its counterparties and establish risk grade for each, to arrive at risk weighted probability of default it has used risk grades from Moods ratings.

The assumed credit ratings for each counterparty or financial assets category is given here under:

S/N	Financial asset type	Assumed risk grade
1	Bank Balances	Bank rate as per Moody ratings
2	Placement with other banks	Bank rate as per Moody ratings
3	Investment in treasury bonds	BOT rate as per Moody ratings
4	Investment in corporate bonds	Government rate as per Moody ratings for government entities
5	Staff loans and advances	Government rate as per Moody ratings
6	Contribution receivables	<p>This has been impaired using IFRS 9 simplified approach, impairment losses have been measured as lifetime expected credit loss. IFRS 9 permits using a few practical expedients and one of them is a provision matrix. Using provisional matrix, impairment loss is calculated based on the default rate percentage applied to the group of financial assets (i.e. Contribution receivables). To arrive at default rate, the ECL Model followed the following steps:</p> <p>Step 1: Analysis of the collection of contribution receivables by the time buckets.</p> <p>Step 2: Calculation of the historical loss rates</p> <p>Step 3: Incorporate forward-looking information.</p> <p>Step 4: Application of the loss rates to the current</p>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

S/N	Financial asset type	Assumed risk grade
		contribution receivables portfolio.

The scores are based on several weighted parameters which indicate the creditworthiness of a counterparty.

Derecognition of financial assets

The basic premise for the derecognition model in IFRS 9 (carried over from IAS 39) is to determine whether the asset under consideration for derecognition is:

1. the rights to receive cash flows from the asset have expired or
2. the Fund has transferred its rights to receive cash flows from the asset to the third party under a pass-through arrangement; and either
 - i. the Fund has transferred substantially all the risks and rewards of the asset, or
 - ii. the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

1. the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
2. the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient),
3. the entity has an obligation to remit those cash flows without material delay.

Once the Fund has determined that the asset has been transferred, it then determines whether it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards

have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Fund has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Fund must assess whether it has relinquished control of the asset or not. If the Fund does not control the asset then derecognition is appropriate; however, if the Fund has retained control of the asset, then the Fund continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

b) Financial liabilities

IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39. The financial liabilities are measured under categories. These include financial liabilities measured at fair value through Profit or Loss (FVTPL) and financial liabilities measured at amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

IFRS 9 contains an option to designate a financial liability as measured at FVTPL if;

- i) doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- ii) the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

IFRS 9 requires gains and losses on financial liabilities designated as at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the

remaining amount presented in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Derecognition of financial liabilities

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

c) Derivatives

All derivatives in scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

The embedded derivative concept that existed in IAS 39 has been included in IFRS 9 to apply only to hosts that are not financial assets within the scope

of the Standard. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed.

d) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

e) Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

3.17 Accounts payables

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

3.18 Comparatives

Where necessary, the comparative figures have been adjusted/reclassified to conform to the presentational requirements in the current year.

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 2019 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.

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.

Measurement of fair values

A number of WCF's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Fund has an established control framework with respect to the measurement of fair values. The directorate of finance and investment has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the audit committee. When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows. - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. 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 1st July, 2016. Actuarial valuation was completed as at 30th June, 2018. The summary disclosure of the present value of long-term liabilities is in note 39.

5. 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.

5.1 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

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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 contribution's 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.

Maximum exposure to credit risk

	30 June 2019 TZS '000	30 June 2018 TZS '000
Financial assets		
Fixed deposits	2,788,902	2,294,590
Treasury bonds	203,938,835	135,024,546
Corporate bonds	2,906,234	2,142,609
Unlisted equity shares	286,971	4,403,440
Listed equity shares	19,105,880	19,105,880
Loans	3,837,953	2,555,441

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

	30 June 2019	30 June 2018
	TZS '000	TZS '000
Financial assets		
Dividend receivables	47,628	15,213
Contributions receivables	48,592,983	31,308,006
Advance towards publicly quoted shares	-	-
Other receivables	387,908	361,231
Cashbook balances*	712,188	-
Total	<u>282,605,482</u>	<u>197,210,956</u>

*The figure includes only cashbook balances at reporting date. The Fund does not disclose the net negative cashbook balance as a financial liability because it is not contractual.

