



**THE REVOLUTIONARY GOVERNMENT OF ZANZIBAR**

**OFFICE OF TREASURY REGISTRAR**

**CONSOLIDATED FINANCIAL PERFORMANCE REPORT FOR  
PUBLIC INVESTMENT ENTITIES**

**2018 - 2022**

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I would not be made honesty if I do not remember other staff members, particularly Heads of other sections for their valuable supports in execution of my responsibility as Treasury Registrar. Finally yet importantly, many thanks go to the high-level management of the (PO) Finance and Planning including Hon. Minister, Principal Secretary and Deputy Principal Secretary who invested their full effort in guiding my Office in achieving the goals.

## LIST OF ABBREVIATIONS

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ALM	Asset Liability Management
BoT	Bank of Tanzania
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
OTR	Office of Treasury Registrar
PIE	Public Investment Entity
POFP	President's Office, Finance and Planning
RGoZ	Revolutionary Government of Zanzibar
SOE	State-Owned Enterprise
TR	Treasury Registrar

## EXECUTIVE SUMMARY

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This is a first report prepared by the Office of Treasury Register of which established as regulatory Body to hold and oversee all Public Investments Entities (PIEs). The report presents the review of financial performance and potential areas of financial vulnerability of the PIEs covering the five (5) year's period from financial year 2017/18 up to 2021/22.

The Government of Zanzibar (RGoZ) has successfully managed to obtain Non-Tax revenue through Public Investments Entities (PIEs) which consists of seventeen (17) entities grouped into seven (7) economic sectors of which, communication sector dominates 23% of the portfolio with a net worth of TZS 1,528.81 billion. However, equity investment by RGoZ to communication sector amounted to TZS 1,110.95 billion equivalent to 24% of GDP of Zanzibar.

In the portfolio of PIEs, twelve (12) entities are Profit-Oriented (adopted IFRS framework) while five (5) entities are Non-Profit Oriented (adopted IPSAS - Cash framework). Out of eleven (11) Profit-Oriented entities (*excluding ZSSF*), only five (5) of them are making profit including two (2) financial institutions (PBZ and ZIC). Moreover, for Non-Profit Oriented only two (2) entities are commercially potential.

The government has benefited from five (5) out of eleven (11) Profit-Oriented entities by collecting TZS 28.73 billion during five (5) year's period under review. For the year 2021/22, collection was TZS 7.09 billion as dividend equivalent to 4.48% of Non-Tax Government revenue of TZS 158 billion.

According to the analysis, for the case of Profit-Oriented entities; PBZ, ZECO, SHIPCO and ZSTC face liquidity and solvency inherent risks. Whilst, ZAA, ZAFICO, ZIC, ZPC and ZPDC have high operating costs hence posing risky in maintaining its revenue since most of its revenue are used to cover operating costs. ZAFICO is still infant and has not completely involved fully in the business. ZSSF faces risk in Benefit Ratio being increasing dramatically. CGN, ZBC is not profitable because most of the entity's revenue are used to finance operating costs. ZMUX and ZICTIA are financially viable because they generate higher cash margin. ZAWA is not profitable since it cannot survive without assistance from the government.

## 1 Introduction

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*This chapter provides an outline on Zanzibar economic condition for 2021/22 and overview of the Office of Treasury Registrar, its mandates, goal and dreams, objectives and function as oversight body for the Public Investment Entities (PIEs) sector in Zanzibar.*

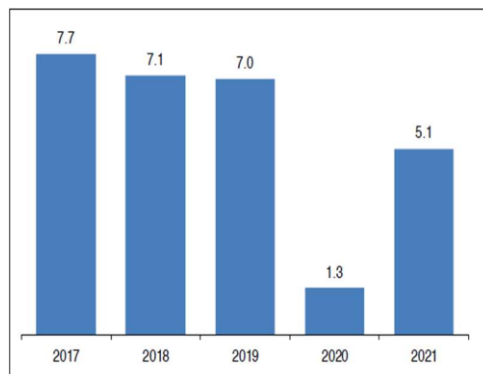
### 1.1 Zanzibar Economic overview

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#### 1.1.1 Economy Growth

The Zanzibar economy improved from the adverse effect of COVID-19 pandemic, owing to the re-opening of the global economy, particularly tourism activity. The economy grew by 5.1% in 2021 compared to 1.3% reported in 2020. Details are presented in Figure 1-1 below.

**Figure 1-1: Real GDP Growth Rate (percentage)**



In 2022, the economy projected to grow by 5.4%, due to increased public and private investment, supported by growth in tourism and trade activities. In nominal terms, GDP increased to TZS 4,632.8 billion in 2021 from TZS 4,208.9 billion in 2020.

**Source: BoT Annual Report 2021/22**

#### 1.1.2 Government Revenue

Revenue and grants amounted to TZS 956 billion, of which revenue was TZS 909 billion. The revenue collection was equivalent to 19% of GDP, higher than 16.8% in 2020/21, attributable to recovery of the economy from the impact of the pandemic. Tax revenue, which accounted for 82.6% of the revenue, was TZS 751 billion, below the target by 21.7% while non-tax revenue was TZS 158 billion, equivalent to 89.9% of the target.

## 1.2 Overview of Office of Treasury Registrar (OTR)

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### 1.2.1 Establishment of the Office of Treasury Registrar

The Office of Treasury Registrar “the Office” was established as a Body Corporate under Section 4 of the Office of Treasury Registrar and Public Asset Management Act 2021, (*Establishment of Office of Treasury Registrar*) under the Ministry responsible for finance.

### 1.2.2 OTR Vision and Mission

The Vision of OTR is, *“A regulator of excellence of Public Investment promoting consistence regulatory framework for sustainable development through Public Investments”*.

The Mission of the Office is, *“To facilitate harmonization of regulatory policies, regulation, standards and practices to ensure Public Investment Entities are maintained commercially viable, societal value creation and public assets are maintained economically in accordance with acceptable standards”*.

### 1.2.3 The Objective of the Office

The main objective of the OTR is to hold and oversee all Public Investments Entities and other properties including investments comprised of Share Capitals of Public Entities as well as in private investments where the Government owns shares or interests in trust for the President and for the Revolutionary Government of Zanzibar (RGoZ).

### 1.2.4 The Functions of the Office

The OTR has the following functions in pursuant to Section 6 of the Office of Treasury Registrar and Public Asset Management Act, 2021 (*Functions of the Office*): -

- (a) to regulate public investments on behalf of the Government;
- (b) to approve investments proposal of the Public Investment Entities;
- (c) to monitor and evaluate overall performance of the Public Investment Entities;

- (d) to promote ethics of good governance in all business transactions, including issuing directives to Public Investment Entities on annual budgets, Strategic Plan, Business Plans, investment plans and any other related matters to implement Government's policies in Public Investment Entities;
- (e) to supervise, monitor and implement restructuring process of Public Investment Entities,
- (f) to make recommendations to the Minister responsible for finance on dividend policy;
- (g) to issue guidelines, procedures and operating manuals for oversight of Public Investment Entities,
- (h) to enter into performance contract with the Chairpersons, or other senior staff of Public Investment Entities,
- (i) to review proposals of organization and salaries' structures, schemes of service and incentives package of Public Investment Entities before submission to Public Service Commission; and
- (j) To review and make recommendations on specific policies and legislations pertaining to the development of Public Investment Entities.

### 1.3 Importance of Public Investment Entity Oversight

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#### 1.3.1 Value Creation and Performance Management for Public Investment Entities (PIEs)

PIEs have to walk a fine line when balancing economic, social and other objectives. As such, and perhaps even more than their private sector counterparts, they need to find a way to remain financially sustainable (and where appropriate commercially competitive), while creating value for public and society.

In turn, the balancing of objectives should be made explicitly and linked clearly to the purpose of the PIE. For long-term sustainability, there needs to be a balance financially over time. However, for the purpose of this report, the performance assessment is linked only to financial results.

#### 1.3.2 The government faces fiscal risks when Public Investment Entities (PIEs) do not perform well financially.

If a PIE is operating less than efficiently, its financial returns decline, its debt increases, and its solvency could be at risk. This may result in lower financial returns from PIEs and/or additional fiscal costs to the budget and an unsustainable level of debt for the individual PIE. Contingent liabilities for PIE debt become the responsibility of the Government as the owner of PIEs.

## **1.4 Scope of the report**

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### **1.4.1 The Report Agenda**

The report contains five (5) years review of financial performance of PIEs covering the period from 2018 up to 2022. These include public corporation, companies and other State-Owned Enterprises (SOE). This report highlights the financial performance and potential areas of financial stress facing financial and non-financial Public Investment Entities in Zanzibar.

It serves to flag potential fiscal risks and propose adequate corrective measures to mitigate these risks in conjunction with the Boards of the PIEs. Due to data limitations, this report may not fully quantify the size and direction of these risks and the probability of their occurrence, but it still serves as an important first step for discussions between Boards of PIEs, Office of Treasury Registrar, minister for Finance and responsible a minister of PIE.

### **1.4.2 Source Data of the Report**

In compiling this report, the OTR used both secondary data as well as validating the same through engaging some management of PIEs.

The fiscal position obtained from audited financial statements beginning from 2017/2018 up to 2021/2022. For some PIEs the financial statements of 2021/2022 obtained were unaudited (draft). Other sources of information are strategic plans (SP) and other annual reports produced by PIEs.

## 1.5 Structure of the report

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The government's goal in managing PIE-associated fiscal risks is mostly to identify the nature and source of these risks, their magnitude, and the likelihood of occurrence so that they can be effectively managed. To do this, comprehensive information is needed on PIEs as a group, by sector, and at individual company levels. The chapters of the report were structured as indicated below:

**Table 1-1: Chapter structure and key content in the report**

	Chapter	Key content
1	Introduction	This chapter provides an outline of Zanzibar's economic condition for 2021/22 and an overview of the Office of Treasury Registrar, its mandates, goal and dreams, objectives and function as an oversight body for the Public Investment Entities (PIEs) sector in Zanzibar.
2	Aggregate portfolio analysis	Provides an overview of the PIEs sector in Zanzibar, firstly providing an inventory of PIEs and followed by a sectoral overview. Aggregate trends in Investments, profitability, liquidity, solvency and risk assessment.
3	Individual Entity Analysis (Financial Indicators)	This chapter provides more detailed company-level performance analysis. It firstly provides an overview of individual entity concerning establishment statute, followed by a more detailed trend analysis in: (i) profitability; (ii) liquidity; and (iii) solvency, (iv) relationship with government, (v) inherent risk assessment and (vi) finding and recommendations. In addition, this chapter covers twelve (12) entities, which are reporting their financial statements in IFRS framework.
4	Individual Entity Analysis (Cash Flow analysis)	This chapter provides a detailed company-level cash flow analysis. It provides an overview of individual entities with regard to establishment statute, detailed trend analysis of cash flow and recommendation. The chapter includes five (5) entities, which report their financial statements on IPSAS – cash basis.

## 2 Aggregate Portfolio analysis

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*This chapter provides an overview of the PIEs sector in Zanzibar, firstly providing an inventory of PIEs and followed by a sectoral overview. Aggregate trends in Investments, profitability, liquidity, solvency and risk assessment.*

### 2.1 Overview of the Public Investment Entity sector in Zanzibar

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#### 2.1.1 Inventory of Public Investment Entities and Reporting framework

Pursuant to Section 3 of the Office of Treasury Registrar and Public Asset Management Act 2021, (*Interpretation*), Public Investment Entity (PIE) means any commercial entity, company, or Government owned enterprise.

According to the scope of the OTR Act, currently, inventory of the PIE comprised of 17 entities of which, three (3) are financial and others remaining are non-financial entities. The entities are categorised into seven (7) economic sectors as shown in Table 2-1 below. Pursuant to Section 2 of the OTR Act, the PIE, which are under the scope of the Act, are commercial entities, government companies and State-Owned Enterprises (SOEs).

Consequently, the report has characterised PIEs according to their financial reporting framework as follows;

**(a) IFRS adopted Entities (12 entities);**

These entities are Profit-Oriented companies/corporations adopting International Financial Reporting Standards (IFRS) framework. In this report, the entities have been analysed financially with regard to their fiscal risks. These are; -

1. The Peoples Bank of Zanzibar Limited (PBZ); and
2. Zanzibar Airports Authority (ZAA);
3. Zanzibar Electricity Corporation (ZECO);
4. Zanzibar Fisheries Company (ZAFICO);
5. Zanzibar Housing Corporation (ZHC);

6. Zanzibar Insurance Corporation (ZIC);
7. Zanzibar Petroleum Development Company (ZPDC);
8. Zanzibar Port Corporation (ZPC);
9. Zanzibar Seaweed Company Ltd. (ZASCO);
10. Zanzibar Shipping Corporation (SHIPCO);
11. Zanzibar Social Security Fund (ZSSF).
12. Zanzibar State Trade Corporation (ZSTC);

**(b) IPSAS cash adopted entities - old standards (5 entities)**

These are companies, corporations and government agencies, which are still using out-of-date reporting framework of accounting. This accounting framework does not completely disclose useful information to enable an analysis of the financial position particularly in assets, investments, financial commitments, liabilities and shareholder's funds. The entities disclose budget implementation only on cash receipts and payments. The analysis of this category is covered in Chapter 4. These entities are; -

1. Corporation of Government Newspapers (CGN);
2. Zanzibar Water Authority (ZAWA)
3. Zanzibar Broadcasting Corporation (ZBC);
4. Zanzibar Information Communication Technology Infrastructure Agency (ZICTIA); and
5. Zanzibar Multiplex Company (ZMUX);

**Table 2-1: Inventory of Public Investment Entities in Zanzibar**

No.	Name	Acronym	Sector (primary)	Sector (secondary)	Legal form
1.	Zanzibar Insurance Corporation	ZIC	Financial	Insurance	Corporation
2.	People's Bank of Zanzibar Limited	PBZ	Financial	Banking	Incorporate
3.	Zanzibar Social Security Fund	ZSSF	Financial	Social Security	Corporation
4.	Zanzibar Electricity Corporation	ZECO	Energy and Natural Resources	Electricity Distribution	Corporation
5.	Zanzibar Petroleum Development Company	ZPDC	Energy and Natural Resources	Fuel and Gas	Incorporate
6.	Zanzibar Fisheries Company	ZAFICO	Fisheries and Agriculture	Fishing and Sea Products	Incorporate
7.	Zanzibar Housing Corporation	ZHC	Housing and Construction	Housing	Corporation
8.	Zanzibar Broadcasting Corporation	ZBC	Communication	Broadcasting	Corporation
9.	Corporation of Government Newspapers	CGN	Communication	Newspapers	Corporation
10.	Zanzibar Information Communication Technology Infrastructure Agency	ZICTIA	Communication	ICT Infrastructure	Corporation
11.	Zanzibar Seaweed Company Ltd.	ZASCO	Fisheries and Agriculture	Fishing and Sea Products	Incorporate
12.	Zanzibar Multiplex Company	ZMUX	Communication	Broadcasting	Incorporate
13.	Zanzibar Water Authority	ZAWA	Energy and Natural Resources	Water	Authority
14.	Zanzibar State Trade Corporation	ZSTC	Trading	Clove trading	Corporation
15.	Zanzibar Shipping Corporation	SHIPCO	Transportation	Maritime	Corporation
16.	Zanzibar Port Corporation	ZPC	Transportation	Maritime	Corporation
17.	Zanzibar Airports Authority	ZAA	Transportation	Civil Aviation	Authority

*N.B: All are 100% Government Owned Entities*

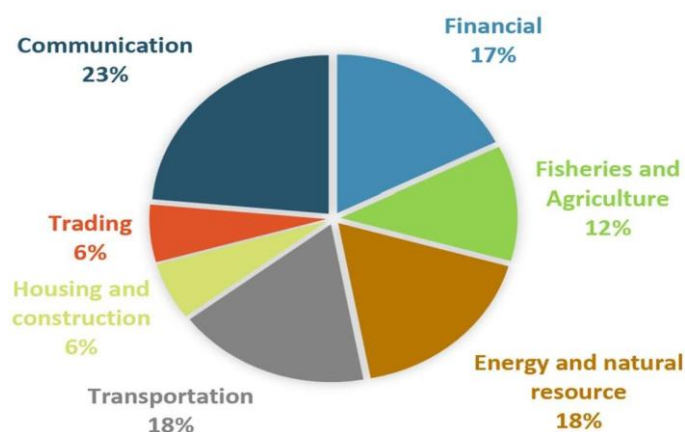
### **2.1.2 Sectoral Overview**

The inventory and economic sectors distribution of the Public Investment Entities portfolio in Zanzibar are as follows and as shown in Figure 2-1 below; -

- (a) Energy and Natural Resources, 3 entities;
- (b) Communication, 4 entities;
- (c) Transportation 3 entities;
- (d) Financial, 3 entities;

- (e) Fishing and Agriculture, 2 entities;
- (f) Housing and construction, 1 entity; and
- (g) Trading, 1 entity.

**Figure 2-1: Sectorial Breakdown**



### 2.1.3 Dividends from Public Investment Entities

For the five (5) year's period under review, government collected TZS 28.73 billion as dividends from five (5) out of eleven (11) profit-oriented entities as indicated in table 2-2 below. Amount received for the year 2021/22 was TZS 7.09 billion equivalent to 4.48% of non-tax government revenue of TZS 158 billion. The amount decreased by 17.7% from a dividend of TZS 8.62 billion recorded in preceding year. The decrease was mainly attributed to the decline of the business for PBZ mainly due to the effect of COVID-19 pandemic.

**Table 2-2: Dividend Collection (TZS million)**

	PIE	2018	2019	2020	2021	2022
1	PBZ	1,036	3,399.00	3,346.02	4,975.19	2,400.00
2	ZECO	150.00	400.00	1,428.44	1,382.16	2,092.40
3	ZIC	180.00	335.00	268.67	500.00	600.00
4	ZPC	117.00	991.53	562.41	1,768.15	2,000.00
5	ZSTC	0	800.00	-	-	-
		<b>1,483.00</b>	<b>5,925.54</b>	<b>5,605.54</b>	<b>8,625.51</b>	<b>7,092.40</b>

## 2.2 Summarized Consolidated Financial Statements review

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### 2.2.1 Portfolio Balance sheet size

The Consolidated Statement of Financial Position<sup>1</sup> (balance sheet structure) is analysed to determine the composition and spread of the portfolio's activities as well as changes and influences on the risk profile of the sector.

**Table 2-2: Summarized Portfolio Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Total Revenue	365,503	263,232	306,442	277,396	478,849
EBITDA	78,875	57,541	(10,137)	79,785	147,479
Profit for the year	47,034	30,484	(35,343)	31,752	60,428
Total Assets	1,438,776	1,488,029	2,633,410	2,834,080	3,570,667
Total Liabilities	1,000,781	1,002,406	1,053,121	1,296,451	2,041,850
Total Equity	437,995	485,623	1,580,289	1,537,629	1,528,817

Aggregate position as of 2022 was healthy enough. Balance sheet size has improved to TZS 3,570.66 billion in 2022 improved from TZS 1,438.77 billion recorded in 2018, this presenting a more than double increase in total assets of PIEs portfolio. The growth of the balance sheet size is attributed mainly to the growth of shareholder's funds in period under review. Total assets have shown a steady annual growth by average rate of 28.50%.

### 2.2.2 Portfolio Profitability

Sector's ability to generate adequate revenue to cover operating expenses was adequate. Except for 2020, a ratio of Cost Recovery was above 1. This indicates that, the sector was able to cover its operating expenses and is sustainable without supplementary funding and companies are better able to withstand shocks and remain profitable and sustainable. The financial condition in 2020 was greatly affected by COVID-19 outbreak.

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<sup>1</sup> Consolidated amounts of assets and liabilities were not adjusted for elimination of intra-transactions recorded between entities in the portfolio.

**Figure 2-2: Profit-Making Entities**



During 2022, out of eleven (11) Profit-Oriented entities (*excluding ZSSF<sup>2</sup>*), only five (5) entities were Profit-Making and other remaining six (6) were under-performing entities. (Figure 2-2). All two (2) financial entities are profit-making PIEs.

The loss-making entities are; Zanzibar Airports Authority (ZAA), Zanzibar Fisheries Company (ZAFICO), Zanzibar Petroleum Development Company (ZPDC), Zanzibar Seaweed Company Ltd. (ZASCO), Zanzibar Shipping Corporation (SHIPCO) and Zanzibar State Trade Corporation (ZSTC).

**Table 2-3: Portfolio Profitability review**

Year	2018	2019	2020	2021	2022
RoA ratio	3.27%	2.05%	-1.34%	1.12%	1.69%
RoE ratio	10.74%	6.28%	-2.24%	2.06%	3.95%
Cost Recovery <sup>3</sup>	1.16	1.10	0.87	1.08	1.16

The Return on Assets (RoA) has deteriorated from 3.27% recorded in 2018 to 1.69% recorded in 2022. Whereas Return on Equity (RoE) has also decrease dramatically from 10.74% in 2018 to 3.95% in 2022. This means that, the sector is inefficient to

<sup>2</sup> ZSSF is the Fund Management Entity (Social Security) collecting from members (Public and Private Employees). Thus, the Fund has a separate financial report framework. Hence, in this report ZSSF is reported separately and does not explain as profit-oriented entity.

<sup>3</sup> Cost Recovery Ratio measures ability of entity to generate adequate revenue to cover operating expenses. A ratio < 1 indicates entity is unable to cover its operating expenses and is not sustainable without supplementary funding. A higher ratio indicates a company better able to withstand shocks and remain profitable and sustainable.

manage assets to produce profit, also ability of the sector to generate a profit using the capital invested by government is not adequate.

**Figure 2-3: Portfolio Assets and Return on Assets (millions TZS, Indicator)**



### 2.2.3 Liquidity

At a portfolio level, ability to meet short-term obligations (those falling due within 12 months) from liquidating short-term assets of sector was not satisfactory as shown in Figure 2-4 below. Within period under review, total current liabilities were higher than total current assets which indicate that the sector was not better able to withstand shocks and not able to meet its current financial commitments. All current ratios were below benchmark of 1.

