

**UMOJA UNIT TRUST SCHEME
(UMOJA FUND)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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UMOJA UNIT TRUST SCHEME (UMOJA FUND)

GENERAL INFORMATION

The Board of Directors of the Fund Manager

The Directors holding office during the period and as at the date of this report are as follows;

Name	Position	Gender	Appointed on
Casmir Sumba Kyuki	Chairman	Male	05 August 2021
Judika Loti Kingo'ri	Member	Female	29 July 2022
Paul Andrew Maganga	Member	Male	29 July 2022
David Emmanuel Mwankenja	Member	Male	29 July 2023
Neema Julie Jones	Member	Female	29 July 2022
Migangala Simon Milenge	Managing Director	Male	05 October 2021

Fund Manager

UTT Asset Management and Investor Services Plc.
2nd Floor, Sukari House
Sokoine Drive/Ohio Street
P. O. Box 14825
Dar es Salaam

Custodian

CRDB Bank Plc
CRDB Headquarters
Plot No. 25/26, Ali Hassan Mwinyi Road & Plot No. 21 Barack Obama Road
P. O. Box 268 & 11101
Dar es Salaam

Auditor

KPMG
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P. O. Box 1160
Dar es Salaam
TIN 101-269-027, VAT REG No. 10-007190R
NBAA Reg. No. PF 020

Advocate

Mkono & Co Advocates
8th Floor, Exim Tower
Ghana Avenue
P. O.Box 4369
Dar es Salaam

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023

The Board of Directors of UTT Asset Management and Investor Services Plc (UTT AMIS), hereinafter also referred to as the “Fund Manager”, presents the report of Umoja Unit Trust Scheme (hereinafter also the “Fund” or “Scheme”) together with the audited financial statements for the year ended 30 June 2023, which disclose the financial performance for the year and state of affairs of the Fund as at that date. This report is an equivalent of the report of those charged with governance required by Tanzania Financial Reporting Standards No.1 (TFRS 1).

1 Establishment and management of the Fund

Umoja Unit Trust Scheme, also known as “Umoja Fund” is a collective investment scheme formed by the Unit Trust of Tanzania (UTT), a government sponsored institution that was incorporated on 19 June 2003 under the Trustees Incorporation Act. The main objectives of UTT include establishing, launching and management of collective investment schemes.

Umoja Fund was established in Tanzania under the Deed of Trust of the Umoja Unit Trust Scheme, on 12 May 2005 and is regulated by Capital Markets and Securities (Collective Investment Schemes) Regulations 1997, prescribed under the Capital Markets and Securities Act, 1994.

The Fund is managed by UTT AMIS – formerly Unit Trust of Tanzania, who set up a management structure to carry out the day to day operations of the Fund. The duties of the Fund Manager and the Trustee/Custodian are specified in Sections 4.0 and 5.4 of the Offer Document respectively. The Offer Document sets forth concisely, the information about the scheme that a prospective investor ought to know about the Fund. It also contains information about the rights and obligations of the Fund Manager and Trustee/Custodian to the Fund.

The Custodian of the Fund is CRDB Bank Plc, a commercial bank licensed to carry out banking business under the Banking and Financial Institutions Act, 2006. The duties of the Custodian are specified in Section 5.4 of the Offer Document.

2 Fund Manager Vision and Mission

Vision Statement

Continue being the most trusted and accessible investment partner that makes a difference to peoples’ lives.

Mission Statement

To offer people-oriented innovative products, providing comparatively superior returns and achieving high service standards that meet and exceed stakeholders’ expectations.

Core Values

- i) Transparency: we ensure transparency in all of our dealings;
- ii) Honesty and Integrity: we uphold high standards of honesty and integrity;
- iii) Work principles: we work together as a team to deliver value to our investors;
- iv) Respect: we value all people equally and treat them fairly;
- v) Performance: we work hard to deliver high performance and quality products; and
- vi) Social responsibility: we are socially responsible. We do our best to contribute to social order and development.

3 Principal activities and investment objectives

The principal activity of the Fund is to invest the pooled funds into a balanced portfolio that enables both high and low income investors to diversify risk and obtain competitive returns over the medium and long term through capital growth.

The main objective of the Fund is to empower Tanzanians and other investors through wide ownership of its units and encourage a culture of savings in financial assets. It also gives Tanzanians an opportunity to acquire a stake in privatisation, further participate in the capital markets and obtain a good return on their investment.

4 Business Model

The Scheme has been structured in a way that provides opportunities for both low and high income potential investors, be individuals as well as corporate bodies and formalized community-based organizations to participate.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

5 Solvency

The Fund's state of affairs as at 30 June 2023 is set out on page 14 of these financial statements. The Fund Manager considers the Fund to be solvent.

The Board of Directors of the Fund Manager confirms that IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that the Fund has adequate resources to continue its operational existence at least for the next twelve months from the date of approval of these financial statements.

6 Financial performance during the year

The financial performance of the Fund for the year is set out on page 13 of these financial statements.

7 Sale and re-purchase of units of the Fund

From 1 August 2006, the Fund commenced the sale and re-purchase of units. The sale and re-purchase price are based on the prevailing Net Asset Value (NAV) per unit on the date of sale and re-purchase respectively.

8 Investment policy

The profile of the Fund's investment is a balanced portfolio. The Fund invests in ordinary shares listed at the Dar es Salaam Stock Exchange or other stock exchanges provided that the amount invested in this market segment does not exceed 50% of the total investments. The balance is invested in Government instruments of various maturities, corporate bonds as well as deposit accounts.

Change in investment pattern is subject to Capital Market and Securities Regulation. The Fund's assets allocation pattern may change from time to time based on the view of the market conditions, market opportunities, applicable regulations, political and economic factors. The intention is to protect the interest of the unit holders at all times. The Fund is not permitted to undertake any borrowings.

9 Investment options

The Fund offers one option aimed at serving various investment objectives suitable for investors of various profiles. The Fund offers; a growth option as follows:

- a) Under growth option no regular payments are made to the unit holders and instead, they enjoy the benefits of capital appreciation (if any) in the form of NAV appreciation.
- b) The unit holders under this option can exercise partial/ full repurchase of their units subject to fulfilling conditions as set for effecting any repurchase transaction under the Fund.

An income distribution option was initially introduced but withdrawn after one year of operation. The Fund may re-introduce the income distribution option, subject to approval of the authority and the Fund's Extraordinary General Meeting.

10 Unit holders' capital

The Fund is authorized to issue an unlimited number of units, the units were initially sold at TZS 100 per unit (without any upfront entry load) and subsequent sale of units is done at prevailing Net Asset Value (NAV) without any exit load. The following is a summary of the Fund's unit capital transactions for the year;

	30 June 2023	30 June 2022
	Units	Units
Opening balance as at 01 July	346,144,188	349,026,453
Sales of units made during the year	10,489,552	6,623,203
Repurchases of units made during the year	<u>(11,396,338)</u>	<u>(9,505,468)</u>
Closing balance as at 30 June	<u>345,237,402</u>	<u>346,144,188</u>

The net asset value is included under Key Performance Indicators disclosed in page 4 of this report.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

11 Principal risk and uncertainty

An investment in unit trust should be regarded as medium to long term investment. Investors should note that investments in the Fund are subject to market risks and the Net Asset Value (NAV) of the Fund may go up or down depending upon the factors and forces affecting the securities market. Past performance is not a guide to future performance.

12 Key performance indicators of the Fund

The table below shows historical performance of the Fund for the last three years.