Credit quality of financial assets as at 30 June 2019.

	Current	Past due but not impaired	Impaired	Total
	TZS '000	TZS'000	TZS '000	TZS '000
Financial assets				
Fixed deposits	2,788,902	-	5,847,612	8,636,514
Treasury bonds	203,938,835	-	255,251	204,194,087
Contributions receivables	4,906,581	43,686,402	62,648,852	111,241,835
Other receivables	387,908	-	-	387,908
Corporate bonds	2,906,234	-	38,817	2,945,051
Unlisted equity shares	286,971	-	-	286,971
Listed equity shares	19,105,880	-	-	19,105,880
Staff loans	3,837,953	-	56,909	3,894,862
Dividend receivables	47,628	-	-	47,628
Total	<u>238,206,892</u>	<u>43,686,402</u>	<u>68,847,441</u>	<u>350,740,735</u>

Credit quality of financial assets as at 30 June 2018.

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	TZS '000	TZS'000	TZS '000	TZS '000
Financial assets				
Fixed deposits**	2,294,590	-	5,809,754	8,104,344
Treasury bonds	135,024,546	-	-	135,024,546
Contributions receivables	4,176,080	27,131,926	26,664,544	57,972,550
Other receivables	361,231	-	-	361,231
Corporate bonds	2,142,609	-	-	2,142,609
Unlisted equity shares	4,403,440	-	-	4,403,440
Listed equity shares	19,105,880	-	-	19,105,880
Staff loans	2,555,441	-	-	2,555,441
Dividend receivables	15,213	-	-	15,213
Total	<u>170,079,030</u>	<u>27,131,926</u>	<u>32,474,298</u>	<u>229,685,254</u>

** The impaired fixed deposits relates to TZS 2,511,480,932 and TZS 3,298,272,603 of Covenant Bank for Women (T) Ltd and Bank M Tanzania Ltd

respectively. The two banks are now not operating following Bank of Tanzania revocation of licences.

Out of the amounts impaired, 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 was 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 2019 have subsequently been received.

5.2 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 assets and liabilities as at the end of reporting year. 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.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

June 2019

Financial liabilities	Less than 1 month TZS '000	Between 1-3 months TZS '000	Between 3-12 months TZS'000	Over 12 months TZS'000	Total TZS'000
Fixed deposits	-	-	2,788,902	-	2,788,902
Treasury bonds	-	-	7,175,054	196,763,781	203,938,781
Contributions Receivable	-	48,592,983	-	-	48,592,983
Other receivables	387,908	-	-	-	387,908
Corporate bond	-	145,051	-	2,761,183	2,906,234
Unlisted equity	-	-	-	286,971	286,971
Listed shares	-	-	-	19,105,880	19,105,880
Staff loans	-	371,774	1,115,322	2,350,857	3,837,953
Dividend Receivable	47,628	-	-	-	47,628
Total	435,536	49,109,808	11,079,278	221,268,672	281,893,240
30 June 2019					
Payables	1,025,847	-	-	-	1,025,847
Net liquidity gap	(590,311)	49,109,808	11,079,278	221,268,672	280,867,393

June 2018

Financial liabilities	Less than 1 month TZS '000	Between 1-3 months TZS '000	Between 3-12 months TZS'000	Over 12 months TZS'000	Total TZS'000
Fixed deposits	-	-	8,104,344	-	8,104,344
Treasury bonds	-	-	12,946,374	122,078,172	135,024,546
Contributions receivable	-	57,972,550	-	-	57,972,550
Other receivables	361,231	-	-	-	361,231
Corporate bond	-	-	142,609	2,000,000	2,142,609
Unlisted equity	-	-	-	4,403,440	4,403,440
Listed shares	-	-	-	19,105,880	19,105,880
Staff loans	-	199,071	796,284	1,493,729	2,555,441
Dividend receivable	15,213	-	-	-	15,213
Total	376,444	58,237,978	21,989,611	149,081,221	229,685,254
30 June 2018					
Payables	1,428,798	-	-	-	1,428,798
Net liquidity gap	(1,052,354)	58,237,978	21,989,611	149,081,221	228,256,456

5.3 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.