**Figure 2-4: Portfolio liquidity (Millions TZS, Indicator)**



## 2.2.4 Portfolio Solvency

Portfolio financial flexibility of the sector is declining. The sector leverage has decreased as shown in the table 2-3 below. Under period under review, Debt to assets and Debt to equity ratios lessened from 70% to 57% and from 228% to 134% respectively. These indicate the decrease in dependence on debt financing.

**Table 2-3: Solvency**

Year	2018	2019	2020	2021	2022
Debt to Assets	70%	67%	40%	46%	57%
Debt to Equity	228%	206%	67%	84%	134%

## 2.2.5 Portfolio Net worth

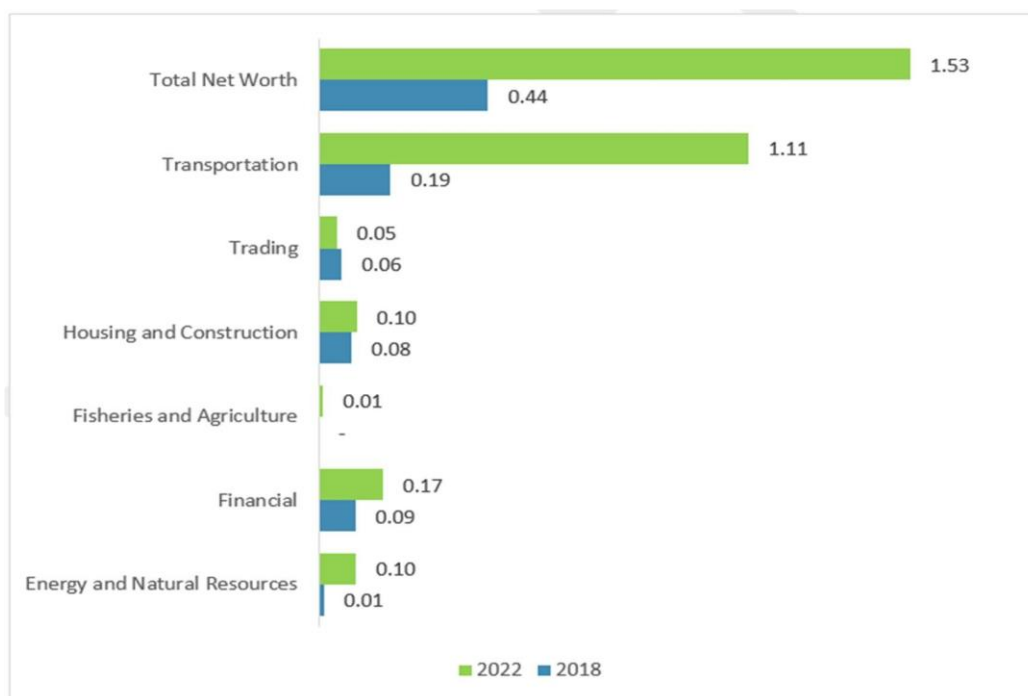
The aggregate net worth (capital) triplicated from TZS 437.99 billion in 2018 to TZS 1,528.81 billion in 2022 equivalent to 33.05% of GDP (2021: 36.52%). However, as a result of big loss made by SHIPCO and ZAA in 2022, the net worth has declined by 0.6% as compared to TZS 1,537.62 billion recorded in 2021. Net worth by sectors is shown in the Figure 2-4 below.

**Table 2.4: Net Worth by PIEs (In million TZS)**

	Public Investment Entity	Economic Sector	Shareholder's Equity	
			2018	2022
1.	Zanzibar Airports Authority (ZAA)	Transportation	58,798.60	985,026.48
2.	People's Bank of Zanzibar Limited (PBZ)	Financial	79,663.67	146,892.50
3.	Zanzibar Port Corporation (ZPC)	Transportation	123,741.20	133,971.55
4.	Zanzibar Housing Corporation (ZHC)	Housing and Construction	84,019.80	97,952.33
5.	Zanzibar Electricity Corporation (ZECO)	Energy and Natural Resources	13,312.84	94,664.96
6.	Zanzibar State Trade Corporation (ZSTC)	Trading	59,537.18	46,662.83
7.	Zanzibar Insurance Corporation (ZIC)	Financial	15,080.52	19,005.55
8.	Zanzibar Fisheries Company (ZAFICO)	Fisheries and Agriculture		7,187.02
9.	Zanzibar Seaweed Company Ltd. (ZASCO)	Fisheries and Agriculture		3,918.52
10.	Zanzibar Petroleum Development Company (ZPDC)	Energy and Natural Resources		1,575.86
11.	Zanzibar Shipping Corporation (SHIPCO)	Transportation	3,841.15	(8,040.51)
	<b>Total</b>		<b>437,994.96</b>	<b>1,528,817.09</b>

In the portfolio of eleven (11) Profit-Oriented PIEs, the RGoZ has invested heavily in transportation sector, equal to 23.97% of Zanzibar’s GDP. As of 2022, about TZS 1,110.95 billion equivalent to 73% of aggregated Shareholder’s Net worth has been allocated to transportation sector in the strategic investments in Zanzibar Airports Authority (ZAA) and Zanzibar Port Corporation (ZPC). This is shown in the Table 2-4 above and Figure 2-5 below. This equity investment was in the arrangement of fresh capital injection, government grant and re-investment of the earnings (accumulated profit).

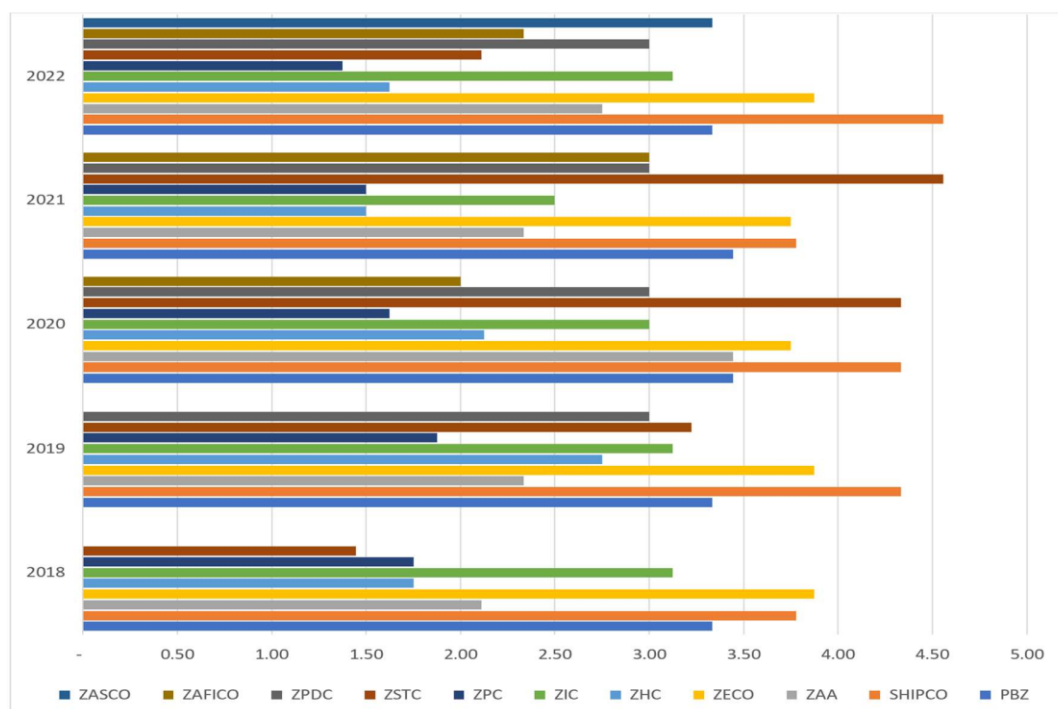
**Figure 2.5: Net Worth by Sector (In trillion TZS) `**



## 2.2.6 Selected financial Ratios and Risk Ratings

For the purpose of this report, the risk levels have been characterised into five (5) categorises; Category 1 being lowest risk level up to Category 5 being the highest risk level. This will be presented in the Individual Company Risk Analysis in next chapter.

Figure 2-6: Company Risk Analysis



Accordingly, the fiscal risk assessment review is based on the aspect of selected financial indicators of profitability, liquidity and solvency; therefore, it reveals that, in the period under review, the **high-risk entities** were SHIPCO and ZSTC. But, for the 2022, ZECO and SHIPCO were the high-risk entities. These are presented in the Figure 2-6 above and Figure 2-7 below. These entities had troubled covering their short-term obligations, repayments of debt obligations and generally had a problem making a profit and business opportunity as a whole.

Figure 2-7: Overall Risk Rating (2022)

	Overall Risk Rating	Total Liabilities	Risk level
PBZ	3.33	1,255,833	moderate
ZECO	3.88	334,820	significant
ZAA	2.75	300,101	moderate
SHIPCO	4.56	85,855	high
ZIC	3.13	31,848	moderate
ZPC	1.38	17,464	normal
ZSTC	2.11	15,018	minimal
ZHC	1.63	614	minimal
ZASCO	3.33	250	moderate
ZPDC	3.00	48	moderate
ZAFICO	2.33	-	minimal

### 3 Individual Company Analysis (*Financial Indicators*)

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*This chapter provides more detailed company level performance analysis. It firstly provides an overview of individual entity with regard to establishment statute, followed by more detailed trend analysis in: (i) profitability; (ii) liquidity; and (iii) solvency, (iv) relationship with government, (v) inherent risk assessment and (vi) finding and recommendations. In addition, this chapter covers twelve (12) entities, which are reporting their financial statements in IFRS framework.*

#### 3.1 The Peoples Bank of Zanzibar (PBZ)

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##### 3.1.1 Introduction

The People's Bank of Zanzibar Limited (PBZ) is among 100% controlled State-Owned Entities through the (PO) Finance and Planning. PBZ offers commercial banking services licensed and regulated by Bank of Tanzania (BoT). PBZ was established in 1966 and incorporated under Cap. 153 of the Zanzibar Companies Decree, which has been repealed and replaced by Companies Act No.15 of 2013. PBZ

##### 3.1.2 PBZ Vision and Mission

The Vision statement of the PBZ is *"A leader in provision of valued financial services to customers and other stakeholders"*.

Mission statement PBZ is *"To provide innovative financial service solutions that are responsible to customer's need at competitive cost"*.

##### 3.1.3 PBZ Financial Performance review

In this report, the financial performance of the PBZ has been analysed in criteria of; (a) capital adequacy, (b) solvency, (c) asset quality, (d) earnings/profitability, and (e) liquidity condition. Below in Table 3-1 presents the summarised financial statements showing revenues, assets, liabilities and equity position for the period from 2018 to 2022.

**Table 3-1: PBZ Summarized Financial Statements (Million TZS)**

<b>Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Banking operation revenues	63,527.60	62,531.82	69,893.59	78,276.09	99,661.18
Other operating income	(4,995.62)	6,441.35	(13,079.96)	(11,485.34)	(8,148.81)
Other operating expenses	30,967.90	36,906.94	38,451.63	44,099.52	47,253.37
Net Profit Before Tax	27,564.08	32,066.23	18,362.01	22,691.23	44,259.00
Income tax expense	8,975.10	5,173.25	4,767.96	5,621.14	13,411.04
Profit for the year	18,588.98	26,892.98	13,594.05	17,070.09	30,847.96
Gross Loan and Advances	335,448.00	379,139.00	483,127.00	609,991.00	812,796.00
Total Assets	658,420.12	723,686.48	752,829.30	996,368.67	1,402,725.00
Total Deposits	526,046.00	574,825.00	578,363.00	758,228.00	1,063,232.00
Total Liabilities	578,756.45	620,883.36	643,158.29	874,502.99	1,255,832.50
Total Equity	79,663.67	102,803.12	109,671.00	121,865.68	146,892.50
Core Capital (tier 1)	61,603.00	87,807.00	103,562.00	110,070.00	140,259.00

### 3.1.4 Capital Adequacy<sup>4</sup>

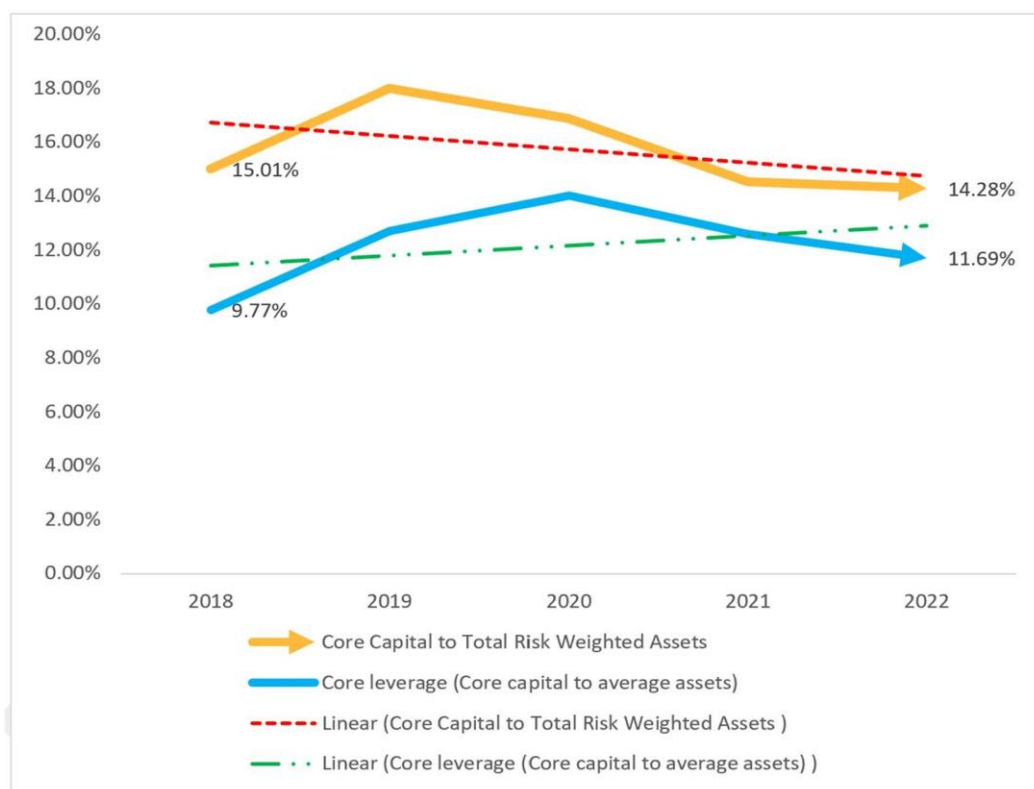
As at the end of financial year of 2022, the bank's Core Capital amounted to TZS 140,259 million, which was above the minimum legal requirement of not less than TZS 122,798 million being 12.5% of total Risk- Weighted Assets. As shown in the Table 3-1 above, absolute Core Capital increased to TZS 140,259 million compared to TZS 110,070 million reported in the preceding year of 2021 and TZS 61,603 million recorded in past five (5) years, 2018. The capital increase was mainly attributed to earnings retention (reinvestment).

As shown in the Figure 3-1 below, the ratio of Capital Adequacy Ratio (tier 1) was 14.28% which is above minimum legal requirements of 12.5%. However, the ratio is decreasing from 15.01% recorded in the last five (5) years. The decrease was reflecting the non-supportive growth in equity with regard to increase in Risk Weighted Assets

<sup>4</sup> Capital Adequacy of the bank is evaluated in relation: Whether the capital meets the minimum BoT regulatory requirements; adequacy of a bank's capital including the impact of asset quality, off-balance-sheet items and earnings; trends of changes in the capital level and structure; comparison of growth of capital and assets; adequacy of allowances for probable losses and their effect on the capital when they are inadequate; dividend policies and their impact on the capital; shareholder ability/willingness to maintain an adequate level of capital; and any additional capital required to meet the BoT regulatory requirements.

mainly in loan portfolio investments. Therefore, capital adequacy position of the bank is not supportive enough to further major investments.

**Figure 3-1: Capital Adequacy**



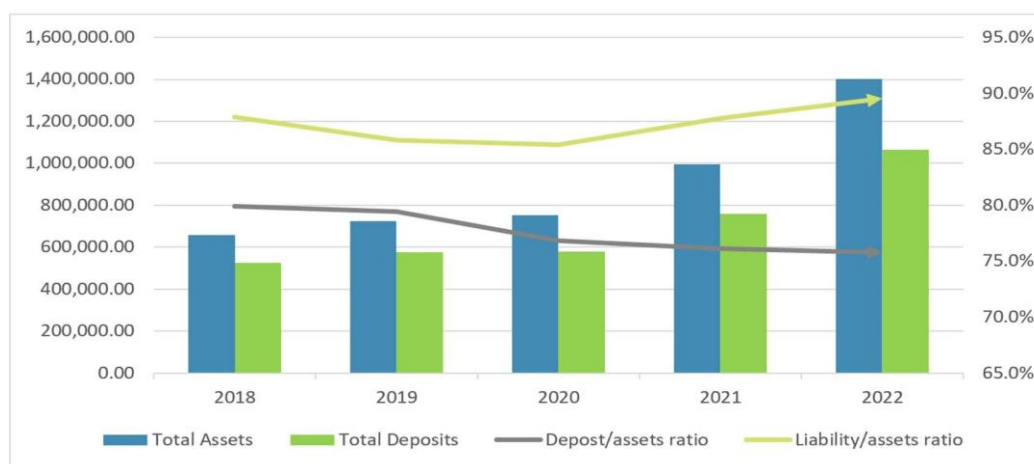
Core leverage (Core capital to average assets) was 11.69% in 2022, indicating that core capital financed only 11.69% of the bank's assets, the rest being financed by depositors and creditors. The ratio increased from 9.77% recorded in 2018 to mean the lessening of dependence on deposit liability to finance the assets.

### 3.1.5 Solvency

Currently, the trend of solvency position of the bank with regard to total liabilities including deposit liabilities and borrowings to the customers is slightly not healthy enough. The debts (total liabilities) to total assets ratio has changed to wrong way, the ratio as on 2022 was 89.5% is increased from 87.9% recorded in 2018. However, the

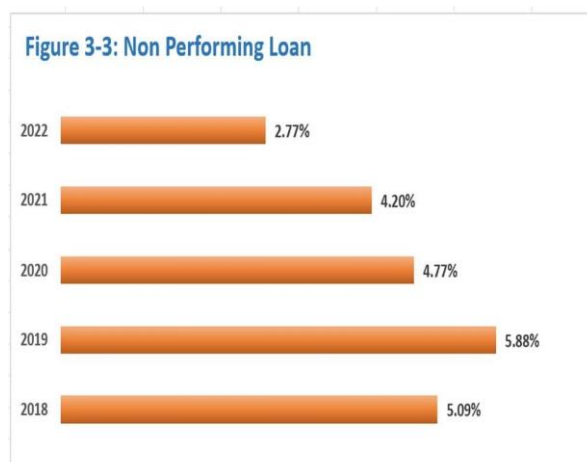
ratio of Deposit to Assets has to some extent decreased to 75.8% from 79.9% in 2018. This indicates a decrease in dependence of deposits liability to finance assets rather than capital.

**Figure 3-2: Bank Solvency (Million TZS)**



### 3.1.6 Assets Quality (Loan and Advance - NPL)

Assets quality as represented by Loan and Advance asset, is evaluated in relation to Non-Performing Loan condition. The loan asset in the bank represents highly risky assets and is a core investment venture in the banking industry. Loan and advances



(net for allowance for bad loan) of the PBZ represent 57.15% of the total assets (2021: 60.24%). As shown in this Figure 3-3, Non-Performing Loan (NPL) reported in 2022 was 2.77% decreased from 5.09% reported five (5) years back. This is an excellent effort in managing the risk assets and

maintaining the quality of the assets. The regulatory benchmark is not more than 5%.

### **3.1.7 Earning/Profitability of the bank**

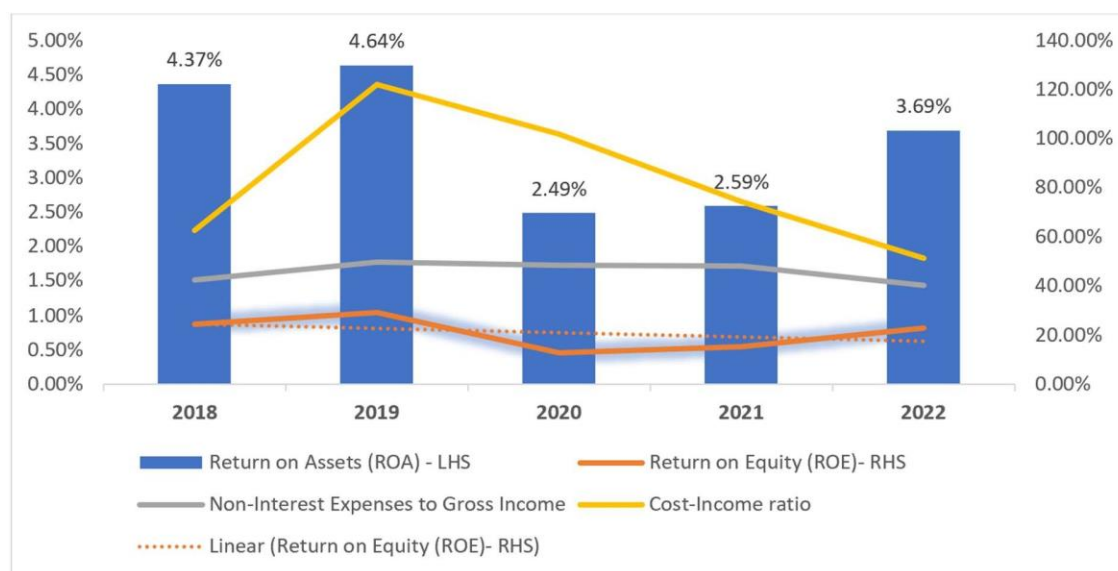
For the purpose of this report, the quality and quantity of bank's earnings are evaluated in relation to: the level of earnings, including trends, quality and structure of earnings and types of activities with high risks.