	30 June 2023	30 June 2022	30 June 2021
Net assets attributable to Unit holders (TZS'000)	325,429,839	293,345,819	261,508,198
Number of units	345,237,402	346,144,188	349,026,453
Net Asset Value (TZS)	942.63	847.47	749.25
Published Net Asset Value per unit (TZS)	926.94	833.63	740.00

The table below shows the highest issue price and the lowest redemption price of the units for the last ten years of the Fund's existence.

	2023 TZS	2022 TZS	2021 TZS	2020 TZS	2019 TZS
Highest issue price	928.79	833.62	740.00	636.44	591.05
Lowest redemption price	823.81	738.52	635.04	571.45	550.29
	2018 TZS	2017 TZS	2016 TZS	2015 TZS	2014 TZS
Highest issue price	584.76	510.84	481.86	468.59	365.69
Lowest redemption price	503.29	461.35	455.27	365.75	239.60

13 Liquidity and cashflows of the Fund

The overall liquidity profile of the fund is reviewed and updated regularly. The liquidity profile considers investment, cash flow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

Cash flow liquidity is managed by the fund on a daily basis using reports that include sales and repurchases of units information as well as the impact of trading, investment in equity, investment in government securities and corporate security activity. In addition to the daily reporting, the fund managers are provided with reporting on the prevailing net assets value.

Market (or distribution-related) considerations include an assessment of asset demand, fund growth, investors concentration and the persistency of the investors base.

Liquidity in funds is independently assessed and challenged through the internal governance process at Fund Manager. Liquidity is modelled and compared against potential liability scenarios such as severe repurchases of units.

14 Corporate governance of the Fund

i) Fund Manager

The Fund is currently managed by UTT Asset Management and Investor Services Plc. (UTT AMIS). As a Fund Manager, UTT AMIS has set up a management structure to carry out day to day operations of the Fund.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

14 Corporate governance of the Fund (continued)

i) Fund Manager (continued)

Board of Directors of the Fund Manager

The Board takes overall responsibility for the Fund, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and is in compliance with sound corporate governance principles.

The Board delegates the day to day management of the Fund to Managing Director assisted by senior management. Senior management are invited to attend board meetings and facilitate effective control of all the Fund's operational activities, acting as a medium of communication and coordination between all the various business units. During the year, the Board met four times.

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

- Board Audit Risk & Compliance Committee; and
- Board Investment Committee.

Board Audit, Risk and Compliance Committee

	Name	Gender	Position
1	Judika Loti King'ori	Female	Chairperson
2	David Mwankenja	Male	Member
3	Daniel Olesumayan	Male	Member

Board Investment Committee

	Name	Gender	Position
1	Paul Maganga	Male	Chairman
2	Neema Jones	Female	Member
3	Fortunatus Magambo	Male	Member
4	Lameck Kakulu	Male	Member

ii) Custodian

The Custodian of the Fund is CRDB Bank Plc, a commercial bank licensed to carry out banking business under the Banking and Financial Institutions Act, 2006. The Board of Directors of CRDB Bank Plc is made up of the following individuals.

	Name	Gender	Position
1	Ally Hussein Laay	Male	Chairman
2	Neema Munisi Mori	Female	Vice Chairperson
3	Abdulmajid Nsekela	Male	Group CEO and Managing Director
4	Miranda Naiman Mpogolo	Female	Director
5	Boniface Charles Muhegi	Male	Director
6	Jes Klausby	Male	Director
7	Hosea Ezekiel Kashimba	Male	Director
8	Abdul Ally Mohamed	Male	Director
9	Faustine Karrani Bee	Male	Director
10	Fredy Matola Msemwa	Male	Director
11	Martin Steven Warioba	Male	Director
12	Gerald Paul Kassato	Male	Director
13	Royal John Lyanga	Male	Director

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

15 Relationship with the stakeholders

Relationships with our key stakeholders including our investors, suppliers, business partners, regulators and other service providers remained cordial throughout the year. A good relationship with our key stakeholders remains the root of Fund Manager core values and belief.

16 Related party transactions

Details of transactions with related parties are disclosed in Note 18 to the financial statements.

17 The Board of Directors of the Fund Manager

Details of the Directors of the Fund Manager who held office during the year and up to the date of this report are found on page 1 of this report.

18 Interest by the Directors of the Fund Manager in the units of the Fund

Details of the units held by the non-executive Directors and senior employees of the Fund Manager are disclosed note 18 of the financial statements.

19 Serious prejudicial matter

There were no significant unfavourable matters as at the reporting date that can affect the Fund (2022: None).

20 Disabled persons

The Fund Manager gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent and adequately meet the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where an existing employee becomes disabled, it is the Fund Manager's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

21 Political and charitable donations

No donations were made to any political or charitable institutions during the financial year ended 30 June 2023 (2022: Nil).

22 Responsibility of the auditor

The auditor is responsible to providing assurance on the correctness and consistency of information contained in the report by the board of directors of the Fund Manager with those provided in the financial statements.

23 Responsibilities of the Directors of Fund Manager

The Directors of Fund Manager are responsible for the preparation of financial statements that give a true and fair view of the Fund for the year ended 30 June 2023 to the date of approval of the financial statements, in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997. More details of the responsibilities of the directors are shown on page 8.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**REPORT OF THE BOARD OF DIRECTORS OF THE FUND MANAGER
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

24 Statement of compliance

The report of Directors of the Fund Manager has been prepared in full compliance with Tanzania Financial Reporting Standard No.1 (TFRS 1) on report of Those Charged with Governance.

By order of the Board

Casmir Sumba Kyuki
Chairman

.....
Date

Judika Loti King'ori
Director

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

STATEMENT OF THE DIRECTORS OF THE FUND MANAGER'S RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2023

The Fund Manager's Directors are responsible for the preparation of financial statements that give a true and fair view of Umoja Unit Trust Scheme (Umoja Fund), comprising the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, in accordance with IFRS Standards and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

The Fund Manager's Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Fund Manager's Directors have made an assessment of the ability of the Fund to continue as a going concern and have no reason to believe that the Fund will not be a going concern in at least next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of Umoja Unit Trust Scheme (Umoja Fund), as identified in the first paragraph, were approved and authorized for issue by the Fund Manager's Board of Directors on and signed by:

Casmir Sumba Kyuki
Chairman

Judika Loti King'ori
Director

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**DECLARATION OF THE HEAD OF FINANCE OF THE FUND MANAGER
FOR THE YEAR ENDED 30 JUNE 2023**

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors' Responsibilities Statement on an earlier page.

