

MALI MONEY MARKET FUND

ANNUAL FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

Mali Money Market Fund
Annual financial statements and reports
For the year ended 31st December 2023

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Mali Money Market Fund
Fund information
For the year ended 31st December 2023

| | |
|----------------------------|---|
| Corporate Trustee | KCB Bank Kenya Limited 7th Floor, KCB Towers Upperhill P.O. Box 30664 - 00100 Nairobi, Kenya. |
| Registered office | 3rd Floor, Purshottam Place Westlands Road P.O. Box 9959 - 00100 Nairobi, Kenya. |
| Fund Manager | Genghis Capital Limited 3rd Floor, Purshottam Place Westlands Road P.O. Box 9959 - 00100 Nairobi, Kenya. |
| Custodian | SBM Bank (Kenya) Limited Riverside Mews, Riverside Drive Nairobi P.O. Box 34886 - 00100 Nairobi, Kenya. |
| Independent auditor | RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre, Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya. |

Mali Money Market Fund
Report of the Corporate Trustee
For the year ended 31st December 2023

The Corporate Trustee submit their report together with the audited financial statements for the year ended 31st December 2023.

Corporate Trustee

The Corporate Trustee who held office during the year and to the date of this report is set out on page 1.

Establishment, nature and status of the fund

The fund was established and is governed by a trust deed dated 31 December 2020 as a digital money market fund. The fund is registered with the Capital Markets Authority.

The primary objective of the Mali Money Market Fund is to generate a total return through investing in a range of short term treasury and money market instruments (all under 1 1/2 year tenure), cash and near cash holdings in the Kenyan market while offering maximum security to the investor.

Financial Review

The statement of profit or loss shows a profit for the year ended 31 December 2023 of Ksh 76,201,053 and the statement of financial position shows the net assets as at 31 December 2023 as KSh 1,424,157,430.

Performance

The performance record of the fund is shown below:

The cumulative average growth rate of the funds invested in the fund for the year was as follows:

| | |
|---------------------|-------------|
| Growth rate | 2023 |
| Annual distribution | 78% |

The closing, lowest and highest unit prices of the units of the fund during the year were as follows:

| | 2023 | 2023 |
|---------------|--------------------|-------------------------------|
| | Daily Yield | Effective Annual Yield |
| Closing yield | 11.49% | 11.49% |
| Lowest yield | 5.88% | 5.88% |
| Highest yield | 11.52% | 11.52% |

The total fund value, number of units and net income distributed for one unit held at the end of the period is as shown below:

| | |
|---------------------|---------------|
| Total fund value | 2023 |
| No. of units issued | 1,424,157,430 |
| Fund value per unit | 1.00 |

The comparative performance of the fund is as below:

| | |
|---|-------------|
| Total comprehensive income for the year | 2023 |
| | 76,201,053 |

Investment

Under the terms of their appointment, Genghis Capital Limited are responsible for the investment of funds. The overall responsibility for investment and performance lies with the fund managers.

We draw attention to Note 8 of the Financial Statements which have funds held with SBM Bank (K) Limited who are the custodians.

Membership

As at 31 December 2023 the fund had 721,002 members.

Fund Advisors

The names and addresses of the fund manager, trustee, custodian and auditor are shown on page 1.

Events after the reporting period

The trustee is not aware of any material event which occurred after the reporting date and up to the date of this report.

Terms of appointment of the auditor

The trustees approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

Terms of appointment of the auditor

The Trustee approves the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 70,000 has been charged to profit or loss in the year.

By order of the board

For: KCB BANK KENYA LTD.
 Corporate Trustee 
 Nairobi 2024
 CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

 CORPORATE TRUSTEE

Mali Money Market Fund
Statement of Corporate Trustee's responsibilities
For the year ended 31st December 2023

The Capital Markets Act (Cap 485A) and the Trust Deed require the Corporate Trustee to prepare financial statements for each financial year that give a true and fair view of the financial position of the fund as at the end of the financial year and of its profit or loss for that year. It also requires the trustee to ensure that the fund keeps proper accounting records that: (a) show and explain the transactions of the fund; (b) disclose, with reasonable accuracy, the financial position of the fund; and (c) enable the trustees to ensure that every financial statement required to be prepared complies with the requirements of the Capital Markets Act.

