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SATF
SOCIAL ACTION TRUST FUND

Annual Report

for the year ended 31 December 2011

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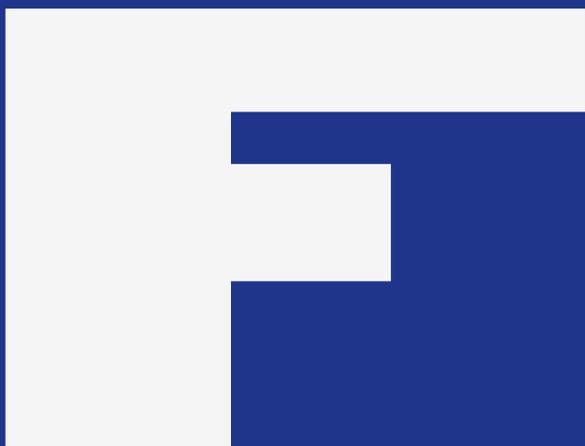


Our Vision:

A leading non governmental organization efficiently supporting orphans and vulnerable children in Tanzania whilst supporting the growth of private sector

Our Mission:

To mobilize adequate resources to transform Most Vulnerable Children to become healthy, secure, motivated and productive members of the society.



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CEO's Report

It is an honor to share with you Social Action Trust Fund's performance for 2011. The year under review, we have seen slight improvements in the interest rates during the last quarter of the year. The Fund has registered an Operating Net Income of TShs.20mil and therein a Comprehensive Surplus of TShs,1.1bil. These returns are solely generated from its investments. In addition to that, SATF received grants from Foundation for Civil Society and the Bank of Tanzania amounting to Tshs 100m and 10m respectively.

The Net Income has been high hit with the litigation expenses of TShs.84.3mil on SATF Ex-CEO's case(1998) (against US\$403k demanded by the Plaintiff).

During the year under review the Board of Trustees had approved Tshs.453mil to be disbursed as grants to Civil Society organizations in Tanzania to support Most vulnerable children in Education. We have also been running the ongoing Community Empowerment projects for the Caregivers and Child head of Household in Songea, Dodoma and Karagwe.

We had some "aha moments" during the year, such as we managed to conduct two phases of stakeholders meetings (i.e. in the Districts and in Dar es Salaam) which were attended by our children, implementing partners and teachers. The deliberations from these meetings shall be incorporated in the future grant making processes.

We also faced great challenges;

Due to market forces which are out of control of the Fund, some of the investments such as the Equity ones did not generate any income, this includes investment in Tanzania Breweries Ltd ,thus hitting hard on income line by 45% less than the forecasted amount.

The Fund is being overstretched with the needs of the MVC and the inflationary effects on the prices of the scholastic materials.

Measures taken;

We have introduced new players in the investment portfolio, such as investment in Government Bonds, and participated in Tanzania Breweries Ltd IPO which was held in November 2011.



Resource mobilization is an ongoing activity, we are on the look-out for donors who will be interested to support our efforts in the support of the needy children and caregivers.

Changes in the Board of Trustees;

On behalf of SATF, I wish to take this opportunity to thank the three out going members of the Board namely; Mr. Basil Mbanga, Mr. Donald Charwe and Dr. Hassan Mshinda for their valuable contributions and tireless efforts towards ensuring that Fund's mission is realised.

On the same note, we also welcome to the Board, Professor Palamagamba Kabudi, Professor Penina Mlama and Mr. Filbert Mponzi who have joined the Fund in November 2011.

Appreciation;

To our donors, my colleagues, and grantees, I express my deepest appreciation as we continue to work together to make the world, a better place for children and families.

Beatrice Mgaya

Chief Executive Officer

Programme Activities

SATF MVC PROGRAMS:

In the year under review, SATF implemented two programs namely; MVC Education and Community Empowerment through its 17 implementing partners in 10 regions of Tanzania Mainland.

I. MVC EDUCATION PROGRAM

A total grant of TZ 318mil was allocated to support 2,174 in, primary, secondary and VTC for year 2011.

In the first installment, a total of TZS 164 mil was disbursed to Implementing Partners (IPs). Before disbursing the 2nd installments, the Fund conducted a stakeholders meeting in October 2011. The meeting aimed at evaluating the operational of SATF programs, sharing best practices as well as looking at the impact of the programs to the community. Among other deliberations, the meeting resolved to synchronize the grants disbursement cycle to be in line with the government calendar. In so doing, the second installment was not disbursed; rather, partners submitted new proposals for 2012 grant cycle which was to be disbursed in the beginning of coming year which would incorporate the activities planned for the second installment.

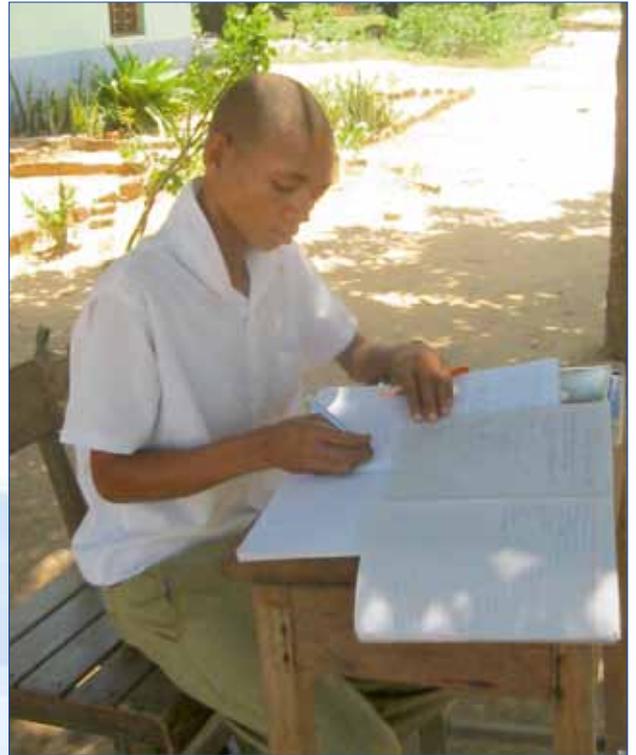
MVC Education Program - achievements;

- We have supported 150 MVC to access primary education.
- We have supported 1,609 MVC to access secondary education.
- We have supported 32 MVC to access vocational education.

MVC Education success stories;

1. Hamisi Choso-Lindi

Change has come to Hamisi K Choso (19) a current form three student at Mingoyo secondary school Lindi. He is being supported through Lindi Support Agency for Welfare (LISAWE),



Hamisi Choso-Lindi

SATF's IP in Lindi. Choso's performance has improved since he got support from SATF. This is evidenced by the improved ranking in his Form I second term and form II annual examinations which he ranked 2nd; whereby he previously ranked in 8th position in his first term of first year before SATF intervention. He still looks at the prospect of ranking in the 1st position in his form three and four exams. "I was raised by a single parent (Mother) in a very poor family; I know nothing about my father's whereabouts. My mother had been struggling to earn income and what she got was only from hands to mouth. It was a great relief when SATF through LISAWE came along and provided me with educational support. I can now look up for a bright future" says Hamisi.