Earnings of the bank were rated strong on account of the following;

- (i) For the 2022, the bank declared a profit for the year of TZS 30,848 million, which was 77.94% increase from the results announced in 2021 of TZS 17,336 million, and for the five (5) year's performance, the profit increased by an average of 25.17% per year from TZS 18,589 million of 2018.
- (ii) The ratio of Non-Interest Expenses to Gross Income in 2022 was 40.16% decrease from 47.86% recorded in 2021 and 42.18% of 2018. This indicates the efficiency with non-interest expenses (operating expenses).
- (iii) For the 2022, both Return on Assets (ROA) and Return on Equity (ROE) ratios increased to 3.69% and 22.96% compared to 2.59% and 15.29% respectively recorded in the 2021. However, the ratios are decreasing from 4.37% and 24.58% reported five (5) years ago (2018) as shown in the Figure 4-4 below. This was due to the restoration of the worsened profitability position accounted during the COVID-19 pandemic (2020).
- (iv) Cost-Income ratio decreased to below regulatory requirement of 55%, was 51.12% in 2022 from 62.46% reported in 2018. This means, the bank has the ability to generate adequate revenue and to control its expenses at the required level.

The highest profitable year was 2019 recording higher return on assets and equity of 4.64% and 29.46% respectively.

**Figure 3-4: Profitability trend**

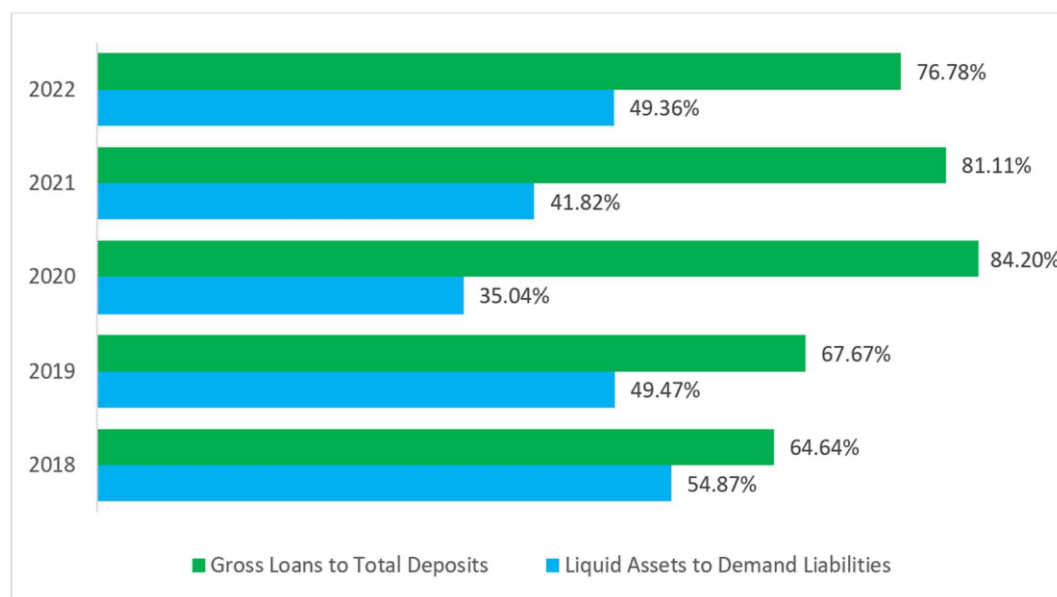


### 3.1.8 Liquidity

Liquidity is evaluated in relation to the trends, levels and sources of liquid assets; those assets that can be easily converted to cash. Liquidity position of the bank was rated healthy due to the following; -

- (i) In 2022 ratio of Liquid Assets to Demand Liabilities was 49.36%, which was far above the minimum regulatory limit of 20%. During the five (5) year's period under review, the ratio trended through worst position at 35.04% in the 2020 (COVID-19);
- (ii) The ratio of Gross Loans to Total Deposits was 76.78% in 2022, which decreased from highest point at 84.20% in 2020. This indicates the bank was stable enough to ensure that it meets maturing obligations using its own resources.

**Figure 3-5: Bank Liquidity**



### 3.1.9 Overall Risk Assessment

In this report, the risk assessment of PBZ is reviewed and analysed in two (2) aspect of inherent fiscal risks. These are credit and liquidity risks. The internal risk rating and benchmark are shown in the Table 3-2 below.

**Table 3-2: Risk Rating and benchmarks.**

Selected Risk Indicators		Minimal	Moderate	Significant	High
Credit Risk	Gross Loans to Total Assets	< 60%	60% - 65%	65% - 70%	>70%
	NPL	< 3.5%	3.5% - 3.9%	4.0% - 4.5%	> 4.5%
	Gross loan growth rate	<10%	10% - 19.9%	20% - 30%	> 30%
Liquidity Risk	Liquid Assets to Demand Liabilities	> 35%	35% - 30%	29.9% - 25%	< 25%
	Gross Loans to Total Deposits	<70%	70% - 74.9%	75% - 80%	> 80%
		Low Risk			High Risk

The overall inherent risk rating of the bank was rated **moderate** on account of weighted average significant credit and moderate liquidity risks. Factors contributing to the assigned ratings are summarized in the Table 3-3 below:

**Table 3-3: PBZ Risk Assessment**

Selected Risk Indicators		2018	2019	2020	2021	2022
Credit Risk	Gross Loans to Total Assets	50.5%	52.4%	64.2%	61.2%	57.9%
	NPL	5.1%	5.9%	4.8%	4.2%	2.8%
	Gross loan growth rate	2.3%	12.0%	27.6%	25.8%	33.5%
Liquidity Risk	Liquid Assets to Demand Liabilities	54.9%	49.5%	35.0%	41.8%	49.4%
	Gross Loans to Total Deposits	64.6%	67.7%	84.2%	81.1%	76.8%

### 3.1.10 Relationship with government

The bank is a giant contributor to the consolidated fund of the government on dividends payment for entire period of five (5) years up to 2022. Aggregate dividend received by government amounting to TZS 15,156.21 million as analysed in the table 2-4 below.

**Table 3-4: PBZ Relationship with Government (Million TZS)**

Year	2018	2019	2020	2021	2022
Dividend received by Gov't	1,036.00	3,399.00	3,346.02	4,975.19	2,400.00

### 3.1.11 Findings and Recommendations

#### 1. Inadequacy of capital.

Capital adequacy standards assist to ensure the efficiency and stability of the financial system by lowering the risk of collapsing. High capital adequacy is considered safe and like to meet financial commitments. PBZ capital adequacy position (tier 1) observed at 14.28% close to regulatory requirement of 12.5%. In near future, the bank will not able to expand its investments due to capital adequacy position. Therefore, bank is recommended to prepare capital plan to enhance the capital base in order to expand business and investments activities.

## **2. Profitability**

The rate of return on Assets was 3.69% decreased from highest 4.64% recorded in 2019 before COVID-19 outbreak. Therefore, the bank needs to have strategies to revive profitability trend by maximizing revenue with cost minimization plan.

## **3. Credit Risk on loan growth**

According to internal benchmark on credit risk, the limit of loan growth requirement is not more than 30%. As at end of 2022, the rate was 33.5%, which was above the limit set to control the risk of defaulting of loan to customer. Therefore, management of the bank need to enhance credit management measures.

## 3.2 Zanzibar Airport Authority (ZAA)

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### 3.2.1 Introduction

Zanzibar Airports Authority (ZAA) is a statutory body established as a Government Agency under Act No. 8 of 2011, and is based in Zanzibar. The Authority is body corporate with perpetual succession and a common seal. The Authority is owned by the RGoZ and is under the Ministry responsible for Transport, Communication and Infrastructure.

The main objective of the Authority is to give technical advice on the development of airports, to ensure airport policies, regulations, procedures and international standards are implemented accordingly, and advise the Government on national and international aspects of airport management. ZAA also support national economic development by providing the necessary airport infrastructure, facilities, and services.

### 3.2.2 ZAA Vision and Mission

The Vision statement of the ZAA is *“to become a model in the implementation of airport facilities and services standard in Africa by 2025”*.

While the Mission of the ZAA is *“to reach high-quality airport services and facility standards in most cost-effective manner”*.

### 3.2.3 ZAA Financial Performance Review

Financial performance of the ZAA is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Below is Table 3-5 presents the summarised financial statements showing the revenues, assets, liabilities and equity position for the period from 2018 to 2022.

**Table 3-5: ZAA Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Revenues from trading activities	11,075.39	12,219.94	13,712.18	17,504.56	21,495.47
Gov't transfers received	663.00	2,294.00	3,651.22	4,378.96	5,371.36
Gross Profit	11,738.39	14,513.94	17,363.39	21,883.52	26,866.82
Net Other operating exp.	12,459.98	17,464.04	63,919.59	24,474.09	35,885.66
Operating Profit (EBIT)	(721.58)	(2,950.10)	(46,556.20)	(2,590.57)	(9,018.84)
Finance costs	128.96	47.54	64.53	38.15	8.31
Net Profit Before Tax	(850.54)	(2,997.64)	(46,620.73)	(2,628.72)	(9,027.15)
Profit for the year	(850.54)	(2,997.64)	(46,620.73)	(2,628.72)	(9,027.15)
EBITDA	3,846.90	3,513.70	(46,500.30)	9,661.30	9,160.20
Assets	61,451.36	62,829.09	1,011,505.37	1,003,572.24	1,285,127.62
Liabilities	2,652.76	3,253.42	4,568.41	9,518.61	300,101.13
Total Equity	58,798.60	59,575.67	1,006,936.95	994,053.63	985,026.48

### 3.2.4 ZAA Profitability

Although revenue of ZAA is increasing by an average rate of 18% per year, and 2022 recorded the highest revenue ever of TZS 21,495 million, the profitability of the ZAA is rated very poor. The entity recorded losses throughout the period under review. The highest loss was in 2020, whereas the loss was TZS 46,620 million.

Operating cost of the entity including depreciation expenses is very high compared with the revenue collected from the normal activities of the entity. Net Profit Margin, Return on Asset, Return on Equity and Cost Recovery ratios were adversely reported due to the high cost of operation.

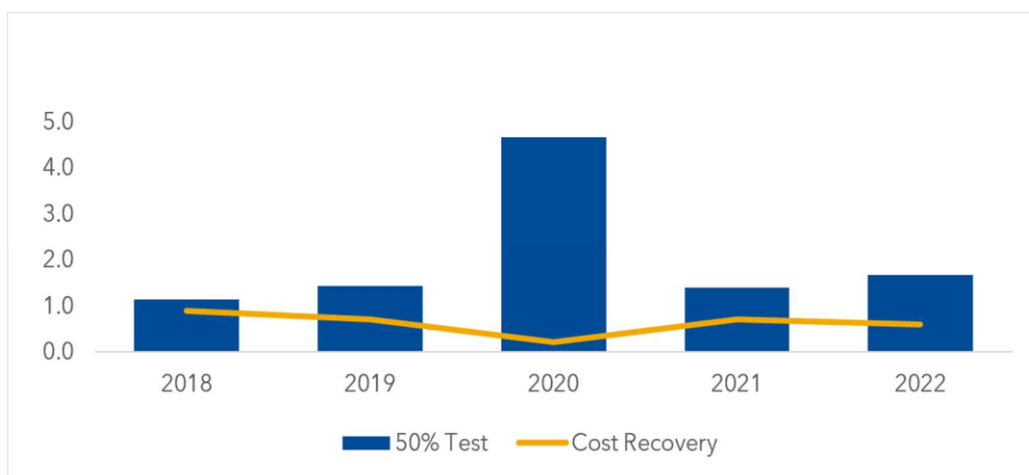
**Table 3-6: ZAA Profitability ratios**

Year	2018	2019	2020	2021	2022
Net Profit Margin	-8.00%	-25.00%	-340.00%	-15.00%	-42.00%
Return on Assets	-1.00%	-5.00%	-5.00%	0.00%	-1.00%
Return on Equity	-1.00%	-5.00%	-5.00%	0.00%	-1.00%
Cost Recovery	0.89	0.70	0.21	0.72	0.60

The total revenues collected (including government grants) each year are not adequate to cover operating expenses as shown in Table 3-6 above. The ratio of Cost

Recovery is below 1. Depreciation of property, plant and equipment is the main cause of the loss as the amount of EBITDA almost show positive except for 2020.

**Figure 3-3: 50 % Test and Cost Recovery**



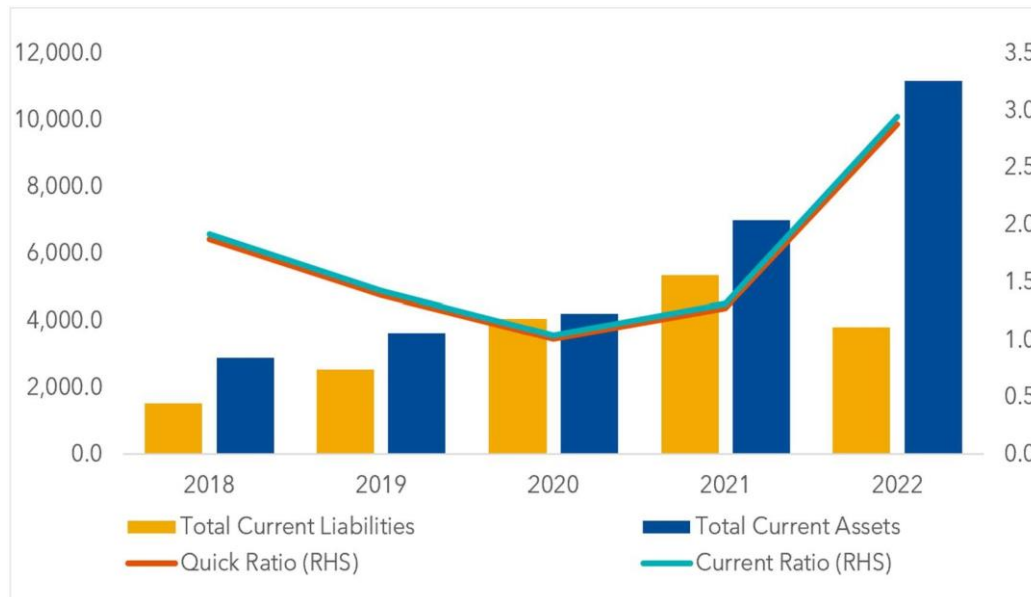
The ratio of 50% test<sup>5</sup> shows that the proportion of the operating expenses covered by the revenue generated by the Authority (excluding government grants received) is above 1, which means that the revenue collected does not cover operating expenses of the Authority.

### 3.2.5 ZAA Liquidity

The liquidity position of the Authority for entire period of five (5) years was healthy. Liquid assets are enough to liquidate short-term obligations when fall due. Current and quick ratios were above benchmarks. Therefore, ZAA is better able to withstand shocks and still meet its current liabilities.

<sup>5</sup> 50% test ratio Assesses whether the proportion of the operating expenses covered by the revenue generated by the company (excluding government grants received). A lower ratio indicates that the revenue covers a larger share of the operating expenses.

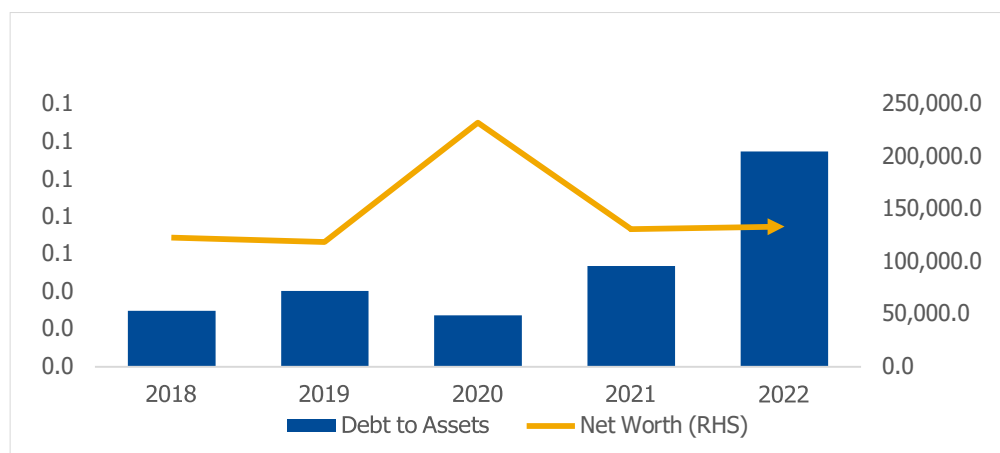
**Figure 3-4: Short-term Liquidity (million TZS)**



### **3.2.6 ZAA Solvency**

Financial flexibility of the Authority is healthy enough. The entity does not depend on debt financing rather than shareholder's equity. Therefore, all the time the leverage level was very strong. As shown in the Figure 3-5 below, the Net worth of the ZAA has increased dramatically from TZS 58,798.60 million in 2018 to TZS 985,026.48million in 2022. This was highly attributed to the revaluation gain on PPE amounted to TZS 996 million made in 2020.

**Figure 3-5: ZAA Solvency (million TZS)**



### 3.2.7 Relationship with government

Revenues from trading have consecutively not been sufficient to cover costs of operation. In addition to ZAA somehow, depend on government transfers as a grant to finance its portion of its cost of operations. The grant was received as deferred revenue and amortized as realized income annually to the extent shown in the Table 3-7 below. No dividend payment was made to government through out of the period under review.

**Table 3-7: ZAA Relationship with Government (TZS million)**

Year	2018	2019	2020	2021	2022
Government transfers received (grant amortization)	663.0	2,294.0	3,651.2	4,379.0	5,371.4
Government Transfers to Total Revenue (Rate)	0.06	0.16	0.21	0.20	0.20

### 3.2.8 ZAA Overall Risk Assessment

The overall risk is rated **Moderate** because of registered poor profitability, strong liquidity and solvency conditions and significant risk to financial relationship with government. Details are shown in ANNEXURE.

### **3.2.9 Findings and Recommendations**

#### **1. Allocation on Depreciation Charge**

Allocation of assets cost as depreciation charge seemed not properly completed. Depreciation charge had great impact on profitability of ZAA. Table 3-5 in the report, shows profit before depreciation (EBITDA) was almost positive. Therefore, it is suggested to review the allocation of depreciation charge.

#### **2. Profitability**

Cost Recovery ratio was unsatisfactory due to high cost of operation. Operating cost of the ZAA has increased significantly, The Authority need to control on its operating cost and to enhance revenue collection measures.

### 3.3 Zanzibar Electricity Corporation (ZECO)

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#### 3.3.1 Introduction

Zanzibar Electricity Corporation (ZECO) was incorporated in Zanzibar under Act No. 3 of 2006. The corporation is owned fully by the RGoZ under the Ministry of Water, Energy and Mineral.

The objective of the corporation is to enter into contracts with any public, local authority, or any person for the purchase and supply of electricity or any other purpose; to enter into agreements for purchase of electricity in bulk from independent power producers within or outside Zanzibar for resale to consumers.

#### 3.3.2 ZECO Vision and Mission

The Vision statement of the ZECO is “to efficient and commercially sound electric utility supporting the development of the economy in Zanzibar”.

Mission of the ZECO is *“to supply electricity so as to meet the national demand in an effective, safe, reliable and sustainable manner”*.

#### 3.3.3 ZECO Financial Performance Review

Financial performance of the ZECO analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Table 3-8 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-8: ZECO Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Revenues from trading activities	86,065.55	96,600.52	102,849.32	106,002.20	122,868.26
Gov't transfers received	10,039.22	10,040.17	10,155.64	10,195.75	10,205.00
Cost of Goods Sold	77,875.42	83,630.59	87,290.55	89,986.01	97,588.22
Gross Profit	18,229.35	23,010.10	25,714.41	26,211.94	35,485.04
Other operating income	7,869.43	7,950.65	7,865.43	8,132.10	8,958.36
Other operating expenses	9,451.57	12,123.73	13,709.21	18,152.68	20,829.64
Operating Profit (EBIT)	16,647.21	18,837.02	19,870.63	16,191.36	23,613.76
Finance costs	27.42	22.29	7.36	20.16	25.41
Net Profit Before Tax	16,619.79	18,814.72	19,863.26	16,171.20	23,588.35
Income tax expense	1,974.17	2,632.37	2,912.29	1,792.63	7,076.50
Profit for the year	14,645.62	16,182.36	16,950.98	14,378.56	16,511.84
EBITDA	16,920.80	19,123.40	20,034.90	16,359.50	24,385.00
Assets	328,342.61	332,437.63	344,500.89	391,254.44	429,484.56
Liabilities	315,029.77	277,207.18	266,788.38	253,863.59	334,819.60
Total Equity	13,312.84	55,230.45	77,712.51	137,390.86	94,664.96

### 3.3.4 ZECO Profitability

Revenue from trading activities is increasing by an average rate of 9% each year, from TZS 86,065.55 million in 2018 to highest record of TZS 122,868.26 million received in 2022. However, profitability of the entity decreases each year which is substantiated by the rate of Net profit Margin and Rate of Returns shown in Table 3-9 and Figure 3-6 below.

**Table 3-9: ZECO Profitability ratios**

Year	2018	2019	2020	2021	2022
Net Profit Margin	17.02%	16.75%	16.48%	13.56%	13.44%
Return on Assets	4.46%	4.87%	4.92%	3.67%	3.84%
Return on Equity	110.01%	29.30%	21.81%	10.47%	17.44%
Cost Recovery	1.08	1.09	1.10	1.06	1.11
50% Test	0.93	0.92	0.91	0.95	0.90

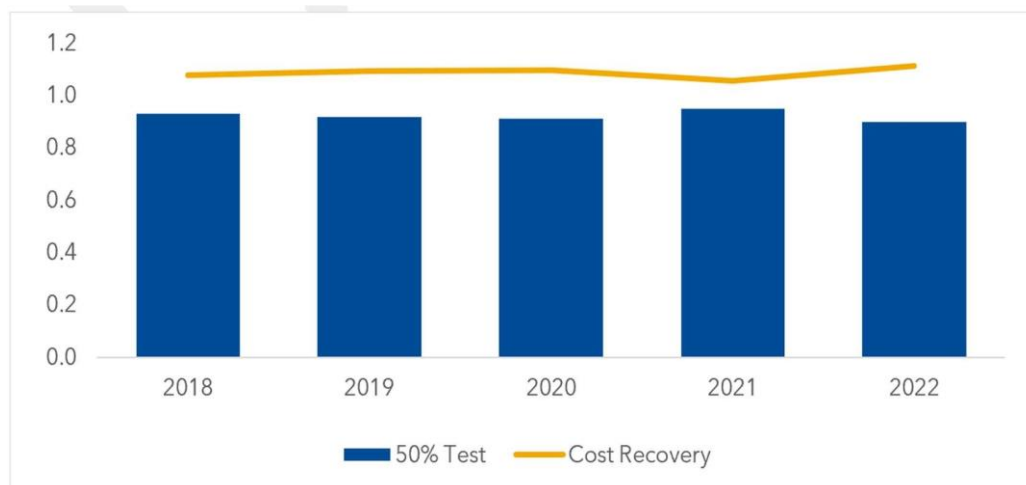
Return on Assets (RoA) rate slightly decreased from 4.46% in 2018 to 3.84% in 2022. Nonetheless, the ability to generate profits using the capital of invested (Return on Equity) also deteriorated sharply from 110.01% in 2018 to 17.44% in 2022.