The Corporate Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Act (Cap 485A). They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the fund's ability to continue as a going concern, the trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the fund's ability to continue as a going concern.

The trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Corporate Trustee on 28th MARCH 2024 and signed on its behalf by:

For: KCB BANK KENYA LTD.

Rhino

.....
Corporate Trustee

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.



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CORPORATE TRUSTEE

Mali Money Market Fund
Report of the Fund Manager
For the year ended 31st December 2023

We would like to thank the unit holders for their continued trust in the Unit Trust Scheme, through their investments in the Mali Money Market Fund. In 2023, the Fund remained committed to creating real wealth for our clients recording a return of 9% in Mali Money Market Fund during the year.

The performance of the fund during the period is highlighted below:

| | 4th Quarter 2023 | Full year 2023 (Jan - Dec) |
|------------------------|-----------------------------|---------------------------------------|
| Mali Money Market Fund | 2.30% | 8.33% |

Highlights

The economy recorded strong growth in the second quarter of 2023. It grew by 5.4 percent compared to 5.2 percent in a similar quarter of 2022, largely driven by the continued rebound of the agriculture sector following favourable weather conditions. The services sector remained resilient, supported by strong growth of financial and insurance services, information and communication, real estate, and accommodation and food services sectors. Performance of the industry sector remained positive but decelerated due to a slowdown in activity in manufacturing and construction.

After peaking at 9.1% in 2022, inflation steadily declined throughout 2023, culminating in the year's lowest average rate of 6.8% in Q4. This is mainly attributable to the upward revision of the Central Bank Rate (CBR) to 12.50% from 10.50% and reduced food prices on account of lower prices of key non-vegetable food items particularly maize and wheat flour following improved supply attributed to the ongoing harvests and Government measures to zero-rate key food imports.


The Shilling took yet another hit in Q4, depreciating by 5.65%, 10.66% and 11.40% against the Dollar, the Sterling Pound and the Euro respectively. In 2023, the shilling depreciated by 25.7% against the dollar, adding to the 9.0% depreciation recorded in 2022. The shilling remained under pressure in 2023 as a result of an ever-present current account deficit which came at 3.7% of GDP in Q2'2023 from 6.0% recorded in a similar period last year, increased dollar demand by importers especially in the oil and energy sector, as well as manufacturers against a low supply of dollar currency leading to shortage of USD in the Kenyan market, the need for government debt servicing, continued to put pressure on forex reserves given that 67.1% of Kenya's external debt was US Dollar denominated and a reduction in forex reserves, at USD 6.7 mn (equivalent to 3.6 months of import cover), which is below the statutory requirement of maintaining at least 4.0 months of import cover.

Yields on government securities were on an upward trajectory primarily due to the government's amplified borrowing needs and investors' pursuit of higher returns to mitigate the impact of the significant inflation rates observed over the year. During the year, the MPC increased the central Bank rate by a cumulative 3.75% points to 12.5% from 8.75% in a bid to anchor inflation and also strengthen the Kenyan shilling from further depreciation. Tax remittances, which offset government payments, are one reason for the tightened liquidity. T-bills were over-subscribed during the year, with the overall subscription rate increasing to 120.01%, up from 87.78% recorded in the previous year. The primary bond market in 2023 saw a strategic shift by CBK, with a 22.30% decrease in the targeted issuance from Kshs 889.30 billion in 2022 to Kshs 691 billion. Despite rising global interest rates in 2023, Kenya's Eurobonds saw an average yield decline of 0.45%

Kenya's stock market suffered a significant downturn in 2023, with major indices contracting sharply. The NASI, NSE 20 and NSE 25 fell by 27.74%, 10.44% and 24.04%, respectively. The newly launched NSE 10 Index also declined 4.61% in Q4 2023. The slump was driven by hefty losses from a majority of large-cap stocks such as KCB, Safaricom and EABL of 42.52%, 42.44% and 31.94%.

We wish to reiterate our commitment towards ensuring the realization of the specific underlying objectives of each of the funds including offering above average returns while providing adequate liquidity to meet ongoing obligations, capital preservation and conservative risk exposure to the investors.