I **Joan Msofe** being the Head of Finance of the Fund Manager (UTT AMIS) hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of Umoja Unit Trust Scheme (Umoja Fund) comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

.....
Signed by: Joan Msofe

Position: Director of Finance and Planning

NBAA Membership No: ACPA1675

Date:

**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF UMOJA UNIT TRUST SCHEME (UMOJA FUND)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Umoja Unit Trust Scheme (Umoja Fund) (“the Scheme”) set out on pages 13 to 44, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Umoja Unit Trust Scheme (Umoja Fund) Report and Financial Statements for the year ended 30 June 2023, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF UMOJA UNIT TRUST SCHEME (UMOJA FUND) (CONTUNUED)**

Report on the audit of the financial statements (Continued)

Responsibilities of the Directors of the Fund manager for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Fund manager either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Fund Manager.
- Conclude on the appropriateness of the Directors of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF UMOJA UNIT TRUST SCHEME (UMOJA FUND) (CONTUNUED)**

Report on the audit of the financial statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors of the Fund Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Capital Markets and Securities (Collective Investment Funds) Regulations, 1997, we report to you, solely based on our audit of financial statements, that:

- in our opinion, the financial statements of the Umoja Unit Trust Scheme have been properly prepared in accordance with the requirements of the regulations;
- all persons involved with the conduct and operation of the Scheme have acted properly and in accordance with the requirements of the regulations;
- proper books and records have been kept by the Scheme and the accounts are in agreement with the accounting records of the Scheme; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**KPMG
Certified Public Accountants (T)**

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 TZS'000	2022 TZS'000
Investment income	5	29,776,696	28,309,071
Net gain from financial instruments carried at fair value	7	3,453,967	7,775,265
Other income	8	<u>7,834,725</u>	<u>5,775,180</u>
Total income		41,065,388	41,859,516
Management fees		(5,453,410)	(4,894,969)
Custodian fees		(302,967)	(271,943)
Agent commission		(1,481,344)	(1,381,438)
Audit fees		(39,652)	(55,514)
Other charges	9	<u>(669,333)</u>	<u>(848,143)</u>
Total expenses		(7,946,706)	(7,452,007)
Increase in net assets attributable to unit holders before tax		33,118,682	34,407,509
Withholding tax expense	10	<u>(320,218)</u>	<u>(295,234)</u>
Increase in net asset attributable to unit holders, net of tax		32,798,464	34,112,275
Other comprehensive income		<u>-</u>	<u>-</u>
Total increase in net asset attributable to unit holders		<u>32,798,464</u>	<u>34,112,275</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditor – page 10 - 12

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 TZS'000	2022 TZS'000
Assets			
Cash and cash equivalents	11(a)	605,104	442,758
Term deposits with banks	11(b)	1,038,145	8,104,134
Government securities and corporate bonds	12	187,501,917	157,672,632
Equity investments	13	138,488,604	128,943,092
Other receivables	14	<u>101,054</u>	<u>57,697</u>
Total assets		327,734,824	295,220,313
Liabilities			
Other liabilities	16	<u>(2,304,985)</u>	<u>(1,874,494)</u>
Total liabilities		(2,304,985)	(1,874,494)
Net assets attributable to unit holders		<u>325,429,839</u>	<u>293,345,819</u>
Represented by:			
Net assets attributable to unit holders		<u>325,429,839</u>	<u>293,345,819</u>
Net Asset Value per unit based on 345,237,402 units outstanding (2022: 346,144,188 units)	17(i)	<u>942.63</u>	<u>847.47</u>

The financial statements on pages 13 to 44 were approved for issue by the Board of Directors of the Fund Manager on and signed by:

Casmir Sumba Kyuki
Chairman

Judika Loti King'ori
Director

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditor – page 10 – 12

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 TZS'000	2022 TZS'000
Opening balance of net assets attributable to unit holders		293,345,819	261,508,198
Increase in net assets attributable to unit holders during the year		<u>32,798,464</u> 326,144,283	<u>34,112,275</u> 295,620,473
Transactions with unit holders during the year			
Sales of units during the year	17(ii)	7,990,326	5,258,204
Repurchase of units during the year	17(ii)	<u>(8,704,770)</u>	<u>(7,532,858)</u>
Net transactions with unit holders during the year		<u>(714,444)</u>	<u>(2,274,654)</u>
Closing balance of net assets attributable to unit holders		<u>325,429,839</u>	<u>293,345,819</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditor – page 10 - 12

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 TZS'000	2022 TZS'000
Cash flows from operating activities:			
Increase in net assets attributable to unit holders, net of tax		32,798,464	34,112,275
Adjustment for:			
Net gain on investment securities carried at fair value	7	(3,453,967)	(7,775,265)
Dividend income	5	(5,681,784)	(4,740,363)
Interest income	6	(24,094,912)	(23,568,708)
Withholding tax expense	10	320,218	295,234
		(111,981)	(1,676,827)
Changes in:			
Term deposits with banks		7,000,000	(5,618,257)
Government securities and corporate bonds		(29,926,004)	(22,036,568)
Equity instruments		(6,091,545)	(3,219,557)
Other receivables		1,014	(4,630)
Other liabilities		430,491	493,488
Cash (used) in operating activities		(28,698,025)	(32,062,351)
Dividend received		5,637,413	4,704,005
Interest received		24,257,620	21,540,666
Withholding tax paid	15	(320,218)	(295,234)
Net cash generated/(used) from operating activities		876,790	(6,112,914)
Cash flows from financing activities:			
Sales of units	17(ii)	7,990,326	5,258,204
Repurchase of units	17(ii)	(8,704,770)	(7,532,858)
Net cash used in financing activities		(714,444)	(2,274,654)
Net increase/(decrease) in cash and cash equivalents		162,346	(8,387,568)
Cash and cash equivalents at 1 July		442,758	8,830,326
Cash and cash equivalents at 30 June*	11	605,104	442,758

*Cash and cash equivalent include call deposit that are repayable on demand and form an integral part of Fund's cash management

Notes and related statements forming part of these financial statements appear on pages 17 to 44.

Report of the Auditor – page 10 - 12

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1 REPORTING ENTITY

Umoja Unit Trust Scheme (Umoja Fund) is an open-ended collective investment scheme domiciled in Tanzania with an initial lock-in period of one year that ended on 31 July 2006. The address of the Fund's registered office is 2nd Floor, Sukari House, Sokoine/Ohio Street, P.O. Box 14825, Dar es Salaam.

Umoja Unit Trust Scheme was established in Tanzania under the Deed of Trust of the Umoja Unit Trust Scheme, on 12 May 2005 and is regulated by Capital Markets and Securities (Collective Investment Schemes) Regulations 1997, as prescribed under Capital Markets and Securities Act, 1994.

The Fund is an open-ended investment fund primarily involved in investing in a diversified portfolio of equity securities issued by companies listed in Dar es Salaam Stock Exchange (DSE), fixed deposits and debt securities issued by corporates and the Government of United Republic of Tanzania with the objective of providing unit holders with competitive returns over the medium to long-term.

All the activities of the Fund are managed by UTT Asset Management and Investor Services Plc (UTT AMIS) (the 'Fund Manager').

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Fund for the year ended 30 June 2023 have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

(b) Basis of measurements

The financial statements have been prepared on the historical cost basis unless where fair value has been applied in line with the respective accounting policies.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian shillings (TZS), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousands ('000'); except where otherwise indicated.

Functional currency is the currency of the primary economic environment in which the Fund operates. The Fund's investment and transactions are denominated in Tanzanian shillings. Investor subscriptions and redemptions are determined based on the net asset value and received and paid in Tanzanian shillings. The expenses (including management fees, custodian fees and other charges) are denominated and paid for in Tanzanian shillings. Accordingly, management has determined that the functional currency of the Fund is Tanzanian shillings.

(d) Going Concern

The Fund has recognised an increase in net assets attributable to unit holders, net of tax for the period ending 30 June 2023 of TZS 32,798,464,000 (2022: TZS 34,112,275,000) and as at that date the Fund had a net asset of TZS 325,429,839,000 (2022: TZS 293,345,819,000).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the Fund will continue in operation for at least one year from the date of the approval of financial statements and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(e) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively. In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 20.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3 B (i) (ii). The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Note 3 B (i) (iii) and 4(a).

3 SIGNIFICANT ACCOUNTING POLICIES

A Changes in accounting policies

Below are the changes that came into effect for accounting periods beginning on or after 1 January 2022. All the applicable changes have been applied in the preparation of these financial statements.