2. Hortensia Lyakurwa-Arusha

Most orphans and vulnerable children (MVC) are faced with an increased risk of HIV infection, psychological distress, exploitation and economic hardships. Many stay home to take care of a sick relative or must work in order

to provide an income for their families. Due to these challenges, MVC are less likely to attend and complete school or Vocational training for their future career advancement.

With funding from SATF through the Catholic Archdiocese of Arusha, the project has developed a comprehensive program for education, psychological support which helps MVC in psychosocial and education support. Ms. Hortensia Lyakurwa (17 years) is one of the beneficiaries who is living with her Mother in Arusha Municipality.



Hortensia Lyakurwa-Arusha

After completing her primary school education, Hortensia had no where to go as the family could not meet the cost of taking her to the secondary or vocational training college. She eagerly wanted to go for further education but she did not know where to go for assistance. She was at home losing hope and without knowing her fate. After training on psychosocial, one of our volunteers at Sinoni ward met Hortensia during PSS monitoring visit. The problem was brought to Uhai Centre office and

home visit to her family was again conducted. SATF was informed and agreed to sponsor Hortensia. She was enrolled at Ngarenaro VTC in 2012 and graduated in 2011. Hortensia was also provided with a Sewing machine and she is now self-employed-doing her tailoring work at Sinoni area in Arusha.

Hortensia has bigger dreams now. She looks forward to assist her Mum to pay for school needs for her two siblings. "I hope I can manage my life now" she said. Hortensia Lyakurwa (17 years) at work after completing the course at Ngarenaro VTC.

3. Mwajuma Francis-Dodoma

Mwajuma Francis (18 yrs) is a dedicated secretary supporting Huruma Women group in providing support to MVC. She had been a SATF beneficiary under education program from primary, secondary to Vocational Training. Having completed vocation training education in computer and secretarial studies, Mwajuma is now looking forward to the prospect of the promising career.



Mwajuma Francis-Dodoma

II. COMMUNITY EMPOWERMENT PROJECTS:

SATF implements community empowerment projects in Dodoma, Ruvuma and Kagera regions. The projects aim at capacitating the care givers of MVC and heads of child head of households so that they can support their families in a sustainable manner.

In Karagwe District SATF has supported 45 MVC caregivers to implement goats and poultry project through KARADEA while in Songea, SATF through PADI NGO supports 217 MVC in micro finance schemes. In Muleba District, 100 MVC have been implementing poultry and rabbit's rearing projects through HUMULIZA Organization while in Dodoma, 42 MVC caregivers have been running pigs and goats projects under TIKVAH HOMES.

During the year under review, Dodoma have scaled up the number of beneficiaries in Income generating Activities from 32 in 2010 to 42 as 10 Caregivers were provided with livestock's in the first round of IGA activities. We have also extended our support in Ruvuma region whereby 101 MVC caregivers have been provided with loan amounting to TZS 11m which was collections from the first round beneficiaries and were reallocated to reshuffled beneficiaries after restructuring of the project. SATF has now reached a total of 217 caregivers supported in IGA in Ruvuma region.

In Karagwe District, with KARADEA NGO each beneficiary was provided with 2 goats and 5 chickens and were required to return 1 goat and 2 chickens after a year, they were also supported with construction materials. The project has scaled up from 30 caregivers in the first round in 2010 to 45 caregivers in 2011 which is the second round of the revolving scheme project.

Community Empowerment Project - achievements:

- IGA activities have scaled up in the second round of project implementations
- IGA beneficiaries have been able to provide educational support to MVC under their care while fulfilling household basic amenities.

Community Empowerment success stories

1 Vitusi Kisite-Songea

Mrs Vitusi Kisite of Madaba village in Ruvuma is a caregiver who has five children under her support. The MVC are in secondary schools i.e one has completed his O level education in 2011 and four are in secondary schools. Mrs Kisite said "When I received the loan from SATF through PADI I bought 3 pigs. One of them had piglets and this January I sold 7 piglets with the support of my daughter who finished form IV and obtained money to support my 3 children who are studying in Madaba secondary school whom I have provided with scholastic materials like exercise books, pen and pencil. Besides paying for my three secondary school continuing children, I have also managed to buy uniforms, scholastic materials; half of food contribution and a desk for my daughter who will be starting form one in 2012 at Mahanje secondary school. I really appreciate the support from SATF; I cannot imagine how I could have managed to support my 4 children without the loan.



Mrs Kisite feeding her pigs

III. PSYCHOSOCIAL SUPPORT CAPACITY BUILDING PROGRAM:

In 2011, SATF implemented year two of psychosocial program of rolling out PSS Capacity building in 13 regions of Tanzania funded by the Foundation for Civil Society(FCS), SATF conducted PSS Training of trainers' course for 18 participants from its 9 partner NGOs from Kilimanjaro, Morogoro, Lindi, Shinyanga, Kagera and Dar-es-Salaam regions. The training involved a study tour to HUMULIZA-Kagera where participants learnt a practical instrument of psychosocial support known Vijana Simama Imara(VSI) model.

Having gained expertise in mainstreaming PSS, each partner NGO conducted PSS training to MVC care givers in their respective areas and advocated for PSS mainstreaming among local leaders at district level. About 180 caregivers were trained in psychosocial support which enabled them to provide psychosocial support to about 900 MVC. Either, District Officials from 9 Districts made resolutions to mainstream PSS in their plans.

SATF's Implementing Partners who participated in the 2nd year implementations are; Huruma Women Foundation (Lindi), MUVUMA (Shinyanga), KARADEA & St. Maria Goreth (Kagera), NEREFO (Morogoro), KIWAKKUKI (Kilimanjaro), and Upendo Development Group (Dar es Salaam). During the monitoring visits, notable achievement was observed as MVC caregivers managed to provide psychosocial support to MVC through counseling, home visits and provision of material support such as food and scholastic materials. District Officials who were fascinated by PSS perspectives and made resolutions to mainstream PSS in their district planning and budgets had also joined hands with and contributed in activities that aimed at improving the psychosocial wellbeing of the MVC. The monitoring team observed that, the community is still in high demand of psychosocial support skills as there is still low level of understanding among majority of community members on PSS[expand this for the benefit of our readers] issues, donor dependence syndrome and alarming disintegration of traditional social safety nets.



PSS beneficiaries MVC in Mkuranga in a play session during Monitoring visit



MVC caregivers in a group photo at the end of five days PSS training in Kahama

Psychosocial support Project - achievements:

- We have enhanced capacity of 18 staff from 9 partner NGOs in providing PSS training to MVC Care givers in grass root level.
- We have assisted 18 partner NGOs to implement PSS activities at grass root levels.
- We have built capacity of 180 MVC Care givers at grass root levels to understand MVC's psychosocial problems and to offer a comprehensive support.
- Through MVC Care givers, we have provided psychosocial support to more than 900 MVC in 9 districts of Tanzania.
- We have enabled 50 youths to establish youth managed projects known as Vijana simama Imara.

