



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

Liquid Unit Trust Scheme (Ukwasi Fund) is an open-ended collective investment scheme which was launched in 2013 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 restructured 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 three organisations that resulted from the restructuring registered under the Companies Act, 2002. Thereafter, 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 & Co. Advocates 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

The Fund Manager present Liquid Fund report for the six month period ended 31st December 2016. The Scheme which commenced operations in April 2013 reported net income of Tz. 164.3 Million on its audited accounts for the period of 12 months ended 30th June 2016.

I. Establishment and Management of the Fund

Liquid Unit Trust Scheme, also known as "Liquid Fund" 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.

Liquid Unit Trust Scheme was established in Tanzania under the Deed of Trust of the Liquid Unit Trust Scheme, on 01 April 2013 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 portfolio that enables both high and low income investors to diversify risks 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 sale price is based on the Net Asset Value (NAV) per unit of the next working day and re-purchase price is based on the Net Asset Value (NAV) per unit of the next working day.

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 2015 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.

.....
Managing Director

.....
Date

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

		Six Months to 31 December 2016	Six Months to 31 December 2015	Twelve Months to June 2016
Revenue	Note	Tzs'000	Tzs'000	Tzs'000
Interest income	2	469,475	69,184	220,450
Other income	2	10,257	1,362	2,442
Total Income		479,732	70,546	222,892
Operating Expenses	3	(58,764)	(9,964)	(44,578)
Net income from operations before taxation		420,968	60,582	178,314
Taxation	4	(28,756)	(4,019)	(13,955)
Net income from operations after tax		392,212	56,563	164,359
Other Comprehensive Income		-	-	-
Change in net assets attribut- able to unit holders		392,212	56,563	164,359

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

		31 December 2016	31 December 2015	30 June 2016
Assets	Note	Tzs'000	Tzs'000	Tzs'000
Cash and cash equivalents		678,941	33,921	122,111
Term deposits with banks		3,798,000	250,000	1,412,000
Treasury bills		605,927	139,230	553,897
Treasury bonds		2,935,900	263,873	822,240
Interest receivable	5	396,985	40,972	118,730
Other receivables		-	-	-
Total assets		8,415,753	727,996	3,028,978
Liabilities				
Income tax payable		(185)	-	-
Accounts payable	6	(35,196)	(6,246)	(21,823)
Total Liabilities		(35,381)	(6,246)	(21,823)
Net-assets attributable to unit holders		8,380,372	721,750	3,007,155
Represented by:				
Unit capital equalization				
Unit capital		7,055,183	525,154	2,074,178
Investment equalization	7	607,126	(21,458)	607,126
Retained earnings		325,851	161,491	161,492
Change in net assets\Profit		392,212	56,563	164,359
Total Unit holders Equity		8,380,372	721,750	3,007,155
Net Asset Value per unit based on 53,538,351; 5,206,122 & 20,741,780 units outstanding on 31 st December 2016, and 31 st December 2015 & 30 th June 2016 respectively.		<u>156.53</u>	<u>138.63</u>	<u>144.98</u>
Published NAV		<u>156.2149</u>		

.....
Managing Director

.....
Date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST 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

- 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.
- 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

Interest income arises from:

	Tzs'000
Deposits with banks	194,133
Treasury Bills	62,499
	212,843
Treasury bonds	10,257
Net fair gain on Financial instruments	
Total	479,732

3 OPERATING EXPENSES

The Initial Issue expenses as specified in section 9.0 of the Offer Document were borne by the Unit Trust of Tanzania who was erstwhile the Sponsor and Manager of the scheme and thus such expenses were not charged to the scheme. However, all expenses after the Initial Sale period are borne by the Scheme. In an event, where the expenses exceed 2.25% of NAV, the excess portion shall be borne by the Manager.

However all charges after the One year (i.e. from April 2013) is to be borne by the Scheme, during the six months period from 1st July 2016 the following expenses has been made:

	Tzs'000
Custodian fee	2,612
Other charges expenses	11,953
Bank charges and commission	263
Communication and advertising	2,375
Promotion charges – print media	155
Promotion – public education	693
Audit fee	1,537
Management fee	39,176
Total	58,764

4 TAXATION CHARGE

The amount represents 10% withholding tax final tax on interest income.

5 INTEREST RECEIVABLE

	Tzs'000
Deposits with banks	73,916
Treasury Bonds	268,229
Treasury Bills	54,840
Total	396,985

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

6	ACCOUNTS PAYABLE	Six Month Ended 31 Dec. 2016
		Tzs'000
	Custodian fee	2,612
	Management fee	8,976
	Other Scheme charges	23,071
	Repurchase payable	200
	Sundry creditors	337
	Total	35,196

7	UNIT CAPITAL EQUALIZATION	Tzs'000
	Premium on Unit Sales	900,753
	Premium on Unit Repurchases	(293,627)
	Total	607,126

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.

8. APPENDIX I – INVESTMENT PORTFOLIO

	31 December 2016	% of total
	Tzs'000	investment
		portfolio
Term deposits with banks	3,798,000	52
Treasury Bonds	2,935,900	40
Treasury Bills	<u>605,927</u>	8
Total investment portfolio	7,339,828	100