**Figure 3-6: Rates of Returns**



As shown in Figure 3-7 below, the ratio of 50% test is below 1, indicating that proportion of operating expenses is lower and can be covered by revenue generated by the entity (excluding government grant received). Whilst, the ratio of Cost Recovery is above 1, indicating that, the corporation is able to generate adequate revenue to cover operating expenses and is sustainable without supplementary funding.

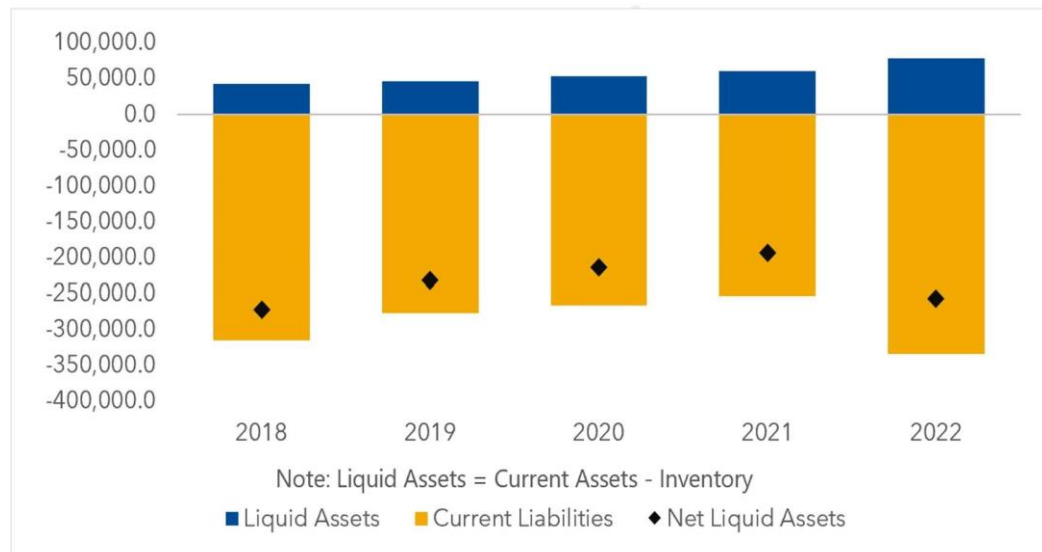
**Figure 3-7: ZECO 50 % Test and Cost Recovery**



### 3.3.5 ZECO Liquidity

The liquidity position of ZECO for entire period of five (5) years was not healthy at all. Liquid assets are scantily, not enough to liquidated short-term obligations when fall due. Current and quick ratios were below 1, this indicates ZECO is not better able to withstand shocks and still meet its current liabilities. Net liquid asset is negative as shown in the Figure 3-8 below.

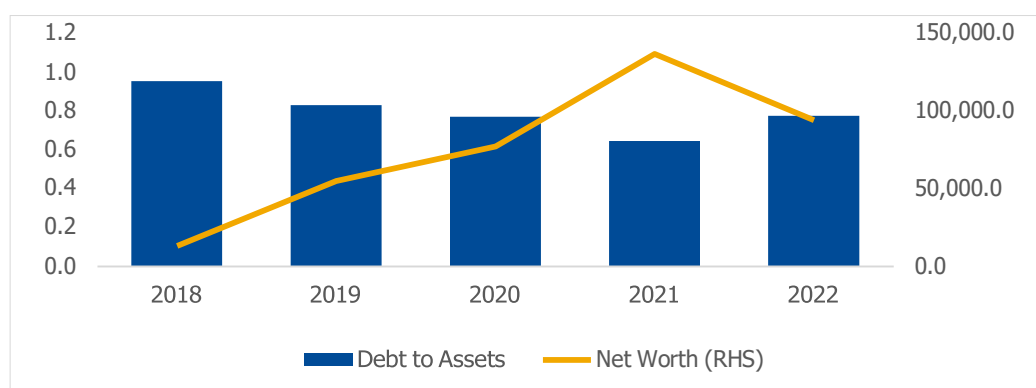
**Figure 3-8: Net Liquid Assets (millions TZS)**



### 3.3.6 ZECO Solvency

Financial flexibility is healthy enough. The entity does not depend much on debt financing rather than shareholder's funds. Therefore, all the time the leverage was very strong. As shown in the Figure 3-9 below, the Net worth of the ZECO has increased from TZS 13,312.84 million in 2018 to TZS 94,664.96 million in 2022. The Ratio of Debt to Assets is less than 1, which means that, the corporation is solvent and the size of the debt burden on the entity is manageable.

**Figure 3-9: ZECO Solvency (million TZS)**



### 3.3.7 Relationship with government

Revenues from trading are sufficiently enough to cover costs of operation. The grant received as deferred revenue amortized as realized income annually to the extent as shown in the Table 3-10 below. ZECO is among the PIE that is paying dividends to government through out of the period under review as shown below.

**Table 3-10: ZECO Relationship with Government (TZS million)**

Year	2018	2019	2020	2021	2022
Government transfers received (amortization of grant)	10,039.20	10,040.20	10,155.60	10,195.80	10,205.00
Dividend received by Gov't	150.00	400.00	1,428.44	1,382.16	2,092.40
Government Transfers to Total Revenue (Rate)	0.10	0.09	0.08	0.08	0.07

### 3.3.8 ZECO Overall Risk Assessment

Overall fiscal risk is rated **Significant** because of non-satisfactory on liquidity and solvency with good relationship on paying dividends. Risk on Z-Score is shown as **significant**. The risk predicts the probability that the entity will enter bankruptcy within two (2) years due to poor liquidity and solvency condition resulted by debts burden. Details are shown in ANNEXURE.

### **3.3.9 Findings and Recommendations**

#### **1. Liquidity Stress condition**

Liquid assets are insufficiently to liquidated short-term liabilities when fall due. Current liability is too high compared to its current assets. Management is recommended to control its debts by introducing ALM policy

### 3.4 Zanzibar Fisheries Company (ZAFICO)

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#### 3.4.1 Introduction

The Zanzibar Fisheries Company LTD (ZAFICO) was established and became operational in October 2017. ZAFICO aims to transform the fisheries sector within Zanzibar, attain profit and offer food security for the country and Tanzania as a whole. The general objective of the ZAFICO is to increase fish production and improve quality of fish and fish products in line with food security and safety requirements in compliance with international standards.

Publicly, the company began to prepare its financial statements with effect from 2020. Previously, the financial affair of the company was accounted for within parent Ministry.

#### 3.4.2 Shareholding

ZAFICO is indirectly owned by RGoZ through share investments by its PIEs. The total share capital issued is TZS 7,000 million whereas paid-up capital up to the end of June 2022 was TZS 6,008 million with a majority shareholding of Zanzibar Social Security Fund (ZSSF) of 52.43% as shown in the Table below; -

**Table 3-11: ZAFICO Shareholding structure**

	Public Investment Entity	Share Capital Issued	Share Capital paid up	% of capital paid up	% of Share holding
1.	Zanzibar Social Security Fund (ZSSF)	3,150	3,150	100%	45%
2.	Zanzibar State Trading Corporation (ZSTC)	1,890	1,327	70%	27%
3.	Zanzibar Port Corporation (ZPC)	1,200	1,260	100%	18%
4.	Zanzibar Insurance Corporation (ZIC)	700	271	39%	10%
	<b>Total</b>	<b>7,000</b>	<b>6,008</b>	<b>86%</b>	<b>100%</b>

#### 3.4.3 ZAFICO Vision and Mission

The Vision statement of the ZAFICO is, *“To be Zanzibar’s leading Fisheries Company, developer and provider of high-quality fishery products within the Eastern, Central and Southern Africa Region”*.

While the Mission of the ZAFICO is, “to endeavour to sustainably provide affordable high-quality fishery products within the Eastern, Central and Sothern Africa Region at all times while simultaneously complying with the Region’s fisheries regulatory regime”.

#### 3.4.4 ZAFICO Financial Performance Review

Financial performance of the ZAFICO was analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Below in the Table 3-12 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period of three (3) years starting from 2020 to 2022.

**Table 3-12: ZAFICO Summarized Financial Statements (million TZS)**

Year	2020	2021	2022
Revenues from trading activities	36.65	14.66	57.27
Government transfers received	3,528.00	-	905.00
Cost of Goods Sold	87.04	37.26	68.90
Gross Profit	3,477.61	(22.61)	893.37
Other operating income	-	2.49	27.14
Net Operating expenses	810.72	748.43	795.47
Net Profit Before Tax	2,666.90	(768.54)	125.04
Income tax expense	-	-	-
Profit for the year	2,666.90	(768.54)	125.04
Assets	7,800.01	6,999.02	7,187.02
Liabilities	269.90	237.45	-
Total Equity	7,530.11	6,761.57	7,187.02

#### 3.4.5 ZAFICO Profitability

According to the audited financial statements, it reveals that the company recorded profits of TZS 2,666.90 million in the first year of operation (2020) and TZS 125.04 million in 2022 but made a loss in 2021 of TZS 768.54 million. This is shown in the Table3-12 above. The profit recorded was a result of contributions received from owners of about TZS 3,528 million and TZS 905 million in 2020 and 2022 respectively. Actually, in the first three (3) years of operation, revenue collection was inadequate to cover at least cost of sale.

**Table 3-13 Actual Profit/loss without contribution (million TZS)**

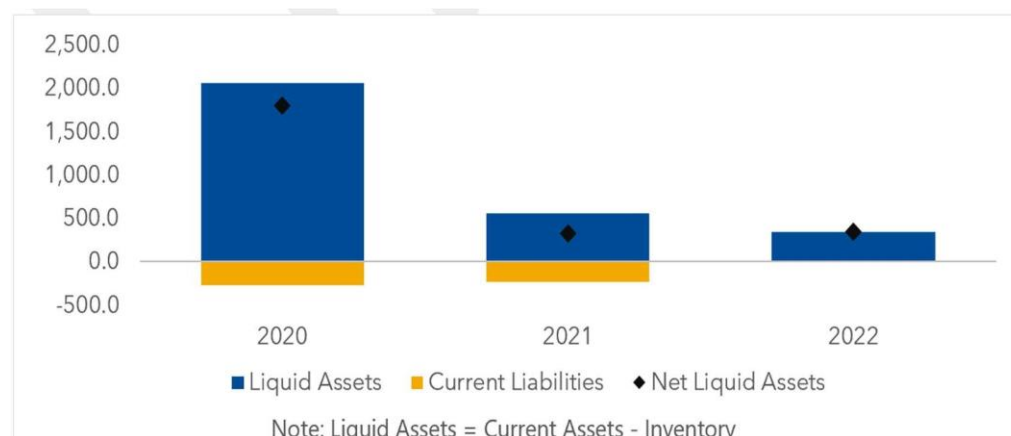
Year	2020	2021	2022
Revenues from trading activities	36.65	14.66	57.27
Cost of Goods Sold	87.04	37.26	68.90
Gross Profit	(50.39)	(22.61)	(11.63)
Other operating expenses	810.72	745.94	768.33
Net Profit Before Tax	(861.10)	(768.54)	(779.96)
Income tax expense	0.00	0.00	0.00
Net Loss	(861.10)	(768.54)	(779.96)

By testing profitability without the contribution/grant by owners, the company has been assessed as loss-making at this early stage of operation. The revenue generated by the company (excluding government grants received) as shown in the Table 3-13 above does not cover the proportion of the operating expenses.

#### 3.4.6 ZAFICO Liquidity

The liquidity position of the company in three (3) years is normal. The company has the ability to meet short-term liabilities from liquidating short-term assets. The company is better able to withstand shock and still meet its current liabilities, as net liquid assets are higher than one.

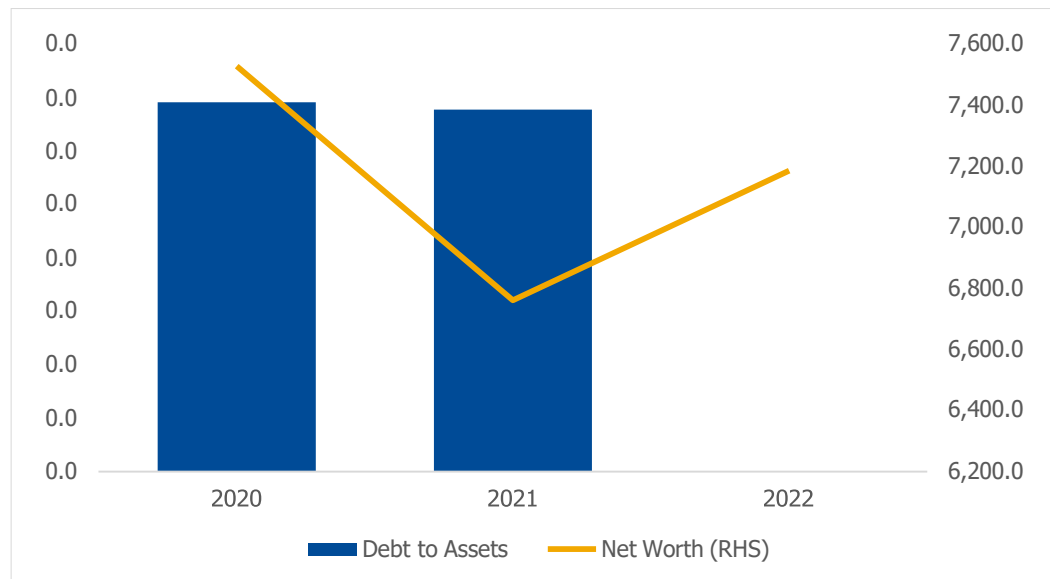
**Figure 3-10: Net Liquid Assets**



### 3.4.7 ZAFICO Solvency

Financial flexibility of the company is healthy enough. The entity does not depend on debt financing rather than shareholder's equity. Therefore, all the time the leverage was very strong. However, as shown in Figure 3-11 below, the Net worth of the ZAFICO recorded in 2020 and 2022 were higher than in 2021 because of contribution/grant received and included in the profit reported.

**Figure 3-11: Solvency (million TZS)**



### 3.4.8 Relationship with government

Revenues from trading have consecutively not been sufficient to cover costs of operation. ZAFICO currently, without support from the owners cannot survive commercially due to lower production and revenue.

### 3.4.9 ZAFICO Overall Risk Assessment

Overall fiscal risk is rated **Minimal** because of high risk in profitability due to less revenue but also with inherent normal risk in liquidity and solvency as a result of company's ability on financial sustainability. Details are shown in ANNEXURE.

### **3.4.10 Findings and Recommendations**

#### **1. Lack of Business Revenue and Strategies**

The company had not enough revenue generated from the business which is due to the lack business initiatives. The company is suggested to have proper revised business plan and implementable Strategic Plan.

#### **2. Cost control and Profitability**

Cost Recovery ratio was unsatisfactory due to high cost of operation. Operating cost of the company was higher than its level of revenue. The company need to control on its operating cost and to enhance revenue collection measures.

### 3.5 Zanzibar Housing Corporation (ZHC)

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#### 3.5.1 Introduction

Zanzibar Housing Corporation (ZHC) is stipulated in the functions and powers accorded to it through the Zanzibar Housing Corporation Act No. 6 of 2014. In accordance with this Act under section 7 (1), the ZHC has the overall responsibility to facilitate the provision of houses and other buildings to Zanzibaries for residential, commercial, industrial, or other real estate purposes. The corporation is owned fully by the RGoZ under parent Ministry of Land and Housing Development Zanzibar.

#### 3.5.2 ZHC Vision and Mission

The Vision statement of the ZHC is “to be leading institution in the provision of quality and sustainable housing solution in Zanzibar”.

The mission of the ZHC is *“to increase and facilitate availability of affordable, decent, sustainable building for settlement and commercial purposes”*.

#### 3.5.3 ZHC Financial Performance Review

Financial performance of the ZHC is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Below in the Table 3-14 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-14: ZHC Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Revenues from trading activities	2,001.73	2,878.68	2,091.81	3,046.50	3,093.93
Operating expenses	1,639.94	5,614.14	2,156.13	1,793.68	2,067.96
Net Profit Before Tax	361.79	(2,735.46)	(64.32)	1,252.82	1,025.97
Income tax expense	-	-	-	-	-
Profit for the year	361.79	(2,735.46)	(64.32)	1,252.82	1,025.97
Assets	84,142.79	81,450.74	94,937.20	97,178.89	98,566.32
Liabilities	122.99	166.41	120.00	252.52	613.99
Total Equity	84,019.80	81,284.33	94,817.10	96,926.36	97,952.33

### 3.5.4 ZHC Profitability

Revenue from trading activities is increasing by an average rate of 16% each year, from TZS 2,001.73 million in 2018 to TZS 3,093.93 million received in 2022. Net profit Margin increased from 18.07% (2018) to 33.16% (2022).

**Table 3-16: ZHC Profitability ratios**

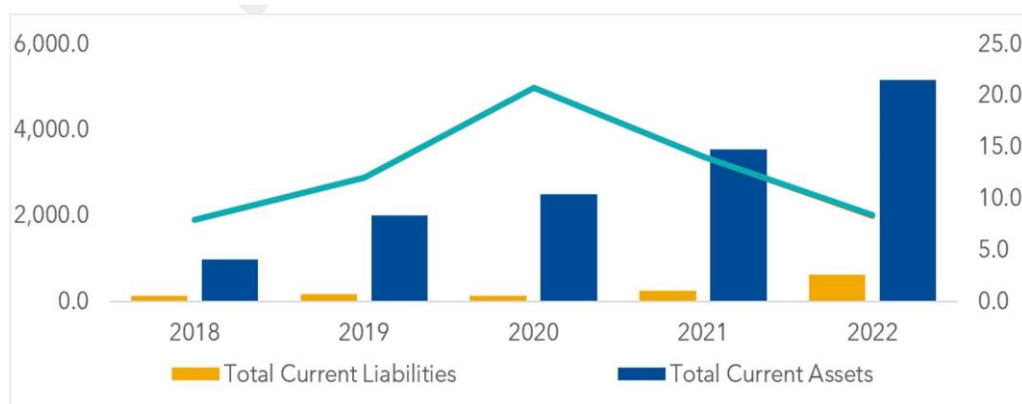
Year	2018	2019	2020	2021	2022
Net Profit Margin	18.07%	-95.02%	-3.07%	41.12%	33.16%
Return on Assets	0.43%	-3.36%	-0.07%	1.29%	1.04%
Return on Equity	0.43%	-3.37%	-0.07%	1.29%	1.05%
Cost Recovery	1.22	0.51	0.97	1.70	1.50
50% Test	0.18	(0.95)	(0.03)	0.41	0.33

Cost Recovery ratio is above 1, which represent the ability of a corporation to generate adequate revenue to cover operating expenses and is sustainable without supplementary funding. Other indicators are shown in the Table 3-16 above.

### 3.5.5 ZHC Liquidity

The liquidity condition of ZHC is healthy and increased significantly to record 20.69% of Current Ratio in 2020 growing from 7.88% in 2018. The ratio decreased to 8.39% in 2022. The Figure 3-12 below shows the trend of short-term liquidity for entire period of five (5) years. Ability to meet short-term liability from liquidating short-term assets is very strong.

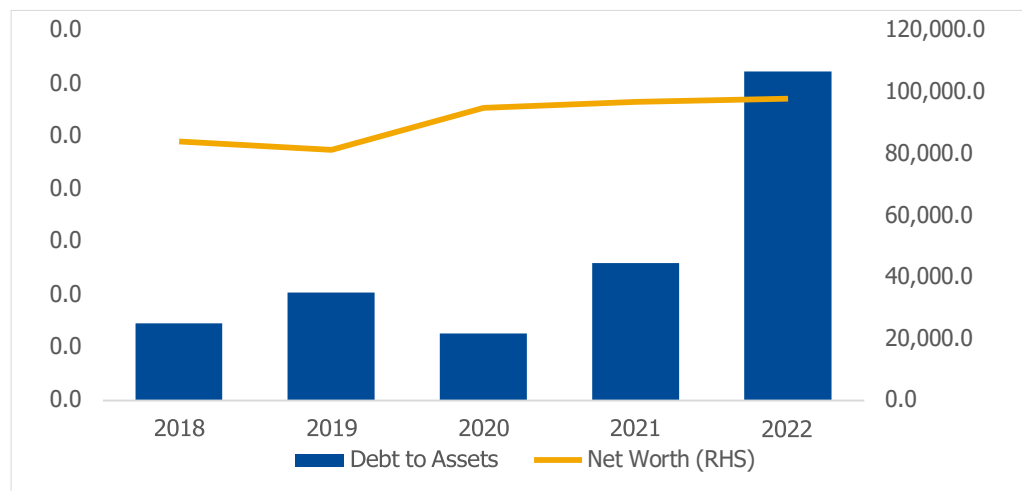
**Figure 3-12: Short-term Liquidity (millions TZS, ratio)**



### 3.5.6 ZHC Solvency

Financial flexibility is very sound. ZHC does not depend on debt financing rather than shareholder's funds. All the time the leverage was very strong. As shown in the Figure 3-13 below, the Net worth of the ZHC has increased from TZS 84,019.79 million in year 2018 to TZS 97,952.33 million in 2022. The Ratio of Debt to Assets is less than 1, which means that, the solvency and the size of the debt burden on the entity are controllable.