IV. SPECIAL GIRL CHILD VT PROJECT IN DODOMA

Following the donation of TZS Five million from The Ministry of Community Development, Gender

and Children (MCDGC) SATF offered support to 15 Girls to access Vocational training through the supervision of our implementing partner TIKVAH Homes and Upendo training Centre in Dodoma region. The training has developed life skills and entrepreneurship mentality in the lives of girls and inspired them to desire for more knowledge.

With the coaching and PSS support from teachers and other caring adults; these girls who had been previously been at risk due to stressful life experiences received a valuable emotional support to minimize or overcome the damaging effects of adversity. They are hopeful about the future, they are ready to explore their environment and have adapted to changes.

Special girl child achievements:

- 15 girls (MVC) have been capacitated with life skills through vocational training course.
- The beneficiaries have developed resilience qualities and supported girls have partially been enabled to overcome social and economic challenges affecting girl child.



A cross section of beneficiaries at Upendo VTC finalizing candle making process

**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. INTRODUCTION

The Trustees present herewith their report and audited financial statements for the year ended 31 December 2011.

2. PERFORMANCE

This year saw the Fund making a double leap from a gross income of TShs. 476.4m to an elevated level of TShs.1.1bn.

This is despite the plunge in Dividends by almost 50% drop to TShs. 296m from TShs.478m; whilst the Interest Income has remained almost steady at TShs. 527m(2010: TShs 539m)

The Fund's major investment, the Tanzania Breweries Limited did not declare dividends during the year, leaving the Fund to survive from Tanga Cement, NMB and Swissport only.

However, the shares held by the Fund performed quite well in the market thus a very positive valuation gain of TShs. 1bn compared to only TShs. 71m in 2010.

Other operating Income for the Fund chipped in further TShs. 188m (2010: 112m). The income emanated from renting the Fund's house, Management Fee from hosted programs as well as Foreign exchange gains.

Additionally, the Fund gained TShs. 40m in lieu of a decrease in provisions for Impairment of Loans and advances.

The Board of Trustees had approved TZS 453m as Grants to be disbursed in 2011 to support Most Vulnerable Children (MVC) in education, out of the approved sum for 2011, disbursements to NGOs and associated costs during the year amounted to TZS 164m and 45m respectively that enabled support to 1,897

MVC in Education, Community Empowerment and Child Protection Programs.

The reduced disbursement was towards a paradigm shift in Grant disbursement schedule where from 2012 the schedule has been aligned to government academic and calendar year for more effectiveness program undertaking as agreed during the stakeholders' meeting held during the year. Thus, the disbursed sum only account for one installment of the approved sum.

Trustees have approved TZS 603mil as Grants for MVC support, to be disbursed in year 2012. This will come out of the Fund's Reserves.

3. PRINCIPAL ACTIVITIES OF THE TRUST

The principal activity of the Fund still remains that of making grant disbursements to Non Governmental Organizations (NGOs) registered in Tanzania in order to assist Most Vulnerable Children (MVC) to become productive members of society. In order to implement this objective, and also to avoid depletion of the Fund, it was resolved that, the original capital should be used for the development of the Private Sector in Tanzania, through investments and working directly with the private sector or through existing institutions with the sole purpose of using the earnings and interest from these Investments, to continually support the MVC. To-date, the Fund maintains Equity holdings, Bonds and Fixed Deposits to fulfill this Investment intent; whilst on recovery mode with regards to the other dormant portfolio, that is, Loans.

4. COUNTRY OF INCORPORATION

The Fund is incorporated in Tanzania under the Trustees Incorporation Act of 1956 and domiciled in Tanzania.

5. ATTAINMENT IN PHYSICAL TERMS

5.1 Investments

As briefly noted earlier on, the Fund's active Investment portfolio is made up of 4 main avenues, that is, Equity Investments, Bonds, the Short Term Deposits and the Real Estates.

The fifth potential avenue, Loans, is rather dormant and is on recovery mode at the moment. No new Loans have been issued.

Equity portfolio had an addition during the year, with new shares in The Dar Es Salaam Community Bank (DCB) to the tune of TShs. 128m.

However, returns on the entire Equity avenue, which comprise of 7 players, continued to be murky with dividend declaration and payment from only 3 companies (Tanga Cement, NMB and Swissport).

Dividend declaration has been very volatile in the past three years, and the incumbent year has not been an exception; where a mere TShs. 296m was earned in dividend form, representing 28% of total Income. (2010: TShs.475m)

The Fund has Equity Investments in TOL, TBL, Simba Cement, Swissport, NMB, Musoma Dairies and Arusha Blooms (former La Fleur D' Afrique).

An additional investment in the Bonds category was made during the year by acquisition of TShs. 485m in Government Bonds. The Fund also acquired TShs.100m in Unit Trust of Tanzania (UTT) Watoto Fund Scheme.

Earnings from the Bonds category have been good with TShs. 111m basked; being 10% of total Income.

The Loans and Advances repayments were

snail-paced with TShs.45m recovery from The New Northern Creameries Ltd. The Fund is still continuing with the arduous efforts in recovering the rest which comprise of chronic sums owed to Tanzania Pharmaceutical Limited (TPI), Musoma Dairies, Trade Goods Limited and New Northern Creameries.

Short Term deposits performed well despite decreased levels at year end. The decrease was to accommodate flexibilities to other portfolios, where large chunks were re-directed to TBL share bid.

The Fund pocketed TShs. 418m from these deposits, representing 39% of total Income.

The Fund continued to host two Programs, The Psychosocial Support and the USAID Bomb Victims.

5.2 SATF MVC Program

Disbursements amounting to TZS 298mil were made to 19 NGOs in 12 regions of Tanzania mainland to support Most Vulnerable Children (MVC) to access Education Services.

These disbursements represented final installment for 2010 (TShs. 134m) and the first and only installment for 2011 (TShs. 164m, as already noted in Note 2 above), In addition to the basic Education/scholastic services, the disbursed funds included the support of Community Empowerment and Child Protection Programs.

This amount supported 1,897 children in education (i.e. 1,812 MVC in Education, 70 in Child Protection; 15 Caregivers in Community Empowerment) during the year.

5.3 Foundation for Civil Society- Psychosocial Support Capacity Building Project

This is a Project geared at improving the well

being of MVC, as well as grooming them into social actors. The MVC who include Youths, are also trained and given chance to plan and manage their own Income generating Projects as part of Youths/MVC Empowerment.

Furthermore, The Psychosocial Support (PSS) Project indulges also in ensuring that PSS is mainstreamed at District level as well of providing training and support to MVC caregivers.

6 regions have been involved in the PSS Project during the year which also happened to be Year 2 out of 3 of implementation of this Project. These are Kilimanjaro, Morogoro, Lindi, Shinyanga, Kagera and Dar Es Salaam. The number of MVC and Caregivers supported by this Project for the year were 855 and 80 respectively.