5.3.1 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.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

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 2019:

	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
Financial assets			
Fixed deposits	2,788,902	2,788,902	-
Treasury bonds	203,938,835	203,938,835	-
Contributions receivables	48,592,983	48,592,983	-
Other receivables	387,908	-	387,908
Corporate bonds	2,906,234	2,906,234	-
Unlisted equity shares	286,971	-	286,971
Listed equity shares	19,105,880	-	19,105,880
Staff Loans	3,837,953	-	3,837,953
Dividend receivables	47,628	-	47,628
Total financial assets	281,893,294	258,226,954	23,666,340
Financial liabilities			
Payables	3,275,142	-	3,275,142
Total financial liabilities	3,275,142	-	3,275,142
Net interest sensitivity gap	278,618,152	258,226,954	20,391,198

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2018:

	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
Financial assets			
Fixed deposits	2,294,590	2,294,590	-
Treasury bonds	135,024,546	135,024,546	-
Contributions receivables	31,308,006	-	31,308,006
Other receivables	361,231	-	361,231
Corporate bonds	2,142,609	2,142,609	-
Unlisted equity shares	4,403,440	-	4,403,440
Listed equity shares	19,105,880	-	19,105,880
Staff loans	2,555,441	-	2,555,441
Dividend receivables	15,213	-	15,213
Total financial assets	197,210,956	139,461,745	57,749,211
Financial liabilities			
Payables	1,428,798	-	1,428,798
Total financial liabilities	1,428,798	-	1,428,798
Net interest sensitivity gap	195,782,158	139,461,745	56,320,413

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

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

forex and hence there is no risk caused by forex changes and the Fund's currency risk is ranked as low.

5.3.2 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.

6. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2019:

	Amortized cost TZS'000	At FV through OCI TZS'000	At FV through P&L TZS'000	Total TZS'000
Financial assets				
Fixed deposits	2,788,902	-		2,788,902
Treasury bonds	203,938,835	-		203,938,835
Corporate bonds	-	-	2,906,234	2,906,234
Unlisted equity shares	-	-	286,971	286,971
Listed shares	-	-	19,105,880	19,105,880
Dividend receivables	47,628	-	-	47,628
Contribution receivables	48,592,983	-	-	48,592,983
Other receivables	387,908	-	-	387,908
Staff loans	3,837,953	-	-	3,837,953
Total	259,594,209	-	22,299,085	281,893,294
Financial liabilities				
Payables	3,275,142	-	-	3,275,142
Total	3,275,142	-	-	3,275,142

As at 30 June 2018

	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
Financial assets					
Fixed deposits	-	2,294,590	-	-	2,294,590
Treasury bonds	-	135,024,546	-	-	135,024,546
Corporate bonds	-	2,142,609			2,142,609
Unlisted equity shares	-	-	4,403,440		4,403,440
Listed equity shares	-	-	19,105,880	-	19,105,880
Dividend receivables	15,213	-	-	-	15,213
Contribution receivables	31,308,006	-	-	-	31,308,006
Other receivables	361,231	-	-	-	361,231
Staff loans	2,555,441	-	-	-	2,555,441
Total	34,239,891	139,461,745	23,509,320	-	197,210,956
Financial liabilities					

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

					TZS'000
Payables	-	-	-	-	2,594,442
Total	-	-	-	-	2,594,442

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) 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
- iii) 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).