**Figure 3-13: ZHC Solvency (million TZS)**



### 3.5.7 Relationship with government

Relationship with government is not respectable due to non-payment of any contribution from profit made.

### 3.5.8 ZHC Overall Risk Assessment

Although profitability of the ZHC is up and down, overall fiscal risk is rated **Minimal** because of low risk of liquidity and solvency due to high level of financial flexibility. Details are shown in ANNEXURE.

### **3.5.9 Findings and Recommendations**

#### **1. Strategies on Revenue Maximization**

The corporation has a business potential to maximize its revenue. Therefore, it is recommended to have revised Strategic Plan.

### 3.6 Zanzibar Insurance Corporation (ZIC)

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#### 3.6.1 Introduction

Zanzibar Insurance Corporation was established in 1969 under the Zanzibar Public Enterprises Decree of 1966 (Legal Notice No. 11 of 1969). Following subsequent changes, it was operating under the Public Investment Act No. 4 of 2002 until 13th September 2021 and now operating under the Office of Treasury Registrar and Public Asset Management Act, 2021.

The Corporation is a parastatal organization owned by the RGoZ through the (PO) Finance and Planning. The main objective of the Corporation is to transact in all forms of non-life insurance business as provided for under the Insurance Act (No. 10) of 2009.

#### 3.6.2 ZIC Vision and Mission

The Vision statement of the ZIC is “to be a dynamic, customer focused and prominent insurance company operating throughout Tanzania”.

Mission of the ZIC is *“to be an insurer of choice throughout Tanzania with leading market share and profitability”*.

#### 3.6.3 ZIC Financial Performance Review

Financial performance of the ZIC is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Table 3-17 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-17: ZIC Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Net Earned Premium	17,183.44	18,090.04	18,971.94	17,685.92	25,965.11
Other operating income	2,037.49	1,763.45	1,048.61	1,342.96	2,844.54
Operating expenses	17,109.00	16,914.47	17,661.62	16,342.95	25,011.51
Profit Before Tax	2,111.93	2,939.01	2,358.94	2,685.94	3,798.13
Income tax expense	570.35	420.00	750.00	810.00	600.00
Profit for the year	1,541.58	2,519.01	1,608.94	1,875.94	3,198.13
Total Assets	32,855.75	36,789.01	32,795.52	31,887.88	50,853.98
Total Liabilities	17,775.23	22,223.01	16,333.80	14,449.64	31,848.43
Total Equity	15,080.52	14,566.00	16,461.72	17,438.25	19,005.55

### 3.6.4 ZIC Profitability

ZIC recorded Net Earned Premium (revenue from core insurance function) which indicates an average annual growth rate of 13% from TZS 17,183 million recorded in 2018 to a highest record of TZS 25,965 million in 2022. Yet again, operating expenses increased and were recorded at slightly lower than revenue, the rate of growth in expenditure was 12% per annum from TZS 17,109 million to TZS 25,011 million.

**Table 3-18: ZIC Profitability ratios**

Year	2018	2019	2020	2021	2022
Operating Profit Margin	12.29%	16.25%	12.43%	15.19%	14.63%
Net Profit Margin	8.97%	13.92%	8.48%	10.61%	12.32%
Return on Assets	4.69%	6.85%	4.91%	5.88%	6.29%
Return on Equity	10.22%	17.29%	9.77%	10.76%	16.83%
Cost Recovery	1.12	1.17	1.13	1.16	1.15

ZIC profitability reveals the ability to generate adequate revenue to cover operating expenses. As shown in the Table 3-18 above, the Cost Recovery indicator indicates a preferable condition (>1) that means that, the corporation is able to cover its operating expenses and is sustainable without supplementary funding, and is healthier able to withstand shocks and remain profitable and sustainable.

Figure 3-14: ZIC Profitability

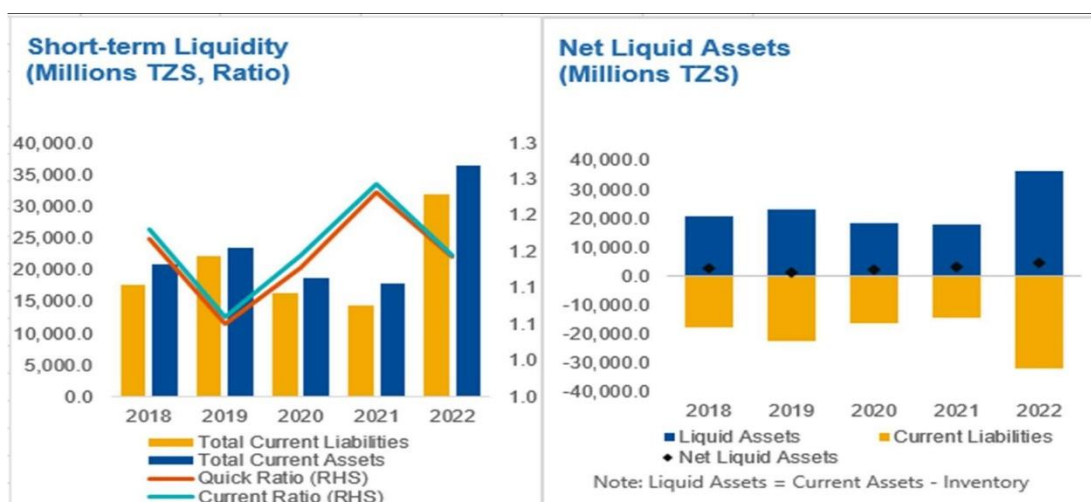


The rates of returns (RoA & RoE) portray how the entity's efficiency in managing its assets and capital to yield profits. All rates indicate upward trends in the period under review. The rates were 4.69% and 10.22% in 2018 increased to 6.29% and 16.83% in 2022 for RoA and RoE respectively.

### 3.6.5 ZIC Liquidity

The liquidity condition of ZIC as explained in ability of the entity to meet short-term liabilities when falling due is strong enough. Net liquid assets are positively noted throughout the period especially in 2021. This means that, ZIC is healthier and capable to resist financial vulnerability and still meet its current liabilities.

Figure 3-15: ZIC Liquidity

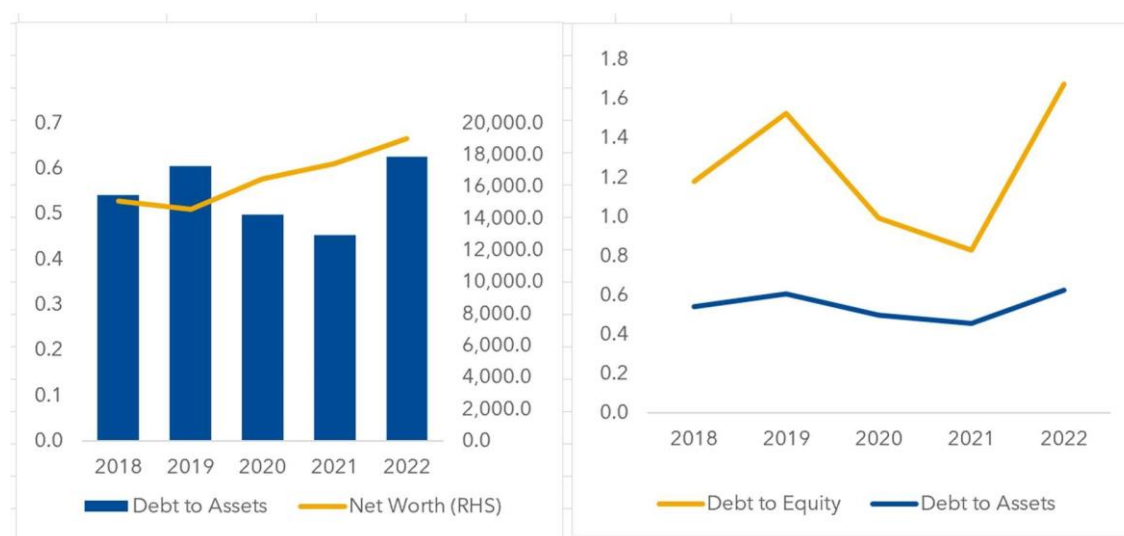


**Table 3-19: Current and Quick ratios**

Year	2018	2019	2020	2021	2022
Current Ratio	1.18	1.06	1.14	1.24	1.15
Quick Ratio	1.17	1.05	1.13	1.23	1.14

### 3.6.6 ZIC Solvency

ZIC does not depend on debt financing rather than shareholder's funds. Debt to Assets ratio is below 70% as well Debt to equity ratio is below 180% indicating financial flexibility being satisfactory and all the time the leverage was strong. As shown in the Figure 3-16 below, the Net worth of the ZIC is increasing. The amount in 2018 was TZS 15,080.52 million increased to TZS 10,005.55 million with an average annual increment of 6%.

**Figure 3-16: ZIC Solvency (million TZS)**

### 3.6.7 Relationship with government

ZIC is among PIE that paying dividend each year. The trend is as shown in Table below. During the years under review, ZIC contributed 7% in the aggregated amount of TZS 28,731.98 million as dividend received by the government.

**Table 3-20: ZIC Relationship with Government (TZS million)**

Year	2018	2019	2020	2021	2022
Dividend received	180.00	335.00	268.67	500.00	600.00

### 3.6.8 ZIC Overall Risk Assessment

Overall current fiscal risk is rated **Moderate** because of relatively enough earnings, healthy liquidity, flexibility on solvency, and government relationship on paying dividends. Details are shown in ANNEXURE.

### 3.6.9 Findings and Recommendations

#### 1. Risk on Liquidity and Solvency

The ratio of Debts to EBITDA is at high risk, that indicates number of years it would take for the corporation to generate sufficient cash to pay off all its debt is higher. Therefore, it is recommended to use or introducing ALM policy to control its liabilities and other external finance properly.

### 3.7 Zanzibar Petroleum Development Company (ZPDC)

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#### 3.7.1 Introduction

The Company was established under the Oil and Gas (Upstream) Act No. 6 of 2016 and registered under the Zanzibar Companies Act No 15 of 2013 on February 2018 and became operational in June 2018. The Company is owned by the RGoZ and was initially under the support of the Ministry of Blue Economy and Fisheries.

#### 3.7.2 ZPDC Vision and Mission

The Vision statement of the ZPDC is *“To be a leading integrated National Oil and Gas Company for the maximum benefit of Zanzibaris”*.

The mission of the ZPDC is *“To operate efficiently and effectively as the Government organ that safeguards national interest in the whole range of activities of the oil and gas sector”*.

#### 3.7.3 ZPDC Financial Performance Review

Financial performance of the ZPDC is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Table 3-21 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period of four (4) years from 2019 to 2022.

**Table 3-21: ZPDC Summarized Financial Statements (million TZS)**

Year	2019	2020	2021	2022
Revenues from trading activities	147.62	1.30	-	-
Other operating income	-	-	-	95.49
Operating expenses	452.76	1,098.60	1,111.51	1,766.36
Net Profit Before Tax	(305.14)	(1,097.30)	(1,111.51)	(1,670.87)
Income tax expense	-	-	-	-
Profit for the year	(305.14)	(1,097.30)	(1,111.51)	(1,670.87)
Total Assets	1,709.44	633.62	720.43	1,623.62
Total Liabilities	14.58	36.06	34.38	47.76
Total Equity	1,694.86	597.56	686.05	1,575.86

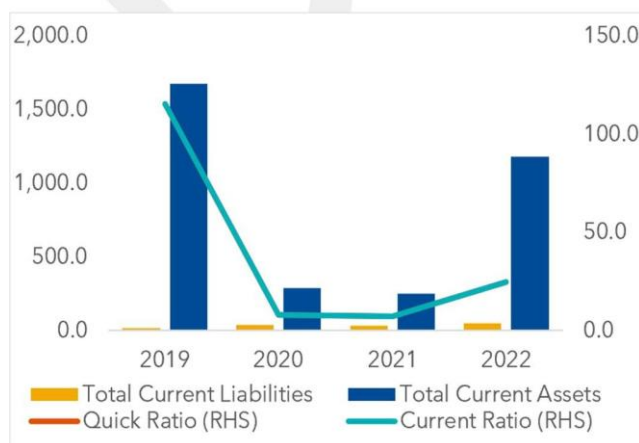
### 3.7.4 ZPDC Profitability

During the period of four (4) years, ZPDC recorded revenue collected from operations in the first two (2) years only as shown in Table 3-25 above. It reveals that the company recorded net loss each year since its inception due to fewer business operations. Operating expenses increased three (3) times from TZS 452.76 million recorded in first year of 2019 to TZS 1,766.36 million in 2020. This includes employees' salaries and office operating cost.

### 3.7.5 ZPDC Liquidity

The liquidity condition of ZPC currently is satisfactory. This explains ability of the ZPDC to fulfil short-term obligations when falling due. Net liquid assets are respectable

**Figure 3-17: ZPDC Short-term Liquidity (million TZS)**



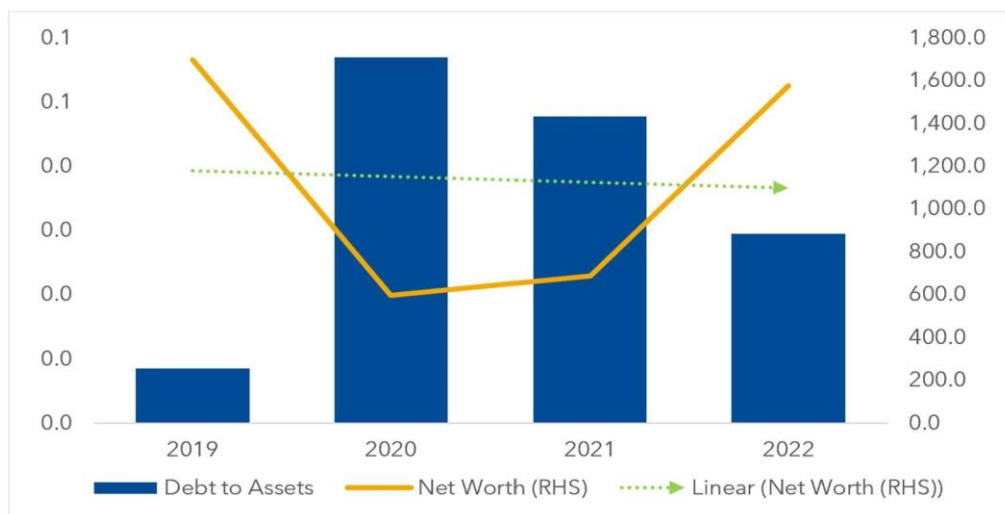
throughout the period under review. This means that ZPDC is healthier enough to resist financial vulnerability. The Figure 3-17 shows the position of liquidity of the company. However, this condition was attributed mainly to the lack of business

### 3.7.6 ZPDC Solvency

Debt to Assets and Debt to equity ratios are below 5% indicating very strong leverage but this was due to the preliminary condition of the new company. As shown in the Figure 3-18 below, although Net worth (equity) of the ZPDC is increasing, the capital is shrunken year after year because of loss-making in each year.

The Company's Capital Structure comprised of Ordinary Share Capital amounting to TZS 3,200 million which is equivalent to 80% of the subscribed Share Capital of TZs 4,000 million. In 2022, the owner injected additional capital of TZS 2,560.68 million.

**Figure 3-18: ZPDC Solvency (million TZS)**



### 3.7.7 Relationship with government

The absence of revenue and business activities at all makes the company to run with loss at this juncture. Therefore, ZPDC currently, cannot survive commercially without support from the owners.

### 3.7.8 ZPDC Overall Risk Assessment

Overall fiscal risk is rated **Moderate** because of high risk in profitability due to less revenue but also with inherent normal risk in liquidity and solvency as a result of company's ability on financial sustainability. Details are shown in ANNEXURE.

### 3.7.9 Findings and Recommendations

#### 1. Lack of Business Revenue and Strategies

The company had not enough revenue generated from the business which is due to the lack business initiatives. The company is suggested to have proper revised Strategic Plan.

## **2. Cost control and Profitability**

Operating cost of the company was higher than its level of revenue. The company need to control on its operating cost and to enhance revenue collection measures.

### 3.8 Zanzibar Ports Corporation (ZPC)

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#### 3.8.1 Introduction

Zanzibar Ports Corporation (ZPC) was established under Act No. 1 of 1997 under section 4 subsection (1) and (2). The Corporation is owned by the RGoZ and is under the Ministry of infrastructure, Communications and Transportations. The major objective and activities of the Corporation are to maintain, operate, improve and regulate the harbours and to provide facilities relating to harbours and provide harbours services.

#### 3.8.2 ZPC Vision and Mission

The Vision statement of the ZPC is *“Leading in the provision of efficient and customer-responsive Services in the East Africa Region”*.

The mission of the ZPC is *“To provide efficient, effective and responsive port services for Socio-Economic Development of Zanzibar”*.

#### 3.8.3 ZPC Financial Performance Review

Financial performance of the ZPC analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Table 3-22 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-22: ZPC Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Total Revenues	36,767.61	34,449.91	34,848.39	39,897.24	43,963.98
Operating expenses	29,685.22	31,129.11	26,207.63	26,946.33	27,135.97
Profit Before Tax	7,082.39	3,320.80	8,640.76	12,950.90	16,828.01
Income tax expense	2,124.72	996.24	2,592.23	3,885.27	5,048.40
Profit for the year	4,957.67	2,324.56	6,048.53	9,065.63	11,779.61
Total Assets	127,566.78	124,192.68	239,906.68	139,011.59	151,435.16
Total Liabilities	3,825.58	5,039.19	6,612.49	7,511.49	17,463.61
Equity	123,741.20	119,153.49	233,294.19	131,500.10	133,971.55

### 3.8.4 ZPC Profitability

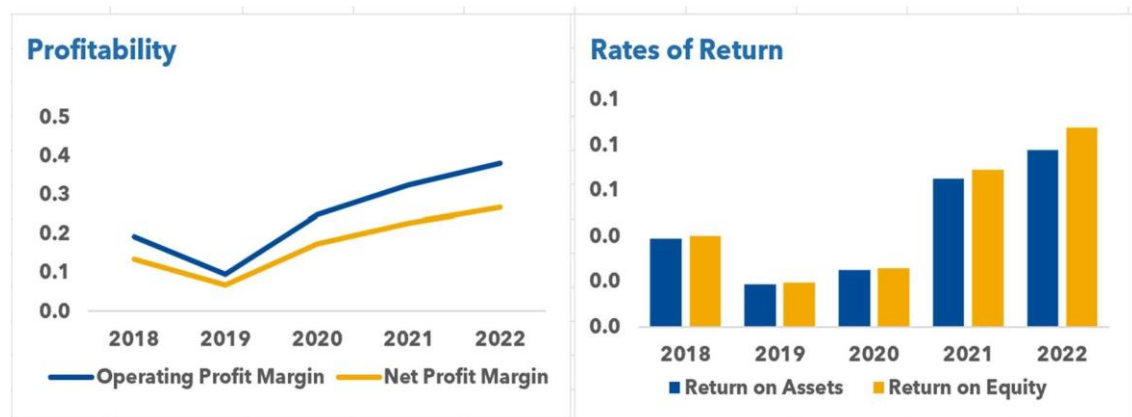
For the five (5) year's period, revenue collection grew by an average annual growth rate of 5% from TZS 36,767.61 million recorded in 2018 to TZS 43,963.98 million reported in 2022. Nevertheless, well-operating expenses decreased at average rate of 2% per annum from TZS 29,685.22 million to TZS 27,135.97 million.

**Table 3-23: ZPC Profitability ratios**

Year	2018	2019	2020	2021	2022
Operating Profit Margin	19.26%	9.64%	24.80%	32.46%	38.28%
Net Profit Margin	13.48%	6.75%	17.36%	22.72%	26.79%
Return on Assets	3.89%	1.87%	2.52%	6.52%	7.78%
Return on Equity	4.01%	1.95%	2.59%	6.89%	8.79%
Cost Recovery	1.24	1.11	1.33	1.48	1.62

ZPC profitability reveals the ability to generate adequate revenue to cover operating expenses. As shown in the Table 3-23 above, the Cost Recovery rate shows better condition ( $>1$ ) that means that, the corporation is expectant to cover its operating expenses and is maintainable without additional subsidy and is healthier able to resist any shocks and remain profitable and sustainable.

**Figure 3-19: ZPC Profitability**



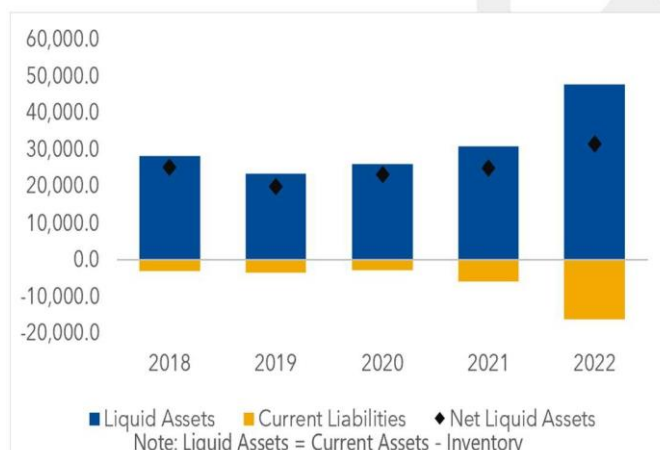
ZPC recorded a profit of TZS 11,779.61 million which is higher than previous profits attained within the period under review (Table 3-27 above). The entity illustrates the

effectiveness in managing its assets and capital invested to generate profits as substantiated by the Rates of Returns (Table 3-28 and Figure 3-19 above). All rates indicate rising trends in the period under review. The rates were 3.89% and 4.01% in 2018 increased to a superb record of 7.78% and 8.79% in 2022 for RoA and RoE respectively.

