

**HATIFUNGANI UNIT TRUST SCHEME  
(BOND FUND)**

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

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FOR YEAR ENDED 30 JUNE 2023**

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## **HATIFUNGANI UNIT TRUST SCHEME (BOND 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.

<b>Name</b>	<b>Position</b>	<b>Gender</b>	<b>Appointed on</b>
Casmir Sumba Kyuki	Chairman	Male	05 August 2021
Judika Loti King'ori	Member	Female	29 July 2022
Paul Andrew Maganga	Member	Male	29 July 2022
David Emmanuel Mwankenja	Member	Male	29 July 2022
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.  
2<sup>nd</sup> Floor, Sukari House  
Sokoine Drive/Ohio Street  
P. O. Box 14825  
Dar es Salaam

#### **Custodian**

CRDB Bank Plc  
Ali Hassan Mwinyi Road  
Azikiwe Street  
P. O. Box 268  
Dar es Salaam

#### **Auditor**

KPMG  
2<sup>nd</sup> Floor, The Luminary  
Haile Selassie Road, Masaki  
P. O. Box 1160  
Dar es Salaam  
TIN: 100-144-921  
Registration Number: PF020

#### **Advocate**

Abenry Advocates  
3rd Floor, Wing A, Golden Jubilee Towers  
Ohio/Kibo Street  
P. O.Box 3167  
Dar es Salaam

## **HATIFUNGANI UNIT TRUST SCHEME (BOND 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 Hatifungani Unit Trust Scheme (Bond Fund) (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 Standard No. 1 (TFRS 1).

#### **1. Establishment and management for the Fund**

Hatifungani Unit Trust Scheme, also known as “Bond Fund”, is a collective investment scheme established by UTT AMIS, a government sponsored institution incorporated on 28 June 2013 under the Companies Act. The main objectives of UTT AMIS include establishing, launching and management of collective investment schemes.

Hatifungani Unit Trust Scheme (Bond Fund) was established in Tanzania under the Deed of Trust of the Hatifungani Unit Trust Scheme, on 15 August 2019 and commenced operations in September 2019 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 known as Unit Trust of Tanzania, an asset management Company that has 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**

- Transparency: we ensure transparency in all of our dealings.
- Honesty and Integrity: we uphold high standards of honesty and integrity.
- Work principles: we work together as a team to deliver value to our investors.
- Respect: we value all people equally and treat them fairly.
- Performance: we work hard to deliver high performance and quality products.
- 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 portfolio that enables both high- and low-income investors to diversify risk and obtain competitive returns over the medium to long term through capital growth or income distribution.

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 participate in the capital market and obtain a good return on their investment. It is an open-end fixed income fund which aims at distributing income, periodically (monthly and semi-annually).

## **HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

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

#### **4. Business model**

Hatifungani Unit Trust Scheme, otherwise known as “Bond Fund”, is one of collective investment schemes managed by UTT AMIS. This is the sixth collective investment scheme to be established by the Company.

The Fund meets the needs of investors seeking low risk long term capital appreciation and those who require capital protection coupled with regular cashflows. With relaxed entry and exit requirements, the Fund also provides convenience for investors looking for lucrative returns in long term debt securities without having to hold individual investments to maturity.

#### **5. Financial performance during the year**

The financial performance of the Fund for the year ended 30 June 2023 is set out on page 13 of these financial statements.

#### **6. Sale and re-purchase of units of the Fund**

The Fund is open for sale and re-purchase of units through the Fund Manager. The sale price is based on prospective Net Asset Value (NAV) per unit of the same working day and re-purchase price is based on the prevailing Net Asset Value (NAV) per unit on the date of re-purchase.

#### **7. Investment policy**

The assets allocation based on the Fund investment policy is:

- i) Money market
- ii) Debt instruments include a fixed income such as treasury bonds, treasury bills, bank placements/deposits and repurchase agreements.

Change in investment pattern is subject to Capital Market and Securities Regulations. 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.

#### **8. Investment Option**

The Scheme offers three main options aimed at serving various investment objectives suitable for investors of various profiles. The Scheme offers:

- (a) growth (re-investment) option;
- (b) monthly income option; and
- (c) semi-annual income option.

The amounts received under all plans shall be managed as one single investment portfolio. Investors should indicate the plan for which the subscription is made by indicating the choice in the appropriate box provided for this purpose on the application form. In case of valid applications received without indicating any choice of plan, it shall be considered for monthly reinvestment plan and processed accordingly. Investors must use separate application forms for investing simultaneously in different plans of the Scheme, subject to the minimum subscription requirements under each plan.