- i) Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets became effective on 1 January 2022.
- ii) Annual improvements to IFRS standards 2018 – 2020;
- iii) Property, Plant and Equipment: Proceeds before Intended use (Amendments to IAS 16);
- iv) Reference to the Conceptual Framework (Amendments to IFRS 3); and
- v) COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).

The adoption of the standard had no material impact on the financial statements of the Fund. The accounting standards set out below have been applied consistently to all periods in presenting these financial statements

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements

a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(b) Interest income

The effective interest method is a method of calculating the amortised cost of the financial instrument and allocating the interest income or expense over the relevant period. In terms of the effective interest rate, is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate a shorter period to net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred, and origination fees received as a result of bringing margin-yielding assets in the statement of Financial Position, are capitalised to the carrying amount of financial instruments and amortised as interest income over the life of the asset.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements (Continued)

(b) Interest income (Continued)

Interest income presented in the statement of profit or loss and other comprehensive income includes:

- Interest on financial assets at amortised cost on an effective interest rate basis; and

Interest income is recognised on a gross basis, including withholding tax, if any.

(c) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted equity securities. Dividends are reflected as a component of investment income. Dividend income from equity securities carried at fair value is recognised in the “investment income” line in the statement of profit or loss and other comprehensive income.

(d) Net gain from financial instruments carried at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences but excludes interest and dividend income.

(e) Expenses

Expenses to the Fund would be charged in accordance with Section 14.0 of the Offer Document: -

- Management fee is charged at 1.8% of the daily Net Asset Value.
- Custodian fees at 0.1% of daily NAV with the minimum of TZS 50 million per annum; and
- Other charges at 0.6% of daily NAV which include the commonly rated charges such as bank charges, marketing, selling expenses and audit fees.

Management fee and other charges are restricted to 2.4% of the daily NAV. Any additional amount would be borne by the Fund Manager.

(f) Taxation

Under Section 86 of the Income Tax Act, 2004, the Fund is exempt from paying taxes on income, profits or capital gains as such deferred tax is not applicable.

Dividend and interest income received by the Fund is subject to withholding tax as final tax on the same basis as for individuals. Investment income is recorded gross of such taxes and the withholding tax is included under tax charge for the period.

(g) Redeemable units

Units issued by the Fund are redeemable and the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor’s units in the Fund’s net assets at the redemption date.

In accordance with the Offer Document, the Fund is contractually obliged to issue (sell) and redeem (re-purchase) units based on prevailing Net Asset Value (NAV) per unit. Net Asset Value (NAV) per unit is the value that is arrived at after taking the value of the Fund’s assets and subtracting the liabilities of the Fund divided by prevailing number of units.

In accordance with IFRS 9, redeemable units give rise to financial liability for the present value of the redemption amount. Units applied for repurchase and approved but not settled as at year end are presented as repurchase payables and classified as other liabilities.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements (Continued)

(h) Cash and cash equivalents

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise cash and call deposits with banks with maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Fund in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either fair value through profit or loss, or amortised cost. Only investments in equities are measured at fair value through profit and loss. The rest of investments are measured at amortized cost.

(j) Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Contingent liabilities

The Fund recognises a contingent liability where, it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Fund, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

(l) Financial Instruments

i. Recognition and initial measurement

The Fund initially recognises regular-way transactions in financial assets and financial liabilities at Fair Value Through Profit and Loss (FVTPL) on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

All other financial assets of the Fund are measured at FVTPL.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements (Continued)

(I) Financial Instruments (Continued)

ii. Classification and subsequent measurement (Continued)

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets. The Fund has determined that it has one business model which is:

- Held-to-collect business model: this includes government securities, term deposits with banks, cash and cash equivalents and other receivables. These financial assets are held to collect contractual cash flow.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI. The Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment. The Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements (Continued)

(I) Financial Instruments (Continued)

ii. Classification and subsequent measurement (Continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement of financial assets

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. Interest income is calculated using effective interest method and recognised in profit or loss.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.

Financial liabilities

Other liabilities are classified as financial liabilities and are carried at amortised cost.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when and only when the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

iii. Impairment

An 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive.

Loss allowances for the financial assets is measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Fund limits its exposure to credit risk from financial assets by establishing a maximum payment period of 30 days. The Fund considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Fund's historical experience and informed credit assessment.

The Fund recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised accordance with the requirement of IFRS 9.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B The accounting standards set out below have been applied consistently to all periods in presenting these financial statements (Continued)

(l) Financial instruments (Continued)

iii. Impairment (Continued)

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

A financial asset may be modified or replaced when a borrower is in financial difficulties. The borrower may negotiate a restructuring of some or all of the borrower's obligations to allow the borrower sufficient capacity to service the debt or refinance the contract, either entirely or partially.

In such cases, the financial assets are considered to have "significant increase in credit risk" and therefore are to be classified in stage 3 and be subject to the lifetime ECL approach for calculating the impairment allowances.

If a financial asset is modified as part of forbearance, the Fund does not derecognise the financial asset in its entirety. Gains and losses on such modifications are recognised in the statement of profit or loss.

Management assesses the performance of the modified financial asset from time to time to determine whether the credit risk has decreased before the loan is moved to stage 2 or 1.

Write off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

iv. Derecognition

The Fund derecognises regular-way sales financial assets using trade date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Fund transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such is transferred assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(m) Income distribution to unit holders

Distributions made to unit holders are recognized in the statement of profit or loss and other comprehensive income.

No distribution to unit holders has been made during the year (2022: Nil).

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C New relevant standards and amendments to standards in issue but not yet effective and not early adopted by the Fund

A number of new standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

New standard or amendments	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1) Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12	23 May 2023
Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
IFRS S1** General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2** Climate-related Disclosures	1 January 2024
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

*** The implementation and the effective dates of IFRS Sustainability Disclosure Standards are subject to local regulation.*

The above standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;

This Note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund maintains positions in a variety of non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises quoted equity investments and debt securities.

Asset purchases and sales are determined by the Fund Manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of Directors on a quarterly basis. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held and cash and cash equivalents.

For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposures (such as individual obligor default risk, country and sector risk).

(a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, term deposit with banks, other receivables and cash and cash equivalents.

Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's prospectus. Credit risk is monitored daily by the Fund Manager in accordance with policies and procedures in place.

The Fund's credit risks are monitored on a quarterly basis by the Fund Management Board of Directors. Where the credit risks are not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is obliged to rebalance the portfolio upon determination that the portfolio is not in compliance with the stated investment parameters. Credit risk is mitigated by investing in issuers with known credibility (mostly investing in government securities) and it is monitored on an ongoing basis by the Fund Manager.

Past due financial assets

Corporate bonds with Tanzania Federation of Cooperatives (TFC) are more than one year past due (stage 3). All other financial assets are not overdue (stage 1).

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Management of credit risk (Continued)

The table below provides details of exposure to credit risk for the financial assets:

	30 June 2023		30 June 2022	
	Amortized cost TZS '000	Exposure to credit risk TZS '000	Amortized cost TZS '000	Exposure to credit risk TZS '000
Government securities	181,147,958	181,147,958	150,978,528	150,978,528
Deposits with banks	1,038,145	1,038,145	8,104,134	8,104,134
Corporate bonds	6,353,959	6,353,959	6,694,104	6,694,104
Other receivables	101,054	101,054	57,697	57,697
	<u>188,641,116</u>	<u>188,641,116</u>	<u>165,834,463</u>	<u>165,834,463</u>

	30 June 2023		30 June 2022	
	Gross carrying amount TZS '000	Loss allowance TZS '000	Gross carrying amount TZS '000	Loss allowance TZS '000
Government securities	181,147,958	-	150,978,528	-
Deposits with banks	1,038,145	-	8,104,134	-
Corporate bonds	21,167,065	(14,813,106)	21,507,209	(14,813,105)
Other receivables	101,054	-	57,697	-
	<u>203,454,222</u>	<u>(14,813,106)</u>	<u>180,647,568</u>	<u>(14,813,105)</u>

Losses on modification and impairment losses on financial assets recognised in profit or loss as described in Note 3(B) (l) (iii) were as follows.