### 3.8.5 ZPC Liquidity

The liquidity condition of ZPC is satisfactory but is decreasing. This explains ability of

Figure 3-20: ZPC Liquidity



the ZPC to fulfil short-term obligations when falling due. Net liquid assets are noted as excellent throughout the period especial in 2022. This means that, ZPC is healthier enough to resist financial vulnerability and still meet its current liabilities. However, the Current and Quick ratios

are declining sharply from 9.12 and 9.11 for records of 2018 to 2.98 and 2.94 for current year of 2022 (Table 3-24 below). This was attributed mainly by the increase in total liabilities in recent years.

Table 3-24: Current and Quick ratios

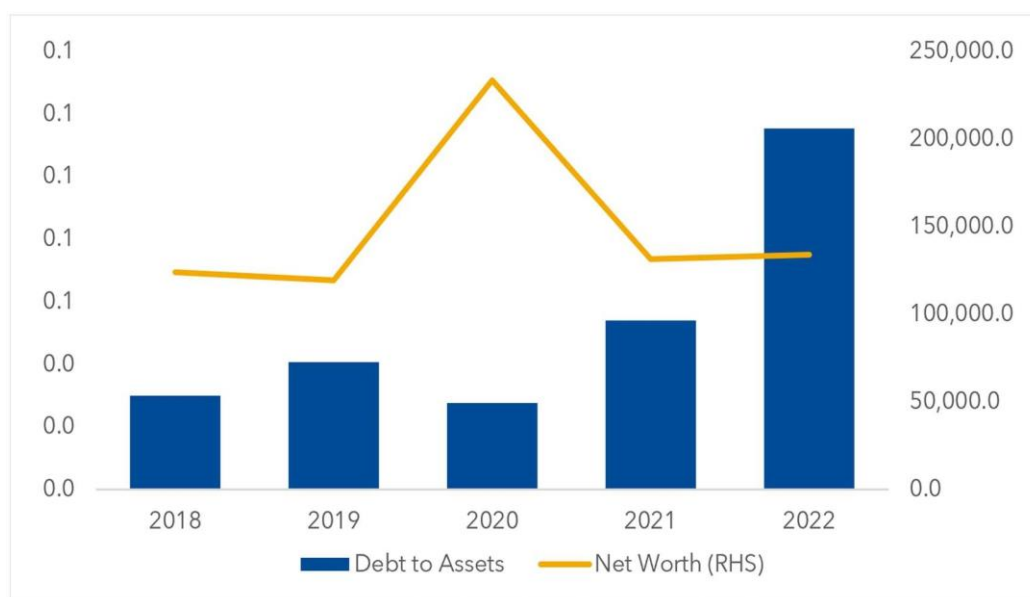
Year	2018	2019	2020	2021	2022
Current Ratio	9.12	6.98	9.10	5.34	2.98
Quick Ratio	9.11	6.83	8.99	5.28	2.94

### 3.8.6 ZPC Solvency

ZPC does not depends on external financing rather than shareholder's funds. Debt to Assets ratio is below 12% as well as Debt to equity ratio is 13% indicating very strong leverage and financial flexibility. As shown in the Figure 3-21 below, although Net worth (equity) of the ZPC is increased temporarily at a higher point, which was due to

emergent of reserve on revaluation of assets in 2020, it revealed that, the amount of equity grew by 8% from TZS 123,741.20 million in 2018 to TZS 133,971.55 million in 2022.

**Figure 3-21: ZPC Solvency (million TZS)**



### 3.8.7 Relationship with government

ZPC is a second dividend payer among PIEs. The trend is as shown in Table 3-25 below. During the five (5) years under review, ZPC contributed 19% in the aggregated amount of TZS 28,731.98 million as dividend received by the government.

**Table 3-25: ZIC Relationship with Government (TZS million)**

Year	2018	2019	2020	2021	2022
Dividend received	117.00	991.53	562.41	1,768.15	2,000.00

### 3.8.8 ZPC Overall Risk Assessment

Overall current fiscal risk is rated **Normal** due to satisfactory profitability records, strong liquidity, financial stability, and a good relationship with government on paying dividends. Details are shown in ANNEXURE.

### **3.8.9 Findings and Recommendations**

#### **1. Cost control measures**

The company need to control on its operating cost and to increase revenue collection measures.

### 3.9 Zanzibar Seaweed Company (ZASCO)

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#### 3.9.1 Introduction

The Zanzibar Seaweed Company (ZASCO) is Government Company, which established under Zanzibar Company Act No. 15 of the 2013 and registered in January 2022. The company was specifically charged with several responsibilities including establishing or carrying on the business of seaweeds extract (carrageenan) Industry, trading, marketing, business management, project investment, blue economy investment, research, and development.

#### 3.9.2 Shareholding

ZASCO is indirectly owned by RGoZ through share investments by government entities. The total paid-up share capital is TZS 3,950 million with majority shareholding of Zanzibar Social Security Fund (ZSSF) of 50.63% as shown in the Table below; -

**Table 3-26: ZASCO Shareholding Structure**

	Public Investment Entity	Paid up Share Capital	% of Share holding
1.	Zanzibar Social Security Fund (ZSSF)	2,000	50.63%
2.	Zanzibar State Trading Corporation (ZSTC)	500	12.66%
3.	Zanzibar Port Corporation (ZPC)	1,000	25.32%
4.	Zanzibar Insurance Corporation (ZIC)	450	11.39%
	<b>Total</b>	<b>3,950</b>	<b>100.00%</b>

#### 3.9.3 ZASCO Vision and Mission

The Vision statement of the ZASCO is, *“Seaweed crops become reliable crops for the Government and General Public by increasing individual income and National at large for sustainable development of Zanzibar”*.

Mission statement of the ZASCO is, *“value addition and increase consumption of seaweed and its products through processing and finding new markets inside and outside the country and conducting researches for the purpose of improving the production and life standard of people and government revenue”*.

### 3.9.4 ZASCO Financial Performance Review

ZASCO started its business operation earlier in 2022. Therefore, it prepared first set of financial statements for the year ended 30 June 2022 based on partial operational results of this infant business in the year **(five (5) months result)**. The Table below show the summarised statement of financial position of the Company showing the revenues, assets, liabilities and equity for the first year of business operation. The financial performance of the Company is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency.

**Table 3-27: ZASCO Summarized Financial Statements (million TZS)**

Year	2022
Revenues from trading activities	-
Government transfers received	-
Cost of Goods Sold	-
Gross Profit	-
Operating expenses	31.39
Net Profit Before Tax	(31.39)
Income tax expense	-
Loss for the year	(31.39)
Assets	4,168.52
Liabilities	250.00
Total Equity	3,918.52

### 3.9.5 ZASCO Profitability

For the period of 5 months in the year 2022, the company didn't record any revenue from trading activities and then incurred operating expenses amounted to TZS 31.39 million and hence booking business loss of the same amount as shown in the Table 3-33 above.

### 3.9.6 ZASCO Liquidity and Solvency

For the period under review, the company has not been completely involved fully in the business, hence maintaining adequate liquidity without registering immense commitments as a liability in this short period. The capital has not ultimately been invested and therefore not possible to assess solvency condition of the company.

### **3.9.7 Findings and Recommendations**

#### **1. Strategic Planning**

As the company is a first-hand introduced in the sector, thus need to have implementable Strategic Plan.

### 3.10 Zanzibar Shipping Corporation (SHIPCO)

---

#### 3.10.1 SHIPCO Introduction

Zanzibar Shipping Corporation (SHIPCO) is among State Owned Enterprises established by Legal Notice No. 3 under Public Enterprise Decree since 1978 and re-established under the Zanzibar Shipping Corporation Act No. 3 of 2013. The entity owned by the RGoZ under the Ministry is responsible for Transport, Communication and Infrastructure.

The core objective and mandate of the corporation is to manage and operate government-owned merchant ships in order to offer a growing population of Unguja and Pemba islands with reliable, safe and affordable sea transportation services.

#### 3.10.2 SHIPCO Vision and Mission

The Vision statement of the SHIPCO is *“To become a leading sea transportation service operator in eastern and Southern Africa”*.

While the Mission of the SHIPCO is *“To provide reliable, safe and efficient sea transportation and agency services to the public at a reasonable price while delivering the finest quality services”*.

#### 3.10.3 SHIPCO Financial Performance

Financial performance of the SHIPCO is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Below in the Table 3-28 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-28: SHIPCO Summarized Financial Statements (Million TZS)**

Year	2018	2019	2020	2021	2022
Revenues from trading activities	10,117.40	10,138.70	11,407.10	9,755.20	11,519.70
Government transfers received	3,330.40	3,301.90	4,910.30	5,116.40	4,960.40
Cost of Sales	10,302.15	11,638.74	13,927.00	11,439.08	22,812.90
Gross Profit	3,145.66	1,801.82	2,390.43	3,432.58	(6,332.78)
Other operating expenses	2,442.01	2,364.51	2,898.91	3,050.51	2,947.57
Operating Profit (EBIT)	703.60	(562.70)	(508.50)	382.10	(9,280.30)
Net Profit Before Tax	404.20	(805.80)	(586.10)	382.10	(9,330.50)
Profit/(loss) for the year	336.70	(805.80)	(586.10)	333.30	(9,330.50)
Assets	68,470.60	66,882.30	97,430.80	94,355.60	77,814.70
Total Liabilities	64,629.41	64,104.78	96,332.60	93,025.25	85,855.25
Total Equity	3,841.15	2,777.48	1,098.18	1,330.38	(8,040.51)

### 3.10.4 SHIPCO Profitability

Profitability of the SHIPCO is very unfortunate. The entity recorded the highest loss in 2022 of TZS 9,330.50 million. The Return of Asset and Return of Equity was not satisfactory. This is also explained in the Table 3-29 below. Most of the time in the period under review, the ratios were below margin.

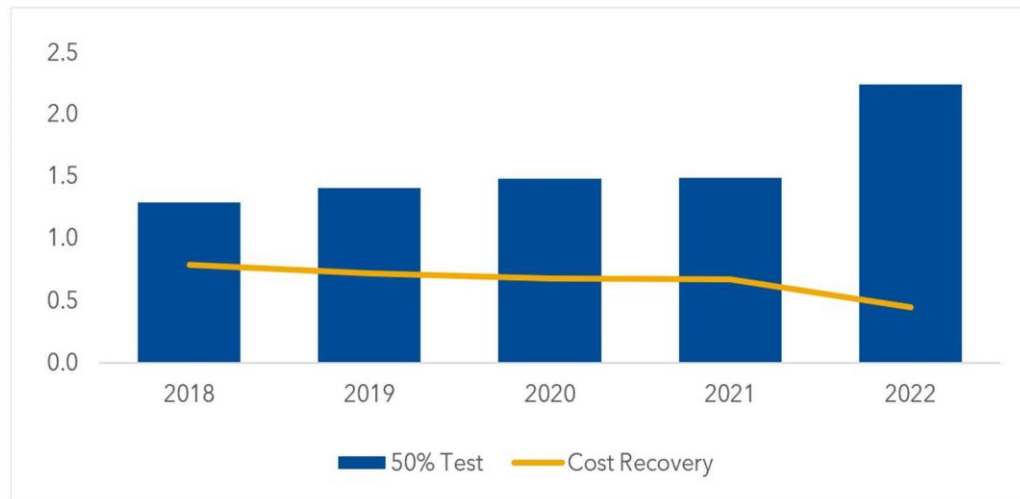
**Table 3-29: SHIPCO Profitability ratios**

	2018	2019	2020	2021	2022
Return on Assets	0.49%	-1.20%	-0.60%	0.35%	-11.99%
Return on Equity	8.77%	-29.01%	-53.37%	25.05%	-
Cost Recovery	0.79	0.72	0.67	0.67	0.44

The Cost Recovery ratio shows that, the corporation is under stress condition as currently the ability to generate revenue to cover operating costs is far away and the corporation is not sustainable without supplementary or recoup of business activities.

The entity's proportion of the operating expenses cannot be covered by business revenue generated excluding government grant. As indicated in the Figure 3-22 below, the ratio of 50% test is at higher side and is increasing year-after-year. At the period of 2022, the ratio was 2.24 increased from 1.29 in 2018. The benchmark should be below 0.7 level.

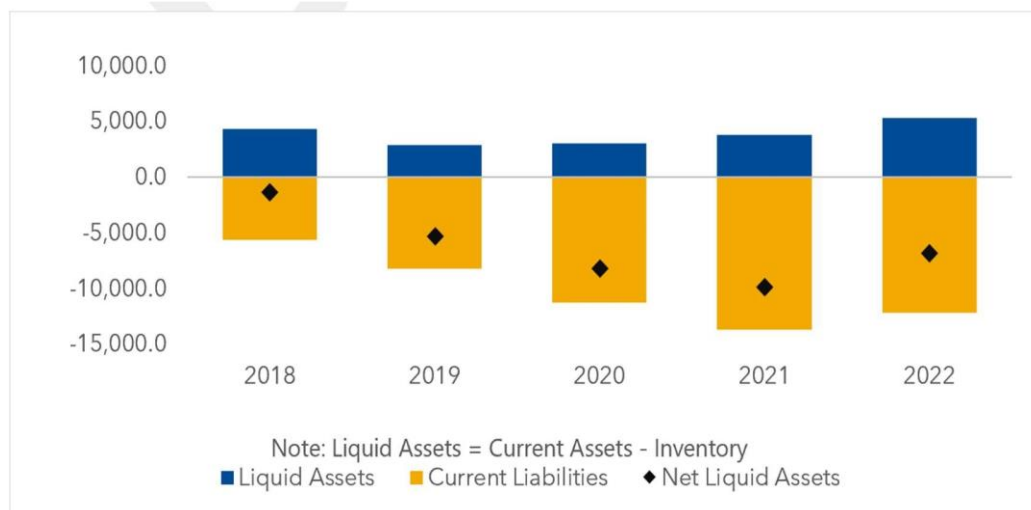
**Figure 3-22: 50 % Test and Cost Recovery**



### 3.10.5 SHIPCO Liquidity

The liquidity position of the corporation for entire period of five (5) year's period was not healthy at all. Liquid assets is not enough to liquidate short-term obligation when fall due. Current liabilities are higher than liquid assets; hence, the current and quick ratios were below benchmarks. Therefore, SHIPCO is not better able to withstand shocks and still meet its current liabilities.

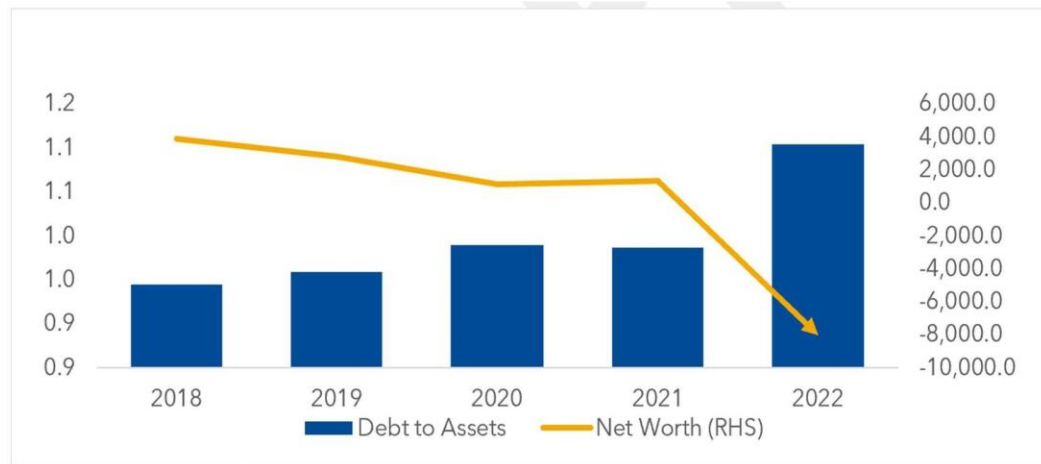
**Figure 3-23: Net Liquid Assets (Million TZS)**



### 3.10.6 SHIPCO Solvency

Financial flexibility of the corporation is not healthy enough. The entity depends much on debt financing rather than shareholder's equity therefore all the time the leverage level was very high. The Burden of the debt financing has increased at an annual average rate of 10% from TZS 64,629.41 million in 2018 to TZS 85,855.25 million in 2022. This was highly attributed by the Grant fund received from RGoZ of which at the end of financial year of 2021/2022 the outstanding amount as deferred revenue was TZS 72,846.45 million.

Figure 3-24: Solvency (million TZS)



Debt/Equity ratio is increasing annually while net worth of the corporation has significantly declined to negative value of TZS 8,040.51 million in 2022 from TZS 3,841.15 million in 2018. This is shown in the Figure 3-24 above. The decline in net worth was because of the big loss made during 2022, which was due to high cost of sales against less operational revenues because of the stranded vessels, M.V. Maendeleo and M.V. Mapinduzi II.

### 3.10.7 Relationship with government

Revenues from trading have consecutively not been sufficient to cover costs of operation. SHIPCO required government transfers as grants to finance its operations. The grant received as deferred revenue has amortized as realized income annually to

the extent as shown in the Table 3-30 below. However, due to the financial and cash flow constrain, no dividend received by government through out of the period under review.

**Table 3-30: SHIPCO Relationship with Government (TZS Million TZS)**

Year	2018	2019	2020	2021	2022
Government transfers received (grant amortization)	3,330.40	3,301.90	4,910.30	5,116.40	4,960.40
Government Transfers to Total Revenue (Rate)	0.25	0.25	0.30	0.34	0.30

### 3.10.8 SHIPCO Overall Risk

Overall risk is rated **high** because of registered poor financial condition on both, profitability, liquidity, and solvency position. This situation was because of stranded of the business. The entity becomes more dependable on other source of revenue including government grants. Risk on Z-Score is shown as **significant**. The risk predicts the probability that the entity will enter bankruptcy within two (2) years due to poor business opportunities, liquidity and solvency condition resulted by debts burden. Details are shown in ANNEXURE.

### 3.10.9 Findings and Recommendations

The following observations revealed as key inherent risks with respective recommendations; -

#### 1. Financial vulnerability

According to the risk assessment, financial vulnerability and high inherent fiscal risk emerged in the entity. Both profitability, liquidity and solvency condition are not healthy. Without strategical decision, it is predicted that, SHIPCO will enter bankruptcy within two (2) years. Therefore, it is recommended as follows;

- (i) To have new Business and Strategic plan, Cost structure review and Introduction of ALM policy

- (ii) Enhance and review governance issues including management structures review, board and management competency, introduction of performance management system

### 3.11 Zanzibar Social Security Fund (ZSSF)

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#### 3.11.1 Introduction

Zanzibar Social Security Fund (the Fund), has been established under Act No. 2 of 1998 as amended by Act No. 9 of 2000 and amended by the Government Notice of 2004 and eventually re-appealed and re-enacted ZSSF Act No.2 of 2005. The target group of this Fund covers employees from all sectors of the economy (Government, Private Sectors, and Parastatal).

#### 3.11.2 ZSSF Vision and Mission

The Vision statement of the ZSSF is *“To be a leader and a model among Social Security Service providers in the Region”*.

The mission statement is *“ZSSF is dedicated to be a dynamic provider of Social Security benefits through the utilization of competent and motivated staff”*.

#### 3.11.3 ZSSF Financial Performance Review

The financial performance of the Fund is measured by the following variables; -

- (a) Size of the Fund,
- (b) Profitability,
- (c) Cost management,
- (d) Contribution, and
- (e) Risk management.

#### 3.11.4 Size of the Fund.

ZSSF has recorded spectacular growth in the size of the Fund. This evaluated by Net Assets (capital), which is available for benefits, increased from TZS 400,587.38 million recorded in 2018 to TZS 708,462.03 million reported in 2022, representing an increase of annual average rate of 15% within the period under review. The growth in Net Assets is mainly attributed by the increase in investment activities. The details are presented in the Figure 3-25 below.

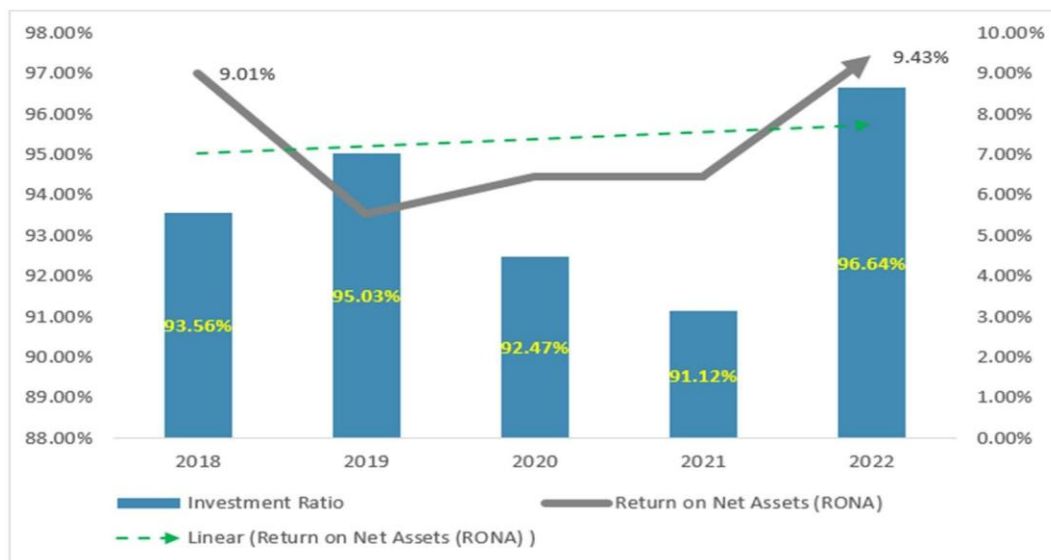
**Figure 3-25: ZSSF Net Assets Growth**



### 3.11.5 Fund Profitability.

The profitability of the Fund is measured by the Fund's ability in managing its assets to yield profits. Return on Net Assets (RONA)<sup>6</sup> which shows impact of investment income to Net Assets (Capital), increased from 9.01% reported in 2018 to 9.43% recorded in 2022. However, the RONA deceased sharply to 5.53% in 2019 due to effect of the COVID-19 pandemic.