#### **9. 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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 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	Amount TZS '000	Units	Amount TZS '000
Opening balance as at 01 July	1,933,514,912	212,586,744	857,741,533	92,751,982
Sales of units made during the year	2,169,902,532	248,172,474	1,341,056,612	164,963,743
Repurchases of units made during the year	(441,383,257)	(50,641,650)	(265,283,233)	(45,128,981)
Closing balance as at 30 June	<u>3,662,034,187</u>	<u>410,117,568</u>	<u>1,933,514,912</u>	<u>212,586,744</u>

#### 11. Solvency

The Fund's state of affairs as at 30 June 2023 is set out on page 14 of the 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 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 for next twelve months from the date of approval of these financial statements.

#### 12. 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 our core values and belief.

#### 13. 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)	420,756,101	218,690,997	92,751,982
Number of units	3,662,034,187	1,933,514,912	857,741,533
Net Asset Value per Unit (TZS)	114.90	113.11	108.14
Published Net Asset Value per Unit (TZS)	115.82	113.87	109.68
Income distributed (TZS per Unit) during the period	12.00	12.00	12.00

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

	30 June 2023 TZS	30 June 2022 TZS	30 June 2021 TZS
Highest issue price	115.82	113.87	109.68
Lowest redemption price	112.91	108.69	105.58

#### 14. Related party transactions

Details of transactions with related parties are disclosed in Note 15 to the financial statements.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 15. Liquidity and Cash flows of the Fund

The overall liquidity profile of the fund is reviewed and updated regularly. The liquidity profile takes into account investment, cashflow 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 unit 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 the Fund Manager. Liquidity is modelled and compared against potential liability scenarios such as severe repurchases of units and where the Fund has any liquidity issues, it is flagged to the internal committee who further escalate the issue to the Board of Directors of the Fund Manager for remedial action. However, the Fund Manager facilitates the sale and repurchase of the units so that investors may invest and exit the Fund as per their financial requirements.

#### 16. Interest by the Directors or senior employees of the Fund Manager in the units of the Fund

Details of interest of Directors or senior employees of the Fund Manager in the units of the Fund during the year and up to the date of this report are disclosed in note 15(b) to the financial statements.

#### 17. The Board of Directors of the Fund Manager

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

#### 18. Serious prejudicial matter

In the opinion of the Directors of the Fund Manager, there are no significant unfavourable matters as at the reporting date that can affect the Fund (2022: None).

#### 19. Interest by the Directors of the Fund Manager in the units of the Fund

Details of the units held by senior employees of the Fund Manager and the non-executive Directors are summarised below;

Position	2023 TZS'000	2022 TZS'000
Senior Management Personnel	282,560	282,560
Non-executive Directors	53,600	53,600
	<u>336,160</u>	<u>336,160</u>

#### 20. Corporate governance of the Fund

##### i) Fund Manager

The Fund is 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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 20. 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 facilitates effective control of the Fund's operational activities, they also act 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. During the year the Board of Fund Manager had the following board sub-committees to ensure a high standard of corporate governance.

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

###### Board Audit Risk and Compliance Committee

	<b>Name</b>	<b>Gender</b>	<b>Position</b>
1	Judika Loti King'ori	Female	Chairperson
2	David Mwanjenja	Male	Member
3	Daniel Olesumayan	Male	Member

###### Board Investment Committee

	<b>Name</b>	<b>Gender</b>	<b>Position</b>
1	Paul Maganga	Male	Chairperson
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:

<b>Name</b>	<b>Gender</b>	<b>Position</b>
Ally Hussein Laay	Male	Chairman
Neema Munisi Mori	Female	Vice Chairperson
Abdulmajid Nsekela	Male	Group CEO and Managing Director
Miranda Naiman Mpogolo	Female	Director
Boniface Charles Muhegi	Male	Director
Jes Klausby	Male	Director
Hosea Ezekiel Kashimba	Male	Director
Abdul Ally Mohamed	Male	Director
Faustine Karrani Bee	Male	Director
Fredy Matola Msemwa	Male	Director
Martin Steven Warioba	Male	Director
Gerald Paul Kassato	Male	Director
Royal John Lyanga	Male	Director

**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

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

**21. Responsibilities of the auditor**

The auditor is responsible for 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.

**22. 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 IFRS Standards 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.

**23. 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 with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become 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.

**24. Political and charitable donations**

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

**25. Statement of compliance**

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

**By order of the Board**

\_\_\_\_\_  
Mr. Casmir Sumba Kyuki  
**Chairman**

.....  
**Date**

\_\_\_\_\_  
Judika Loti King'ori  
**Director**

**HATIFUNGANI UNIT TRUST SCHEME (BOND 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 Hatifungani Unit Trust Scheme (Bond 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 as issued by the International Accounting Standards Board 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 the 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 Bond Fund Unit Trust, as identified in the first paragraph, were approved and authorized for issue by the Fund Manager’s Board of Directors on .....