We would like to thank you for selecting Mali Money Market Fund as your investment vehicle of choice.


Signed on behalf of the Fund Manager



***Mali Money Market Fund
Report of the Custodian
For the year ended 31st December 2023***

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between SBM Bank (K) Limited as the Custodian and Kenya Commercial Bank Limited being the Trustees for Mali Money Market Fund, we confirm that we have discharged the duties prescribed for a custodian under regulations to Mali Money Market Fund.

- a) We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations to the Mali Money Market Fund.
- b) The issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income have been carried out in accordance with the Regulations; and
- c) The investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the documents of incorporation have not been exceeded.

For the year ended 31st December 2023, we have held the assets for the Mali Money Market Fund; including securities and income that accrue thereof, to the order of the Trustees and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

In our opinion, the Fund Manager has in all material respects managed the scheme in accordance with the provisions of the Capital Markets (Collective Investment Schemes) Regulations, 2001 incorporation documents, the information memorandum and the rules of the collective investment scheme.

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Signed on behalf of the Custodian



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF THE MALI MONEY MARKET FUND****Opinion**

We have audited the accompanying financial statements of The Mali Money Market Fund (the "fund"), set out on pages 8 to 18, which comprise the balance sheet as at 31st December 2023, the statement of profit or loss account, statements of changes in equity and of cash flows for the year then ended, and notes, including material accounting policy information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the fund as at 31st December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Capital Market Act (Cap 485A).

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 Company in accordance with the International Ethics Standards Board for Accountants' 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 Kenya, and we have fulfilled our 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

The audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Corporate Trustee is responsible for the other information. Other information comprises the information in the reports accompanying the Annual Financial Statements, other than our auditor's report thereon.

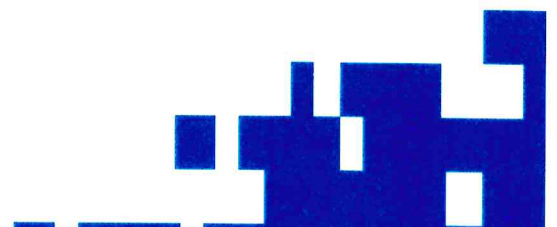
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Capital Market Act (Cap 485A), as set out below.

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.

Corporate Trustees' responsibility for the financial statements

The Corporate Trustee is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Capital Market Act (Cap 485A), and for such internal control as the trustee 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 Corporate Trustee 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 trustee either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF THE MALI MONEY MARKET FUND (CONTINUED)**

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 judgement and maintain professional scepticism 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 management.
- conclude on the appropriateness of management'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 the 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.

We communicate with those charged with governance 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.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the fund as at 31st December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Capital Market Act (Cap 485A).

Report on other legal requirements

In our opinion the information given in the report of the trustees on page 2 is consistent with the financial statements.

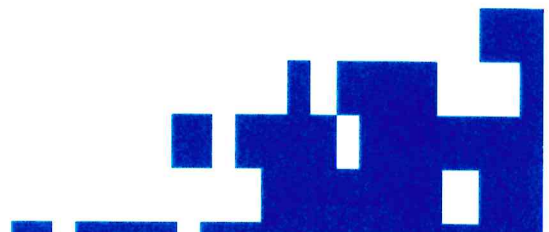
The engagement partner responsible for the audit resulting in this independent auditor's report is *CPA Elvis Ogeto*, Practising Certificate No. 2303.



for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

28 March

..... 2024
082/2024



Mali Money Market Fund
Financial statements
For the year ended 31st December 2023

STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2023

| | Note | 2023 KSh |
|--------------------------------|-------------|--------------------------|
| Investment income | 4 | 101,661,432 |
| Fair value gain on investments | 5 | 2,881,324 |
| Administrative expenses | 6 | <u>(28,341,703)</u> |
| Profit for the year | | <u><u>76,201,053</u></u> |

Mali Money Market Fund
Financial statements
For the year ended 31st December 2023