**Figure 3-26: Return on Net Assets**



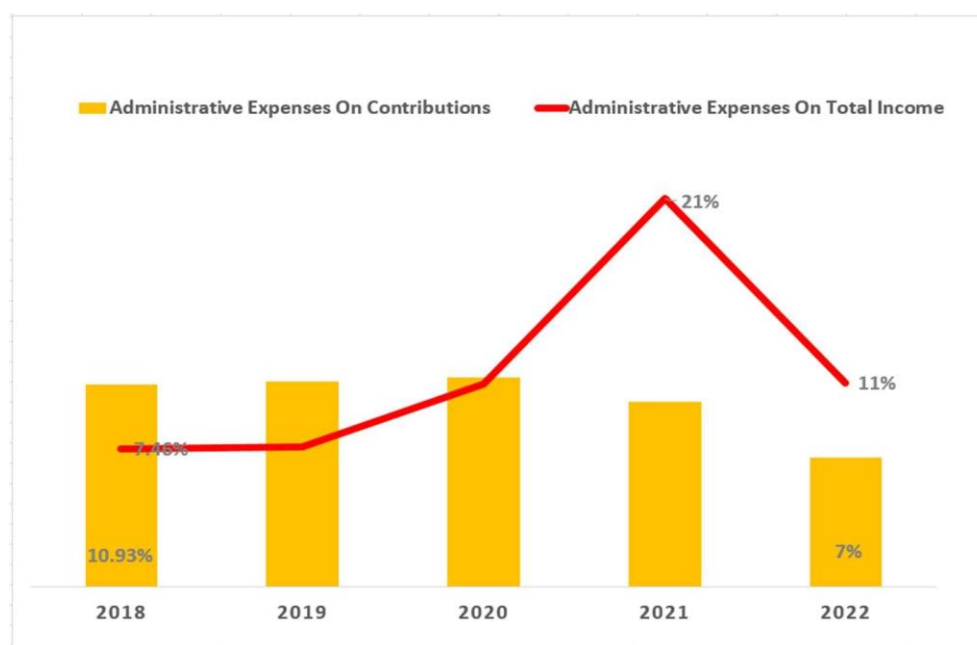
<sup>6</sup> RONA = (Investment Income / Net Assets of the Fund) X 100

The Investment ratio of the Fund, which shows impact of total investment (Investment portfolio) to total assets, increased to 96.64% in 2022. The record is highest over the five (5) year's period under review. This result demonstrates the achievement in managing an investments portfolio.

### 3.11.6 Expenditure Management

Another variable in financial performance measurement is expenditure control. During the period under review, impact of administration expenses on members' contribution was lowest recorded in 2022. The expenditure ratio was 7% decreasing from highest rate of 11.30% recorded in 2020. In addition, the ratio of expenditure to total income recorded at 11% in 2020 increased from 7.46% in 2018. This means ZSSF is putting in control Fund expenditure for the interest of benefits. This is illustrated in the Figure 3- 27 below.

**Figure 3-27: Expenditure Ratio**



The following Table 3-31 presents the summarised financial statements of the Fund for the period from 2018 to 2022 showing income, expenditure, assets and liabilities of the Fund.

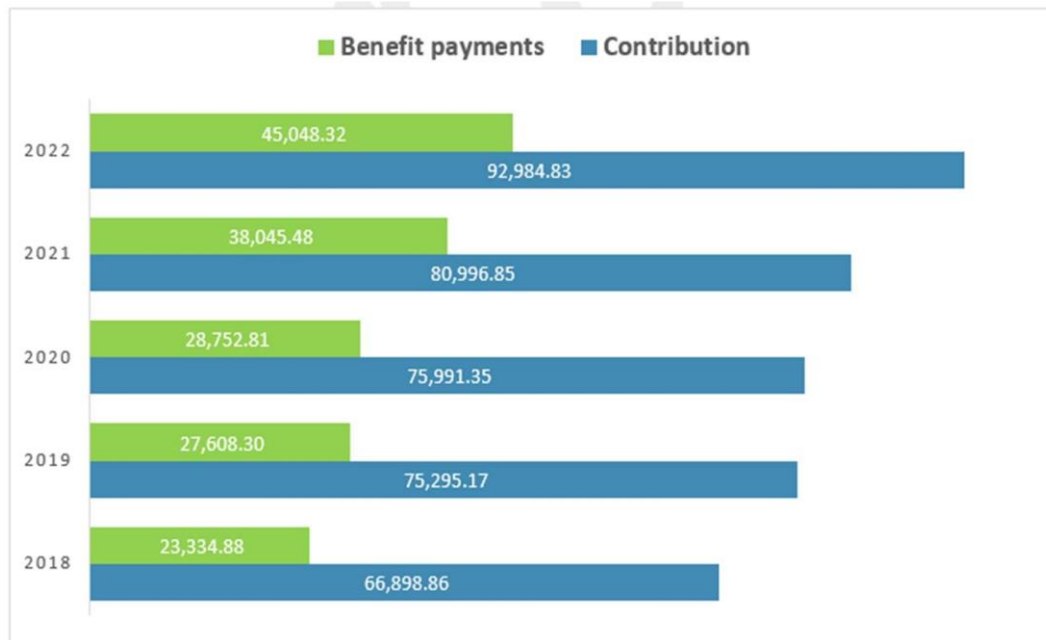
**Table 3-31: ZSSF Summarized Financial Statements (million TZS)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Net Contributions received	42,003.70	44,380.44	44,006.88	38,544.78	44,773.36
Net Investments Income	35,174.30	25,538.09	36,584.06	39,449.53	66,947.66
Increase in Assets from Contributions and Investments	77,177.99	69,918.54	80,590.94	77,994.31	111,721.03
Other Income	29.01	42.66	53.91	68.20	100.10
Total Increase	77,207.00	69,961.20	80,644.84	78,062.51	111,821.12
Administrative Expenses	(7,703.79)	(8,348.96)	(8,593.32)	(8,458.92)	(7,216.46)
Net Increase in Net Assets for the year	69,503.21	61,612.23	72,051.52	69,603.60	104,604.66
Investment Assets	377,437.44	439,355.47	497,382.14	574,885.09	687,607.34
Total Assets	403,423.83	466,831.83	537,677.03	610,116.25	715,519.35
Total Liabilities	2,836.45	4,632.22	3,423.27	6,258.88	7,057.32
Net Assets	400,587.38	462,199.61	534,253.77	603,857.37	708,462.03

### **3.11.7 Member's Contribution**

Gross contribution collected per year had increased to TZS 92,984.83 million as compared with TZS 66,898.86 million as recorded in 2018. This represents an average growth rate of 8.72% per year. The growth in member contribution was attributed mainly to member registration effort by the Fund. Whist, the amount paid to members as benefit reached up to the level of TZS 45,048.32 million in 2022 as compared to the level of TZS 23,334.88 million recorded in 2018. This represents a growth of 18.30% per year in average.

**Figure 3-28: Contributions and Benefits (million TZS)**

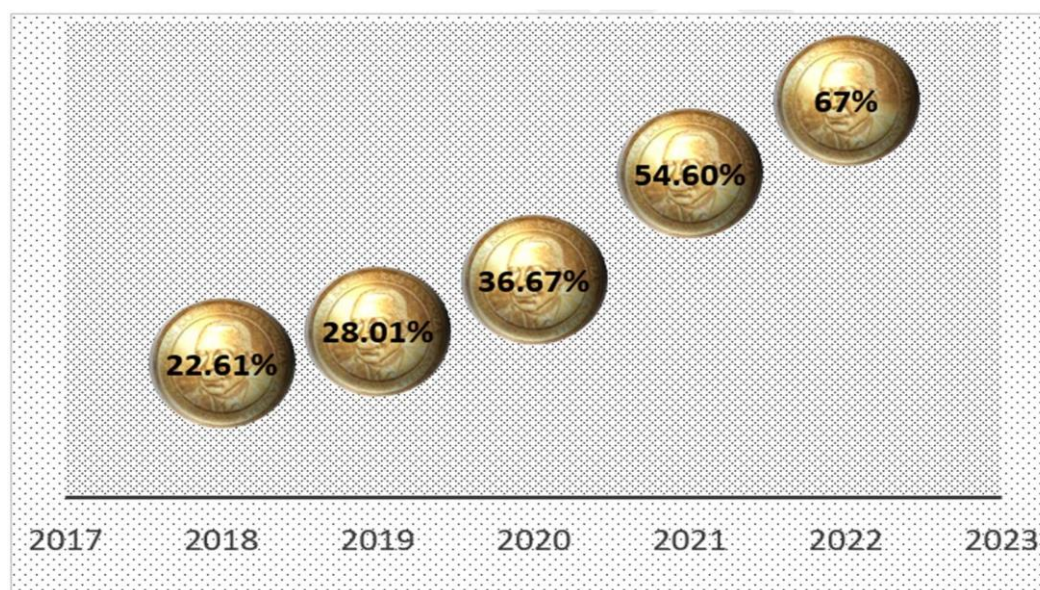


#### **3.11.8 Benefits Ratio**

The benefit ratio as specifies the impact of benefits paid to members out of contributions or total income (including contribution) is increasing that indicates the risk of inadequacy of the Fund to liquidate future benefits from its contribution and income.

As shown in the Figure 3-29 below, the Benefits Ratio is increasing; the higher the ratio the higher the risk. In 2022, the ratio was 67%, which means for every TZS 100 collected from member, the Fund pays TZS 67 as a benefit. The ratio is increasing each year from its lowest of 22.61% in 2018 representing a growth of 11.10% per year in average.

**Figure 3-29: Benefit to Total Income Ratio**



### 3.11.9 Members Registration

Pension Funds are legal entities separate from the corporation. Equity ownership structure of the Fund is relatively different as of other public entities. Employees contribute to the Fund scheme entrusting to Fund Manager (ZSSF Management) under guarantee of the government. Therefore, employees/members registration is a core function of the Fund to strengthen contribution base and definitely to increase net assets of the Fund.

By end of year 2021/2022, the Fund managed to register 112,009 members reflecting an average annual growth rate of 7% as compared to registered members 85,117 in 2017/2018. The details are as given in Table 3-39 below.

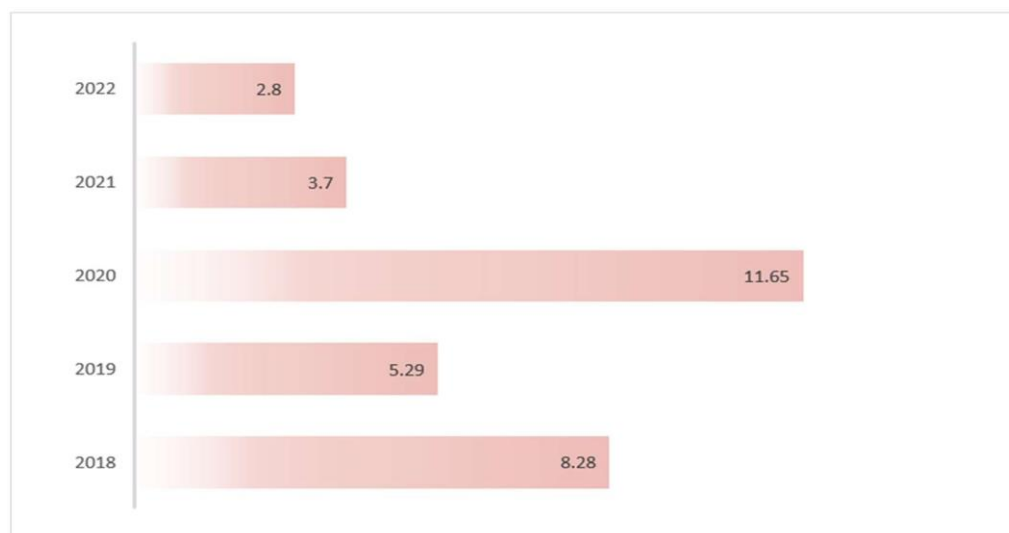
**Table 3-32: Membership Size**

	2018	2019	2020	2021	2022
Registered employees/members	85,117	91,261	104,837	106,982	112,009

### 3.11.10 Fund Liquidity

The liquidity condition of Fund is declining. This explains ability of the Fund to fulfil short-term commitments when falling due. The liquid ratio as described by current ratio decreased to 2.8% as for 2022 from highest record of 11.65% in 2020 of which increased from 8.28% recorded in 2018. This means that, although the rate is not so bad, it indicates wrong direction in resisting financial vulnerability. Figure 3-30 present the liquidity trend.

**Figure 3-30: Fund Liquidity (percentage)**



### 3.11.11 Findings and Recommendations

#### 1. Investment Strategies and Benefit Ratio

Investment ratio of the Fund is 96.64%, which means that, the Fund has allocated substantial amount in the productive investments as revenue projects for the sustainability of the Fund. However, the rate of return from these investments is 9.66%, which is not supportive to Benefit Ratio. ZSSF need to look for higher return investments.

## **2. Expenditure and liquidity Controls**

Currently, no regulatory authority except BoT for investment issue, regulate activities of the Fund officially. There should be some controls on other aspect such as expenditure limit, liquidity position and governance issue. These need to be regulated appropriately for the interest of government and the Fund.

## **3. Members Registration Strategies**

The Fund depends on investments income and contribution from members to liquidate its benefits. The Fund should emphasise on strengthening recruitment of new members from private sectors purposely to bust the Fund and decreasing the benefit ratio.

### 3.12 Zanzibar State Trading Corporation (ZSTC)

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#### 3.12.1 Introduction

ZSTC was established under the Public Enterprises Decree no. 1 of 1966 through the Legal Notice No. 39 of 1968. ZSTC is specifically charged with responsibilities of clove development, processing essential oils and other agricultural products as well as conducting all necessary business in connection with the supply and distribution of national commercial crops. Currently, Zanzibar State Trading Corporation operates its activities through Zanzibar State Trading Corporation Act No. 11 of 2011 and the establishment of the Clove Development Act no 2 of 2014.

ZSTC is mandated to oversee clove and its allied businesses in the country. ZSTC has been the sole buyer and exporter of cloves in Zanzibar and as such has gained experience in international trade and marketing of cloves and its by-products.

#### 3.12.2 ZSTC Vision and Mission

The Vision statement of the ZSTC is *“Be a reputable facilitator for the development, promotion, quality improvement and enhance the competitiveness of Zanzibar cloves and other agricultural products in the world market”*.

The mission of the ZSTC is *“To be the best promoter and trader of clove and other high-value agricultural products through increased quality, quantities, harnessing productivity, competitiveness, sustainable markets and income for the benefit and satisfaction of ZSTC, farmers and processors”*.

#### 3.12.3 ZSTC Financial Performance Review

Financial performance of the ZSTC is analysed in the aspect of; (a) profitability, (b) liquidity, and (c) solvency. Table 3-33 presents the summarised financial statements showing the revenues, assets, liabilities, and equity position for the period from 2018 to 2022.

**Table 3-33: ZSTC Summarized Financial Statements (million TZS)**

Year	2018	2019	2020	2021	2022
Revenues from trading activities	132,352.53	7,746.13	56,079.42	6,434.77	145,587.02
Government transfers received	0.00	0.00	0.00	4,028.22	8,049.56
Cost of Sales	106,626.40	8,745.07	72,616.69	9,110.50	117,730.14
Gross Profit	25,726.12	(998.94)	(16,537.27)	1,352.49	35,906.44
Other operating income	1,508.50	2,245.09	715.81	786.26	860.38
Other operating expenses	15,984.38	11,418.62	11,132.86	8,427.59	11,083.62
Operating Profit (EBIT)	11,250.25	(10,172.47)	(26,954.32)	(6,288.83)	25,683.20
Finance costs	3,797.66	418.43	889.20	1,426.85	1,398.74
Profit Before Tax	7,452.59	(10,590.89)	(27,843.52)	(7,715.68)	24,284.46
Income tax expense	0.00	0.00	0.00	0.00	7,285.34
Profit for the year	7,452.59	(10,590.89)	(27,843.52)	(7,715.68)	16,999.12
Total Assets	77,526.23	58,051.41	51,070.46	72,731.58	61,680.93
Total Liabilities	17,989.05	9,514.25	18,901.03	43,055.09	15,018.10
Total Equity	59,537.18	48,537.16	32,169.43	29,676.49	46,662.83

### 3.12.4 ZSTC Profitability

In 2022, ZSTC recorded Revenue from trading activities amounting to TZS 145,587.02 million which regain its position of revenue five years ago. The revenue in 2018 was TZS 132,352.53 million but later on from 2019 to 2021 decreased intensely as shown in the Table 3-40 above.

**Figure 3-31: ZSTC Profitability**



ZSTC profitability condition is not stable. For three consecutive years from 2019 up to 2021, the corporation made losses with highest record in 2020. The entity recorded a loss of TZS 27,843.52 million mainly triggered by cost of sales of cloves (purchases).

During that period (2019-2021) the business in general has been affected considerably by COVID-19 pandemic. Operating and Net Profit Margins indicators were very unfortunate due to higher cost of operation and less revenue. Therefore, it proves the difficulties to generate adequate revenue to cover operating expenses.

**Table 3-34: ZSTC Profitability ratios**

Year	2018	2019	2020	2021	2022
Operating Profit Margin	8.50%	-131.32%	-48.06%	-97.73%	17.64%
Net Profit Margin	5.63%	-136.72%	-49.65%	-119.91%	11.68%
Return on Assets	9.61%	-18.24%	-54.52%	-10.61%	27.56%
Return on Equity	12.52%	-21.82%	-86.55%	-26.00%	36.43%
Cost Recovery	1.09	0.50	0.68	0.41	1.14

As shown in the Table 3-34 above, the Cost Recovery indicator indicates a preferable condition ( $>1$ ) in 2018 and 2022 where the corporation made profits. This means that, ZSTC may be able to cover its operating expenses and is sustainable if the business environment will be favourable. All other profitability indicators were healthy.

### 3.12.5 ZSTC Liquidity

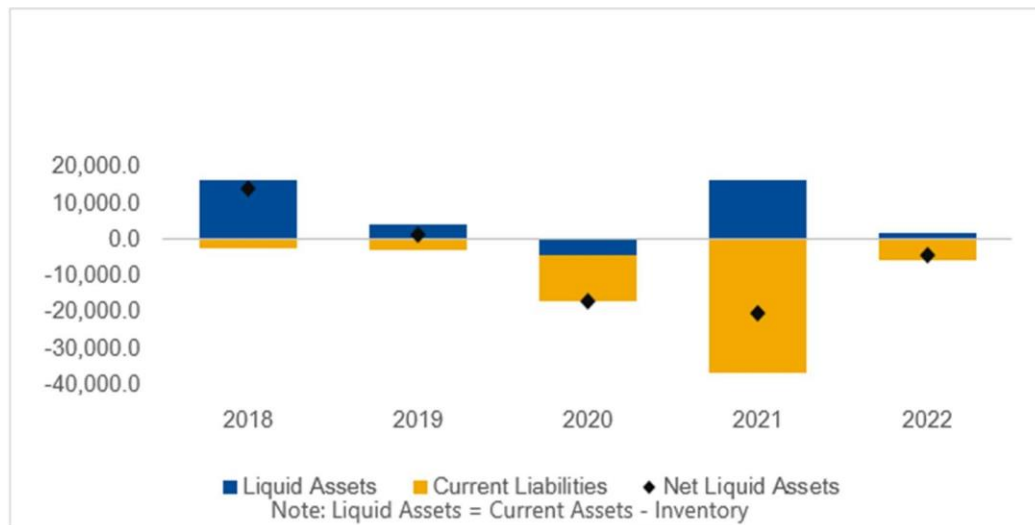
The liquidity condition of ZSTC as an indicator to describe capability of the entity to meet short-term matured obligations is not healthy. Current and quick ratios all were below benchmark limits. Net liquid assets positions in 2020 to 2022 are unfavourable as shown in the Table 3-35 and Figure 3-32 below.

**Table 3-35: Current and Quick ratios**

Year	2018	2019	2020	2021	2022
Current Ratio	14.34	5.90	0.16	0.49	0.99
Quick Ratio	6.54	1.38	-0.35	0.44	0.27

This depraved condition has been attributed mainly by booking high level of short-term liabilities than liquid assets. Thus, ZSTC is not healthier capable to resist financial vulnerability and still meet its current liabilities.

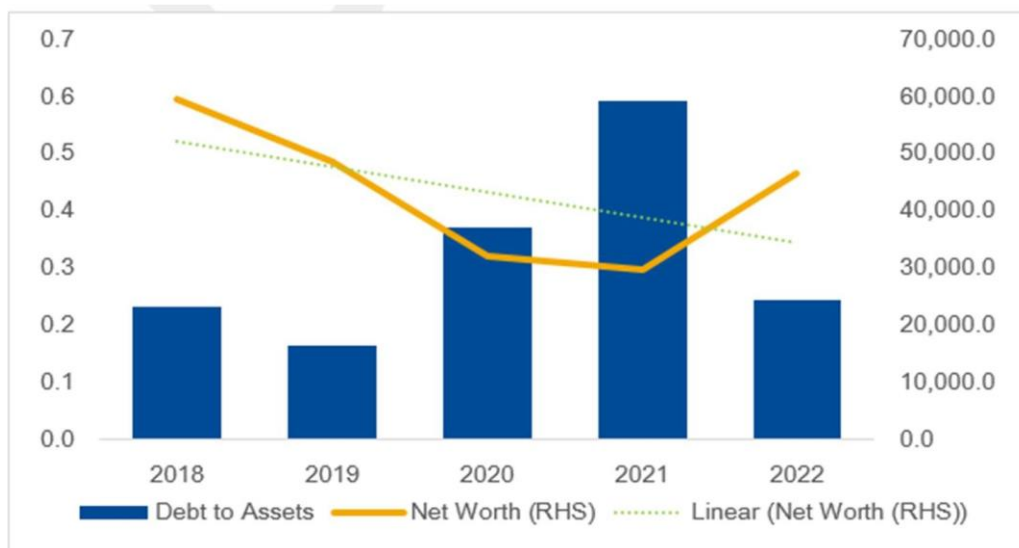
**Figure 3-32: ZSTC Liquidity (million TZS)**



### 3.12.6 ZSTC Solvency

Currently, leverage indicator shows that ZSTC is not dependent greatly on debt financing rather than shareholder's funds. Debt to Assets ratio in 2022 is below 30% indicating financial stability being fair. However, as indicated in Figure 3-33 below, the trend of Net worth of the ZSTC is decreasing due to business destruction after a period of COVID-19 pandemic.