\_\_\_\_\_  
Casmir Sumba Kyuki  
**Chairman**

\_\_\_\_\_  
Judika Loti King’ori  
**Director**

**HATIFUNGANI UNIT TRUST SCHEME (BOND 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 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 Statement of Directors of the Fund Manager's Responsibilities on an earlier page.

I, **Joan Msofe** being the Head of Finance of 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 Hatifungani Unit Trust Scheme (Bond 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 HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Hatifungani Unit Trust Scheme (Bond Fund) (“the Fund” or “the Scheme”), set out on pages 13 to 38 which comprise the statement of financial position as at 30 June 2023, 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 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 Hatifungani Fund Unit Trust Scheme (Bond Fund) 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 Fund and the Fund Manager 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 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 of the Fund manager are responsible for the other information. The other information comprises the information included in the document titled '*Hatifungani Unit Trust Scheme (Bond Fund), Annual 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 HATIFUNGANI UNIT TRUST SCHEME (BOND FUND) (CONTUNUED)**

**Report on the Audit of the Financial Statements (Continued)**

*Responsibilities of Directors of the Fund Manager for the Financial Statements*

The Directors of the Fund Manager 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 Funds) Regulations, 1997, and for such internal control as the Directors of the Fund Manager 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 of the Fund Manager are responsible for assessing the Fund'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 Fund 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 scepticism 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 Fund'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 HATIFUNGANI UNIT TRUST SCHEME (BOND 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 of the Fund Manager 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 the financial statements that:

- in our opinion, the financial statements of the Hatifungani 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** .....

**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

		<b>30 June 2023 TZS'000</b>	<b>30 June 2022 TZS'000</b>
Interest income at effective interest rate	5	40,328,908	21,146,071
Other income	6	8,022,181	6,020,569
<b>Total income</b>		<b>48,351,089</b>	<b>27,166,640</b>
Management fees	15(a)	(5,822,733)	(2,684,337)
Custodian fees		(323,485)	(149,130)
Brokerage fees		(112,467)	(110,561)
Audit fees		(52,497)	(42,280)
Agent commission		(1,938,642)	(998,753)
Other administration expenses	7	(573,707)	(333,917)
<b>Total expenses</b>		<b>(8,823,531)</b>	<b>(4,318,978)</b>
<b>Operating income before income distribution to unit holders</b>		<b>39,527,558</b>	<b>22,847,662</b>
Income distribution to unit holders	8	(34,749,875)	(16,577,941)
<b>Increase in net assets attributable to unit holders before tax</b>		<b>4,777,683</b>	<b>6,269,721</b>
Withholding tax expense	9	(243,403)	(165,468)
<b>Increase in net assets attributable to unit holders, net of tax</b>		<b>4,534,280</b>	<b>6,104,253</b>
Other comprehensive income		-	-
<b>Total increase in net assets attributable to unit holders, net of tax</b>		<b>4,534,280</b>	<b>6,104,253</b>

Notes and related statements forming part of these financial statements appear on pages 17 to 38.

Report of the Auditor – pages 10 - 12

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 TZS'000	2022 TZS'000
<b>Assets</b>			
Cash and cash equivalents	10	1,942,848	2,407,031
Government securities	11	417,819,814	194,582,943
Term Deposits with banks		8,000,000	25,000,000
Other receivables	12	<u>1,862,489</u>	<u>38,442</u>
<b>Total assets</b>		<b><u>429,625,151</u></b>	<b><u>222,028,416</u></b>
<b>Liabilities</b>			
Other liabilities	13	<u>(8,869,050)</u>	<u>(3,337,419)</u>
<b>Total liabilities</b>		<b><u>(8,869,050)</u></b>	<b><u>(3,337,419)</u></b>
<b>Net assets attributable to unit holders</b>		<b><u>420,756,101</u></b>	<b><u>218,690,997</u></b>
<b>Represented by:</b>			
Net assets attributable to unit holders		<b><u>420,756,101</u></b>	<b><u>218,690,997</u></b>
Net Asset Value per unit based on 3,662,034,187 units outstanding (2022 – 1,933,514,912 units)	14	<b><u>114.90</u></b>	<b><u>113.18</u></b>

The financial statements on pages 13 to 38 were approved and authorised 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 38.