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2023

| | Note | 2023 KSh |
|--------------------------------|------|-----------------------------|
| EQUITY | | |
| Unit holder's fund | | <u>1,424,157,430</u> |
| Total equity | | <u><u>1,424,157,430</u></u> |
| REPRESENTED BY | | |
| Non-current assets | | |
| Fixed deposits | 7 | 885,452,706 |
| Call deposits | 7 | 262,875,981 |
| Government securities | 7 | 294,861,669 |
| Corporate bond | 7 | <u>4,513,623</u> |
| | | <u>1,447,703,979</u> |
| Current assets | | |
| Cash and cash equivalents | 8 | <u>(5,948,565)</u> |
| Current liabilities | | |
| Accruals and other payables | 9 | <u>17,597,984</u> |
| Net current liabilities | | <u>(23,546,549)</u> |
| | | <u><u>1,424,157,430</u></u> |

The financial statements on pages 8 to 18 were approved for issue by the Corporate Trustees on 28 March 2024 and were signed on their behalf by:

For: KCB BANK KENYA LTD.


 Corporate Trustee CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.


 CORPORATE TRUSTEE

Mali Money Market Fund
Financial statements
For the year ended 31st December 2023

STATEMENT OF CHANGES IN UNIT HOLDER'S FUND FOR THE YEAR ENDED 31ST DECEMBER 2023

| | Unit holder's fund KSh | Total KSh |
|------------------------------|---------------------------------------|-----------------------------|
| At 1st January 2023 | 1,347,956,377 | 1,347,956,377 |
| Profit for the year | <u>76,201,053</u> | <u>76,201,053</u> |
| At 31st December 2023 | <u><u>1,424,157,430</u></u> | <u><u>1,424,157,430</u></u> |

Mali Money Market Fund
Financial statements
For the year ended 31st December 2023

STATEMENT OF CASH FLOWS THE YEAR ENDED 31ST DECEMBER 2023

| | Note | 2023 KSh |
|--|------|---------------------------|
| Cash flows from operating activities | | |
| Profit for the year | | 76,201,053 |
| Operating profit before working capital changes | | |
| Increase in accruals and other payables | | <u>17,597,984</u> |
| Net cash generated from operating activities | | <u>93,799,037</u> |
| Cash flows from investing activities | | |
| Purchase of fixed deposits | 7 | (885,452,706) |
| Purchase of call deposits | 7 | (262,875,981) |
| Purchase of Government securities | 7 | (294,861,669) |
| Purchase of corporate bond | 7 | <u>(4,513,623)</u> |
| Net cash used in investing activities | | <u>(1,447,703,979)</u> |
| Cash flows from financing activities | | |
| Net movement of fund balances | | <u>1,347,956,377</u> |
| Net cash generated from financing activities | | <u>1,347,956,377</u> |
| Net increase in cash and cash equivalents | | <u>(5,948,565)</u> |
| Cash and cash equivalents at start of period | | <u>-</u> |
| Cash and cash equivalents at end of period | 8 | <u><u>(5,948,565)</u></u> |

NOTES

1. Material accounting policy information

The accounting policy information considered material in the preparation of these financial statements is set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (KSh), which is also the functional currency.

The financial statements comprise a statement of profit or loss account, statement of financial position, statement of changes in unit holders' fund, statement of cash flows, and notes. Income and expenses, are recognised in the statement of profit and loss account. Transactions with the owners of the fund in their capacity as owners are recognised in the statement of changes in unit holder's fund.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the fund uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the fund at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

One new Standard and five Amendments to standards became effective for the first time in the financial year beginning 1st January 2023 and have been adopted by the Company.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

b) New and revised standards (continued)

Of the five amendments, the Company had applied the following two Amendments early, in 2021:

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Neither the new Standard nor the other three amendments have had an impact on the Company's financial statements.

ii) New and revised standards that have been issued but are not yet effective

The Company has not applied any other of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st January 2023, and the Directors do not plan to apply any of them until they become effective. Note 10 lists all such new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the Company's financial statements in the period of initial application.

c) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest method. The fund also accrues interest income for the period.

d) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the fund becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the fund commits itself to the purchase or sale.

Classification

The fund classifies its financial instruments into the following categories:

- i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.
- ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
- iii) All other financial assets are classified and measured **at fair value through profit or loss**.
- iv) Notwithstanding the above, the fund may:
 - a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income**;
 - b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

d) Financial instruments (continued)

Classification (continued)

- v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Trustee may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- vi) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Term deposits with banking institutions, and investments in government securities are classified as at amortised cost; and
- Trade and other liabilities were classified as at amortised cost.