The Foundation disbursement to this cause amounted to TShs. 104m while SATF contributed TShs. 4m to support Youth Income Generating Projects known as Vijana Simama Imara (VSI)

5.4 USAID Bomb Victims Program

As mentioned earlier, The Fund continued to host this program for yet another year. This program was mainly to cater for the 16 children who were victims of the US embassy bombs. It has been hosted since 2001 and until the date of this report, only 6 out of the 16 are continuing with their studies and eligible for funding.

6. ADMINISTRATIVE EFFICIENCY

Set-out below are details of matters which are deemed to demonstrate the administrative efficiency of the Trust:

- a) Overtime: The Trust does not pay any overtime.

Labour Turnover: 1 staff left the service of the Fund (The Program Manager), whose position is in the process of being filled.

7. EMPLOYEES WELFARE

- a) Management and Employee Relationship
The relationship between the Management and Employees of the Trust during the year was good.
- b) Medical Facilities
The Trust meets the medical expenses for each employee and his/her immediate family members.

8. SOLVENCY

There were no short or long term claims on the assets of the Trust and the solvency of the Fund as at 31 December 2011 is set out on Page 15 of these financial statements.

9. OPERATING RESULTS

These are set out on Page 14 of the financial statements.

10. AUDITORS

MEKONSULT were the Trust auditors for the year 2011. They have expressed their willingness to continue and are eligible for reappointment.

11. TRUSTEES

The Trustees of the Fund in office at the date of this report are:

- i. Mr. Basil Mbanga - Chairman
- ii. Dr Hassani Mshinda - Trustee
- iii. Mr. Donald Charwe - Trustee
- iv. Ms. Catherine Revocati - Trustee
- v. Mrs. Mariam Mwaffisi - Trustee

BY ORDER OF THE BOARD OF TRUSTEES



SECRETARY



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INDEPENDENT AUDITORS' REPORT

to the Settlor of Social Action Trust Fund

We have audited the accounting financial statements of Social Action Trust Fund (SATF), which comprise the balance sheet as at 31 December 2011, and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in compliance with the Trustees Incorporation Act of 1956. This responsibility includes: designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Social Action Trust Fund as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



MEKONSULT
Certified Public Accountants
DAR ES SALAAM

Signed by: Elinisaidie K Msuri
Partner

Date: 03/04/2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | 2011 TZS | 2010 TZS |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Interest income | 5 | 527,292,306 | 539,620,320 |
| Other operating income | | | |
| Dividends | 6 | 295,827,998 | 475,738,679 |
| Other income | 7 | 28,959,630 | 13,552,854 |
| Foundation for Civil Society grant | 11 | 90,680,933 | 13,047,799 |
| USAID Bomb Victim Education grant | 17 | 6,900,050 | 11,815,200 |
| Gain on fluctuation of foreign currency | | 58,810,033 | 73,450,460 |
| Management fee- Foundation for Civil Society | | 6,507,588 | 1,411,749 |
| | | 487,686,232 | 589,016,741 |
| Total operating income | | 1,014,978,538 | 1,128,637,061 |
| (Increase)/Decrease in provisions for impairment | 12 | 40,622,153 | 57,001,118 |
| Net operating income | | 1,055,600,692 | 1,185,638,179 |
| Personnel and related costs | 8 | 609,883,815 | 483,583,151 |
| Depreciation | 4 | 40,201,185 | 48,607,087 |
| Administrative and general expenses | 10 | 287,692,471 | 223,270,018 |
| Foundation for Civil Society (FCS) grant | 11 | 90,680,933 | 13,047,799 |
| USAID Bomb Victims' Education grant | 17 | 6,900,050 | 11,815,200 |
| Total operating expenses | | 1,035,358,454 | 780,323,255 |
| Net Income for the year | | 20,242,238 | 405,314,925 |
| Other Comprehensive Income | | | |
| Gain/(Loss) on valuation of shares | | 1,089,191,910 | 71,118,000 |
| Total other comprehensive income | | 1,089,191,910 | 71,118,000 |
| Total Comprehensive Income/(Loss) | | 1,109,434,148 | 476,432,925 |
| EDUCATION GRANTS | | | |
| Cumulative grants | | 4,948,578,131 | 4,345,578,131 |
| Cumulative orphans supported | | 162,061 | 160,164 |

The notes on pages 18 to 31 form part of these financial statements. Independent auditors' report on page 12 and 13.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

| | Notes | 2011 TZS | 2010 TZS |
|---|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Cash in hand | 9 | 23,650 | 1,550 |
| Bank balances | 9 | 177,171,921 | 255,725,107 |
| Fixed deposits with banks | 9 | 4,073,119,249 | 5,911,374,095 |
| Loans and advances | 12 | 299,007,200 | 301,977,046 |
| Financial investments "available-for-sale" | 13 | 8,214,796,290 | 6,416,891,380 |
| Plant and equipments | 4 | 181,185,538 | 221,571,326 |
| Other assets | 14 | 1,065,355,821 | 147,461,654 |
| TOTAL ASSETS | | 14,010,659,669 | 13,255,002,159 |
| LIABILITIES AND EQUITY | | | |
| Accrued expenses | 15 | 116,091,669 | 130,269,138 |
| NGOs' clearing account | 16 | 404,507,350 | 251,493,628 |
| Deferred income | 17 | 74,088,352 | 113,701,242 |
| Provisions for employee benefits | | 37,747,109 | 37,747,109 |
| | | 632,434,480 | 533,211,117 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF TRUST | | | |
| Trust investment fund | | 6,318,675,000 | 6,318,675,000 |
| RMPS fund | | 1,325,360,000 | 1,325,360,000 |
| RMPS accumulated losses | | (528,558,664) | (528,558,664) |
| Available-for-sale reserve | | 1,632,557,979 | 1,632,557,978 |
| Retained income | | 4,630,190,874 | 3,973,756,727 |
| | | 13,378,225,189 | 12,721,791,041 |
| TOTAL RESERVES AND LIABILITIES | | 14,010,659,669 | 13,255,002,158 |

The notes on pages 18 to 31 form part of these financial statements.
Independent auditors' report on page 12 and 13.