30 June 2019.

			Fair values		Carrying amount
	Note	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	TZS '000
Financial assets measured at fair values.					
Corporate bonds	22	2,906,234	-	-	2,906,234
Listed equity shares	24	19,105,880	-	-	19,105,880
Unlisted equity			286,971	-	286,971
Financial assets for which fair values are disclosed.					
Dividend receivables				47,628	47,628
Contribution receivables				48,592,983	48,592,983
Staff loans				3,894,862	3,894,862
		22,012	286,971	52,535,473	74,834,558

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

		,114			
Financial liabilities measured at fair value		-	-	-	-
Financial liabilities for which fair values are disclosed					
Payables	25	-	-	2,594,442	2,594,442
				2,594,442	2,594,442

The Overdrawn cashbook balances, accruals and provision are not financial liabilities because are not contractual, hence not included.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

8. 30 June 2018

		Fair values						Carrying amount
	Note	Level 1		Level 2		Level 3		
		TZS '000		TZS '000		TZS '000		TZS '000
Financial assets measured at fair values.								
Corporate bonds	22	2,142,609		-		-		2,142,609
Listed equity shares	24	19,105,880		-		-		19,105,880
Advance towards unlisted equity shares		-		-		4,403,440		4,403,440
Financial assets for which fair values are disclosed.								
Dividend receivables		-		-		15,213		15,213
Contribution receivables		-		-		57,033,755		57,033,755
Staff loans		-		-		2,555,441		2,555,441
		21,248,489		2,555,441		64,007,849		85,256,338
Financial liabilities measured at fair value								
		-		-		-		-
Financial liabilities for which fair values are disclosed								
Payables	35	-		-		1,428,798		1,428,798
						1,428,798		1,428,798

The Fund's carrying amounts of short-term receivables and payables, are reasonable approximation of fair values.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

	2019 TZS '000	2018 TZS '000
9. FIXED DEPOSITS		
Principal	2,700,000	2,000,000
Interest Receivable	126,760	284,176
Less: Allowance for Probable Loss	(37,858)	-
	<u>2,788,902</u>	<u>2,284,176</u>

Maturity analysis

Maturing up to 3 months	2,788,902	2,284,176
Maturing 3 to 12 months	-	-
	<u>2,788,902</u>	<u>2,284,176</u>

10. TREASURY BONDS

	2019 TZS '000	2018 TZS '000
2 Years Bonds	0	12,729,128
5 Years Bonds	35,695,424	34,526,021
7 Years Bonds	29,993,158	29,580,865
10 Years Bonds	47,839,052	33,239,576
15 Years Bonds	50,075,996	20,483,869
20 Years Bonds	33,415,403	-
Interest receivable	7,175,054	4,465,087
Less: Allowance for Probable Loss	(255,251)	-
	<u>203,938,835</u>	<u>135,024,546</u>

Maturity analysis

Maturing up to 3 months	-	-
Maturing 3 to 12 months	7,175,054	12,946,374
Maturing over 12 months	196,763,781	122,078,172
	<u>203,938,835</u>	<u>135,024,546</u>

11. CORPORATE BONDS

5 Years Bonds	2,800,000	2,000,000
Interest Receivable	145,051	142,609
Less: Allowance for Probable Loss	(38,817)	-
	<u>2,906,234</u>	<u>2,142,609</u>

Maturity analysis

Maturing up to 3 months	145,051	-
Maturing 3 to 12 months	-	-
Maturing over 12 months	2,761,183	2,142,609
	<u>2,906,234</u>	<u>2,142,609</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

12. ADVANCE TOWARDS UNLISTED EQUITY SHARES

A. Movement in quoted investments during the year is as follows

	2019	2018
At the beginning of year	4,403,440	4,403,440
Additions	-	-
Disposals	-	-
Fair value adjustment	(4,116,469)	-
At the end of the year	286,971	4,403,440

A. Classification by entity

TPB Bank Plc	<u>286,971</u>	<u>4,403,440</u>
	<u><u>286,971</u></u>	<u><u>4,403,440</u></u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

13 LISTED EQUITIES

B. Movement in quoted investments during the year is as follows

	2019 TZS '000	2018 TZS '000
At the beginning of year	19,105,880	-
Additions	-	20,299,998
Disposals	-	-
Fair value adjustment	-	(1,194,118)
At the end of the year	<u>19,105,880</u>	<u>19,105,880</u>