	2023 TZS'000	2022 TZS'000
Corporate bonds – Gross	21,167,065	21,507,209
Less: Loss on modification/provision for impairment	<u>(14,813,106)</u>	<u>(14,813,105)</u>
Corporate bonds – net	<u>6,353,959</u>	<u>6,694,104</u>

Loss on impairment charge on corporate bonds is as follows.

	2023 TZS'000	2022 TZS'000
At 1 July	14,813,105	15,038,311
Modification loss	-	(225,206)
Charge for the period	<u>-</u>	<u>-</u>
At 30 June	<u>14,813,105</u>	<u>14,813,105</u>

Valuation of corporate bonds

TFC bonds were restructured to adjust the repayment period to enable TFC repay the outstanding amount. Management uses discounted cashflow model in the determination of the value of the modified financial asset. Average discount rate of 7.93% (2022: 7.03%) and growth in occupancy rate of 15.04% (2022: 15.04%) after every 2 years to July 2025 were used as the significant assumptions applied in the determination of present value of the bonds.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Valuation of corporate bonds (Continued)

Management has also assumed that the full outstanding amount will be collected within 23 years from 30 June 2023. The analysis below shows the Fund's sensitivity to a 10% increase and decrease in the discount rate and the growth rate on loss on modification/impairment charge:

	2023	2022
	TZS'000	TZS'000
Average discount rate		
Increase in net assets attributable to holders of unit holders before tax	316,708	463,702
Decrease in net assets attributable to holders of unit holders before tax	(1,172,114)	(541,518)

Occupancy rate

Increase in net assets attributable to holders of unit holders before tax	1,057,789	345,987
Decrease in net assets attributable to holders of unit holders before tax	(289,801)	(325,636)

Concentration risk

The Fund Manager reviews credit concentration of debt securities held based on counterparties and industries. As at the reporting date, the Fund's net debt securities exposures were concentrated in the following industries:

	30 June 2023		30 June 2022	
	TZS '000	%	TZS '000	%
Government sector	181,147,958	96.08	150,978,528	91.07
Financial services	1,038,145	0.55	8,104,134	4.28
Corporative societies	6,353,959	3.37	6,694,104	3.65
	<u>188,540,062</u>	<u>100.00</u>	<u>165,776,766</u>	<u>100.00</u>

The Fund mitigates this risk by prioritising investment in less risky industries in the order of government sector, financial services, and lastly corporate societies to ensure containment of credit risk.

As at the reporting date, the Fund's value of investment holding as a percentage of net asset value is as summarised below.

	30 June 2023		30 June 2022	
	TZS '000	%	TZS '000	%
Deposits with banks	1,038,145	0.32	8,104,134	2.75
Government securities and corporate bonds	187,501,917	57.62	157,672,632	53.43
Equity investments	138,488,604	42.56	128,943,092	43.69
Cash and cash equivalents (*)	569,712	0.18	397,023	0.13
	<u>327,598,378</u>	<u>100.68</u>	<u>295,116,881</u>	<u>100.60</u>

(*) Includes call deposits only.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of failure of the Fund to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For most transactions, the Fund mitigates this risk by conducting settlements through a custodian to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units, as and when due, without incurring undue losses or risking damage to the Fund's reputation. The Fund's constitution provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions on a daily basis. The Fund's listed securities are considered to be readily realisable as they are all listed on the Dar es Salaam Stock Exchange (DSE).

The Fund's liquidity risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Fund's overall liquidity risks are monitored on a quarterly basis by the Board of Directors.

It is the Fund's policy to have liquid assets comprising cash and cash equivalents and investments in commercial paper, short term fixed deposits and call deposits for which there is an active and liquid market to cater for anticipated redemptions of units. In addition, the Fund manager is empowered to defer to next dealing day repurchase of units if 10% of the units are repurchased within one dealing day. Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

	Carrying amount TZS '000	Contractual cash flows TZS '000	Within 1 year TZS '000	1 year and above TZS '000
At 30 June 2023				
Financial liabilities				
Net assets attributable to unit holders	325,429,839	325,429,839	325,429,839	-
Other liabilities	2,304,985	2,304,985	2,304,985	-
	<u>327,734,824</u>	<u>327,734,824</u>	<u>327,734,824</u>	<u>-</u>
At 30 June 2022				
Financial liabilities				
Net assets attributable to unit holders	293,345,819	293,345,819	293,345,819	-
Other liabilities	1,874,494	1,874,494	1,874,494	-
	<u>295,220,313</u>	<u>295,220,313</u>	<u>295,220,313</u>	<u>-</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is potential for both loss and gain to investor resulting from decreases and increases in the unit price of the Fund. The main causes of unit price changes are price changes in the underlying instruments caused by movements in securities prices, changes in the credit rating of instrument issuers, changes in the prevailing level of interest rates and currency movement relative to the Tanzanian shilling.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Management of market risk

The Fund's strategy on the management of market risk is driven by the Fund's investment objective to empower Tanzanians through wide ownership of its units and encourage a culture of savings in financial assets. The Fund market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Fund's market positions are monitored on a quarterly basis by Board of Directors.

Return is the desired reward for assuming market risk. Market risk is managed by the Fund Manager with reference to the Fund's investment mandate, the objective being to produce the highest possible return for a given level of risk.

The Fund mainly transacts in Tanzanian Shillings. Management considers currency risk to be insignificant.

Interest rate risk

The Fund is exposed to cash flow interest rate risk which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Fair value interest rate risk is another interest rate risk to the Fund; it is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the value and cash flow risks.

The table below summarises the exposure to interest rate risk. Assets and liabilities are categorised by the earlier of contractual re-pricing or maturity dates.

(All figures are in millions of Tanzanian shillings).

	Up to 1month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
At 30 June 2023							
Assets							
Cash and cash equivalents	570	-	-	-	-	35	605
Government securities	-	-	5,336	-	175,812	-	181,148
Corporate bonds	-	-	8	500	5,845	-	6,353
Deposits with banks	-	-	38	1,000	-	-	1,038
Equity investments	-	-	-	-	-	138,489	,38,489
Other receivables	-	-	-	-	-	101	101
	<u>570</u>	<u>-</u>	<u>5,382</u>	<u>1,500</u>	<u>181,657</u>	<u>138,625</u>	<u>327,734</u>
Liabilities							
Net-assets attributable to unit holders	-	-	-	-	-	(325,430)	(325,430)
Other liabilities	-	-	-	-	-	(2,304)	(2,304)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,734)</u>	<u>(327,734)</u>
Total interest rate gap	<u>570</u>	<u>-</u>	<u>5,382</u>	<u>1,500</u>	<u>181,657</u>	<u>(189,109)</u>	<u>-</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

