



UTT ASSET MANAGEMENT AND INVESTOR SERVICES PLC

Report of the Board of Directors of UTT Asset Management and Investor Services Plc, for the half year ended 31st December 2016

General Information

Children's Career Plan Unit Trust Scheme (Watoto Fund) is an open-ended collective investment scheme which was launched in 2008 and had initial lock-in period of one year. The Scheme was established by Unit Trust of Tanzania (UTT) in accordance with the provisions of the Capital Markets and Securities Act, 1994 (Act No. 5 of 1994) as amended and Capital Markets and Securities (Collective Investment Schemes) Regulations, 1997 of Tanzania.

Based on advice of stakeholders and the Treasury Registrar, and approval of the Minister for Finance, UTT was re-structured into three organisations. The objective of the restructuring was to enable UTT broaden its activities and services so as to contribute more to increasing of government revenue and promote development of the country. UTT Asset Management and Investor Services Plc (UTT AMIS) is one of the three organisations that resulted from the restructuring and is registered under the Companies Act, 2002. UTT AMIS was re-assigned with the management of collective investment schemes and other activities of the predecessor organisation from 1st October 2013.

The assets of the Fund are managed by UTT AMIS Plc, Registered Fund Manager and the Custodian of the Scheme is CRDB Bank Plc, a commercial bank established under the Banking and Financial Institutions Act, 2006. The auditors of the Fund are KPMG while the legal advisors are Abenry & Co. Advocates. UTT AMIS maintains the register of investors of the Fund. The address of the UTT AMIS, the Custodian, the Auditors and Legal Advisors are as indicated below:

Fund Manager	-	UTT AMIS Plc 2nd Floor, Sukari House Sokoine Drive/Ohio Street P.O. Box 14825 Dar es Salaam
Custodian	-	CRDB Bank Plc Office Accommodation Scheme Building Azikiwe Street P.O. Box 268 Dar es Salaam
Auditors	-	KPMG 11th Floor, PPF Tower Garden Avenue/Ohio Street P.O. Box 1160 Dar es Salaam
Advocates	-	Abenry & Company Golden Jubilee Towers Main Tower, 3rd Floor Ohio / Kibo Street P.O. Box 3167 Dar Es Salaam
Registrar	-	UTT AMIS Plc 2nd Floor, Sukari House Sokoine Drive/Ohio Street P.O. Box 14825 Dar es Salaam



REPORT OF THE FUND MANAGER (UTT ASSET MANAGEMENT AND INVESTOR SERVICES PLC)

FOR THE SIX MONTH PERIOD ENDED 31ST DECEMBER 2016

UTT AMIS Plc (Fund Manager) present Watoto Fund report for the six month period ended 31st December 2016. The Scheme which commenced operations in October 2008 reported net income of TZS 19.3 Million on its audited accounts for the year ended 30th June 2016.

I. Establishment and Management of the Fund

Children's Career Plan Unit Trust Scheme, also known as "WatotoFund" is a collective investment scheme formed by the Unit Trust of Tanzania (UTT), a government sponsored institution that was incorporated on 19th June 2003 under the Trustees Incorporation Act.

Watoto Unit Trust Scheme was established in Tanzania under the Deed of Trust of the Children's Career Plan Unit Trust Scheme, on 01 October 2008 and is regulated by Capital Markets and Securities (Collective Investment Schemes) Regulations 1997, prescribed under Capital Markets and Securities Act, 1994.

The Fund was managed by the Unit Trust of Tanzania Registered Trustees up to 30 September 2013 and thereafter by the UTT AMIS Plc, a Registered Fund Manager who has set up a management structure to carry out the day to day operations of the Fund. The duties of the Manager are specified in Section 4.0 of the Offer Document.

The Custodian of the Fund is CRDB Bank Plc, a commercial bank licensed to carry out banking business under the Banking and Financial Institutions Act, 2006. The duties of the Custodian are specified in Section 5.3 of the Offer Document.

2. Principal Activities and Investment Objectives

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

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

3. Financial Performance

The financial performance of the Fund for the six month period is set out on page 5 of these Financial Statements.

4. Sale and Re-purchase of Units of the Fund

The Fund is open 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 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. Whereas for investments held for more than three years no exit load is charged. An exit load is a cost charged to the investor at the time of repurchasing the units of the Fund. It is deducted from NAV at the time of redemption of units.

5. Risk Warning

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

6. Solvency

Solvency is the ability of the Fund in meeting its long term financial obligations. This can be established through the Fund's Statement of Financial Position at 31st December 2016 herewith indicated. The Fund Manager considers the Fund to be solvent.

7. The Board of Directors

As UTT AMIS is wholly owned by the Government, the Directors are appointed by Hon. Minister for Finance and Planning while the Chairman is appointed by the President of the United Republic of Tanzania.