C. Classification by entity

30-Jun-2019

ENTITY	EQUITIES (UNITS)			EQUITIES (MARKET VALUE - TZS '000')		
	Shares at 1 July 2018	Addition/(Disposals)	At 30 June 2019	At 1 July 2018	Fair value gain/(loss)	At 30 June 2019
Vodacom Tanzania (Plc)	23,882,350	-	23,882,350	19,105,880	-	19,105,880
	23,882,350	-	23,882,350	19,105,880	-	19,105,880

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

14 DIVIDEND RECEIVABLES

	2019 TZS '000	2018 TZS '000
Vodacom Tanzania (Plc)	15,213	15,213
TPB Bank PLC	<u>32,415</u>	<u>-</u>
	<u><u>47,628</u></u>	<u><u>15,213</u></u>

15 INVESTMENT PROPERTY

Land	<u>2,622</u>	<u>2,622</u>
	<u><u>2,622</u></u>	<u><u>2,622</u></u>

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.

	2019 TZS '000	2018 TZS '000
16 INCOME TAX RECEIVABLE/(PAYABLE)		
Balance as at 1 July	755,727	209,338
Less: Paid during the period	7,382,672	5,055,238
Add: Charge during the period	<u>(6,432,658)</u>	<u>(4,508,849)</u>
	<u><u>1,705,741</u></u>	<u><u>755,727</u></u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

17 PROPERTY AND EQUIPMENT

	Computers	Office Equipment	Furniture Fixture & Fittings	Motor Vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost					
At 1 July 2017	390,933	341,947	623,979	362,706	1,719,566
Additions	669,060	49,654	103,234	497,860	1,319,806
At 30 JUNE 2018	1,059,993	391,601	727,213	860,566	3,039,372
At 1 July 2018	1,059,993	391,601	727,213	862,566	3,039,372
Additions	251,839	-	168,880	408,971	829,690
At 30 June 2019	1,311,832	391,601	896,093	1,269,537	3,869,062
Accumulated depreciation					
At 1 July 2017	48,240	31,791	94,125	62,155	236,311
Charge for the year	165,592	74,497	160,912	161,107	562,108
At 30 JUNE 2018	213,832	106,288	255,037	223,262	798,419
At 1 July 2018	213,832	106,288	255,037	223,262	798,419
Charge for the year	252,052	77,892	153,740	233,867	717,551
At 30 June 2019	465,885	184,182	408,777	457,128	1,515,971
Net book Value					
At 30 JUNE 2018	846,160	285,312	472,176	637,304	2,240,952
At 30 June 2019	845,947	207,419	487,316	812,409	2,353,091

18 INTANGIBLE ASSETS- COMPUTER SOFTWARE

Cost	2019	2018
	TZS '000	TZS '000
At the beginning of year	113,066	9,745
Additions	37,288	103,321
At the end of year	150,354	113,066
Amortisation		
At the beginning of year	12,149	905
Charge for the year	14,057	11,244
At the end of year	26,206	12,149
Net book value at 30 June	124,147	100,916

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

19 CONTRIBUTION RECEIVABLES

	2019 TZS '000	2018 TZS '000
Private sector contributions (1%)	60,146,464	45,766,762
Public sector contributions (0.5%)	26,664,544	26,664,544
Interest Receivables on Contributions	<u>24,430,829</u>	<u>11,266,993</u>
	111,241,837	83,698,299
Less: Allowance for Probable Loss	<u>(62,648,852)</u>	<u>(26,664,544)</u>
	<u>48,592,985</u>	<u>57,033,755</u>

Contribution receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Fund has recognised an allowance for doubtful debts as shown in below:

Ageing of contribution receivables that are past due

	2019 TZS '000	2018 TZS '000
60-180 days	18,022,842	18,749,139
181-300 days	5,911,621	2,971,535
301-360days	6,607,252	42,902,403
361 days and above	<u>80,700,120</u>	<u>19,075,222</u>
	<u>111,241,835</u>	<u>83,698,299</u>