These financial statements were approved by the Board of Trustees for issue on
and were signed on their behalf by:

3rd April 2012

Name: Nanem Mughzi Title: Chairperson Sign: Nanem Mughzi Date: 3rd April 2012

Name: Beatrice Ogun Title: Chief Executive Sign: Beatrice Ogun Date: 3rd April 2012

STATEMENT ON CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

| | Trust Investment Fund | RMPS Fund | RMPS Accumulated Losses | Available-for-sale reserve | Retained Income | Total |
|---|-----------------------|----------------------|-------------------------|----------------------------|----------------------|-----------------------|
| | TZS | TZS | TZS | TZS | TZS | TZS |
| At 1 January 2010 | 6,318,675,000 | 1,325,360,000 | (528,558,664) | 1,632,557,978 | 3,902,323,802 | 12,650,358,116 |
| Surplus for the year | - | - | - | - | 405,314,925 | 405,314,925 |
| Approved grant for 2010 | - | - | - | - | (405,000,000) | (405,000,000) |
| Net gain on available-for-sale financial assets | - | - | - | - | 71,118,000 | 71,118,000 |
| At 31 December 2010 | 6,318,675,000 | 1,325,360,000 | (528,558,664) | 1,632,557,978 | 3,973,756,727 | 12,721,791,041 |
| At 1 January 2011 | 6,318,675,000 | 1,325,360,000 | (528,558,664) | 1,632,557,978 | 3,973,756,727 | 12,721,791,041 |
| Surplus/Loss for the year | - | - | - | - | 20,242,238 | 20,242,238 |
| Approved grant for 2011 | - | - | - | - | (453,000,000) | (453,000,000) |
| Net gain on available-for-sale financial assets | - | - | - | - | 1,089,191,910 | 1,089,191,910 |
| At 31 December 2011 | 6,318,675,000 | 1,325,360,000 | (528,558,664) | 1,632,557,978 | 4,630,190,874 | 13,378,225,188 |

A net gain on available for sale financial assets is made up of increase on share value of TBL by TZS 343,345,920.00, Tanga Cement TZS 546,798,920.00, Swissport TZS 72,275,060.00, NMB Bank TZS 122,485,210.00 & DCB Bank TZS 4,287,000.00.

The Board has approved TZS 603mil as grants to MVC to be disbursed in 2012. The notes on pages 18 to 31 form part of these financial statements.

Independent auditors' report on page 12 to 13.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

| Notes | 2011 TZS | 2010 TZS |
|--|-------------------------------|-----------------------------|
| OPERATING ACTIVITIES | | |
| Net Income for the year | 20,242,238 | 405,314,925 |
| (Decrease)/Increase in provisions for impairment | 40,622,153) | (57,001,118) |
| Depreciation | 40,201,185 | 48,607,087 |
| Loss(Gain) on sale of plant and equipment | 1,079,253 | - |
| Release of approved grant to NGO | (453,000,000) | (405,000,000) |
| (Gain)/Loss on sale of equity investments | - | - |
| | <u>(432,099,478)</u> | <u>(8,079,107)</u> |
| Grant taken to income | (97,580,983) | (24,862,999) |
| Grant refunded to USAID (Peace Corps) | - | (252,600) |
| (Decrease)/ Increase in NGO's clearing accounts | 153,013,722 | 135,063,156 |
| (Decrease) /Increase in other liabilities | (14,177,469) | 18,076,510 |
| Decrease/ (Increase) in other assets | (917,894,167) | (34,135,650) |
| Decrease/ (Increase) in loans and advances | 43,592,000 | 166,287,256 |
| Net cash out flow on operating activities | <u>(1,265,146,375)</u> | <u>252,096,567</u> |
| INVESTING ACTIVITIES | | |
| Purchase of equity investments | (708,713,000) | (700,000,000) |
| Purchase of plant and equipment | (1,115,649) | (11,597,884) |
| Proceeds from disposal of plant and equipment | 221,000 | - |
| Proceeds from sale of equity investments | - | - |
| Net Cash Flow on Investing Activities | <u>(709,607,649)</u> | <u>(711,597,884)</u> |
| FINANCING ACTIVITIES | | |
| Grant received | 57,968,093 | 104,463,188 |
| Net Cash Flow on Financing Activities | <u>57,968,093</u> | <u>104,463,188</u> |
| Net increase in cash and cash equivalent | <u>(1,916,785,931)</u> | <u>(355,038,130)</u> |
| Cash and cash equivalents at 1 January, 2011 | 6,167,100,752 | 6,522,138,881 |
| Cash and cash equivalent at 31 December, 2011 | <u>4,250,314,821</u> | <u>6,167,100,752</u> |

The notes on pages 18 to 31 form part of these financial statements. Independent auditors' report on page 12 and 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis and are presented in Tanzanian Shillings (TZS).

Statement of compliance

The financial statements of Social Action Trust Fund (SATF) have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted, which have been consistently applied from previous years, are set out below.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. It comprises interest received from loans issued, dividends received from equity investments, management fees, grant income and income from short term fixed deposits.

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period.

Management fee is recognized on accrual basis.

Income from short term fixed deposits is recognized when realized.

Cash and cash equivalents

Cash and bank balances in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Fund operates National Social Security Fund (NSSF) contribution scheme to which both the employee and employer contributes. The Fund's contributions to NSSF are charged to the income and expenditure statement in the period to which they relate.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises of expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as

appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the useful life of the assets.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of plant and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

The asset's residue values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year.

The current useful lives in use are:

| | Years |
|------------------------------|-------|
| Motor Vehicles | 4 |
| Computers and Accessories | 3 |
| Furniture and Fittings | 8 |
| Office equipment | 5 |
| Plant Property and Equipment | 50 |

Foreign currency translations

Transactions in currencies other than Tanzania Shillings are recorded at rates prevailing at the transactions dates. Monetary assets and liabilities that are denominated in foreign currencies are translated into Tanzania Shillings at rates prevailing at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement.

Provisions

Provisions are made when the Trust has a present obligation, as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Available-for-sale financial assets

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt

instruments. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the "Available-for-sale reserve". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Other operating income' or 'Other operating expenses'. Where the Fund holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Fund has the positive intention and ability to hold to maturity. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Fund assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss. The Fund assesses whether objective evidence of impairment exists individually for financial assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Impairment of tangible assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Fund makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Trade and other payables

Liabilities for the trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the SATF.

Comparatives

Where necessary, comparative figures have been reclassified to conform to the presentation in the current period.

Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Fund reviews its loan portfolios to assess impairment at least on annual basis. In determining whether an impairment loss should be recorded in the income statement, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) *Held-to-maturity investments*

The Fund follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. The classification requires significant judgement. In making this judgement, the Fund evaluates its intention and ability to hold such investments to maturity. If the Fund fails to keep these investments to maturity other than the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value and not amortised cost.