	Up to 1month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
At 30 June 2022							
Assets							
Cash and cash	397	-	-	-	-	46	443
Government securities	-	-	5,437	-	145,542	-	150,979
Corporate bonds	-	-	4	650	6,040	-	6,694
Deposits with banks	-	-	104	8,000	-	-	8,104
Equity investments	-	-	-	-	-	128,943	128,943
Other receivables	-	-	-	-	-	58	58
	<u>397</u>	<u>-</u>	<u>5,545</u>	<u>8,650</u>	<u>151,582</u>	<u>129,047</u>	<u>295,221</u>
Liabilities							
Net-assets attributable to unit holders	-	-	-	-	-	(293,346)	(293,346)
Other liabilities	-	-	-	-	-	(1,875)	(1,875)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,221)</u>	<u>(295,221)</u>
Total interest rate gap	<u>397</u>	<u>-</u>	<u>5,545</u>	<u>8,650</u>	<u>151,582</u>	<u>(166,174)</u>	<u>-</u>

Interest risk sensitivity

The table below sets out the effect on the Fund's net assets attributable to holders of units of a reasonably possible increase of 100 basis points in interest rates at 30 June 2023. A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities. The impact is primarily from the decrease in the fair value of fixed income securities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2023 TZS'000	2022 TZS'000
Increase in net assets attributable to holders of unit holders	<u>1,868</u>	<u>2,933</u>
	<u>1,868</u>	<u>2,933</u>
Decrease in net assets attributable to holders of unit holders	<u>(1,868)</u>	<u>(2,933)</u>
	<u>(1,868)</u>	<u>(2,933)</u>

Exposure to other price risks

Other price risks is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

Other price risk arises in respect of the Umoja Fund's investment in the shares issued by the listed companies in Dar es Salaam stock exchange. The fair value of the investment as at 30 June 2023 was TZS 3,453,967,000 (2022: TZS 128,943,092,000).

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risks (Continued)

Exposure to other price risks (Continued)

The table below sets out the effect on the net assets attributable to holders of redeemable units of a reasonably possible strengthening or weakening in the prices of the equity instruments in Umoja Fund of 2.7% as at 30 June 2023.

	2023 TZS'000	2022 TZS'000
Strengthening		
Increase in net assets attributable to holders of unit holders	3,739,192	3,481,463
Weakening		
Decrease in net assets attributable to holders of unit holders	(3,739,192)	(3,481,463)

Other price risk sensitivity

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. Price risk is managed by the Fund Managers by diversifying the portfolio. The internal procedures require the Fund Manager to manage price risk on a daily basis.

The Fund's procedures require price risks to be monitored on a quarterly basis by the Board of Directors. Where the price risks are not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is required to rebalance the portfolio within the prescribed time limits.

(d) Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the process, technology and infrastructure supporting the fund's activities with the financial instruments, either internally within the fund or externally at the fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investments management behaviour.

The fund's objective is to manage operational risks so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objectives of generation returns to investors.

The primary responsibility for the development and implementation of controls over operational risks rests with the board of directors. The responsibility is supported by the development of overall standard for the management of operational risks, which encompasses the controls and the processes at the service providers and the establishment of the service levels with the service providers, in the following areas:

- Documentation of controls and procedures;
- Requirements for:
 - Appropriate segregation of duties between various functions, roles and responsibilities
 - Reconciliations and monitoring of transactions and
 - Periodic assessment of operational risks faced
- The adequacy of controls and procedures to address the risk identified;
- Compliance with regulatory and other legal requirements;
- Development of contingency plans
- Training and professional development
- Ethical and business standards and
- Risk mitigation including insurance if this is effective.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Fund has no equity. The redeemable units issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's unit in the Fund's net assets. See Note 17 for a description of the terms of the redeemable units issued by the Fund.

The Fund's objectives in managing the redeemable units are to ensure a stable base to maximise returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable units is discussed in Note 4(b). The Fund is not subject to any externally imposed capital requirements.

5 INVESTMENT INCOME

	2023	2022
	TZS'000	TZS'000
<i>Investment income arises from:</i>		
Interest income calculated using effective interest method (Note 6)	24,094,912	23,568,708
Dividend income	<u>5,681,784</u>	<u>4,740,363</u>
	<u>29,776,696</u>	<u>28,309,071</u>

6 INTEREST INCOME

	2023	2022
	TZS'000	TZS'000
<i>Interest income calculated using effective interest method arises from the following investments:</i>		
Term deposit with banks	286,463	515,272
Treasury bonds	23,737,146	23,014,443
Corporate bonds	<u>71,303</u>	<u>38,993</u>
	<u>24,094,912</u>	<u>23,568,708</u>

7 NET GAIN ON FINANCIAL INSTRUMENTS

	2023	2022
	TZS'000	TZS'000
Gain on fair valuation of equity investments	<u>3,453,967</u>	<u>7,775,265</u>
	<u>3,453,967</u>	<u>7,775,265</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

8 OTHER INCOME

	2023	2022
	TZS'000	TZS'000
Sundry income	40,532	1,662
Contribution from fund manager**	372,527	653,440
Income - Gain on sale of Treasury bonds	<u>7,421,666</u>	<u>5,120,078</u>
	<u>7,834,725</u>	<u>5,775,180</u>

**Contribution from the fund manager is the excess of 2.4% of the Net Asset Value (NAV) from the total of investment management fee and other charges. These are limited to 2.4% of the NAV as directed in the fund prospectus.

9 OTHER CHARGES

	2023	2022
	TZS'000	TZS'000
Promotion and advertisement	381,531	540,784
Communication expenses	55,143	118,146
Other expenses	<u>232,659</u>	<u>189,213</u>
	<u>669,333</u>	<u>848,143</u>

10 WITHHOLDING TAX EXPENSE

Under Section 86 of the Income Tax Act, 2004, the Fund is exempt from paying taxes on income, profits or capital gains as such deferred tax is not applicable. Dividend and interest income received by the Fund is subject to withholding tax as final tax at the rate of 5% and 10% respectively.

Income tax charge is made of withholding tax withheld at source and provision made in respect to income accrued but not earned as at year end. There is no deferred tax charge for the current year as these incomes qualifies for the exemption as per section 3 of the Income Tax Act, 2004.

	2023	2022
	TZS'000	TZS'000
<i>Withholding tax charge on income from;</i>		
Term deposits	28,646	51,527
Dividends	284,089	239,808
Corporates bonds	<u>7,483</u>	<u>3,899</u>
	<u>320,218</u>	<u>295,234</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

11 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS

	2023	2022
	TZS'000	TZS'000
a) Cash and cash equivalents		
Bank Balance – Call account	569,712	397,023
Bank Balance – Payment account	35,392	45,735
	<u>605,104</u>	<u>442,758</u>
b) Fixed deposits		
Principal	1,000,000	8,000,000
Accrued interest	38,145	104,134
	<u>1,038,145</u>	<u>8,104,134</u>

12 GOVERNMENT SECURITIES AND CORPORATE BONDS

	2023	2022
	TZS'000	TZS'000
(a) Government securities	181,147,958	150,978,528
(b) Corporate bonds	6,353,959	6,694,104
	<u>187,501,917</u>	<u>157,672,632</u>

(a) Government securities

	2023	2022
	TZS'000	TZS'000
<i>Government securities balance is made up of;</i>		
Treasury Bonds - 25 Years	51,898,628	16,304,102
Treasury Bonds - 20 Years	108,977,312	97,417,007
Treasury Bonds - 15 Years	9,656,348	26,507,648
Treasury Bonds - 10 Years	5,249,522	5,249,522
Treasury Bonds - 7 Years	30,149	63,222
Accrued interest on Treasury Bonds	5,335,999	5,437,027
	<u>181,147,958</u>	<u>150,978,528</u>