Movement in the allowance for doubtful debts

Balance at beginning of the year - as originally stated	26,664,544	26,664,544
Day 1 (1 July 2018) Impact of IFRS 9	<u>32,635,698</u>	-
Restated balance at the beginning of the year	59,300,242	-
Impairment recognised during the year	<u>3,348,610</u>	-
	<u>62,648,852</u>	<u>26,664,544</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.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

	2019 TZS '000	2018 TZS '000
20 PREPAYMENTS		
Advance Payments	1,876,758	245,995
GPSA Motor Vehicle Purchase	-	408,971
	<u>1,876,758</u>	<u>654,966</u>
21 OTHER RECEIVABLES		
Imprests	316,491	289,813
Rent security deposit	71,417	71,417
	<u>387,908</u>	<u>361,230</u>
22 STAFF LOANS		
Motor Vehicle Loans	1,223,269	1,108,031
House Loans	949,882	857,817
Personal Loans	1,721,711	589,593
Less: Allowance for Probable Loss	(56,909)	-
	<u>3,837,953</u>	<u>2,555,441</u>
23 CASH AND CASH EQUIVALENTS		
Cashbook balance		
NMB Bank Plc. - GePG Account	-	3,679
NMB Bank Plc. - Call Account	738,343	569,579
CRDB Bank - GePG Account	232,129	52,299
IFRS 9 Allowance for probable loss	(258,284)	-
	<u>712,188</u>	<u>625,557</u>
Overdrawn cashbook bank balance		
NMB Bank Plc. - Current Account	(2,197,228)	(4,097,399)
NMB Bank Plc. - GePG Account	(29,840)	
CRDB Bank - Current and All account	(3,638,343)	(3,985,102)
	<u>(5,865,411)</u>	<u>(8,082,501)</u>
Net cashbook balances as at 30 June (excluding allowance for probable loss)	(4,894,938)	(7,456,944)
Treasury Bills maturing within 3 months	-	-
Fixed deposits maturing within 3 months	-	-
Cash and cash equivalents as at 30 June	<u>(4,894,938)</u>	<u>(7,456,944)</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

24 DEFERRED TAX LIABILITY/(ASSETS)	2019	2018
	<u>TZS '000</u>	<u>TZS '000</u>
Movement in deferred tax liability balances		
Balance as at 1 July	150,209	488,982
Adjustments relating to previous years under/over provisions	-	-
Increase/(decrease)	<u>352,560</u>	<u>(338,773)</u>
Balance as at 30 June	<u>502,769</u>	<u>150,209</u>

25 OTHER PAYABLES AND ACCRUED EXPENSES

	2019	2018
	<u>TZS '000</u>	<u>TZS '000</u>
Advance from SSRA	-	-
Stale cheques	256,838	77,533
Benefits payables	2,259,170	1,233,030
Accrued administrative expenses	680,700	1,095,107
Unclaimed monthly pension	441	441
Contributions received in advance	39,536	92,623
Other creditors	13,377	91
Retention	<u>25,080</u>	<u>25,080</u>
	<u>3,275,142</u>	<u>2,523,905</u>

26 CLAIMS PROVISION

Opening balance	1,259,503	687,450
Payments made during the year	(1,259,138)	(639,843)
Increase during the year	<u>949,837</u>	<u>1,211,896</u>
	<u>950,202</u>	<u>1,259,503</u>

Actuarial Assumptions

- Projections were made based on the total projected number of claim incidents for financial years 2016/17, 2017/18 and 2018/19.
- The number of possible claims incurred but not reported (IBNR) was established by taking into consideration the claims accepted and claims rejected by the Fund as at June 2019.
- A rejection factor of 2.09% was used to determine the number of probable accepted claims arising from the financial years 2016/17, 2017/18 and 2018/19.
- Claims reserving was done by considering average benefit payments as at 30th June 2019.
- 6% increase in average benefit cost was done taking into account increase in medical aid cost.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

27CONTRIBUTION INCOME

	2019 TZS '000	2018 TZS '000
Private sector contributions	71,802,131	81,765,003
Public sector contributions	23,996,769	23,726,270
Interest from late contributions payment	13,163,836	11,274,983
	<u>108,962,736</u>	<u>116,766,256</u>

Contribution income is based on the monthly charges on the employer payrolls at the rate of 1.00% and 0.50% for private and public sector employers respectively.