4 PLANT & EQUIPMENT

Annual Report for the year ended 31 December 2011

| | Property, Plant and Equipment | Motor vehicles | Computers & accessories | Office equipment | Office furniture | Total |
|---------------------------------|----------------------------------|--------------------|----------------------------|---------------------|---------------------|--------------------|
| | TZS | TZS | TZS | TZS | TZS | TZS |
| 31 December 2011 | | | | | | |
| Cost | | | | | | |
| At 1 January 2011 | 160,000,000 | 120,425,794 | 49,830,215 | 69,397,644 | 28,011,837 | 427,665,490 |
| Additions | - | - | 659,650 | - | 455,999 | 1,115,649 |
| Write Off | - | - | - | - | - | - |
| Disposal | - | - | (499,475) | (1,495,250) | (2,265,414) | (4,260,139) |
| At 31 December 2011 | 160,000,000 | 120,425,794 | 49,990,390 | 67,902,394 | 26,202,422 | 424,521,000 |
| Accumulated depreciation | | | | | | |
| At 1 January 2011 | 9,600,000 | 86,463,854 | 45,346,456 | 52,275,769 | 12,408,083 | 206,094,162 |
| Charge for the year | 3,200,004 | 21,449,340 | 3,169,959 | 9,331,368 | 3,050,514 | 40,201,185 |
| Disposal | - | - | (499,475) | (1,295,254) | (1,165,157) | (2,959,886) |
| At 31 December 2011 | 12,800,004 | 107,913,194 | 48,016,940 | 60,311,883 | 14,293,440 | 243,335,461 |
| Net book value | | | | | | |
| At 31 December 2011 | 147,199,996 | 12,512,599 | 1,973,450 | 7,590,511 | 11,908,982 | 181,185,538 |
| 31 December 2010 | | | | | | |
| Cost | | | | | | |
| At 1 January 2010 | 160,000,000 | 120,425,794 | 45,843,814 | 65,145,044 | 24,652,953 | 416,067,605 |
| Additions | - | - | 3,986,400 | 4,252,600 | 3,358,884 | 11,597,884 |
| Write Off | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - |
| At 31 December 2010 | 160,000,000 | 120,425,794 | 49,830,214 | 69,397,644 | 28,011,837 | 427,665,489 |
| Accumulated depreciation | | | | | | |
| At 1 January 2010 | 6,400,000 | 65,014,514 | 36,185,425 | 40,365,669 | 9,521,467 | 157,487,075 |
| Charge for the year | 3,200,000 | 21,449,340 | 9,161,031 | 11,910,100 | 2,886,616 | 48,607,087 |
| Disposal | - | - | - | - | - | - |
| At 31 December 2010 | 9,600,000 | 86,463,854 | 45,346,456 | 52,275,769 | 12,408,083 | 206,094,162 |
| Net book value | | | | | | |
| At 31 December 2010 | 150,400,000 | 33,961,939 | 4,483,758 | 17,121,875 | 15,603,754 | 221,571,326 |

| | 2011 TZS | 2010 TZS |
|-----------------------------------|----------------------|----------------------|
| 5 INTEREST INCOME | | |
| Bank deposits and others | 527,292,306 | 539,620,320 |
| | 527,292,306 | 539,620,320 |
| 6 DIVIDEND | | |
| Tanzania Breweries Limited | - | 128,754,720 |
| Swissport (Tanzania) Limited | 37,394,623 | 30,365,380 |
| Tanga Cement Company Limited | 235,225,651 | 296,376,287 |
| National Microfinance Bank Ltd | 23,207,724 | 20,242,293 |
| | 295,827,998 | 475,738,679 |
| 7 OTHER INCOME | | |
| Gift/donation received | 10,000,000 | 5,000,000 |
| Miscellaneous income | 980,950 | 3,023,734 |
| SATF House Rent | 17,978,680 | 5,529,120 |
| | 28,959,630 | 13,552,854 |
| 8 PERSONNEL EXPENSES | | |
| Salaries and allowances | 453,925,297 | 366,946,626 |
| Gratuity | 86,248,845 | 69,529,432 |
| Social security contribution | 43,124,423 | 34,764,714 |
| Medical expenses | 9,005,072 | 4,159,359 |
| Leave expenses | 15,766,428 | 1,347,500 |
| Staff recruitment | - | 3,883,670 |
| Staff welfare | 1,813,750 | 2,951,850 |
| | 609,883,815 | 483,583,151 |
| 9 CASH AND CASH EQUIVALENT | | |
| Cash in hand | 23,650 | 1,550 |
| Cash at bank | 177,171,921 | 255,725,107 |
| Fixed deposits: | | |
| Exim Bank Tanzania Ltd | 608,753,128 | 2,563,986,620 |
| Diamond Trust Bank (T) Ltd | 600,937,205 | - |
| CBA (T) Ltd | 1,393,428,916 | 2,847,387,475 |
| Bank M. Tanzania Ltd | 970,000,000 | - |
| KCB (T) Ltd | 500,000,000 | 500,000,000 |
| | 4,250,314,820 | 6,167,100,752 |

| | 2011 TZS | 2010 TZS |
|---|--------------------|--------------------|
| 10 ADMINISTRATIVE AND GENERAL EXPENSES | | |
| Audit fees | 10,500,000 | 8,953,025 |
| Bank charges | 4,764,803 | 4,216,951 |
| Insurance and security | 9,688,707 | 7,950,571 |
| Membership and subscriptions | 1,891,660 | 2,320,461 |
| Office rent, electricity and water | 30,473,806 | 27,536,619 |
| Other administrative expenses | 150,654,163 | 62,695,377 |
| Motor vehicles and generator fuel and service | 13,635,185 | 11,291,653 |
| Postage, telephone and fax | 17,850,387 | 17,384,470 |
| Professional fees | 1,595,104 | 13,678,848 |
| Training, seminars and conferences | 40,878,309 | 25,939,165 |
| Traveling expenses | 1,935,074 | 6,935,357 |
| Trustees' allowances, travel & accommodations | 3,825,273 | 34,367,523 |
| | 287,692,471 | 223,270,018 |
| | | |
| * Out of this sum, TShs. 84.3m was a settlement in lieu of Mr. Tairo Urassa's (SATF Ex - CEO) litigation. As per High Court Decree. | | |
| 11 FOUNDATION FOR CIVIL SOCIETY GRANT | | |
| Actual refresher training of partner NGOs | 23,469,460 | - |
| Rolling out PSS at District level | 32,262,985 | - |
| Study tour at HUMULIZA to learn VSI model | 3,585,000 | - |
| Monitoring & evaluation | 12,387,900 | 1,070,050 |
| Program management expenses | 18,975,588 | 11,977,749 |
| | 90,680,933 | 13,047,799 |
| 12 LOANS AND ADVANCES | | |
| Current loans and advances | 678,838,784 | 722,430,784 |
| | 678,838,784 | 722,430,784 |
| Less: Provision for impairment | (379,831,585) | (420,453,738) |
| Total loans and advances | 299,007,200 | 301,977,046 |
| Movement in provision for bad debts | | |
| At 1 January | 420,453,738 | 477,454,856 |
| Charge during the year | 81,626,050 | 53,473,169 |
| Release of provision | (122,248,203) | (110,474,287) |
| At 31 December | 379,831,585 | 420,453,738 |

Loan receivable amount comprises of matured balances in the current accounts of Tanzania Pharmaceuticals TZS 59.5mil; Musoma Dairies Ltd TZS 280mil; New Northern Creameries TZS 213mil and Trade Goods Ltd TZS 126mil.

