

**LIQUID FUND UNIT TRUST SCHEME
(LIQUID FUND)**

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

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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FOR THE YEAR ENDED 30 JUNE 2023**

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LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

General Information

The Board of Directors of the Fund Manager

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

Name	Position	Gender	Appointed on
Casmir Sumba Kyuki	Chairman	Male	05 August 2021
Judika Loti 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.
2nd Floor, Sukari House
Sokoine Drive/Ohio Street
P. O. Box 14825
Dar es Salaam

Custodian

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

Auditor

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

Advocates

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

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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, hereinafter also referred to as the “Fund Manager”, presents the report of Liquid Fund Unit Trust Scheme (hereinafter also the “Fund” or “Scheme”) together with the audited financial statements for the year ended 30 June 2023, which disclose the financial performance for the year and the 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

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

Liquid Fund was established in Tanzania under the Deed of Trust of the Liquid Fund Unit Trust Scheme, on 1 March 2013 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 currently managed by UTT Asset Management and Investor Services Plc (UTT AMIS). As Fund Manager, UTT AMIS has set up a management structure to carry out day to day operations of 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 Fund Manager and the Trustee / Custodian are specified in Section 4.0 and 5.3 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.

2. Fund Manager Vision and Mission

Vision Statement

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

Mission Statement

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

Core Values

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

3. Principal activities and investment objectives

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

The main objective of the Fund is to provide alternative investment opportunity to investors who wish to park their surplus/idle funds for a short to medium term duration, at competitive rates.

4. Business model

Liquid Fund has been designed to provide an alternate investment opportunity to individual investors and institutions for investing their funds for a short to medium term duration at a competitive return.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. Business model (Continued)

Liquid Fund offers a potentially rewarding facility to invest funds for a short to medium term duration. Additionally, it also provides the flexibility of withdrawing money as and when required (without exit load) and thus proves to be a competitive investment opportunity for such category of investors. This can be attained through investment in low risk coupled with high level of liquidity hence no investment in equity market. Investment returns of the Fund is benchmarked against the prevailing return of the seven year treasury bond.

5. Financial performance during the year

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

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

From 1 March 2013, the Fund commenced the sale and re-purchase of units. The sale and re-purchase price is based on the prevailing Net Asset Value (NAV) per unit on the date of sale and re-purchase respectively.

7. Investment policy

The assets allocation of the Fund investment policy is:

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

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

8. Investment option

The Fund has a minimum initial investment of one hundred thousand Tanzanian shillings (TZS 100,000) and subsequent minimum additional investment of ten thousand Tanzanian shillings (TZS 10,000) whereas there is no limit in maximum investment amount. The Fund offers investment under growth option with an easy exit and no load charged for both entry and exit.

9. 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;

	2023	2022
	Units	Units
Opening balance as at 01 July	1,352,021,459	789,153,471
Sales of units made during the year	2,248,150,519	1,797,574,982
Repurchases of units made during the year	<u>(1,609,110,008)</u>	<u>(1,234,706,994)</u>
Closing balance as at 30 June	<u>1,991,061,970</u>	<u>1,352,021,459</u>

The net asset value is included under Key Performance Indicators disclosed in the next page.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

10. Principal risks and uncertainties

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.

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. Key Performance Indicators of the Fund

The table below shows 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)	721,844,785	436,504,436	222,221,722
Number of units	1,991,061,970	1,352,021,459	789,153,471
Net Asset Value (TZS)	362.54	322.85	281.60
Published Net Asset Value per unit (TZS)	362.15	321.93	281.93

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

	2023 TZS	2022 TZS	2021 TZS	2020 TZS	2019 TZS	2018 TZS	2017 TZS	2016 TZS
Highest issue price	362.15	322.85	281.93	244.44	212.22	190.34	167.28	145.93
Lowest redemption price	322.02	282.02	244.60	232.20	203.39	182.43	159.22	139.07

13. 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, cash flow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual 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 activities. 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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

13. Liquidity and Cash flows of the Fund (Continued)

Liquidity in funds is independently assessed and challenged through 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 internal committee who further escalate the issue to the Board of Directors of the Fund Manager for remedial action.

14. Corporate governance of the Fund

i) Fund Manager

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

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 are operative, and are 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, acting as a medium of communication and coordination between 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

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

Board Investment Committee

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

ii) Custodian

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

	Name	Gender	Position
1	Ally Hussein Laay	Male	Chairman
2	Neema Munisi Mori	Female	Vice Chairperson
3	Abdulmajid Nsekela	Male	Group CEO and Managing Director
4	Miranda Naiman Mpogolo	Female	Director
5	Boniface Charles Muhegi	Male	Director
6	Jes Klausby	Male	Director
7	Hosea Ezekiel Kashimba	Male	Director

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

14. Corporate governance of the Fund (Continued)

8	Abdul Ally Mohamed	Male	Director
9	Faustine Karrani Bee	Male	Director
10	Fredy Matola Msemwa	Male	Director
11	Martin Steven Warioba	Male	Director
12	Gerald Paul Kassato	Male	Director
13	Royal John Lyanga	Male	Director

15. Relationship with 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 the Fund Manager's core values and beliefs.

16. Related party transactions

Details of transactions with related parties are disclosed in Note 15 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 year and up to the date of this report are found on page 1 of this report.

18. Interests of the Directors and senior employees of the Fund manager in units of the Fund

Details of the units held by the non-executive Directors and senior employees of the fund manager are disclosed note 15 of the financial statements.

19. Serious prejudicial matter

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

20. Disabled persons

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

21. Political and charitable donations

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

22. 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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

23. Responsibilities of the Directors of Fund Manager

The Directors of Fund Manager are responsible for the preparation of financial statements that give a true and fair view of the Fund for the year ended 30 June 2023 to the date of approval of the financial statements, in accordance with 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.

24. Statement of compliance

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

By order of the Board

Casmir Sumba Kyuki
Chairman

.....
Date

Judika Loti King'ori
Director

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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 Liquid Fund Unit Trust Scheme (“Liquid Fund”), comprising the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, in accordance with IFRS Standards, and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

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

The Fund Manager’s Directors have made an assessment of the ability of the Fund to continue as a going concern and have no reason to believe that the Fund will not be a going concern in at least next twelve months from the date of approval of 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 Liquid Fund Unit Trust, as identified in the first paragraph, were approved and authorized for issue by the Fund Manager’s Board of Directors on and signed by:

Casmir Sumba Kyuki
Chairman

Judika Loti King’ori
Director

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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 the Directors of the Fund Manager’s Responsibilities on an earlier page.

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

I thus confirm that the financial statements of Liquid Fund Unit Trust Scheme (Liquid 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 LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liquid Fund Unit Trust Scheme (Liquid Fund) (“the Fund”) or “the Scheme”), set out on pages 13 to 36 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 Liquid Fund Unit Trust Scheme (Liquid 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 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 *Liquid Fund Unit Trust Scheme (Liquid 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 LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND) (CONTINUED)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND) (CONTINUED)**

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 financial statements, that:

- in our opinion, the financial statements of the Liquid Fund 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 Fund have acted properly and in accordance with the requirements of the regulations;
- proper books and records have been kept by the Fund and the accounts are in agreement with the accounting records of the Scheme; and
- we have obtained 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:

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

	Notes	2023 TZS'000	2022 TZS'000
Interest income at effective interest rate	5	73,624,895	44,363,800
Other income	6	<u>12,163,174</u>	<u>7,422,200</u>
Total income		85,788,069	51,786,000
Management fees		(10,712,743)	(5,639,943)
Custodian fees		(595,152)	(313,330)
Agent commission		(3,287,113)	(1,977,709)
Audit fees		(89,813)	(83,610)
Brokerage fees		(302,638)	(157,983)
Other charges	7	<u>(1,099,530)</u>	<u>(730,912)</u>
Total expenses		(16,086,989)	(8,903,487)
Increase in net assets attributable to unit holders before tax		69,701,080	42,882,513
Withholding tax expense	8	<u>(329,428)</u>	<u>(324,896)</u>
Increase in net asset attributable to unit holders, net of tax		69,371,652	42,557,617
Other comprehensive income		<u>-</u>	<u>-</u>
Total Increase in net assets attributable to unit holders, net of tax		<u>69,371,652</u>	<u>42,557,617</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 36.

Report of the Auditor – pages 10-12

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

	Notes	2023 TZS'000	2022 TZS'000
Assets			
Cash and cash equivalents	9	521,353	943,779
Deposits with banks financial institutions	10	5,287,311	45,105,442
Government securities	11	725,653,429	392,750,847
Other receivables	12	<u>145,041</u>	<u>24,475</u>
Total assets		<u>731,607,134</u>	<u>438,824,543</u>
Liabilities			
Other liabilities	13	<u>(9,762,349)</u>	<u>(2,320,107)</u>
Total liabilities		<u>(9,762,349)</u>	<u>(2,320,107)</u>
Net assets attributable to unit holders		<u>721,844,785</u>	<u>436,504,436</u>
Represented by:			
Net assets attributable to unit holders		<u>721,844,785</u>	<u>436,504,436</u>
Net Asset Value per unit based on 1,991,061,970 units.			
Outstanding (2022: 1,352,021,459 units)	14	362.54	322.85

The financial statements on pages 13 to 36 were approved for issue by the Board of Directors of the Fund Manager on and signed by:

Casmir Sumba Kyuki
Chairman

Judika Loti King'ori
Director

Notes and related statements forming part of these financial statements appear on pages 17 to 36.

Report of the Auditor – pages 10-12

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

	Notes	2023 TZS'000	2022 TZS'000
Opening balance of net assets attributable to unit holders		436,504,436	222,221,722
Increase in net values attributable to unit holders		<u>69,371,652</u>	<u>42,557,617</u>
		<u>505,876,088</u>	<u>264,779,339</u>
Transactions with unit holders during the year			
Sales of units during the year	14	771,604,107	543,031,923
Repurchase of units during the year	14	<u>(555,635,410)</u>	<u>(371,306,826)</u>
Net transaction with unit holders during the year		<u>215,968,697</u>	<u>171,725,097</u>
Closing balance of net assets attributable to unit holders		<u>721,844,785</u>	<u>436,504,436</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 36.

Report of the Auditor – pages 10-12

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

	Notes	2023 TZS'000	2022 TZS'000
Cash flows from operating activities:			
Increase in net assets attributable to unit holders, net of tax		69,371,652	42,557,617
Adjustment for:			
Withholding tax expense	8	329,428	324,896
Interest income on treasury bond		(71,493,690)	(41,114,849)
Interest income on deposits with financial institution		<u>(2,131,205)</u>	<u>(3,248,951)</u>
		(3,923,815)	(1,481,287)
Changes in:			
Deposit with financial institutions		38,000,000	(42,912,857)
Government securities		(325,388,405)	(183,067,086)
Other liabilities		7,442,242	(1,773,973)
Other receivables		<u>(120,565)</u>	<u>(23,288)</u>
Cash used in operating activities		(283,990,543)	(229,258,491)
Withholding tax paid	8	(329,428)	(324,896)
Interest income received on treasury bonds		63,979,512	35,541,772
Interest income received on deposits		<u>3,949,336</u>	<u>1,151,298</u>
Net cash used in operating activities		(216,391,123)	(192,890,317)
Cash flows from financing activities			
Sales of units	14	771,604,107	543,031,923
Repurchase of units	14	<u>(555,635,410)</u>	<u>(371,306,826)</u>
Net cash inflow from financing activities		<u>215,968,697</u>	<u>171,725,097</u>
Net decrease in cash and cash equivalents		<u>(422,426)</u>	<u>(21,165,220)</u>
Cash and cash equivalents as at 1 July		<u>943,779</u>	<u>22,108,999</u>
Cash and cash equivalents as at 30 June*	9	<u><u>521,353</u></u>	<u><u>943,779</u></u>

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

Notes and related statements forming part of these financial statements appear on pages 17 to 36.

Report of the Auditor – pages 10-12

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

1. REPORTING ENTITY

Liquid Fund Unit Trust Scheme (Liquid Fund) was established on 1 March 2013 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.

Liquid Fund Unit Trust Scheme is managed by UTT Asset Management Investor Service (UTT AMIS), 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 and the Fund Manager are specified on Section 4.0 and 5.3 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 investment Fund primarily involved in investing in a diversified portfolio of debt securities issued by corporates and government and fixed deposits with the objective of providing unit holders with competitive returns over a short to medium term.

2. BASIS OF ACCOUNTING

(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 in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Tanzanian shillings (TZS), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousands ('000'); except when 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 (h) (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 (h) (iii) and 4(a).

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

2. BASIS OF ACCOUNTING (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 69,371,652,000 (2022: TZS 42,557,617,000) and as at that date the Fund has a net asset of TZS 721,844,785,000 (2022: TZS 436,504,436,000).

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 approval of financial statement and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Change 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.
- ii) Annual improvements to IFRS standards 2018 – 2020;
- iii) Property, Plant and Equipment: Proceeds before Intended use (Amendments to to IAS 16 Property, Plant and Equipment);
- iv) Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)

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.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Interest income is recognised on a gross basis, including withholding tax, if any.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Expenses

Expenses to the Fund would be charged in accordance with Section 24.1 of the Liquid Fund Offer Document of 2021 Edition which states;

- i. Management fee will be charged at 1.8% of NAV;
- ii. Custodian fee at 0.1% of NAV with the minimum of TZS 5 million per annum; and
- iii. Other charges at 0.35% of NAV. Other charges include the commonly rated charges such as bank charges, marketing, selling expenses, legal fees, audit fees, transaction costs pertaining to the distribution of units and cost relating to investor servicing.

Management fee and other charges would be restricted to 2.25% of the NAV. Any additional amount would be borne by the Fund Manager. Expenses are recognised in profit or loss as the related services are rendered to the Fund.

(e) Taxation

Under Section 86 of the Income Tax Act, 2004, the Fund is exempt from paying taxes on income, profits or capital.

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.

(f) 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.

(g) 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 carried at amortised cost in the statement of financial position.

(h) 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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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, deposits with financial institution, 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 Principle and 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).

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

These include; cash and cash equivalents, deposits with banks, government securities and other receivables.

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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

iv. 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.

v. 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 expire.

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

(i) Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as the related services are rendered.

(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 July 2023 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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)

New standard or amendments	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1) Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
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 use of financial instruments:

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Market risk; and
- (d) 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 deposits with financial institution.

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, Deposits with financial institution, other receivables and cash and cash equivalents

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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).

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.

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.

Credit risk is mitigated by investing in issuers with known credibility and it is monitored on an ongoing basis by the Fund Manager.

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 TZS '000	Exposure to credit risk TZS '000	Financial assets TZS '000	Exposure to credit risk TZS '000
Cash and cash equivalent	521,353	521,353	943,779	943,779
Deposits with financial institution	5,287,311	5,287,311	45,105,442	45,105,442
Government securities	725,653,429	725,653,429	392,750,847	392,750,847
Other receivables	145,041	145,041	24,475	24,475
	<u>731,607,134</u>	<u>731,607,134</u>	<u>438,824,543</u>	<u>438,824,543</u>

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	5,287,311	0.72	45,105,442	10.300
Government sector	725,653,429	99.26	392,750,847	89.694
Other sectors	145,041	0.02	24,475	0.006
	<u>731,085,781</u>	<u>100</u>	<u>437,880,764</u>	<u>100</u>

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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 (Continued)

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	521,353	0.07	943,779	0.22
Deposits with financial institution	5,287,311	0.73	45,105,442	10.33
Government securities	725,653,429	100.53	392,750,847	89.98
	<u>731,462,093</u>	<u>101.33</u>	<u>438,800,068</u>	<u>100.53</u>

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.

The Fund's Offer Document 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 repurchased within one dealing day. Liquidity risk can also occur if an institutional investor redeems a significant proportion of their units in the Fund.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

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
At 30 June 2023				
Financial liabilities				
Other liabilities	9,762,349	9,762,349	9,762,349	-
Net assets attributable to unit holders	721,844,785	721,844,785	721,844,785	-
	731,607,134	731,607,134	731,607,134	-
At 30 June 2022				
Financial liabilities				
Other liabilities	2,320,107	2,320,107	2,320,107	-
Net assets attributable to unit holders	436,504,436	436,504,436	436,504,436	-
	438,824,543	438,824,543	438,824,543	-

(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.

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.

Management of market risk

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’s 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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

The table below summarises the exposure to interest rate risk 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
At 30 June 2023							
<i>In TZS' millions</i>							
ASSETS							
Cash and cash equivalents	521	-	-	-	-	-	521
Deposit with financial institution	-	-	5,287	-	-	-	5,287
Government securities	-	-	-	-	725,653	-	725,653
Other receivables	-	-	-	-	-	145	145
Total	521	-	5,287	-	725,653	145	731,606
LIABILITIES							
Other liabilities	-	-	-	-	-	(9,762)	(9,762)
Net assets attributable to unit holders	-	-	-	-	-	(721,844)	(721,844)
Net interest rate gap	521	-	5,287	-	725,653	(731,461)	-

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
At 30 June 2022							
<i>In TZS' millions</i>							
ASSETS							
Cash and cash equivalents	413	-	-	-	-	531	944
Deposit with financial institution	-	-	45,105	-	-	-	45,105
Government securities	3,236	6,699	2,173	-	380,643	-	392,751
Other receivable	-	-	-	-	-	24	24
Total	3,649	6,699	47,278	-	380,643	555	438,824

LIABILITIES

Other liabilities	-	-	-	-	-	(2,320)	(2,320)
Net assets attributable to unit holders	-	-	-	-	-	(436,504)	(436,504)
Net interest rate gap	3,649	6,699	47,278	-	380,643	(438,269)	-

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	7,227,159	4,359,490
Decrease in net assets attributable to holders of unit holders	(7,227,159)	(4,359,490)

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 currencies in which these transactions primarily are denominated is Tanzanian Shillings (TZS), which is a functional currency.

The Fund 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). Currency risk is therefore not relevant to the Fund.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

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.

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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk (continued)

Capital management

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

	2023	2022
	TZS '000	TZS '000
Interest income earned on deposits with banks	2,131,205	3,248,951
Interest income earned on treasury bonds	71,493,690	41,114,849
	<u>73,624,895</u>	<u>44,363,800</u>

6. OTHER INCOME

	2023	2022
	TZS '000	TZS '000
Gain on disposal of treasury bonds	9,467,115	5,568,644
Manager's support on payment of custodian fees	2,696,059	1,853,556
	<u>12,163,174</u>	<u>7,422,200</u>

7. OTHER CHARGES

	2023	2022
	TZS '000	TZS '000
Communication expenses	107,158	126,387
Promotion expenses	760,641	526,088
Other expenses	231,731	78,437
	<u>1,099,530</u>	<u>730,912</u>

8. WITHHOLDING TAX EXPENSE

The Fund is exempt from paying income taxes under the current system of taxation in Tanzania. However, income tax charge is withholding tax withheld at source for interest incomes received during the year 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%.

	2023	2022
	TZS '000	TZS '000
Withholding tax charged on income from deposits with financial institutions	329,428	324,896
	<u>329,428</u>	<u>324,896</u>

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)****9. CASH AND CASH EQUIVALENTS**

	2023	2022
	TZS '000	TZS '000
For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise:		
Bank Balance – Collection account	-	530,967
Bank balance – Call account	<u>521,353</u>	<u>412,812</u>
	<u>521,353</u>	<u>943,779</u>

10. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2023	2022
	TZS '000	TZS '000
Deposits with financial institution	<u>5,287,311</u>	<u>45,105,442</u>
	<u>5,287,311</u>	<u>45,105,442</u>

11. GOVERNMENT SECURITIES

	2023	2022
	TZS '000	TZS '000
Treasury Bonds – Twenty-Five Years	171,227,834	34,944,290
Treasury Bonds - Twenty Years	512,078,680	256,400,753
Treasury Bonds - Fifteen Years	18,959,835	85,532,901
Treasury Bonds - Ten Years	4,102,386	4,102,386
Accrued income on Treasury Bonds	<u>19,284,694</u>	<u>11,770,517</u>
	<u>725,653,429</u>	<u>392,750,847</u>

12. OTHER RECEIVABLES

	2023	2022
	TZS '000	TZS '000
Receivable - Sale of units	143,851	23,285
Inter trust receivables (See Note 15(d))	<u>1,190</u>	<u>1,190</u>
	<u>145,041</u>	<u>24,475</u>

13. OTHER LIABILITIES

	2023	2022
	TZS '000	TZS '000
Management fees payable (See Note 15(a))	1,081,380	641,839
Repurchases payables	6,355,410	1,028,583
Inter trust payables (See Note 15(c))	574,417	617,726
Sundry creditors	<u>1,751,142</u>	<u>31,959</u>
	<u>9,762,349</u>	<u>2,320,107</u>

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

14. UNIT HOLDER'S FUNDS

The movement in unit holders' Funds during the year is as follows:

	2023 Number of units	2022 Number of units
Opening balance	1,352,021,459	789,153,471
Units sold during the year	2,248,150,519	1,797,574,982
Units repurchased during the year	<u>(1,609,110,008)</u>	<u>(1,234,706,994)</u>
Units outstanding at the end of the year	<u>1,991,061,970</u>	<u>1,352,021,459</u>
Net Asset Value (NAV)	362.54	322.85
Published Net Asset Value per unit	362.15	321.93
	2023 TZS '000	2022 TZS '000
Proceeds from sale of units	771,604,107	543,031,923
Repurchases of units	<u>(555,635,410)</u>	<u>(371,306,826)</u>
Net proceeds from sales of units	<u>215,968,697</u>	<u>171,725,097</u>

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 0.35% of daily NAV. However, the investment management fees and other charges as per above are limited to 2.25% of NAV, the transactions done during the year are shown in table below.

(a) Management fees

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

Balance as at 1 July	641,839	291,534
Charge for the year	10,712,743	5,639,943
Payment made during the year	<u>(10,273,202)</u>	<u>(5,289,638)</u>
Balance as at 30 June	<u>1,081,380</u>	<u>641,839</u>

(b) Unit holdings by key management personnel and non-executive directors

	2023 TZS'000	2022 TZS'000
Senior employees of the Fund Manager	644,768	516,386
Non-executive directors	<u>-</u>	<u>196,906</u>
	<u>644,768</u>	<u>713,292</u>

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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	<u>574,417</u>	<u>617,726</u>
	<u>574,417</u>	<u>617,726</u>

(d) Inter trust receivable

	2023 TZS'000	2022 TZS'000
Invest Life (Wekeza Maisha) Unit Fund	<u>1,190</u>	<u>1,190</u>
	<u>1,190</u>	<u>1,190</u>

(e) Remuneration of Fund Manager's Director and senior management

There were no remunerations paid to the Fund Manager's Directors and senior management by the Fund for the year ended 30 June 2023 (2022: Nil)

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.

LIQUID FUND UNIT TRUST SCHEME (LIQUID 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

Government securities: These are long term and are carried at amortised cost. Fair values of the government securities are different from their amortised costs and the fair values are disclosed in the table below.

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

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

Other liabilities: These are short-term financial assets and their carrying amounts approximate fair value because of their short-term nature and the high credit quality of counterparties.

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

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 TZS'000	Financial liabilities at amortised cost TZS'000	Total carrying amount TZS'000
30 June 2023						
Assets						
Cash and cash equivalent	-	-	-	521,353	-	521,353
Deposit with financial institutions	-	-	-	5,287,311	-	5,287,311
Government securities	-	791,009,958	-	725,653,429	-	725,653,429
Other receivables	-	-	-	145,041	-	145,041
Total	-	791,009,958	-	731,607,134	-	731,607,134
Liabilities						
Other liabilities	-	-	-	-	(9,762,349)	(9,762,349)
Net assets attributable to unit holders	-	-	-	-	(721,844,785)	(721,844,785)
	-	-	-	-	(731,607,134)	(731,607,134)
30 June 2022						
Assets						
Cash and cash equivalent	-	-	-	943,779	-	943,779
Deposit with financial institutions	-	-	-	45,105,442	-	45,105,442
Government securities	-	452,682,106	-	392,750,847	-	392,750,847
Other receivables	-	-	-	24,475	-	24,475
Total	-	452,682,106	-	438,824,543	-	438,824,543
Liabilities						
Other liabilities	-	-	-	-	(2,320,107)	(2,320,107)
Net assets attributable to unit holders	-	-	-	-	(436,504,436)	(436,504,436)
	-	-	-	-	(438,824,543)	(438,824,543)

LIQUID FUND UNIT TRUST SCHEME (LIQUID FUND)

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

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

Detailed information on how the fund determines fair values of its financial instruments is disclosed under note 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 year-end up to the date of this report that require either a disclosure or an adjustment in the financial statements.