(b) Corporate bonds

	2023	2022
	TZS'000	TZS'000
<i>Corporate bonds is made up of;</i>		
Tanzania Federation of Cooperatives (TFC) - 5- & 7-years bonds	5,846,049	6,040,503
Tanzania Mortgage Refinance Company Ltd (TMRC) - 5 years bonds	300,000	450,000
National Microfinance Bank PLC (NMB JASIRI) - 3 years bond	200,000	200,000
Accrued interest on Corporate Bonds	7,910	3,601
	<u>6,353,959</u>	<u>6,694,104</u>

Corporate bonds – Gross	21,167,065	21,507,209
Less: provision for impairment	(14,813,106)	(14,813,105)
Corporate bonds – net	<u>6,353,959</u>	<u>6,694,104</u>

(c) Impairment charge

As at 1 July	14,813,105	15,038,311
Release of impairment	-	(225,206)
As at 30 June	<u>14,813,105</u>	<u>14,813,105</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

13 EQUITY INVESTMENTS

	2023	2022
	TZS'000	TZS'000
<i>Below is the movement in equity investments:</i>		
Opening balance	128,943,092	117,948,270
Additional investments purchased during the year	6,091,545	3,219,557
Gain from fair valuation of equity investments	<u>3,453,967</u>	<u>7,775,265</u>
	<u>138,488,604</u>	<u>128,943,092</u>

As at year end the Fund had equity investments in the following listed companies:

Company	30 June 2023			30 June 2022		
	Number of shares	Market Value TZS '000	% of Net Assets	Number of shares	Market Value TZS '000	% of Net Assets
Tanzania Breweries Limited	4,470,422	48,727,600	14.97%	4,470,422	48,727,600	16.53%
Tanzania Cigarette Company	2,155,270	36,639,590	11.26%	2,155,270	36,639,590	12.43%
Simba Cement	99,995	179,991	0.06%	99,995	145,993	0.05%
National Microfinance Bank	4,322,460	15,042,161	4.62%	2,849,560	8,890,627	3.02%
Dar es Salaam Community Bank	14,091,297	1,972,782	0.61%	14,091,297	2,677,346	0.91%
Twiga Cement Company	1,789,288	7,157,152	2.20%	1,789,288	6,656,151	2.26%
CRDB	20,415,701	9,595,379	2.95%	19,075,155	7,630,062	2.59%
SWISSPORT	2,083,278	3,124,917	0.96%	1,284,278	1,515,448	0.51%
VODACOM	20,674,980	15,919,735	4.89%	20,674,980	15,919,735	5.40%
Dar es Salaam Stock Exchange	70,270	129,297	0.04%	70,270	140,540	0.05%
		<u>138,488,604</u>	<u>42.56%</u>		<u>128,943,092</u>	<u>43.75%</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

13 EQUITY INVESTMENTS (CONTINUED)

Investments held for trading represent shares held by Umoja Scheme as at year end valued at market price (fair value) which existed in the market (Dar es Salaam Stock Exchange) as at the reporting date.

Below is the movement of the shares during the year to different listed entities.

	EQUITIES - UNITS				EQUITIES - MARKET VALUES				
	(All figures are in thousands)				(All figures are in millions of Tanzanian shillings)				
	At 1 July 2022	Addition	Disposal	At 30 June 2023	At 1 July 2022	Addition	Disposal	Fair value gain / (loss)	At 30 June 2023
Tanzania Breweries Limited	4,470	-	-	4,470	48,728	-	-	-	48,728
Tanzania Cigarette Company	2,156	-	-	2,156	36,640	-	-	-	36,640
Simba Cement	100	-	-	100	146	-	-	34	180
National Microfinance Bank	2,850	1,473	-	4,323	8,890	4,124	-	2,027	15,041
Dar Es Salaam Community Bank	14,091	-	-	14,091	2,677	-	-	(705)	1,972
Twiga Cement Company	1,789	-	-	1,789	6,656	-	-	501	7,157
CRDB	19,075	1,341	-	20,416	7,630	529	-	1,436	9,595
SWISSPORT	1,284	799	-	2,083	1,516	1,438	-	171	3,125
VODACOM	20,675	-	-	20,675	15,920	-	-	-	15,920
Dar Es Salaam Stock Exchange	70	-	-	70	140	-	-	(11)	129
Total	66,560	3,613	-	70,173	128,943	6,091	-	3,453	138,487

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

13 EQUITY INVESTMENTS (CONTINUED)

	EQUITIES – UNITS (All figures are in thousands)				EQUITIES - MARKET VALUES (All figures are in millions of Tanzanian shillings)				
	At 1 July 2021	Addition	Disposal	At 30 June 2022	At 1 July 2021	Addition	Disposal	Fair value gain / (loss)	At 30 June 2022
Tanzania Breweries Limited	4,470	-	-	4,470	48,728	-	-	-	48,728
Tanzania Cigarette Company	1,855	300	-	2,155	31,540	1,500	-	3,600	36,640
Simba Cement	49	51	-	100	20	79	-	47	146
National Microfinance Bank	2,811	38	-	2,849	6,578	113	-	2,199	8,890
Dar Es Salaam Community Bank	14,091	-	-	14,091	3,382	-	-	(705)	2,677
Twiga Cement Company	1,654	135	-	1,789	5,955	508	-	193	6,656
CRDB	17,602	1,473	-	19,075	5,192	539	-	1,899	7,630
SWISSPORT	484	800	-	1,284	543	480	-	493	1,516
VODACOM	20,675	-	-	20,675	15,920	-	-	-	15,920
Dar Es Salaam Stock Exchange	70	-	-	70	91	-	-	49	140
Total	63,761	2,797	-	66,558	117,949	3,219	-	7,775	128,943

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

14 OTHER RECEIVABLES

	2023	2022
	TZS'000	TZS'000
<i>Other receivable is made up of:</i>		
Receivable from sale of units	7,033	8,047
Inter trust receivables	13,292	13,292
Dividend receivable	80,729	36,358
	<u>101,054</u>	<u>57,697</u>

15 TAX PAYABLE

	2023	2022
	TZS'000	TZS'000
<i>The movement in tax payable during the year is as follows:</i>		
Opening balance	-	-
Withholding tax charge for the year	320,218	295,234
Tax deducted at source during the year	<u>(320,218)</u>	<u>(295,234)</u>
Closing balance	<u>-</u>	<u>-</u>

16 OTHER LIABILITIES

	2023	2022
	TZS'000	TZS'000
Re-purchases payable	168,779	244,863
Management fee payable	473,086	324,939
Income distribution payable	145,122	145,122
Other administration charges payable	142,016	103,318
Investor services account accrual	1,658	1,658
Inter trust payable	<u>1,374,324</u>	<u>1,054,594</u>
	<u>2,304,985</u>	<u>1,874,494</u>

17 UNIT HOLDERS' FUNDS

(i) The movement in unit holders' funds during the year is as follows:

	2023	2022
	Number of Units	Number of Units
Opening balance	346,144,188	349,026,453
Units sold during the year	10,489,552	6,623,203
Units repurchased during the year	<u>(11,396,338)</u>	<u>(9,505,468)</u>
Units outstanding at the year end	<u>345,237,402</u>	<u>346,144,188</u>
Net Asset Value per unit	942.63	847.47
Published Net Asset Value per Unit	926.94	833.63

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

17 UNIT HOLDERS' FUNDS (CONTINUED)

(ii) Sale and repurchase of units

	2023	2022
	TZS'000	TZS'000
Proceeds from sale of units	7,990,326	5,258,204
Repurchases of units	<u>(8,704,770)</u>	<u>(7,532,858)</u>
Net repurchases of units	<u>(714,444)</u>	<u>(2,274,654)</u>

Sales and re-purchase opened from 1 August 2006, after the one-year lock-in period. The Fund undertakes to repurchase and sale any number of units offered to it on the basis of prices calculated in accordance with the terms and conditions set out on the Offer Document and Trust Deed of Umoja Unit Trust Scheme.