Report of the Auditor – pages 10 - 12

## HATIFUNGANI UNIT TRUST SCHEME (BOND 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
<b>Opening balance of net assets attributable to unit holders</b>		<b>218,690,997</b>	<b>92,751,982</b>
Increase in net assets attributable to unit holders		<u>4,534,280</u>	<u>6,104,253</u>
		<b><u>223,225,277</u></b>	<b><u>98,856,235</u></b>
<b>Transactions with unit holders during the period</b>			
Sales of units during the period	14(b)	248,172,474	164,963,743
Repurchase of units during the period	14(b)	<u>(50,641,650)</u>	<u>(45,128,981)</u>
<b>Net transaction with unit holders during the period</b>		<b><u>197,530,824</u></b>	<b><u>119,834,762</u></b>
<b>Closing balance of net assets attributable to unit holders</b>		<b><u>420,756,101</u></b>	<b><u>218,690,997</u></b>

Notes and related statements forming part of these financial statements appear on pages 17 - 38.

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**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	30 June 2023 TZS'000	30 June 2022 TZS'000
<b>Cash flows from operating activities:</b>			
<b>Increase in net assets attributable to redeemable unit holders, net of tax</b>		4,534,280	6,104,253
<b>Adjustment for:</b>			
Income distribution to unit holders	8(b)	34,749,875	16,577,941
Withholding tax expense	9	243,403	165,468
Interest income calculated using effective interest method	5	(40,328,908)	(21,146,071)
		<b>(801,350)</b>	<b>1,701,591</b>
<b>Changes in:</b>			
Government securities		(230,584,433)	(105,535,703)
Term deposits with Banks		17,000,000	(25,000,000)
Other liabilities		3,823,082	218,742
Other receivables		(1,824,047)	(36,801)
<b>Cash used in operating activities</b>		<b>(212,386,748)</b>	<b>(128,652,171)</b>
Withholding tax paid	9	(243,403)	(165,468)
Interest Income received during the year		47,676,470	17,598,446
<b>Net cash used in operating activities</b>		<b>(164,953,681)</b>	<b>(111,219,193)</b>
<b>Cash flows from financing activities:</b>			
Sales of units	14 (b)	248,172,474	164,963,743
Repurchase of units	14 (b)	(50,641,650)	(45,128,981)
Income distribution paid	8(b)	(33,041,326)	(15,482,181)
<b>Net cash from financing activities</b>		<b>164,489,498</b>	<b>104,352,581</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(464,183)</b>	<b>(6,866,612)</b>
<b>Cash and cash equivalents at 1 July*</b>		<b>2,407,031</b>	<b>9,273,643</b>
<b>Cash and cash equivalents at 30 June*</b>	10	<b>1,942,848</b>	<b>2,407,031</b>

\* Cash and cash equivalents include call deposits that are repayable on demand and form an integral part of the Fund's cash management.

Notes and related statements forming part of these financial statements appear on pages 17 to 38.

Report of the Auditor – pages 10 - 12

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 1 REPORTING ENTITY

Hatifungani Unit Trust Scheme (Bond Fund) was established under the Deed of Trust of the Hatifungani Unit Trust Scheme, on 15 August 2019 and is regulated by Capital Markets and Securities (Collective Investment Schemes) Regulations 1997, prescribed under Capital Markets and Securities Act 1994. The address of the Fund's registered office is 2nd Floor, Sukari House, Sokoine/Ohio Street, P.O. Box 14825, Dar es Salaam.

Hatifungani Unit Trust Scheme (Bond Fund) is managed by UTT Asset Management Investor Service (UTT AMIS), a Fund Manager who has set up a management structure to carry out day to day operations of the Fund. The duties of the Fund Manager and the Trustee/Custodian are specified on Section 4.0 and 5.4 of the Offer Document respectively. The address of the Fund manager's registered office is 2nd Floor, Sukari House, Sokoine/Ohio Street, P.O. Box 14825, Dar es Salaam.

The Fund is an open-ended fixed income fund that invests in low risk treasury bonds, listed corporate bonds and money market investments. The Fund aims at providing capital appreciation for long term investors and distributing income, subject to distributable surplus, periodically.

#### 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 the IFRS Standards and the requirements of Capital Markets and Securities (Collective Investment Funds) Regulations, 1997.

##### (b) Basis of measurements

The financial statements have been prepared on the historical cost basis unless stated otherwise.

##### (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) Use of estimates and judgements

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 17.

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 (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 (i) (iii) and 4(a).

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 2 BASIS OF PREPARATION (CONTINUED)

##### (e) 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 4,534,280,000 (2022: TZS 6,104,253,000) and as that date the Fund has a net asset of TZS 420,756,101,000 (2022: TZS 218,690,997,000). 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 audit report and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

#### 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) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency 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.