**Figure 3-33: ZSTC Solvency (million TZS)**



### 3.12.7 Relationship with government

ZSTC is among PIE that paying dividends but not regularly due to financial vulnerability. During the period under review, ZIC contributed 3% in the aggregated amount of TZS 28,731.98 million as dividend received by the government. The entity paid only TZS 800 million in 2019.

### 3.12.8 ZSTC Overall Risk Assessment

In overall, current fiscal risk is rated **Minimal** because of relative profitability in 2022, leverage, and financial stability being fairly but with poor liquidity. Details are shown in ANNEXURE.

### 3.12.9 Findings and Recommendations

The following observations revealed as key inherent risks with respective recommendations; -

#### 1. Financial vulnerability

ZSTC facing financial vulnerability and inherent fiscal risk emerged. Before 2022, both profitability, liquidity and solvency condition were not healthy. Therefore, it is recommended as follows;

- (i) To have revised Business and Strategic plan.
- (ii) Enhance and review governance issues including management structures review, board and management competency, introduction of performance management system
- (iii) Cost structure review
- (iv) Introduction of ALM policy

## 4 Individual Company Analysis (Cash Flow analysis)

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*This chapter provides detailed company level cash flow analysis. It firstly provides an overview of individual entities with regard to establishment statute, detailed trend analysis of cash flow and recommendation. The chapter includes five (5) entities, which report their financial statements in IPSAS – cash basis.*

### 4.1 Corporation of Government Newspapers (CGN)

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#### 4.1.1 Introduction

The Corporation of Government Newspapers (CGN) is a Government Agency established on December 2008 by Act No 11 of 2008 with the responsibility of undertaking printing works of the RGoZ, informing, entertaining as well as serving in the dissemination of Government information and policies to the public in a reciprocal manner.

#### 4.1.2 CGN Vision and Mission

The Vision statement of the CGN is *“to make the Corporation of Government Newspapers a modern and independent newspaper industry, that meets its obligation of disseminating news and government policies, informing, entertaining and at the same time contribute effectively towards national development”*.

While the Mission of the CGN is *“Vying for dignity and public concern within the periphery of democracy, freedom of expression and free flow of information through respect of professional conduct, truthfulness and decency within factual and responsible journalism”*.

#### 4.1.3 CGN Financial Performance Review

The financial performance of the CGN is analysed in the aspect of operating cash margin (Operating profit Margin). Below in Table 4-1 presents the summarised cash flow statements showing the revenues and expenditure for the period from 2018 to 2022.

**Table 4-1: CGN Summarized Cash Flow Statement (million TZS)**

<b>Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Operating cash flow:</b>					
Own Source	714	747	935	877	1,227
Exchequer receipts	598	595	633	611	760
Grant and Loan	117				
<b>Total revenue</b>	<b>1,429</b>	<b>1,342</b>	<b>1,568</b>	<b>1,488</b>	<b>1,987</b>
Total Expenditure	1,312	1,318	1,298	1,514	1,622
<b>Net Operating cash flow</b>	<b>117</b>	<b>24</b>	<b>270</b>	<b>(26 )</b>	<b>365</b>
<b>Investing cash flow:</b>					
Purchase of Assets	115	57	102	126	10
<b>Net Investing cash flow</b>	<b>115</b>	<b>57</b>	<b>102</b>	<b>126</b>	<b>10</b>
<b>Cash surplus/(deficit) for the year</b>	<b>2</b>	<b>(33)</b>	<b>168</b>	<b>(152)</b>	<b>355</b>

#### **4.1.4 Operating Cash Margin**

Annual net operating cash flow average at TZS 150 million equivalent to 10% of average total revenue (operating cash margin). The operating cost of the CGN is averaged at TZS 1,413 million equivalent to 90% of average total revenue. This indicates that, most of the entity's revenue including government subvention is used to finance operating cost, hence the entity is not profitable.

#### **4.1.5 Recommendation**

The effort should be introduced to re-establish the entity as commercially viable.

## 4.2 Zanzibar Water Authority (ZAWA)

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### 4.2.1 Introduction

Zanzibar Water Authority (ZAWA) is a Government Agency established on 10th April 2006 by Act No. 4, 2006 with the responsibility to manage, improve and maintain deployment of water Infrastructures and Services in Zanzibar.

### 4.2.2 ZAWA Vision and Mission

The Vision statement of the ZAWA is *“To be the best water and sanitation service provider in Tanzania”*.

While the Mission of the ZAWA is *“To develop and provide potable, adequate, affordable water supply service in a sustainable, environmentally friendly manner and ensuring a reasonable return of water investment”*.

### 4.2.3 ZAWA Financial Performance Review

The financial performance of the ZAWA is analysed in the aspect of operating cash margin (Operating profit Margin). Below is Table 4-2 presents the summarised cash flow statements showing the revenues and expenditure for the period from 2018 to 2022.

**Table 4-2: ZAWA Summarized Cash Flow Statement (million TZS)**

Year	2018	2019	2020	2021	2022
Own Source	3,133	4,407	3,397	3,003	3,426
Exchequer receipts	15,242	9,867	6,686	5,377	21,741
Grant and Loan	-				95
<b>Total revenue from operation</b>	<b>18,375</b>	<b>14,274</b>	<b>10,083</b>	<b>8,380</b>	<b>25,262</b>
Total Expenditure	4,923	6,650	6,673	6,378	5,438
<b>Net Operating cash flow</b>	<b>13,452</b>	<b>7,624</b>	<b>3,410</b>	<b>2,002</b>	<b>19,824</b>
<b>Investing cash flow:</b>					
Purchase of Assets	7,834	12,828	3,228	1,421	19,347
<b>Net Investing cash flow</b>	<b>7,834</b>	<b>12,828</b>	<b>3,228</b>	<b>1,421</b>	<b>19,347</b>
<b>Cash surplus/(deficit) for the year</b>	<b>5,618</b>	<b>(5,204)</b>	<b>182</b>	<b>581</b>	<b>477</b>

#### **4.2.4 Operating Cash Margin**

Annual net operating cash flow average at TZS 9,262 million equivalent to 60% of average total revenue (operating cash margin). The operating cost of the CGN is averaged at TZS 6,012 million equivalent to 40% of average total revenue. However, the fund received from exchequer amounted to TZS 11,783 million per year making 77% of total annual total revenue. Therefore, based on its own source of revenue and without government support, ZAWA is not commercially viable.

#### **4.2.5 Recommendation**

The effort should be introduced to re-establish the entity to be commercially viable.

### 4.3 Zanzibar Broadcasting Corporation (ZBC)

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#### 4.3.1 Introduction

Zanzibar Broadcasting Corporation (ZBC) is a Government Agency established under the Act No. 4/2013 with the responsibility to manage, improve and maintain deployment of media services in Zanzibar.

#### 4.3.2 ZBC Vision and Mission

The Vision statement of the ZBC is *“to become the best media house in Tanzania, and resources are beyond and efficiently used and the services provided are of high quality and satisfy the needs of consumers/customers”*.

While the Mission of the ZBC is *“to produce high-quality content and services that will educate, inform and entertain the society of Zanzibar and to the entire world”*.

#### 4.3.3 ZBC Financial Performance Review

The financial performance of the ZBC is analysed in the aspect of operating cash margin (Operating profit Margin). Below is Table 4-3 presents the summarised cash flow statements showing the revenues and expenditure for the period from 2018 to 2022.

**Table 4-3: ZBC Summarized Cash Flow Statement (million TZS)**

Year	2018	2019	2020	2021	2022
Own Source	1,009	889	817	866	981
Exchequer receipts	2,573	3,857	3,584	2,693	2,783
Grant and Loan	0				0
<b>Total revenue from operation</b>	<b>3,582</b>	<b>4,746</b>	<b>4,401</b>	<b>3,559</b>	<b>3,764</b>
Total Expenditure	3,530	4,135	4,186	3,766	3,394
<b>Net Operating cash flow</b>	<b>52</b>	<b>611</b>	<b>215</b>	<b>(207)</b>	<b>370</b>
<b>Investing cash flow:</b>					
Purchase of Assets	27	45	20	287	360
<b>Net Investing cash flow</b>	<b>27</b>	<b>45</b>	<b>20</b>	<b>287</b>	<b>360</b>
<b>Cash surplus/(deficit) for the year</b>	<b>25</b>	<b>566</b>	<b>195</b>	<b>(494)</b>	<b>10</b>

#### **4.3.4 Operating Cash Margin**

Annual net operating cash flow average at TZS 208 million equivalent to 5% of average total revenue (operating cash margin). The operating cost of the ZBC is averaged at TZS 3,802 million equivalent to 95% of average total revenue. This indicate that, most of the entity's revenue including government subvention is used to finance operating cost, hence the entity is not profitable.

#### **4.3.5 Recommendation**

The effort should be introduced to re-establish the entity to be commercially viable.

## 4.4 Zanzibar Information Communication Technology Infrastructure Agency (ZICTIA)

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### 4.4.1 Introduction

Zanzibar Information Communication Technology Infrastructure Agency (ZICTIA) is a Government Agency established on December 2018 under the Legal Notice No. 119 of 2018 and Act No. 15 of 2020 with the responsibility to manage, improve and maintain deployment of ICT Infrastructures and Services in Zanzibar.

### 4.4.2 ZICTIA Vision and Mission

The Vision statement of the ZICTIA is *“To facilitate ICT infrastructure that help the Government to easily access and collect revenue to develop social and economic activity”*.

While the Mission of the ZICTIA is *“To ensure Public and Private Institutions are connected to the ZICTIA’s infrastructure to facilitate the common systems that will promote ease access of service delivery to citizens”*.

### 4.4.3 ZICTIA Financial Performance Review

The financial performance of the ZICTIA is analysed in the aspect of operating cash margin (Operating profit Margin). Below is Table 4-4 presents the summarised cash flow statements showing the revenues and expenditure for the period from 2021 to 2022

**Table 4-4: ZICTIA Summarized Cash Flow Statement (million TZS)**

Year	2021	2022
Own Source	2,514	4,096
Exchequer receipts	1,728	2,755
<b>Total revenue</b>	<b>4,242</b>	<b>6,851</b>
Total Expenditure	1,405	1,976
<b>Net Operating cash flow</b>	<b>2,837</b>	<b>4,875</b>
<b>Investing cash flow:</b>		
Purchase of Assets	58	4,032
Transfer to exchequer	943	1,954
<b>Increase /(Decrease) in Cash</b>	<b>1,836</b>	<b>(1,111)</b>

#### **4.4.4 Operating Cash Margin**

ZICTIA on average collects total revenue amounting to TZS 5,503 million in a year. Operating cost including employee salary is TZS 1,691 million which is equivalent to 30% of total revenue. Therefore, the operating cash margin is equal to 70% of revenue which exceed exchequer fund accounted as 40% of revenue (TZS 2,242 million yearly average)

With this performance, ZICTIA is commercially viable and can be manage to contribute to the exchequer fund.

#### **4.4.5 Recommendation**

ZICTIA is commercially viable and can manage to contribute to the exchequer fund. Currently, there is move to restructure ZICTIA to be a State Corporation. Consequently, Office of Treasury Registrar shall regulate accordingly the newestablished entity to ensure the performance and objectives of the government were met.

## 4.5 Zanzibar Multiplex Company (ZMUX)

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### 4.5.1 Introduction

Zanzibar Multiplex Company (ZMUX) is a Government Agency established in 2012 under Company Act No. 15 of 2013 with the aim of providing affordable and high- quality television services in Zanzibar.

### 4.5.2 ZMUX Vision and Mission

The Vision statement of the ZMUX is *“to focus on home market, reception covering the whole of Unguja and Pemba in education, information and entertainment”*.

While the Mission of the ZMUX is *“enable customers to achieve an excellent and suitable competitive edge. Flexibility is the key to our offering and intrinsic to this flexibility, is the spirit of innovation that brings to our products and services from every stage of design to implementation and customer support”*.

### 4.5.3 ZMUX Financial Performance Review

The financial performance of the ZMUX is analysed in the aspect of operating cash margin (Operating profit Margin). Below is Table 4-5 presents the summarised cash flow statements showing the revenues and expenditure for the period from 2020 to 2022 (Entity Started operation in 2020).

**Table 4-5: ZMUX Summarized Cash Flow Statement (million TZS)**

Year	2020	2021	2022
Own Source	1,344	1,228	1,392
Exchequer receipts	207	135	95
<b>Total revenue</b>	<b>1,551</b>	<b>1,363</b>	<b>1,487</b>
Total Expenditure	583	778	765
<b>Net Operating cash flow</b>	<b>968</b>	<b>585</b>	<b>722</b>
<b>Investing cash flow:</b>	127	813	37
Purchase of Assets			
Transfer to exchequer		943	1,954
<b>Increase /(Decrease) in Cash</b>	<b>841</b>	<b>(1,171)</b>	<b>(1,269)</b>

#### **4.5.4 Operating Cash Margin**

The average cash collection per year was TZS 1,467 million whilst total operating expenditure per year is averaged at TZS 709 million equivalent to 48% of the revenue. This means that operating cash margin is about 52% of revenue. Thus, the company can make business profitably without subvention from government.

#### **4.5.5 Recommendation**

ZMUX is commercially viable and can manage to contribute to the exchequer fund. Consequently, Office of Treasury Registrar shall regulate then entity accordingly to ensure the performance and objectives of the government were met.

## 5 ANNEXURE – Overall Risk Assessment for Public Investment Entities

### 5.1 Zanzibar Airports Authority (ZAA)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Significant	Significant	Significant	Significant	Significant
Return on Equity	Significant	Significant	Significant	Significant	Significant
Cost Recovery	Significant	High	High	High	High
<b>Liquidity</b>					
Current Ratio	Minimal	Moderate	Significant	Moderate	Normal
Quick Ratio	Normal	Normal	Minimal	Normal	Normal
<b>Solvency</b>					
Debt to Assets	Normal	Normal	Normal	Normal	Normal
Debt to Equity	Normal	Normal	Normal	Normal	Normal
Debt to EBITDA	Normal	Normal	High	Normal	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Normal	Normal
50% Test	Moderate	Moderate	High	Moderate	Significant
<b>Overall Risk Rating</b>					
Weighted Average*	Minimal	Minimal	Moderate	Minimal	Moderate
Z-Score	Minimal	Minimal	Minimal	Minimal	Minimal

## 5.2 Zanzibar Electricity Corporation (ZECO)

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	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Moderate	Moderate	Moderate	Moderate	Moderate
Return on Equity	Normal	Normal	Normal	Minimal	Minimal
Cost Recovery	Moderate	Moderate	Moderate	Moderate	Moderate
<b>Liquidity</b>					
Current Ratio	High	High	High	High	High
Quick Ratio	High	High	High	High	High
<b>Solvency</b>					
Debt to Assets	Significant	Significant	Moderate	Moderate	Moderate
Debt to Equity	High	High	High	Significant	High
Debt to EBITDA	High	High	High	High	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Normal	Normal
50% Test	Minimal	Minimal	Minimal	Minimal	Minimal

### 5.3 Zanzibar Fisheries Company (ZAFICO)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	--	--	Normal	High	Moderate
Return on Equity	--	--	Normal	High	Moderate
Cost Recovery	--	--	High	High	High
<b>Liquidity</b>					
Current Ratio	--	--	Normal	Normal	
Quick Ratio	--	--	Normal	Normal	
<b>Solvency</b>					
Debt to Assets	--	--	Normal	Normal	Normal
Debt to Equity	--	--	Normal	Normal	Normal
Debt to EBITDA	--	--	Normal	High	Normal
<b>Government Relationship</b>					
Government Transfers to Total Revenue	--	--	High	Normal	High
50% Test	--	--	High	High	High
<b>Overall Risk Rating</b>					
Weighted Average*	--	--	Minimal	Moderate	Minimal
Z-Score	--	--	Minimal	Minimal	--

#### 5.4 Zanzibar Housing Corporation (ZHC)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Moderate	Significant	Significant	Moderate	Moderate
Return on Equity	Moderate	Significant	Significant	Moderate	Moderate
Cost Recovery	Moderate	High	Significant	Normal	Minimal
<b>Liquidity</b>					
Current Ratio	Normal	Normal	Normal	Normal	Normal
Quick Ratio	Normal	Normal	Normal	Normal	Normal
<b>Solvency</b>					
Debt to Assets	Normal	Normal	Normal	Normal	Normal
Debt to Equity	Normal	Normal	Normal	Normal	Normal
Debt to EBITDA	Normal	High	Normal	Normal	Normal
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Normal	Normal
50% Test	Minimal	Significant	Moderate	Normal	Normal
<b>Overall Risk Rating</b>					
Weighted Average*	Minimal	Moderate	Minimal	Minimal	Minimal
Z-Score	Minimal	Minimal	Minimal	Minimal	Minimal

## 5.5 Zanzibar Insurance Corporation (ZIC)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Moderate	Minimal	Moderate	Minimal	Minimal
Return on Equity	Minimal	Minimal	Moderate	Minimal	Minimal
Cost Recovery	Moderate	Moderate	Moderate	Moderate	Moderate
<b>Liquidity</b>					
Current Ratio	Significant	Significant	Significant	Significant	Significant
Quick Ratio	Minimal	Minimal	Minimal	Normal	Minimal
<b>Solvency</b>					
Debt to Assets	Moderate	Moderate	Minimal	Minimal	Moderate
Debt to Equity	Moderate	Significant	Minimal	Minimal	Significant
Debt to EBITDA	High	High	High	Significant	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Normal	Normal
50% Test	Minimal	Minimal	Minimal	Minimal	Minimal
<b>Overall Risk Rating</b>					
Weighted Average*	Moderate	Moderate	Moderate	Moderate	Moderate
Z-Score	Moderate	Moderate	Moderate	Minimal	Moderate

## 5.6 Zanzibar Petroleum Development Company (ZPDC)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	--	High	High	High	High
Return on Equity	--	High	High	High	High
Cost Recovery	--	High	High	High	High
<b>Liquidity</b>					
Current Ratio	--	Normal	Normal	Normal	Normal
Quick Ratio	--	Normal	Normal	Normal	Normal
<b>Solvency</b>					
Debt to Assets	--	Normal	Normal	Normal	Normal
Debt to Equity	--	Normal	Normal	Normal	Normal
Debt to EBITDA	--	High	High	High	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	--	Normal	Normal		Normal
50% Test	--	High	High		High
<b>Overall Risk Rating</b>					
Weighted Average*	--	Moderate	Moderate	Moderate	Moderate
Z-Score	--	Minimal	Moderate	Moderate	Minimal

## 5.7 Zanzibar Port Corporation (ZPC)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Moderate	Moderate	Moderate	Minimal	Minimal
Return on Equity	Moderate	Moderate	Moderate	Moderate	Moderate
Cost Recovery	Moderate	Moderate	Minimal	Minimal	Normal
<b>Liquidity</b>					
Current Ratio	Normal	Normal	Normal	Normal	Normal
Quick Ratio	Normal	Normal	Normal	Normal	Normal
<b>Solvency</b>					
Debt to Assets	Normal	Normal	Normal	Normal	Normal
Debt to Equity	Normal	Normal	Normal	Normal	Normal
Debt to EBITDA	Normal	Minimal	Normal	Normal	Normal
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Normal	Normal
50% Test	Minimal	Minimal	Minimal	Normal	Normal
<b>Overall Risk Rating</b>					
Weighted Average*	Minimal	Minimal	Minimal	Minimal	Normal
Z-Score	Minimal	Minimal	Minimal	Minimal	Minimal

## 5.8 Zanzibar Seaweed Company Ltd. (ZASCO)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	--	--	--	--	Significant
Return on Equity	--	--	--	--	Significant
Cost Recovery	--	--	--	--	
<b>Liquidity</b>					
Current Ratio	--	--	--	--	
Quick Ratio	--	--	--	--	
<b>Solvency</b>					
Debt to Assets	--	--	--	--	Normal
Debt to Equity	--	--	--	--	Normal
Debt to EBITDA	--	--	--	--	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	--	--	--	--	
50% Test	--	--	--	--	
<b>Overall Risk Rating</b>					
Weighted Average*	--	--	--	--	Moderate
Z-Score	--	--	--	--	Minimal

## 5.9 Zanzibar Shipping Corporation (SHIPCO)

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Moderate	Significant	Significant	Moderate	High
Return on Equity	Moderate	High	High	Normal	High
Cost Recovery	Significant	High	High	High	High
<b>Liquidity</b>					
Current Ratio	High	High	High	High	High
Quick Ratio	Significant	High	High	High	High
<b>Solvency</b>					
Debt to Assets	Significant	Significant	Significant	Significant	High
Debt to Equity	High	High	High	High	High
Debt to EBITDA	High	High	High	High	High
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Minimal	Minimal	Minimal
50% Test	Moderate	Moderate	Moderate	Moderate	High
<b>Overall Risk Rating</b>					
Weighted Average*	Significant	Significant	Significant	Significant	High
Z-Score	Significant	Significant	Significant	Significant	Significant

## 5.10 Zanzibar State Trade Corporation (ZSTC);

	2018	2019	2020	2021	2022
<b>Profitability</b>					
Return on Assets	Minimal	High	High	High	Normal
Return on Equity	Minimal	High	High	High	Normal
Cost Recovery	Moderate	High	High	High	Moderate
<b>Liquidity</b>					
Current Ratio	Normal	Normal	High	High	High
Quick Ratio	Normal	Normal	High	High	High
<b>Solvency</b>					
Debt to Assets	Normal	Normal	Minimal	Moderate	Normal
Debt to Equity	Normal	Normal	Minimal	Moderate	Normal
Debt to EBITDA	Normal	High	High	High	Normal
<b>Government Relationship</b>					
Government Transfers to Total Revenue	Normal	Normal	Normal	Minimal	Normal
50% Test	Minimal	High	Moderate	High	Minimal
Overall Risk Rating					
Weighted Average*	Normal	Moderate	Significant	High	Minimal
Z-Score	Minimal	Minimal	Significant	Significant	Minimal