13 EQUITY INVESTMENTS

| | No. of shares | Cost/Share | Value/Share | 2011 TZS | 2010 TZS |
|---|---------------|------------|-------------|----------------------|----------------------|
| Tanzania Oxygen Limited | 954,834 | 250.00 | 200.00 | 190,966,800 | 190,966,800 |
| Tanzania Breweries Limited | 1,430,608 | 1,256.00 | 2,020.00 | 2,889,828,160 | 2,546,482,240 |
| Tanga Cement Company Limited | 1,139,164 | 850.00 | 2,380.00 | 2,711,210,320 | 2,164,411,600 |
| Swissport (Tanzania) Limited | 328,523 | 600.00 | 820.00 | 269,388,860 | 197,113,800 |
| National Microfinance Bank Ltd | 644,659 | 857.57 | 850.00 | 547,960,150 | 425,474,94 |
| Dar Es Salaam Community Bank | 200,000 | 610.00 | 640.00 | 128,000,000 | - |
| Musoma Dairies Limited | | | | 192,442,000 | 192,442,000 |
| TBL Bond | | | | 700,000,000 | 700,000,000 |
| BOT Bond | | | | 485,000,000 | - |
| UTT - Watoto Fund | | | | 100,000,000 | - |
| Arusha Blooms (Formally-La Fleur De Afrique) | | | | 745,900,000 | 745,900,000 |
| | | | | 8,960,696,290 | 7,162,791,380 |
| Less: Provision | | | | (745,900,000) | (745,900,000) |
| | | | | 8,214,796,290 | 6,416,891,380 |

During the period, a ten years BOT Bond of TZS 485m was purchased which is earning interest at the rate of 11.44% pa, UTT - Watoto Fund of TZS 100m was purchased and Dar Es Salaam Community Bank shares amounting to 200,000 were purchased at the cost of TZS 610.00 each.

14 OTHER ASSETS

| | | |
|---|----------------------|--------------------|
| Sundry debtors | 151,365,557 | 139,991,631 |
| Funds used to purchase TBL shares at IPO (Allotment not yet announced) | 906,400,000 | - |
| Prepayments | 7,590,264 | 7,470,024 |
| | 1,065,355,821 | 147,461,654 |

15 ACCRUED EXPENSES

| | | |
|-----------------------------|--------------------|--------------------|
| Accrued expenses | 17,984,748 | 43,712,375 |
| Gratuity payable | 60,031,386 | 76,575,596 |
| Provision for Accrued leave | 22,648,873 | 9,405,105 |
| Other | 15,426,662 | 576,062 |
| | 116,091,669 | 130,269,138 |

16 NON-GOVERNMENTAL ORGANISATIONS' (NGO) CLEARANCE ACCOUNT

| | | |
|----------------------|----------------------|----------------------|
| Receivable from NGOs | 38,414,698 | 123,976,694 |
| Payable to NGOs | (442,922,047) | (375,470,322) |
| | (404,507,350) | (251,493,628) |

| | 2011 TZS | 2010 TZS |
|---|-------------------------|--------------------------|
| 17 DEFERRED INCOME | | |
| USAID Bomb Victims Program | | |
| This is an education grant (US\$ 96,870) for 16 orphans of the United States Embassy bomb victims received from the United States Agency for International Development (USAID) in October 2002. | | |
| At 1 January | 13,644,368 | 25,712,168 |
| Amount spent during the year | (6,900,050) | (11,815,200) |
| Funds paid to Peace corps | | |
| Volunteers - Exchange rate differences | - | (252,600) |
| At 31 December | <u>6,744,318</u> | <u>13,644,368</u> |

The Foundation For Civil Society (FCS)

During the year SATF implemented the project of Foundation for Civil Society Ltd for rolling out psychosocial support capacity building training to 9 Partner NGOs. TZS 91 million was spent during the year, which was received in year 2010. In December, 2011 SATF received TZS 58million which will be used in 2012 for the same project.

| | | |
|------------------------------|--------------------------|---------------------------|
| At 1 January | 100,056,874 | 8,641,485 |
| Received during the year | 57,968,093 | 104,463,188 |
| Amount spent during the year | (90,680,933) | (13,047,799) |
| At 31 December | <u>67,344,034</u> | <u>100,056,874</u> |
| Total grants | <u>74,088,352</u> | <u>113,701,242</u> |

18 RELATED PARTY TRANSACTIONS

| | | |
|--|---------------------------|---------------------------|
| Trustees remuneration and allowances | 3,825,273 | 34,367,523 |
| Key management salaries and allowances | 271,790,755 | 210,859,878 |
| Post employment benefits | 25,271,787 | 19,531,492 |
| Other long term employment benefits | 50,543,575 | 42,152,176 |
| | <u>351,431,390</u> | <u>306,911,069</u> |

These are remuneration to the Trustees, Chief Executive Officer, Finance & Administration and Program Managers.

Apart from key management remuneration, there are no other related party transactions.

19 CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims

No legal claims as at year end.

Capital Commitment

There were no capital commitments at the year end.

20. TAXATION

Social Action Trust Fund is exempted from all taxes and levies on income as provided for under Article (3) of the Trust Deed.

21. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk.

Liquidity risk

Liquidity risk is termed as a risk arising when the Fund is unable to meet its obligations from maturing commitments due to insufficient fund. The Fund has set the finance department which among other functions, it monitors the maturity gap of the Fund's assets against maturing liabilities.

Foreign exchange risk

The Fund operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (US\$). Management monitors the foreign exchange risk of the Fund.

Interest-rate risk

The Fund's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of loans and advances are fixed at the commission of the loan or at the time of renewal.

Credit risk

The Fund assumes risks in order to realize returns on its investments, however assumed risk may result into potential losses to the Fund. In order to minimize this risk the Fund monitors the credit risk at management level and board level in accordance to procedures, limits, and Fund laid down by the credit policies and the investment policies.

22 LIQUIDITY RISK

At 31 December 2011

| | Up to 1 month | Up to 3 months | Up to 6 months | Up to 2 months | Up to 5 years | Total |
|-------------------------------------|--------------------|----------------------|----------------------|--------------------|----------------------|-----------------------|
| | TZS | TZS | TZS | TZS | TZS | TZS |
| Assets | | | | | | |
| Cash in hand | 23,650 | - | - | - | - | 23,650 |
| Bank balances | 177,171,921 | - | - | - | - | 177,171,921 |
| Fixed deposits with banks | 79,207,008 | 1,068,244,698 | 2,925,667,543 | - | - | 4,073,119,249 |
| Loans and advances | - | - | - | 299,007,200 | - | 299,007,200 |
| Other assets | 666,000 | 3,374,796 | 138,167,779 | 2,828,549 | 920,318,697 | 1,065,355,820 |
| Equity investments | - | - | - | - | 8,214,796,290 | 8,214,796,290 |
| Plant and equipments | - | - | 181,185,538 | - | - | 181,185,538 |
| Total assets | 257,068,579 | 1,071,619,494 | 3,245,020,860 | 301,835,748 | 9,135,114,987 | 14,010,659,668 |
| Liabilities | | | | | | |
| Provisions for employee benefits | - | - | - | 37,747,109 | - | 37,747,109 |
| NGOs' clearing account | - | - | 404,507,350 | - | - | 404,507,350 |
| Accrued expenses | - | 116,091,669 | - | - | - | 116,091,669 |
| Deferred income | - | 18,522,088 | - | 18,522,088 | 37,044,176 | 74,088,352 |
| Total liabilities | - | 134,613,757 | 404,507,350 | 56,269,197 | 37,044,176 | 632,434,480 |
| Net liquidity gap | 257,068,579 | 937,005,736 | 2,840,513,510 | 245,566,551 | 9,098,070,811 | 13,378,225,188 |
| As at 31 December 2010 | | | | | | |
| Total assets | 328,853,547 | 1,409,673,281 | 4,783,188,208 | 302,477,046 | 6,430,810,077 | 13,255,002,159 |
| Total liabilities | - | 158,694,449 | 251,493,628 | 66,172,420 | 56,850,621 | 533,211,118 |
| Net liquidity gap | 328,853,547 | 1,250,978,832 | 4,531,694,580 | 236,304,626 | 6,373,959,456 | 12,721,791,041 |

