

THE MADISON BALANCED FUND

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2020**

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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FUND INFORMATION

CORPORATE TRUSTEE :	KCB Bank Kenya Limited KCB Towers, 7th Floor Junction of Hospital Road and Kenya Road, Upper Hill P.O. Box 30664, 00100 Nairobi
REGISTERED OFFICE :	Madison House 2nd Floor Upper Hill Close P.O. Box 20092, 00100 Nairobi
FUND MANAGERS AND ADMINISTRATORS:	Madison Investment Managers Limited Madison House, 2nd Floor Upper Hill Close P.O. Box 20092, 00100 Nairobi Telephone +254 20 2721340 Email madisoninvestmentmanagers@madison.co.ke
CUSTODIANS	Equity Bank Kenya Limited Custodial Services Equity Centre, