

**CHILDREN'S CAREER PLAN UNIT TRUST SCHEME
(WATOTO FUND)**

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

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CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

GENERAL INFORMATION

The Board of Directors of the Fund Manager

The Directors holding office 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
Neema Julie Jones	Member	Female	29 July 2022
David Emmanuel Mwankenja	Member	Male	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/ Ohio Street
P. O. Box 14825
Dar es Salaam

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

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

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO 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 Children Career Plan Unit Trust Scheme (Watoto 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 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 TFRS 1.

1. Establishment and management of the Fund

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

Watoto Fund was established in Tanzania under the Deed of Trust of the Children Career Plan Unit Trust Scheme (Watoto Fund), on 1 October 2008 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. As a Fund Manager, UTT AMIS has set up a management structure to carry out the 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 Sections 4.0 and 5.2 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

- 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; and
- Social responsibility: We are socially responsible. We do our best to contribute to social order and development.

3. Principal activities and investment objectives

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

The main objective of the Fund is to be a child benefit open end balanced fund, which seeks to generate long term capital appreciation through a judicious mix of investment in debt and listed equity instruments.

4. Financial performance during the year

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

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

The Fund was under a lock-in period from its establishment date on 1 October 2008 to 13 March 2009. From 16 March 2009, the Fund opened for sale and re-purchase of units. The Fund allows, partial or full repurchase upon a beneficiary’s child attaining 12 years of age as stated in Section 27.2 of the Watoto Fund Offer Document.

The sale price is based on the applicable Net Asset Value (NAV) per unit without charging an Entry Load. An Entry Load is a cost charged to the investor to compensate issuing costs and is charged at the time an investor purchases the units of a scheme.

For re-purchases, an Exit Load of 1% of Net Asset Value (NAV) is charged for redeemable units held for a period of less than three years. An exit load is a cost charged to the investor at the time of repurchasing the units of the Fund. No exit load is charged on Investments held for more than three years. When applicable, the exit load is deducted from the applicable NAV at the time of repurchase of the units to determine the amount payable to the unit holder.

6. Investment policy

The assets allocation of the Fund investment policy is:

- i) Debt instruments include a fixed income such as treasury bonds, treasury bills, corporate bonds, Bank placements/deposits and repurchases agreements.
- ii) Listed Equity

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 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.

7. 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 entry load. The fund holder may repurchase/redeem their holding upon fulfilling conditions and where investments are held for less than 3 years, the exit load of 1% of Net Asset Value is applicable for such case. 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	11,038,157	9,254,927
Sales of units made during the year	8,244,370	2,723,974
Repurchases of units made during the year	<u>(773,527)</u>	<u>(940,744)</u>
Closing balance as at 30 June	<u>18,509,000</u>	<u>11,038,157</u>

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

8. 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.

9. Solvency

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.

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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

10. Key Performance indicators

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)	10,787,351	5,726,519	4,202,555
Number of units	18,509,000	11,038,350	9,254,927
Net Asset Value (TZS)	582.82	518.79	454.09
Published Net Asset Value per Unit (TZS)	583.79	519.32	455.18

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

	2023 TZS	2022 TZS	2021 TZS	2020 TZS	2019 TZS
Highest issue price	583.79	519.32	455.18	380.90	337.71
Lowest redemption price	513.39	450.38	379.75	334.55	320.71

	2018 TZS	2017 TZS	2016 TZS	2015 TZS	2014 TZS
Highest issue price	332.92	293.84	303.83	287.57	213.73
Lowest redemption price	289.97	274.51	274.79	213.76	162.50

11. 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 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 Director of the Fund Manager for remedial action.

12. Related party transactions

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

13. 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 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 the effective control of all the Fund’s operational activities, acting as a medium of communication and coordination between all the various business units.

During the year the Board met four times.

The Fund is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability.

During the year the Board of Directors of the Fund Manager had the following board sub-committees to ensure a high standard of corporate governance throughout the Fund. These are;

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

Members of the committees were as follows;

Board Audit, Risk and Compliance Committee

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

Board Investment Committee

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

13. Corporate governance of the fund (continued)

ii) Custodian

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

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

14. Relationship with the stakeholders

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

15. Interest by the Directors of the Fund Manager in the units of the Fund

None of the non-executive Board of Directors of the Fund Manager had holdings of units in the Fund as at 30 June 2023. Details of the units held by senior employees of the Fund Manager are disclosed under Note 18 of the financial statements.

16. Responsibilities of the auditor

The auditor is responsible for providing assurance of the correctness and consistency of information contained in the report by those charged with governance with information provided in the financial statements.

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

17. Disabled persons

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

18. Political and charitable donations

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

19. Responsibilities of the Directors of Fund Manager

The Directors of the 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 and 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.

20. 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).

21. 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 report of those charged with Governance.

By order of the Board

Casmir Sumba Kyuki
Chairman

.....
Date

Judika Loti King’ori
Director

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO 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 the financial statements that give a true and fair view of Children Career Plan Unit Trust Scheme (Watoto Fund), comprising the statement of financial position at as 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 (IFRS Standards) and in the manner required by the Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997.

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

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

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

Approval of financial statements

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

Casmir Sumba Kyuki
Chairman

Judika Loti King’ori
Director

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

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

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

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

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

I thus confirm that the financial statements of Children’s Career Plan Unit Trust Scheme (Watoto 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 CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO
FUND)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Children’s Career Plan Unit Trust Scheme (Watoto Fund) “(the Fund or the Scheme)”, set out on pages 13 to 39 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 Children’s Career Plan Unit Trust Scheme (Watoto 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 *Children’s Career Plan Unit Trust Scheme (Watoto 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 CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO
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 CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO
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 Children’s Career Plan Unit Trust Scheme (Watoto Fund) has 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:

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

	Notes	2023 TZS '000	2022 TZS '000
Investment income	6	931,622	561,156
Net gain from fair valuation of equity instruments	7	103,869	107,401
Other income	8	<u>128,557</u>	<u>92,673</u>
Total income		1,164,048	761,230
Management fees		(123,371)	(71,233)
Custodian fees		(10,000)	(10,000)
Audit fees		(1,332)	(1,102)
Promotions		(12,197)	(11,222)
Brokerage fees		(3,245)	(3,146)
Agent commission		(48,843)	(27,006)
Advisor’s fee		(829)	(128)
Other administration expenses	9	<u>(6,211)</u>	<u>(967)</u>
Total expenses		(206,028)	(124,804)
Increase in net asset attributable to unit holders before tax		958,020	636,426
Withholding tax expense	10	<u>(5,271)</u>	<u>(4,470)</u>
Increase in net assets attributable to unit holders, net of tax		952,749	631,956
Other comprehensive income		<u>-</u>	<u>-</u>
Total Increase in net assets attributable to unit holders, net of tax		<u>952,749</u>	<u>631,956</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 39.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

	Notes	2023 TZS'000	2022 TZS'000
Assets			
Cash and cash equivalents	11	289,485	157,946
Government securities	12	9,116,323	4,204,762
Equity investments	13	1,600,442	1,400,573
Other receivables	14	23,104	8,279
Total assets		<u>11,029,354</u>	<u>5,771,560</u>
Liabilities			
Other liabilities	16	<u>(242,003)</u>	<u>(45,041)</u>
Total liabilities		<u>(242,003)</u>	<u>(45,041)</u>
Net-assets attributable to unit holders		<u>10,787,351</u>	<u>5,726,519</u>
Represented by:			
Net assets attributable to unit holders		<u>10,787,351</u>	<u>5,726,519</u>
Net Asset Value per unit based on 18,509,000 units outstanding (2022 – 11,038,157 units)	17 (i)	<u>582.82</u>	<u>518.79</u>

The financial statements on pages 13 to 39 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 39.

Report of the Auditor – page 10 – 12

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
AS AT 30 JUNE 2023**

	Notes	2023 TZS'000	2022 TZS'000
Opening balance of net assets attributable to unit holders		5,726,519	4,202,555
Increase in net assets attributable to unit holders		<u>952,749</u>	<u>631,956</u>
		<u>6,679,268</u>	<u>4,834,511</u>
Transactions with unit holders during the year:			
Sales of units during the year	17 (ii)	4,531,861	1,324,084
Repurchase of units during the year	17 (ii)	<u>(423,778)</u>	<u>(432,076)</u>
Net transactions with unit holders during the year:		<u>4,108,083</u>	<u>892,008</u>
Closing balance of net assets attributable to unit holders		<u>10,787,351</u>	<u>5,726,519</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 39.

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CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO 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		952,749	631,956
Adjustment for:			
Net gain from fair valuation of equity instruments	7	(103,869)	(107,401)
Dividend Income	6	(74,335)	(60,150)
Interest income calculated using effective interest method	6	(857,287)	(501,006)
Withholding tax expense	15	(5,271)	4,470
		(88,013)	(32,131)
Change in:			
Government securities		(5,149,875)	(1,300,236)
Equity Investments		(96,000)	(88,464)
Other receivables		(14,825)	143
Other liabilities		196,962	3,280
Cash used in operating activities		(5,151,751)	(1,417,408)
Dividend received		74,335	60,328
Interest received		1,095,601	487,351
Withholding tax paid	15	5,271	(4,470)
Net cash used in operating activities		(3,976,544)	(874,199)
Cash flows from financing activities			
Sale of units	17(ii)	4,531,861	1,324,084
Repurchase of units	17(ii)	(423,778)	(432,076)
Net cash from financing activities		4,108,083	892,008
Net increase in cash and cash equivalents		131,539	17,809
Cash and cash equivalents as at 1 July*		157,946	140,137
Cash and cash equivalents as at 30 June*	11(a)	289,485	157,946

* 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 39.

Report of the Auditor – page 10 - 12

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

1 REPORTING ENTITY

Children's Career Plan Unit Trust Scheme (Watoto Fund) was established by Unit Trust of Tanzania (UTT) 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 appears on page 1 to the financial statements.

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Fund for the year ended 30 June 2023 have been prepared in accordance with the IFRS Standards as issued by the International Accounting Standards Board (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 where fair value has been applied in line with the respective accounting policy.

(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

The preparation of financial statements in conformity with IFRS Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the financial reporting date and the reported amounts of revenues and expenses during the financial reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 20.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

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 year ending 30 June 2023 of TZS 952,749,000 (2022: TZS 631,956,000) and as at that date the Fund has a net asset of TZS 10,787,351,000 (2022: TZS 5,726,519,000).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes 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.

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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO 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 Watoto Fund Offer Document which states;

- i. Management fee will be charged at 1.5% of Net Assets Value (NAV);
- ii. Custodian fee at 0.1% of NAV with the minimum of TZS 10 million per annum; and
- iii. Other charges at 0.9% 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 2.4% 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) Dividend income

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

(f) Net gain from financial instruments

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

(g) Taxation

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

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

(h) Redeemable units

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

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

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

(i) 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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investment securities

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

(k) Contingent liabilities

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

(l) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

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

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

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Business model assessment (Continued)

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

Assessment whether contractual cash flows are SPPI

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

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

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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Offsetting

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

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

(iii) Impairment

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive. Loss allowances for the financial assets is measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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 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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Fees and commission expenses

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

(n) 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.

(o) 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.

(p) 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.

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)	1 January 2023
Amendments to IFRS 17	
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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

4 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from its portfolio 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 quoted equity investments and debt securities.

Asset purchases and sales are determined by the Fund Manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Fund's investment objectives.

Compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of Directors on a quarterly basis.

In instances where the portfolio has diverged from target asset allocations, the Fund's Investment 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 an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, other receivables and cash and cash equivalents.

For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposure (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 daily by the Fund Manager in accordance with policies and procedures in place.

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

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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
Government securities	9,116,323	9,116,323	4,204,762	4,204,762
Cash and cash equivalents	289,485	289,485	157,946	157,946
Other receivables	23,104	23,104	8,279	8,279
	9,428,912	9,428,912	4,370,987	4,370,987

Concentration of credit risk

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	%
Government sector	9,116,323	96.68%	4,204,762	96.20%
Financial services sector	289,485	3.07%	157,946	3.61%
Other sectors	23,104	0.25%	8,279	0.19%
	9,428,912	100%	4,370,987	100%

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	%
Government securities	9,116,323	82.83%	4,204,762	72.96%
Cash and cash equivalents	289,485	2.63%	157,946	2.74%
Equity Investment	1,600,442	14.54%	1,400,573	24.30%
	11,006,250	100%	5,763,281	100%

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

Past due and impaired assets

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

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty 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 and the Investment Manager’s approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units, as and when due, without incurring undue losses or risking damage to the Fund’s reputation.

The Fund’s constitution provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holder redemptions at each redemption on daily basis. Full or partial repurchase is allowed upon a beneficiary attaining 12 years of age however where repurchase occurs within 3 years from the date of investments an exit load of 1% is charged. No exit load is charged if repurchase occurs after completion of 3 years as detailed under section 27.2 of the Offer Document.

The Fund’s listed securities are readily realisable as they are all listed on Dar es Salaam Stock Exchange (DSE). The Fund undertakes to repurchase and sell any number of units offered to it based on prices calculated in accordance with the terms and conditions set out on the Offer Document and Trust Deed of Children’s Career Plan Unit Trust Fund (Watoto Fund).

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

It is the Fund’s policy to have liquid assets comprising cash and cash equivalents and investments in commercial paper, short term fixed deposits and call deposits for which there is an active and liquid market equal to cater for anticipated redemptions of units. In addition, the Fund Manager is empowered to defer to next dealing day repurchase of units if 10% of the units are repurchased within one dealing day.

Maturity profile of financial liabilities based on the contractual cash flows, “undiscounted” including interest and excluding impact of netting is as follows:

	Carrying amount TZS ‘000	Contractual cash flows TZS ‘000	Within 1 year TZS ‘000	1 year and above TZS ‘000
At 30 June 2023				
Financial liabilities				
Net-assets attributable to unit holders	10,787,351	10,787,351	10,787,351	-
Other liabilities	242,003	242,003	242,003	-
	<u>11,029,354</u>	<u>11,029,354</u>	<u>11,029,354</u>	<u>-</u>
At 30 June 2022				
Financial liabilities				
Net-assets attributable to unit holders	5,726,519	5,726,519	5,726,519	-
Other liabilities	45,041	45,041	45,041	-
	<u>5,771,560</u>	<u>5,771,560</u>	<u>5,771,560</u>	<u>-</u>

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

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

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

Management of market risk

The Fund's strategy on the management of investment 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 daily by the Fund Manager in accordance with policies and procedures in place. The Fund's market position is 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.

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

All figures are in millions of Tanzania Shillings.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
At 30 June 2023							
Assets							
Cash and cash equivalents	119,550	-	-	-	-	169,935	289,485
Government securities	-	-	-	-	9,116,323	-	9,116,323
Equity investments	-	-	-	-	-	1,600,442	1,600,442
Other receivables	-	-	-	-	-	23,104	23,104
Total	119,550	-	-	-	9,116,323	1,793,481	11,029,354
Liabilities							
Net-assets attributable to unit holders	-	-	-	-	-	(10,787,351)	(10,787,351)
Other liabilities	-	-	-	-	-	(242,003)	(242,003)
	-	-	-	-	-	(11,029,354)	(11,029,354)
Net interest rate gap	119,550				9,116,323	(9,235,873)	-

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

**NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

All figures are in millions of Tanzania Shillings.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
At 30 June 2022							
Assets							
Cash and cash equivalents	153,024	-	-	-	-	4,922	157,946
Government securities	-	-	-	-	4,204,762	-	4,204,762
Equity investments	-	-	-	-	-	1,400,573	1,400,573
Other receivables	-	-	-	-	-	8,279	8,279
Total	153,024	-	-	-	4,204,762	1,413,774	5,771,560
Liabilities							
Net-assets attributable to unit holders	-	-	-	-	-	(5,726,519)	(5,726,519)
Other liabilities	-	-	-	-	-	(45,041)	(45,041)
	-	-	-	-	-	(5,771,560)	(5,771,560)
Net interest rate gap	153,024	-	-	-	4,204,762	(4,357,786)	-

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	89,939	43,127
Decrease in net assets attributable to holders of unit holders	(89,939)	(43,127)

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 which is Tanzanian shillings (TZS). Currency risk is not therefore attached to the Fund.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO 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 daily.

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.

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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

**NOTES TO THE FINANCIAL STATEMENTS
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5 FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION

The table below sets out the Fund's classification of each class of financial assets and liabilities as at the year-end.

All figures are in millions of Tanzanian shillings.

	Fair value through profit or loss	Amortised cost	Other liabilities	Total carrying amount
At 30 June 2023				
Assets				
Cash and cash equivalents		289,485	-	289,485
Government securities		9,116,323	-	9,116,323
Equity investments	1,600,442		-	1,600,442
Other receivables	-	23,104	-	23,104
	<u>1,600,442</u>	<u>9,428,912</u>	<u>-</u>	<u>11,029,354</u>
Liabilities				
Net-assets attributable to unit holders	(10,787,351)	-	-	(10,787,351)
Other liabilities	-	-	(242,003)	(242,003)
	<u>(10,787,351)</u>	<u>-</u>	<u>(242,003)</u>	<u>(11,029,354)</u>
At 30 June 2022				
Assets				
Cash and cash equivalents		157,946	-	157,946
Government securities		4,204,762	-	4,204,762
Equity investments	1,400,573	-	-	1,400,573
Other receivables	-	8,279	-	8,279
	<u>1,400,573</u>	<u>4,370,987</u>	<u>-</u>	<u>5,771,560</u>
Liabilities				
Net-assets attributable to unit holders	(5,726,519)	-	-	(5,726,519)
Other liabilities	-	-	(45,041)	(45,041)
	<u>(5,726,519)</u>	<u>-</u>	<u>(45,041)</u>	<u>(5,771,560)</u>

6 INVESTMENT INCOME

	2023 TZS'000	2022 TZS'000
<i>Investment income arises from:</i>		
Interest income (*)	857,287	501,006
Dividend income	74,335	60,150
	<u>931,622</u>	<u>561,156</u>
<i>(*) Interest income arises from the following investments and is recognised based on effective interest method:</i>		
Call deposits with banks	14,484	14,627
Treasury bonds	842,803	486,379
	<u>857,287</u>	<u>501,006</u>

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

	2023	2022
	TZS’000	TZS’000
7 NET GAIN /(LOSS) ON FINANCIAL INSTRUMENTS		
Gain on fair valuation of equity investments	103,869	107,401
	<u>103,869</u>	<u>107,401</u>
8 OTHER INCOME		
Sundry income	(18)	1,179
UTT-AMIS support for custodian fee payment	1,775	6,081
Gain from disposal of treasury bonds	126,800	85,413
	<u>128,557</u>	<u>92,673</u>
9 OPERATING EXPENSES		
Annual General Meeting costs	2,182	967
Other communication costs	4,029	-
	<u>6,211</u>	<u>967</u>
10 WITHHOLDING TAX EXPENSE		
Under Section 86 of the Income Tax Act, 2004, the Fund is exempt from paying taxes on income, profits or capital gains with effect from 1 July 2006. Dividend and interest income received by the Fund is subject to withholding tax as final tax at the rate of 5% and 10% respectively.		
Income tax charge is made of withholding tax withheld at source and provision made in respect of income accrued but not earned as at year end. There is no deferred tax charge for the current year as these incomes qualifies for the exemption as per Section 3 of the Income Tax Act, 2004.		
	2023	2022
	TZS ‘000	TZS ‘000
<i>Withholding tax charge relates to;</i>		
Interest income from call deposits	1,448	1,462
Dividend income	3,823	3,008
	<u>5,271</u>	<u>4,470</u>
11 CASH AND CASH EQUIVALENTS		
	2023	2022
	TZS’000	TZS’000
a) Bank Balances		
<i>For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise:</i>		
Call account	119,550	153,024
Other bank balances	169,935	4,922
	<u>289,485</u>	<u>157,946</u>

CHILDREN’S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

12 GOVERNMENT SECURITIES

	2023	2022
	TZS’000	TZS’000
Treasury bonds - Twenty-five years	3,123,938	985,757
Treasury bonds - Twenty years	4,822,293	2,176,095
Treasury bonds - Fifteen years	761,621	735,801
Treasury bonds - Ten years	74,172	74,172
Treasury bonds - Seven years	86,234	86,234
Treasury bonds - Five years	-	-
Accrued income on Treasury bonds	248,065	146,703
	<u>9,116,323</u>	<u>4,204,762</u>

13 EQUITY INVESTMENTS

	2023	2022
	TZS’000	TZS’000
<i>The movement in equity investment is shown below:</i>		
Opening balance	1,400,573	1,204,708
Acquired equity investments during the year	96,000	88,464
Gains from fair valuation of equity investments	103,869	107,401
Closing balance	<u>1,600,442</u>	<u>1,400,573</u>

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

	30 June 2023		30 June 2022	
	Number of Shares	Market Value TZS “000”	Number of Shares	Market Value TZS “000”
TBL	44,800	488,320	44,800	488,320
TWIGA-TPCC	45,300	181,200	45,300	168,516
SIMBA-TCCL	24,800	44,640	24,800	36,208
SWISSPORT	90,000	135,000	90,000	106,200
NMB	65,000	226,200	45,000	140,400
CRDB	324,220	152,383	324,220	129,688
VODACOM	190,000	146,300	110,000	84,700
DCB	402,847	56,399	402,847	76,541
TCC	10,000	170,000	10,000	170,000
Total		<u>1,600,442</u>		<u>1,400,573</u>

Investments held for trading represent shares held by Children’s Career Plan Unit Trust Scheme (Watoto Fund) as at year end valued at market price (fair value) which existed in the market (Dar es Salaam Stock Exchange) as at the reporting date.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

13 EQUITY INVESTMENTS (CONTINUED)

2023	EQUITIES – IN UNITS				EQUITIES - MARKET VALUES IN (TZS '000)				
	At 1 July	Additions	Disposals	At 30 June	At 1 July	Additions	Disposals	Fair value gain/ (loss)	At 30 June
Tanzania Breweries Limited	44,800	-	-	44,800	488,320	-	-	-	488,320
Twiga TPCC	45,300	-	-	45,300	168,516	-	-	12,684	181,200
Simba TCCL	24,800	-	-	24,800	36,208	-	-	8,432	44,640
SWISSPORT	90,000	-	-	90,000	106,200	-	-	28,800	135,000
NMB Bank Plc	45,000	20,000	-	65,000	140,400	56,000	-	29,800	226,200
CRDB Bank Plc	324,220	-	-	324,220	129,688	-	-	22,695	152,383
Vodacom Tanzania Limited	110,000	80,000	-	190,000	84,700	40,000	-	21,600	146,300
DCB Bank Plc	402,847	-	-	402,847	76,541	-	-	(20,142)	56,399
TCC	10,000	-	-	10,000	170,000	-	-	-	170,000
Total	1,096,967	100,000	-	1,196,967	1,400,573	96,000	-	103,869	1,600,442

2022

2022	EQUITIES – IN UNITS				EQUITIES - MARKET VALUES IN (TZS '000)				
	At 1 July	Additions	Disposals	At 30 June	At 1 July	Additions	Disposals	Fair value gain/ (loss)	At 30 June
Tanzania Breweries Limited	44,800	-	-	44,800	488,320	-	-	-	488,320
Twiga TPCC	45,300	-	-	45,300	163,080	-	-	5,436	168,516
Simba TCCL	24,800	-	-	24,800	10,044	-	-	26,164	36,208
SWISSPORT	20,000	70,000	-	90,000	22,400	49,000	-	34,800	106,200
NMB Bank Plc	45,000	-	-	45,000	105,300	-	-	35,100	140,400
CRDB Bank Plc	217,560	106,660	-	324,220	64,180	39,464	-	26,044	129,688
Vodacom Tanzania Limited	110,000	-	-	110,000	84,700	-	-	-	84,700
DCB Bank Plc	402,847	-	-	402,847	96,684	-	-	(20,143)	76,541
TCC	10,000	-	-	10,000	170,000	-	-	-	170,000
Total	920,307	176,660	-	1,096,967	1,204,708	88,464	-	107,401	1,400,573

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

14 OTHER RECEIVABLES

	2023	2022
	TZS'000	TZS'000
Receivable from sale of units	5,034	4,445
Inter trust receivables	1,286	1,286
Dividend receivable	16,784	2,548
	<u>23,104</u>	<u>8,279</u>

15 TAX PAYABLE

The movement in tax payable during the year is as follows:

Opening balance	-	-
Expense for the year	5,271	4,470
Paid during the year	(5,271)	(4,470)
Closing balance	<u>-</u>	<u>-</u>

16 OTHER LIABILITIES

Re-purchases payable	6,301	1,200
Management fees payable	13,002	6,925
Service charges payable	1,849	737
Inter trust payable	71,567	36,179
Sundry creditors	149,284	-
	<u>242,003</u>	<u>45,041</u>

17 UNIT HOLDERS' FUNDS

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

	2023	2022
	TZS'000	TZS'000
Opening balance	11,038,157	9,254,927
Units sold during the year	8,244,370	2,723,974
Units repurchased during the year	(773,527)	(940,744)
Units outstanding at the end of the year	<u>18,509,000</u>	<u>11,038,157</u>
Net asset value TZS '000'	10,787,351	5,726,519
Net Asset Value per unit based on 18,509,000 units outstanding (2022 – 11,038,157 units) in TZS	582.82	518.79
Published Net Asset Value per unit in TZS	583.79	519.32

(ii) Sale and repurchase of units

	2023	2022
	TZS'000	TZS'000
Proceed from sales of units	4,531,861	1,324,084
Repurchases of units	(423,778)	(432,076)
Net proceeds from sales of units	<u>4,108,083</u>	<u>892,008</u>

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

18 RELATED PARTY TRANSACTIONS

Fund Manager

UTT AMIS, the Fund Manager, is a government sponsored institution that was established to implement the investment strategy as specified in the Offer Document and to provide administrative services. As per the Offer Document, the Fund Manager shall levy a service charge of 1% of the NAV to arrive at the unit repurchase price (if repurchase occur within 3 years from the date of investment) subject to a minimum of five hundred shillings per transaction and also management fees and other charged limited to 2.4% of the Net Asset Value.