18 RELATED PARTY TRANSACTIONS

Sponsor and Fund Manager

UTT AMIS, the Fund Manager, is a Government sponsored institution that was established to implement the investment strategy as specified in the Offer Document and to provide administrative services. As per the Offer Document, the Manager shall levy a service charge of not more than 1% of the re-purchase price of a unit subject to a minimum of one hundred shillings per transaction and also management fees and other charges is limited to 2.4% of the Net asset Value. The transactions done during the year and the closing balance are shown in the table below:

(a) Management fees and Service Charge

Management fees and service fees charge transactions that were made during the year and the balance outstanding as at the yearend are summarized below;

	Management fee	Service charge
	TZS'000	TZS'000
At 30 June 2023		
Opening balance	324,939	74,409
Charge for the year	5,453,410	12,600
Payments made during the year	<u>(5,305,263)</u>	<u>-</u>
Closing balance	<u>473,086</u>	<u>87,009</u>
At 30 June 2022		
Opening balance	380,691	6,708
Charge for the year	4,894,969	67,701
Payments made during the year	<u>(4,950,721)</u>	<u>-</u>
Closing balance	<u>324,939</u>	<u>74,409</u>

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

18 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Units holding by key management personnel

None of the non-executive Board of Directors of the Fund Manager had holdings of units in the Fund as at 30 June 2023. However, below senior employees of the Fund Manager had holdings of units of the Fund as at 30 June 2023 as follows;

	2023 TZS'000	2022 TZS'000
Senior Management Personnel	610,062	2,521
Non-executive directors	-	14,800
	<u>610,062</u>	<u>17,321</u>

(c) Inter trust (payables)/receivable

As at year end the Fund had the following outstanding balances against related parties.

	2023 TZS'000	2022 TZS'000
UTT AMIS	(1,374,324)	(1,054,594)
Watoto Fund	(434)	(434)
Jikimu Fund	12,248	12,248
Wekeza Fund	1,478	1,171
	<u>(1,361,032)</u>	<u>(1,041,609)</u>

19 DETERMINATION OF FAIR VALUES

(a) Valuation models

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

19 DETERMINATION OF FAIR VALUES (CONTINUED)

(a) Valuation models (Continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Valuation framework

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management and reports to the Board of Directors, who have overall responsibility for fair value measurements. Specific controls include:

- verification of observable pricing inputs;
- re-performance of model valuations;
- a review and approval process for new models and changes to such models;
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- Review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, then the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS.

This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

19 DETERMINATION OF FAIR VALUES (CONTINUED)

c) Fair value hierarchy – Financial instruments measured at fair value (Continued)

All figures in TZS'000

At 30 June 2023

	Level 1	Level 2	Level 3	Total
Equity investments	<u>138,488,604</u>	<u>-</u>	<u>-</u>	<u>138,488,604</u>
	<u>138,488,604</u>	<u>-</u>	<u>-</u>	<u>138,488,604</u>

At 30 June 2022

	Level 1	Level 2	Level 3	Total
Equity investments	<u>128,943,092</u>	<u>-</u>	<u>-</u>	<u>128,943,092</u>
	<u>128,943,092</u>	<u>-</u>	<u>-</u>	<u>128,943,092</u>

For Level 1 financial instruments the fair value as at year end is based on the latest available redemption price of each share, multiplied by the number of shares held. The quoted prices of equities are obtained from Dar es Salaam Stock Exchange where the shares are traded.

For Level 2 financial instruments the fair value is calculated by estimating the present value through discounting the expected future cash flows using the yield rates of similar Government bonds issued in the recent past, normally past 1-3 months. These yield rates are published by the Bank of Tanzania.

Financial instruments not measured at fair value

Cash and cash equivalents, deposits, other receivables and other liabilities: These are short-term financial assets and their carrying amounts approximate fair value because of their short-term nature and the high credit quality of counterparties.

Treasury bonds: These are long term and are carried at amortised cost. Fair values of the treasury bonds are different from their amortised costs and are disclosed in the table below. Treasury bonds are categorised into Level 2 of the fair value hierarchy.

Corporate bonds: These are carried at amounts equal to discounted future cash flows hence the balance approximate fair value.

Net assets attributable to unit holders: The Fund routinely redeems and issues the redeemable units at the amount equal to the proportionate share of net assets of the Fund at the redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable units approximately their fair value. The net assets attributable to unit holders are categorised into Level 2 of the fair value hierarchy.

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

19 DETERMINATION OF FAIR VALUES (CONTINUED)

c) Fair value hierarchy – Financial instruments measured at fair value (Continued)

Financial instruments not measured at fair value (Continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised

	Fair values			Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount TZS'000
	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000			
30 June 2023						
Assets						
Cash and cash equivalents	-	-	-	605 104	-	605 104
Term deposits	-	1,038,145	-	1 038 145	-	1 038 145
Corporate bonds	-	6,377,820	-	6 353 959	-	6 353 959
Treasury bonds	-	185,949,459	-	181 147 958	-	181 147 958
Other receivables	-	-	-	101 054	-	101 054
Total	-	193,365,424	-	189,246,220	-	189,246,220
Liabilities						
Net assets attributable to unit holders	-	-	-	-	325,429,839	325,429,839
Other liabilities	-	-	-	-	2,304,985	2,304,985
Total	-	-	-	-	327,734,824	327,734,824
30 June 2022						
Assets						
Cash and cash equivalents	-	-	-	442,758	-	442,758
Term deposits	-	8,161,123	-	8,104,134	-	8,104,134
Corporate bonds	-	6,719,605	-	6,694,104	-	6,694,104
Treasury bonds	-	190,404,168	-	150,566,177	-	150,566,177
Other receivables	-	-	-	57,697	-	57,697
Total	-	205,284,896	-	166,277,221	-	166,277,221
Liabilities						
Net assets attributable to unit holders	-	-	-	-	294,835,607	294,835,607
Other liabilities	-	-	-	-	1,874,494	1,874,494
Total	-	-	-	-	295,220,313	295,220,313

UMOJA UNIT TRUST SCHEME (UMOJA FUND)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

(a) Expected credit losses (allowances for credit losses)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3(i) (iii). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

TFC bonds were restructured to adjust the repayment period to enable TFC repay the outstanding amount. Management uses discounted cashflow model in the determination of the value of the modified financial asset. Average discount rate of 7.03% (2022: 9.33%) and growth in occupancy rate of 15.04% after every 2 years from July 2025 were used as the significant assumptions applied in the determination of present value of the bonds. Management has also assumed that the full outstanding amount will be collected within 22 years from 30 June 2023.

(b) Accounting classification and fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those sourced them. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Detailed information on how the fund determines fair values of its financial instruments is disclosed under note 19.

21 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Directors of the Fund Manager confirm that there are no capital commitment or contingent liabilities against the Fund as at 30 June 2023 (2022: Nil).

22 SUBSEQUENT EVENTS

The Directors of the Fund Manager confirm that there are no events subsequent to the year-end up to the date of this report that require either disclosure or adjustment in these financial statements.