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Managing Director

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Date

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31ST DECEMBER 2016**

	Note	Six Months to 31 December 2016	Six Months to 31 Decem- ber 2015	Twelve Months to June 2016
Revenue		Tzs'000	Tzs'000	Tzs'000
Interest income	2	190,832	118,822	264,327
Gross dividend income		13,162	21,004	58,045
Net gain/(loss) from financial instruments	3	(111,025)	(66,936)	-
Other income		-	1,200	(199,127)
Total Income		92,969	74,090	123,245
Total Operating Expenses	4	(62,489)	(35,908)	(80,022)
Net income from operations before taxation		30,480	38,182	43,223
Taxation	5	(13,885)	(10,440)	(23,897)
Net income from operations after tax		16,595	27,742	19,326
Other Comprehensive Income		-	-	-
Change in net assets attributable to unit holders		16,595	27,742	19,326

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016**

	Note	31 st December 2016	31 st December 2015	30 June 2016
		Tzs'000	Tzs'000	Tzs'000
Assets				
Cash and cash equivalents		73,734	76,912	812,008
Term deposits with banks		1,532,000	1,120,000	677,618
Treasury bills		107,700	82,003	-
Treasury bonds		558,923	299,991	480,667
Corporate Bonds		-	56,000	-
Equity Investments		916,896	1,109,915	998,438
Interest receivable	6	141,162	79,984	-
Other receivables		13,614	13,798	18,407
Total assets		3,344,029	2,838,603	2,987,138
Liabilities				
Income tax payable		(6,076)	(4,872)	(5,712)
Accounts payable	7	(49,043)	(21,842)	(36,235)
Total Liabilities		(55,119)	(26,714)	(41,947)
Net-assets attributable to unit holders		3,288,910	2,811,889	2,945,191
Represented by:				
Retained earnings		1,456,158	1,436,831	1,436,831
Unit capital equalization	8	642,790	339,131	430,360
Unit capital		1,173,367	1,008,185	1,058,674
Profit (loss) for the Period		16,595	27,742	19,326
Total Unit holders Equity		3,288,910	2,811,889	2,945,191

Net Asset value based on 11,744,805 ;9,925,822 and 10,585,941 Units outstanding for Dec. 2016, Dec. 2015 and June 2016 respectively.

280.03

283.29

278.22

Published NAV

281.2094

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Managing Director

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Date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2016**

I SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Financial Statements are presented in Tanzanian Shillings (TZS) in thousands. They are prepared on historical cost convention. No adjustments have been made for inflationary factors affecting the statements.

(b) Income Recognition

- Dividend Income on listed equity is recognized on the ex-dividend date. Dividend on other shares is recognized on receipt.
- Interest income is recognised in the statement of Profit or Loss and Other Comprehensive Income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income is recognised on a gross basis, including withholding tax.
- The difference between carrying cost and maturity value of Treasury Bills and other long term discounted instruments is treated as income over the remaining life of the instrument.
- Profit or loss on sale of investments is recognized on the sale date on the basis of weighted average cost.

(c) Expenses

Expenses are recognised in the statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

(d) Investments Valuation and Liabilities Recognition

- Investment acquisitions are accounted for at cost.
- Tradable investments, mainly shares of companies listed at the Dar es Salaam Stock Exchange, are valued at the closing market prices on the valuation date.
- Debt Securities, mainly Treasury Bonds and Bills, are valued on yield to maturity basis.
- Fixed term Deposits are stated at cost while interest that has accrued to the Valuation date is accounted for as income.
- Other financial assets and financial liabilities are stated at amortised cost.

(e) Taxation

Income tax payable is recognised as an expense in the period in which the Income arises.

2 INTEREST INCOME

Six Month Ended 31 Dec. 2016

	Tzs'000
Deposits with banks	60,259
Treasury bonds	58,570
Treasury bills	72,003
Corporate bonds	-
Total	190,832

3. NET FAIR VALUE GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

	Tzs'000
Dar es salaam Community Bank Ltd(DCB)	(27,537)
Tanzania Breweries Limited (TBL)	(69,768)
Tanzania Portland cement Company (TWIGA)	(4,530)
Simba –TCCL	(1,240)
Swissport	(19,200)
NMB	17,250
CRDB	(6,000)
Total	(111,025)

The valuation gain/(loss) represents the difference between the market price of the shares on the reporting date and the weighted average value of those shares as at the beginning of the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2016**

4. OPERATING EXPENSES

Operating expenses were borne by the Unit Trust of Tanzania during the first year of its operation. However all charges after the first year are borne by the Scheme. During the 6 month period from 1st July 2016 the following costs were provided for to meet anticipated charges:

	Tzs'000
Investment management fees	46,720
Custodian fees	1,577
Communications - Advertising	2,380
Promotion Material & Scheme Branding	245
Promotion - Public education	1,438
Audit fee	1,773
Agent commission - Unit sales	870
Other charges	7,140
Exhibition / Public events	346
Total	62,489

5. TAXATION CHARGE

The amount represents 5% and 10% withholding tax and final tax on dividend income of listed shares and interest income respectively.

6. INTEREST RECEIVABLE

	Tzs'000
Deposits with banks	70,084
Treasury bonds	56,284
Treasury bills	11,607
Corporate Bonds	23
Dividend	3,164
Total	141,162

7. ACCOUNTS PAYABLE

	Tzs'000
Service Charge payable	1,230
Repurchase payable	1,991
Custodian fee	1,577
Management fee	27,293
Un-allotted unit sales	3,858
Sundry creditors	5,954
Provision- Other charges	7,140
Total	49,043

8. UNIT CAPITAL EQUALIZATION

	Tzs'000
Premium on Unit Sales	987,120
Premium on Unit Repurchases	(344,330)
Total	642,790

Premium on Unit Sales is computed as the difference between Unit Sale Price and the Original Value of unit i.e. TZS 100/- while Premium on Unit Repurchase is computed as the difference between the Original Value of unit and Unit Repurchase Price.

9. APPENDIX I – INVESTMENT PORTFOLIO

	31 December 2016 Tzs'000	% of total invest- ment portfolio
Treasury Bonds	558,923	18
Listed equity securities	916,894	29.4
Term deposits with banks	1,532,000	49.2
Corporate Bonds	-	-
Treasury Bills	107,700	3.4
Total Investment Portfolio	3,115,517	100