23 INTEREST RATE RISK

The table below summarises the exposure to interest rate risks.

| At 31 December 2011 Up to | 1 month | | 1 - 3 months | | 3 - 6 months | | 6 - 12 months | | Over 1 year | | Total | |
|----------------------------------|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | TZS | | TZS | | TZS | | TZS | | TZS | | TZS | |
| Assets | | | | | | | | | | | | |
| Cash in hand | 23,650 | - | - | - | - | - | - | - | - | - | 23,650 | - |
| Bank balances | 177,171,921 | - | - | - | - | - | - | - | - | - | 177,171,921 | - |
| Fixed deposit with banks | 79,207,008 | 1,068,244,698 | 2,925,667,543 | - | - | - | - | - | - | - | 4,073,119,249 | - |
| Loans and advances | - | - | - | 299,007,200 | - | - | - | - | - | - | 299,007,200 | - |
| Other assets | 666,000 | 3,374,796 | 138,167,779 | 2,828,549 | - | - | - | - | 920,318,697 | - | 1,065,355,820 | - |
| Equity investments | - | - | - | - | - | - | - | - | 8,214,796,290 | - | 8,214,796,290 | - |
| Plant and equipments | - | - | - | - | - | - | - | - | 181,185,538 | - | 181,185,538 | - |
| Total assets | 257,068,579 | 1,071,619,494 | 3,063,835,322 | 301,835,748 | 3,063,835,322 | 3,063,835,322 | 3,063,835,322 | 3,063,835,322 | 9,316,300,525 | 9,316,300,525 | 14,010,659,668 | 14,010,659,668 |
| Liabilities | | | | | | | | | | | | |
| Provisions for employee benefits | - | - | - | 37,747,109 | - | - | - | - | - | - | 37,747,109 | - |
| NGOs' clearing account | - | - | 404,507,350 | - | - | - | - | - | - | - | 404,507,350 | - |
| Accrued expenses | - | - | - | 116,091,669 | - | - | - | - | - | - | 116,091,669 | - |
| Deferred income | - | 18,522,088 | - | 18,522,088 | - | - | - | - | 37,044,176 | - | 74,088,352 | - |
| Total liabilities | - | 18,522,088 | 404,507,350 | 172,360,866 | 404,507,350 | 404,507,350 | 404,507,350 | 404,507,350 | 37,044,176 | 37,044,176 | 632,434,480 | 632,434,480 |
| Interest sensitivity gap | 257,068,579 | 1,053,097,406 | 2,659,327,972 | 129,474,882 | 2,659,327,972 | 2,659,327,972 | 2,659,327,972 | 2,659,327,972 | 9,279,256,349 | 9,279,256,349 | 13,378,225,188 | 13,378,225,188 |
| At 31 December 2010 | | | | | | | | | | | | |
| Total assets | 328,853,547 | 1,409,673,281 | 4,561,616,882 | 302,477,046 | 4,561,616,882 | 4,561,616,882 | 4,561,616,882 | 4,561,616,882 | 6,652,381,403 | 6,652,381,403 | 13,255,002,159 | 13,255,002,159 |
| Total liabilities | - | 28,425,311 | 251,493,628 | 196,441,558 | 251,493,628 | 251,493,628 | 251,493,628 | 251,493,628 | 56,850,621 | 56,850,621 | 533,211,118 | 533,211,118 |
| Interest sensitivity gap | 328,853,547 | 1,381,247,970 | 4,310,123,254 | 106,035,488 | 4,310,123,254 | 4,310,123,254 | 4,310,123,254 | 4,310,123,254 | 6,595,530,782 | 6,595,530,782 | 12,721,791,041 | 12,721,791,041 |

The various currencies to which SATF is exposed at 31 December 2011 are as shown below:

| | TZS | US\$ | Total |
|--|-----------------------|--------------------|-----------------------|
| Assets | | | |
| Plant and equipments | 181,185,538 | - | 181,185,538 |
| Financial investments "available-for-sale" | 8,214,796,290 | - | 8,214,796,290 |
| Loans and advances | 299,007,200 | - | 299,007,200 |
| Other assets | 1,065,355,821 | - | 1,065,355,821 |
| Cash and bank balances | 145,969,306 | 31,226,265 | 177,195,571 |
| Fixed deposits with banks | 3,296,121,422 | 776,997,827 | 4,073,119,249 |
| | 13,202,435,577 | 808,224,092 | 14,010,659,669 |
| Reserves and liabilities | | | |
| Reserves | | | |
| Trust investment fund | 6,318,675,000 | - | 6,318,675,000 |
| RMPS fund | 1,325,360,000 | - | 1,325,360,000 |
| RMPS accumulated losses | (528,558,664) | - | (528,558,664) |
| Available-for-sale reserve | 1,632,557,979 | - | 1,632,557,979 |
| | | | |
| Retained income | TZS | US\$ | Total |
| | 4,630,190,874 | - | 4,630,190,874 |
| | 13,378,225,189 | - | 13,378,225,189 |
| Liabilities | | | |
| Provisions for employee benefits | 37,747,109 | - | 37,747,109 |
| NGOs' clearing account | 404,507,350 | - | 404,507,350 |
| Accrued expenses | 116,091,669 | - | 116,091,669 |
| Grants (Deferred income) | 74,088,352 | - | 74,088,352 |
| | 632,434,480 | - | 632,434,480 |
| Total reserves and liabilities | 14,010,659,669 | - | 14,010,659,669 |

ORGANISATION INFORMATION

PRINCIPLE PLACE OF BUSINESS:

Plot No. 38
Mikocheni "B" Garden Avenue Street
P. O. Box 10123
Dar Es Salaam
Tanzania

REGISTRATION OFFICE:

Plot No. 38
Mikocheni "B" Garden Avenue Street
P. O. Box 10123
Dar Es Salaam
Tanzania

Bankers

Exim Bank Tanzania Ltd
Main Branch
P. O. Box 9510
Dar es Salaam

Citibank Tanzania Ltd
Dar es Salaam Branch
P. O. Box 71625
Dar es Salaam

Commercial Bank of Africa Tanzania Ltd
Head Office Branch
P.o. Box 804 Dar es Salaam

Kenya Commercial Bank Tanzania Ltd
Head Office Branch
P. O. Box 804
Dar es Salaam

Bank M Tanzania Ltd
Head Office Branch
P. O. Box 96
Dar es Salaam

LAWYERS

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MEKOCONSULT
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