Initial measurement

On initial recognition:

- i) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income is recognised in profit or loss.

Fair value is determined as set out in Note 1(a), amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Trustee recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

e) Financial instruments (continued)

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the fund's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the fund does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the fund has transferred substantially all risks and rewards of ownership, or when the fund has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the fund, the Corporate Trustees make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

NOTES (CONTINUED)

2. Significant judgements and key sources of estimation uncertainty (Continued)

a) Significant judgements made in applying the Trustee's accounting policies

The judgements made by the Corporate Trustee in the process of applying the fund's accounting policies that have the most significant effect on the amounts recognised in the financial statements include classification of financial assets, including whether or not the asset is impaired.

b) Key sources of estimation uncertainty

Key assumptions about the future made by the Corporate Trustee that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward looking information, and of losses given

3. Risk management objectives and policies

a) Financial risk management

The Trustee's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Trustee's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Trustee's performance by setting acceptable levels of risk. The Trustee does not hedge against any risks.

i) Credit risk and expected credit losses

If the Trustee does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Trustee groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analyzed above based on their credit risk rating as follows:

- a) Financial assets for which credit risk has increased significantly since the initial recognition but are not credit
- b) Financial assets that are credit impaired at the balance sheet date.
- c) Trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based as a practical expedient on provision matrices.

The management does not hold any collateral against the past due or impaired receivables. The management continues to actively follow-up on due receivables.

ii) Liquidity risk

Liquidity risk is the risk that the Trustee will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Trustee's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Trustee manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk

Interest rate risk

The Trustee is not exposed to interest rate risk as it invests funds at fixed interest rates.

Currency risk

The Trustee is not exposed to currency risk as it does not have transactions that would be subject to exchange rate risk.

b) Capital management

The Trustee's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The Trustee is not subject to any external capital requirements.

| | 2023 KSh |
|---|---------------------------|
| 4. Investment income | |
| Interest on fixed deposits | 23,903,886 |
| Interest on call deposits | 35,743,659 |
| Interest on government securities | 41,516,637 |
| Interest on corporate bonds | 497,250 |
| | 101,661,432 |
| | 101,661,432 |
| 5. Other income | |
| Fair value gain on investments | 2,881,324 |
| | 2,881,324 |
| 6. Administrative expenses | |
| Management fees | 24,594,810 |
| Custody fees | 1,225,631 |
| Trustee fees | 2,451,262 |
| Audit fee | 70,000 |
| | 28,341,703 |
| | 28,341,703 |
| <p>The Fund was charged management fees at 2% of the fund with custody fee being charged at 0.10% and trustee fee at 0.20%</p> | |
| 7. Investment | |
| Fixed deposits | 885,452,706 |
| Call deposits | 262,875,981 |
| Government securities | 294,861,669 |
| Corporate bond | 4,513,623 |
| At end of year | 1,447,703,979 |
| | 1,447,703,979 |
| 8. Cash and cash equivalents | |
| <p>For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:</p> | |
| Cash at bank | 20,645,875 |
| Co-Promoter's float | (26,594,440) |
| | (5,948,565) |
| | (5,948,565) |
| <p>The Co-Promoter's float is the interest-free replenishable float provided by Safaricom Limited Plc to facilitate withdrawals from the Fund. The float limit is 50 million Kenya Shillings.</p> | |
| 9. Accruals and other payables | |
| Accruals | 70,000 |
| Accrued interest from investments | 17,527,984 |
| | 17,597,984 |
| | 17,597,984 |

NOTES (CONTINUED)

10. New and revised financial reporting standards

The fund has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2023.

Amendments to IAS 1 titled *Classification of Liabilities as Current or Non-current* (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendment to IFRS 16 titled *Lease Liability in a Sale and Leaseback* (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.

Amendments to IAS 1 titled *Non-current Liabilities with Covenants* (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

Amendments to IAS 7 and IFRS 7 titled *Supplier Finance Arrangements* (issued in May 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2024, require an entity to provide additional disclosures about its supplier finance arrangements

Amendments to IAS 21 titled *Lack of Exchangeability* (issued in August 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2025, require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.