	2019 TZS '000	2018 TZS '000
Interest from fixed deposits	228,089	1,439,365
Interest from call account	73,824	209,690
Interest from Treasury bills	-	335,274
Interest from Treasury bonds	24,003,992	15,484,306
Interest from Corporate bonds	292,024	142,609
Dividend income	425,602	304,261
	<u>25,023,531</u>	<u>17,915,505</u>

29OTHER INCOME

Service charges	77,759	87,374
Miscellaneous income	4,800	12,270
	<u>82,559</u>	<u>99,644</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

	2019 TZS '000	2018 TZS '000
30 BENEFIT EXPENSES		
Benefit administration costs	390,289	311,639
Medical aids	681,168	157,076
Temporary disablement	1,072,481	515,943
Permanent disablement	1,425,572	466,038
Funeral grants	13,200	8,400
Dependants/survivors grant	103,435	100,072
Monthly pensions	33,155	72,345
Medical Advisory	10,612	-
Constant care attendant	3,024	-
Rehabilitation services	-	3,000
Claims Provision (IBNR)	954,371	1,211,896
	<u>4,687,307</u>	<u>2,846,409</u>
31 IMPAIRMENT OF FINANCIAL ASSETS		
Contribution receivable	3,348,609	-
Bank balances	79,425	-
Treasury bonds	24,300	-
Corporate bonds	10,645	-
Staff loans	20,966	-
Fixed deposits	37,858	5,809,754
	<u>3,521,804</u>	<u>5,809,754</u>
32 ADMINISTRATIVE EXPENSES		
Staff costs [Note 14(A)]	9,213,299	7,507,877
Staff welfare	1,059,674	1,067,754
Advertising and promotions	72,625	722,721
Trustees' fees and expenses	-	362,565
Training	872,668	900,508
Auditor's remuneration	230,000	255,070
Consulting	421	58,117
Compliance and registration expenses	1,540,189	1,564,017
Medical assessment expenses	734,734	630,035
Stakeholders education and public awareness	495,195	1,018,773
Rent	1,053,794	737,368
Printing and stationery	23,708	274,813
Software maintenance	306,847	532,115
Donations	188,610	241,864
Depreciation and amortisation	731,608	573,353
Other administrative expenses	2,037,061	1,464,044
Total	<u>18,560,433</u>	<u>17,910,994</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

	2019 TZS '000	2018 TZS '000
A: STAFF COSTS		
Salaries and allowances	8,329,149	6,802,020
Contribution to Social Security Institutions	<u>884,150</u>	<u>705,857</u>
	<u>9,213,299</u>	<u>7,507,877</u>

33 Regulator's LEVY

Regulator's Levy computation June 2019 & 2018.

Total Income FY 2016-2017/2015- 2016	<u>88,140,210</u>	<u>70,001,440</u>
	<u>291,855</u>	<u>296,762</u>
	<u>291,855</u>	<u>296,762</u>

Every registered Social security scheme is required to remit to Social Security Regulatory Authority annual security levy based on latest audited accounts. For the Financial year 2017/18, latest audited accounts were for the year 2015/16 which reported the total income of TZS 70.0 billion in which 0.42394% of Total Income was used as a base.