##### (c) Interest income

Interest income presented in the statement of profit or loss and other comprehensive income comprise interest on financial assets measured at amortised cost calculated on an effective interest basis.

The 'effective interest rate' is calculated on initial recognition of a financial instrument as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

##### (d) Income distribution to unit holders

Subject to availability of income and choice of the investor, income distribution is made on monthly or semi-annual basis. At the point of joining the Fund, the investor has an option of joining either of the three investment options which are re-investment plan, monthly income distribution plan and semi-annual income distribution plan. Distributions made to unit holders are recognized in statement of profit or loss.

##### (e) Expenses

Expenses to the Fund are charged in accordance with Section 12.0 of the Hatifungani Unit Trust Scheme (Bond Fund) Offer Document which states;

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTIUED)

##### (e) Expenses (continued)

- Management fee are charged at 1.8% of NAV;
- Custodian fee at 0.1% of NAV with the minimum of TZS 5 million per annum; and
- Other charges at 0.6% of NAV These include common charges in the normal course of business such as bank charges, marketing and selling expenses, transaction costs pertaining to the distribution of Units, audit fee, costs related to investors communication, costs for providing account statements and income/redemption payments.

Management fee and other charges are restricted to 2.4% of the NAV. Any additional amount is 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.

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 (repurchase) 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.

##### (h) Cash and cash equivalents

Cash and cash equivalents include cash and call deposits with banks with original 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 measured at amortised cost in the statement of financial position.

##### (i) 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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Financial instruments (Continued)

###### 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.

###### 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 Solely Payment of Principal on Interest (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).

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES (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 at amortised cost 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 are 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. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Financial instruments (Continued)

###### 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 or cancelled or expired.

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.

##### (j) Provisions

A provision is recognised 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) 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 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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (1) New relevant standards and amendments to standards in issue but not yet effective and not early adopted by the Fund (Continued)

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.

<b>New standard or amendments</b>	<b>Effective for annual periods beginning on or after</b>
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
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

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

#### 4 FINANCIAL RISK MANAGEMENT

##### Introduction and overview

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- 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 of Government securities and Term deposits.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Risk management framework (Continued)

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's Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

##### (a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from Government securities held, term deposits with banks, other receivables, 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). Default is assumed to have occurred after 30 days past due.

##### 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 on a daily basis by the Fund Manager in accordance with policies and procedures in place. Credit risk is mitigated by investing in issuers with known credibility and it is monitored on an ongoing basis by the Fund Manager.

The Fund's credit risks are monitored on a quarterly basis by the 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.

The table below provides details of exposure to credit risk for the financial assets as defined by IFRS 9, analysing the carrying amounts – similar to their fair values at the reporting date and showing maximum exposure to credit risk, if different from carrying amount.

	30 June 2023		30 June 2022	
	Financial assets	Exposure to credit risk	Financial assets	Exposure to credit risk
	TZS '000	TZS '000	TZS '000	TZS '000
Cash and cash equivalent	1,942,848	1,942,848	2,407,031	2,407,031
Government securities	417,819,814	417,819,814	194,582,943	194,582,943
Term deposits with banks	8,000,000	8,000,000	25,000,000	25,000,000
Other receivables	1,862,489	1,862,489	38,442	38,442
	<u>429,625,151</u>	<u>429,625,151</u>	<u>222,028,416</u>	<u>222,028,416</u>

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

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

##### (a) Credit risk (Continued)

###### Concentration of credit

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

	30 June 2023		30 June 2022	
	TZS '000	%	TZS '000	%
Financial services sector	9,942,848	2.3%	27,407,031	12.34%
Government sector	417,819,814	97.3%	194,582,943	87.64%
Other Sectors	<u>1,862,489</u>	<u>0.4%</u>	<u>38,442</u>	<u>0.02%</u>
	<b><u>429,625,151</u></b>	<b><u>100%</u></b>	<b><u>222,028,416</u></b>	<b><u>100%</u></b>

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

	30 June 2023		30 June 2022	
	TZS '000	%	TZS '000	%
Cash and cash equivalent (*)	38,931	0.01%	473,005	0.24%
Government securities	417,819,814	99.55%	194,582,943	99.74%
Other Receivables	<u>1,862,489</u>	<u>0.44%</u>	<u>38,442</u>	<u>0.02%</u>
	<b><u>419,721,234</u></b>	<b><u>100%</u></b>	<b><u>195,094,390</u></b>	<b><u>100%</u></b>

(\*) 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 loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the vast majority of 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.

###### Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired as at 30 June 2023 (2022: Nil).

##### (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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

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

##### (b) Liquidity risk (Continued)

The Fund's constitution provides for the creation and cancellation of units on daily basis and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions on a daily basis. 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. The Fund's redemption policy allows for daily redemption of units. It is the Fund's policy to have liquid assets comprising cash and cash equivalents and investments in both money market and debt instruments for which there are active and liquid market to cater for anticipated redemptions of units.

Money market instruments are securities with tenure not exceeding one year while debt instruments include fixed income securities such as treasury bills, treasury bonds, listed corporate bonds, bank placements and repurchase agreements. In addition, the Fund manager is empowered to defer to next dealing day repurchase of units if 10% of the units are re purchased within one dealing day. Liquidity risk can also occur if an institutional investor redeems a significant proportion of their units in the Fund.

Maturity profile of 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
<b>At 30 June 2023</b>				
<b>Financial liabilities</b>				
Net assets attributable to unit holders	(420,756,101)	(420,756,101)	(420,756,101)	-
Other liabilities	(8,869,050)	(8,869,050)	(8,869,050)	-
	<u>(429,625,151)</u>	<u>(429,625,151)</u>	<u>(429,625,151)</u>	<u>-</u>
<b>At 30 June 2022</b>				
<b>Financial liabilities</b>				
Net assets attributable to unit holders	(218,690,997)	(218,690,997)	(218,690,997)	-
Other liabilities	(3,337,419)	(3,337,419)	(3,337,419)	-
	<u>(222,028,416)</u>	<u>(222,028,416)</u>	<u>(222,028,416)</u>	<u>-</u>

##### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rate 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.

## **HATIFUNGANI UNIT TRUST SCHEME (BOND 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**

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 Tanzanian Shilling.

The Fund's strategy on the management of 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.

###### **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.

**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

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

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Market risk (Continued)**

**Management of market risk**

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>At 30 June 2023</b>							
<i>In TZS' Millions</i>							
<b>Assets</b>							
Cash and cash equivalents	38,931	-	-	-	-	1,903,917	<b>1,942,848</b>
Other receivables	-	-	-	-	-	1,862,489	<b>1,862,489</b>
Term deposits	-	-	8,000,000	-	-	-	<b>8,000,000</b>
Government securities	-	-	-	-	417,819,814	-	<b>417,819,814</b>
	<u>38,931</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>	<u>417,819,814</u>	<u>3,766,406</u>	<u>429,625,151</u>
<b>Liabilities</b>							
Net assets attributable to unit holders	-	-	-	-	-	(420,756,101)	(420,756,101)
Other liabilities	-	-	-	-	-	(8,869,050)	(8,869,050)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,625,151)</u>	<u>(429,625,151)</u>
<b>Net interest rate gap</b>	<u>38,931</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>	<u>417,819,814</u>	<u>(425,858,745)</u>	<u>-</u>

**HATIFUNGANI UNIT TRUST SCHEME (BOND 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 (Continued)**

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>At 30 June 2022</b>							
<i>In TZS' Millions</i>							
<b>Assets</b>							
Cash and cash equivalents	473	-	-	-	-	1,934	2,407
Other receivables	-	-	-	-	-	38	38
Term deposits	4,000	6,000	15,000	-	-	-	25,000
Government securities	-	-	-	6,054	188,529	-	194,583
	<b>4,473</b>	<b>6,000</b>	<b>15,000</b>	<b>6,054</b>	<b>188,529</b>	<b>1,972</b>	<b>222,028</b>
<b>Liabilities</b>							
Net assets attributable to unit holders	-	-	-	-	-	(218,691)	(218,691)
Other liabilities	-	-	-	-	-	(3,337)	(3,337)
	-	-	-	-	-	<b>(222,028)</b>	<b>(222,028)</b>
<b>Net Interest rate gap</b>	<b>4,473</b>	<b>6,000</b>	<b>15,000</b>	<b>6,054</b>	<b>188,529</b>	<b>(220,056)</b>	<b>-</b>

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

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

##### (c) Market risk (Continued)

###### 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 as 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 before tax	4,169,897	2,160,560
Decrease in net assets attributable to holders of unit holders before tax	(4,169,897)	(2,160,560)

###### Currency risk

The Fund is exposed to currency risk on transaction that are denominated in a currency other than the respective functional currency of the Fund, the Tanzanian Shillings (TZS). The currency in which these transactions primarily are denominated is Tanzanian Shillings (TZS), which is a functional currency.

The Fund's strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

The Fund's transactions are denominated in its functional currency, the Tanzanian shillings (TZS). Therefore, the fund is not exposed to currency risk.

###### Exposure to other price risks

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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

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

##### (d) Operational Risk (Continued)

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.

##### 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.

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 INTEREST INCOME AT EFFECTIVE INTEREST RATE

	<b>30 June 2023 TZS '000</b>	<b>30 June 2022 TZS '000</b>
Interest income from Treasury Bonds	38,262,916	19,491,392
Interest income - Term Deposits	2,065,992	1,654,679
	<b><u>40,328,908</u></b>	<b><u>21,146,071</u></b>

#### 6 OTHER INCOME

Gain on sale of Treasury bonds	7,282,270	5,429,812
Fund Manager's support on payment of custodian fees	736,401	590,733
Sundry Income	3,510	24
	<b><u>8,022,181</u></b>	<b><u>6,020,569</u></b>

**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

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

**7 OTHER ADMINISTRATIVE EXPENSES**

	<b>30 June 2023 TZS '000</b>	<b>30 June 2022 TZS '000</b>
Advertising	55,709	59,543
Advisor's fee – CMSA	16,664	1,576
Telephone, postage and fax	3,570	-
Promotion material & scheme branding	69,538	43,837
Promotion - public education	341,353	193,723
Exhibition/ Public Event	5,888	5,166
Annual general meeting costs	80,985	30,072
	<u><b>573,707</b></u>	<u><b>333,917</b></u>

**8 INCOME DISTRIBUTION TO UNIT HOLDERS**

**(a) Income distribution statement**

During the period, the Fund distributed income as follows:

	<b>2023 TZS '000</b>	<b>2022 TZS '000</b>
Opening distributable income	9,088,778	2,984,525
Net income after tax before distribution	45,740,046	22,682,194
Income distribution to unit holders during the period	<u>(34,749,875)</u>	<u>(16,577,941)</u>
	<u><b>20,078,949</b></u>	<u><b>9,088,778</b></u>

**(b) Income distribution payable**

Opening balance	1,953,515	857,755
Income distribution to unit holders during the period	34,749,875	16,557,941
Income distribution paid during the period	<u>(33,041,326)</u>	<u>(15,482,181)</u>
<b>Closing balance</b>	<u><b>3,662,064</b></u>	<u><b>1,933,515</b></u>

**9 WITHHOLDING TAX EXPENSE**

Income tax charge is withholding tax withheld at source for interest incomes received during the period and provision made in respect of investments held as at period end. Interest income received by the Fund is subject to withholding tax as final tax at the rate of 10%. All withholding taxes during year were paid.

	<b>12-month period to 30 June 2023 TZS '000</b>	<b>11-month period to 30 June 2022 TZS '000</b>
Withholding tax charged on income from call deposits	<u>243,403</u>	<u>165,468</u>
	<u><b>243,403</b></u>	<u><b>165,468</b></u>

**HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)**

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

**10 CASH AND CASH EQUIVALENTS**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<i>For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise:</i>		
Bank Balance – Income distribution account	97,586	3,669
Bank Balance – Repurchase payment account	43,994	73,277
Bank Balance – Investment account	1,319,981	716,509
Bank balance – Call account	38,931	473,005
Accrued interest on calls	442,356	1,140,571
	<b><u>1,942,848</u></b>	<b><u>2,407,031</u></b>

**11 GOVERNMENT SECURITIES**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Treasury Bonds – Twenty-five years	123,178,926	30,875,757
Treasury Bonds – Twenty years	277,652,584	148,326,634
Treasury Bonds – Fifteen years	2,664,045	7,146,533
Treasury Bonds – Ten years	2,180,429	2,180,429
Accrued interest on Treasury Bonds	12,143,830	6,053,590
	<b><u>417,819,814</u></b>	<b><u>194,582,943</u></b>

**12 OTHER RECEIVABLES**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Receivables from sale of units	362,489	25,484
Receivables from CRDB	1,500,000	12,958
	<b><u>1,862,489</u></b>	<b><u>38,442</u></b>

**13 OTHER LIABILITIES**

		<b>2023</b>	<b>2022</b>
		<b>TZS '000</b>	<b>TZS '000</b>
Management fees payable	15(a)	623,103	317,645
Repurchases payables		527,228	323,607
Income distribution payable	8 (b)	3,662,064	1,933,515
Inter trust payables		1,498,712	648,487
Uncleared Funds Account		141,580	76,946
Sundry creditors		2,320,798	-
Other Charges Provision Account		95,565	37,219
		<b><u>8,869,050</u></b>	<b><u>3,337,419</u></b>

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 14 UNIT HOLDERS' FUNDS

(a) The movement in unit holders' funds during the period is as follows:

	<b>2023</b>	<b>2022</b>
	<b>Units'</b>	<b>Units'</b>
Opening balance	1,933,514,912	857,741,533
Units sold during the period	2,169,902,532	1,341,056,612
Units repurchased during the period	(441,383,257)	(265,283,233)
<b>Units outstanding at the end of the period</b>	<b><u>3,662,034,187</u></b>	<b><u>1,933,514,912</u></b>
<b>Net asset Value</b>	<b><u>114.90</u></b>	<b><u>113.18</u></b>
<b>Published Net Asset Value per unit</b>	<b><u>115.82</u></b>	<b><u>113.87</u></b>

(b) Net proceeds from sales of units

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Proceeds from sale of units	248,172,474	164,963,743
Repurchases of units	(50,641,650)	(45,128,981)
<b>Net proceeds from sales of units</b>	<b><u>197,530,824</u></b>	<b><u>119,834,762</u></b>

#### 15 RELATED PARTY TRANSACTIONS

##### Sponsor and 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 Fund manager charges the Fund an investment management/advisory fee of 1.8% of NAV. Other charges are 0.6% of NAV. However, the investment management fees and other charges as per above is limited to 2.4% of NAV, the transactions done during the period are shown below.

##### (a) Management fees

Management fees transactions that were made during the period and the balance outstanding as at the period-end are summarized below.

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Balance as at 1 July	317,645	133,593
Charge for the period	5,822,733	2,684,337
Payment made during the period	(5,517,275)	(2,500,285)
<b>Balance as at 30 June</b>	<b><u>623,103</u></b>	<b><u>317,645</u></b>

##### (b) Unit holdings by key management personnel

The below units were held by the senior management or Directors of the Fund Manager.

##### Name

Senior Management Personnel	282,560	282,560
Non-executive Directors	<u>53,600</u>	<u>53,600</u>
	<b><u>336,160</u></b>	<b><u>336,160</u></b>

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 15 RELATED PARTY TRANSACTIONS (CONTINUED)

##### (c) Inter trust payable

	2023 TZS'000	2022 TZS'000
UTT AMIS (Fund Manager)	1,498,712	648,487
	<u>1,498,712</u>	<u>648,487</u>

#### 16 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.

**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.

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 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.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 16 DETERMINATION OF FAIR VALUES (CONTINUED)

##### (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.

##### (c) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and, for the financial assets, high credit quality of counterparties. Government securities are long term and are carried at amortised cost. Fair values of the government securities are different from their amortised costs.

Cash and cash equivalents and other receivables 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.

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 bonds are categorised into Level 2 of the fair value hierarchy.

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 16 DETERMINATION OF FAIR VALUES (CONTINUED)

##### (c) 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.

	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Financial asset at amortised cost	Financial liabilities at amortised cost	Total Carrying amount TZS'000
<b>30 June 2023</b>						
<b>Assets</b>						
Cash and Cash					-	
Equivalent	-	-	-	1,942,848		1,942,848
Government securities	-	403,556,927	-	417,819,814	-	417,819,814
Term Deposits with banks	-	8,000,000	-	8,000,000		8,000,000
Other Receivables	-	-	-	1,862,489	-	1,862,489
<b>Total</b>	<b>-</b>	<b>411,556,927</b>	<b>-</b>	<b>429,625,151</b>	<b>-</b>	<b>429,625,151</b>
<b>Liabilities</b>						
Other liabilities	-	-	-	-	(8,869,050)	(8,869,050)
Net assets attributable to unit holders	-	-	-	-	(420,754,742)	(420,754,742)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(429,623,792)</b>	<b>((429,623,792))</b>
	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Financial asset at amortised cost TZS'000	Financial liabilities at amortised cost TZS'000	Total Carrying amount TZS'000
<b>30 June 2022</b>						
<b>Assets</b>						
Cash and Cash					-	
Equivalent	-	-	-	2,407,031		2,407,031
Government securities	-	224,679,189	-	194,582,943	-	194,582,943
Term Deposits with banks	-	-	-	25,000,000		25,000,000
Other Receivables	-	-	-	38,442	-	38,442
<b>Total</b>	<b>-</b>	<b>224,679,189</b>	<b>-</b>	<b>222,028,416</b>	<b>-</b>	<b>222,028,416</b>
<b>Liabilities</b>						
Other liabilities	-	-	-	-	(3,337,419)	(3,337,419)
Net assets attributable to unit holders	-	-	-	-	(218,690,997)	(218,690,997)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(223,028,416)</b>	<b>(223,028,416)</b>

## HATIFUNGANI UNIT TRUST SCHEME (BOND FUND)

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

#### 17 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.

Information about the judgements and estimates made by the Fund in the above areas is set out in note 2(d).

##### (b) Accounting classification and fair value of financial instruments

The fair values 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 16.

#### 18 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).

#### 19 SUBSEQUENT EVENTS

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