The transactions during the year and balances as at 30 June 2023 for investment management fees and other charges as summarised below: -

	2023	2022
	TZS'000	TZS'000
(a) Management fees		
Balance as 1 July	(6,925)	(5,160)
Charge for the year	(123,371)	71,233
Payment made during the year	117,294	(59,148)
Balance as 30 June	<u>(13,002)</u>	<u>(6,925)</u>
(b) Service charges		
Balance as 1 July	(737)	(171)
Charge for the year	(1,849)	-
Payment made during the year	737	(566)
Balance as at 30 June	<u>(1,849)</u>	<u>(737)</u>
(c) Inter trust receivables		
Umoja Fund	434	434
Jikimu Fund	852	852
	<u>1,286</u>	<u>1,286</u>
(d) Inter trust payable		
UTT AMIS (Fund Manager)	75,332	40,039
Wekeza Maisha Fund	1,444	1,444
	<u>76,776</u>	<u>41,483</u>

(e) Unit holding by key management personnel

There are no units held by senior employees and non-executive directors of the Fund Manager as at 30 June 2023 (2022: None).

19 DETERMINATION OF FAIR VALUES

(a) Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instrument. For all other financial instruments, the Fund determines fair values using other valuation techniques.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

19 DETERMINATION OF FAIR VALUES (CONTINUED)

(a) Valuation models (Continued)

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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 1ctive; 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, Earnings Before Interest, Taxes, Depreciation, and Amortization (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.

(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.

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

19 DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Valuation framework (Continued)

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 Standards. 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 measured at fair value

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

	Level 1	Level 2	Level 3	Total
(All figures in TZS'000)				
At 30 June 2023				
Equity investments	<u>1,600,442</u>	<u>-</u>	<u>-</u>	<u>1,600,442</u>
	<u>1,600,442</u>	<u>-</u>	<u>-</u>	<u>1,600,442</u>
At 30 June 2022				
Equity investments	<u>1,400,573</u>	<u>-</u>	<u>-</u>	<u>1,400,573</u>
	<u>1,400,573</u>	<u>-</u>	<u>-</u>	<u>1,400,573</u>

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

(d) 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.

Cash and cash equivalents, other receivables and other liabilities: these are short-term financial assets and their carrying amounts approximate fair value because of their short-term nature.

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

19 DETERMINATION OF FAIR VALUES (CONTINUED)

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

(d) Financial instruments not measured at fair value (Continued)

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

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.

	Carrying amount			Fair value			
	Amortized cost TZS'000	Other financial liabilities TZS'000	Total TZS'000	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Total TZS'000
30 June 2023							
Assets							
Cash and cash equivalents	289,485	-	289,485	-	-	-	-
Government securities	9,116,323	-	9,116,323	-	10,446,894	-	10,446,894
Other receivables	23,104	-	23,104	-	-	-	-
Total	9,428,912	-	9,428,912	-	10,446,894	-	10,446,894
Liabilities							
Other liabilities	-	(242,003)	(242,003)	-	-	-	-
Net assets attributable to unit holders	-	(10,787,351)	(10,787,351)	-	-	-	-
Total	-	(11,029,354)	(11,029,354)	-	-	-	-
30 June 2022							
Assets							
Cash and cash equivalents	157,946	-	157,946	-	-	-	-
Government securities	4,204,762	-	4,204,762	-	5,069,283	-	5,069,283
Other receivables	8,279	-	8,279	-	-	-	-
Total	4,370,987	-	4,370,987	-	5,069,283	-	5,069,283
Liabilities							
Other liabilities	-	(45,041)	(45,041)	-	-	-	-
Net assets attributable to unit holders	-	(5,726,519)	(5,726,519)	-	-	-	-
Total	-	(5,771,560)	(5,771,560)	-	-	-	-

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

CHILDREN'S CAREER PLAN UNIT TRUST SCHEME (WATOTO FUND)

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

20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3(1) (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 19.

21 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

The Directors of the Fund Managers confirm that the Fund has not contracted for any capital commitments and there were no contingent liabilities known to them at the reporting period date (2022: Nil).

22 SUBSEQUENT EVENTS

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