For the Financial year 2018/19, latest audited accounts were for the year 2016/17 which reported the total income of TZS 88.14 billion in which 0.3311% of Total Income was used as a base.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

34 INCOME TAX EXPENSE

	2019 TZS '000	2018 TZS '000
A: Amount recognised in statement of comprehensive income		
Current year	6,432,658	4,508,849
Changes in estimate relating to previous years	-	1
	6,432,658	4,508,850
Deferred tax		
Origination and reversal of temporary differences	352,560	(338,773)
Adjustments relating to previous years	-	-
 Income tax expense reported in the statement of comprehensive income	 6,785,217	 4,170,077
 B: Reconciliation of income tax expense and tax on accounting profit		
Surplus before tax	<u>102,741,167</u>	<u>106,634,325</u>
Tax calculated at rate of 30%	30,822,350	31,990,023
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	4,535,508	3,984,834
Tax effect on Change fair value	1,234,941	358,235
Tax effect on disallowed depreciation charge	219,482	172,006
Tax effect on disallowed Benefit expenses	1,732,896	1,042,933
Tax effect on disallowed impairment	1,056,541	1,742,926
Tax effect on income not subject to tax	<u>(32,816,501)</u>	<u>(35,121,155)</u>
 Income tax expense	 <u>6,785,217</u>	 <u>4,170,077</u>

35 RELATED PARTY TRANSACTIONS

35.1 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.

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.

	2019 TZS'000	2018 TZS'000
Senior management - salaries	3,121,681	2,928,086
Senior management - contribution to defined benefit schemes	434,396	295,646
Trustee's fees and allowances	-	362,415
	<u>3,556,077</u>	<u>3,586,147</u>

Compensation of the Fund's key management personnel includes salaries and contributions to the post-employment defined benefit plan. The number of senior management was 11 (2018:11).

a) Key management personnel transactions

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

36 CONTRACTUAL COMMITMENTS

Operating leases – Fund as lessee

The Fund has entered into operating leases with the following Lessors for its head office and Regional Offices: -

Name of Lessor	Office Location
Public Service Social Security Fund	Dar es Salaam
Public Service Social Security Fund	Dodoma
National Health Insurance Fund	Mbeya
Public Service Social Security Fund	Arusha
Mwanza City Commercial Complex Limited	Mwanza

The lease typically runs for a period of two years with an option to renew after that date, with exception of operating lease for Dodoma Office where it runs for a period of three years with an option for 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.

36. CONTRACTUAL COMMITMENTS (CONTINUED)

Future minimum rental payments

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

	2019 TZS'000	2018 TZS'000
Less than one year	<u>923,536</u>	<u>1,032,698</u>
More than one year but less than five years	<u>1,287,840</u>	<u>1,984,894</u>
More than five years	<u>-</u>	<u>-</u>

Amounts recognized in comprehensive income

Lease expense	1,053,794	737,368
Contingent rent expense	<u>-</u>	<u>-</u>
	<u>1,053,794</u>	<u>737,368</u>

37. 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.

38. 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.

39. SOLVENCY OF THE FUND

Based on the actuarial valuation of the Fund that was completed on 30th June 2018 by the International Labour Organisation (ILO), the financial position of the Fund is sustainable over 30 years of projections. The valuation revealed a free reserve (surplus) of TZS 206,970 million as at June 2018.

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

Actuarial estimates of the Fund's liabilities as at 30th June 2019, reveals that the free reserve as increased to TZS 267,062 million. This reserve indicates the Fund is technically solvent.

The actuarial present value of benefits liabilities is as follows;

	2019 TZS Million	2018 TZS Million
Benefit liabilities		
Present Value of Benefits liabilities of incidents that have occurred as at 30 June	<u>11,075</u>	<u>10,813</u>
Assets		
Assets of the Fund as at 30 June	<u>278,137</u>	<u>217,783</u>
Actuarial Reserve		
excess of asset over accrued benefits liabilities	<u>267,062</u>	<u>206,970</u>

As disclosed in note 1.23 of the Board of Trustees Report, the Actuarial valuation of the Fund was done as at 30 June 2018 by International Labour Organisation (ILO).

The Fund monitors the positions/the parameters on regular basis and has opted to disclose the present value of all benefit liabilities (which includes long term liabilities) for financial reporting purposes.

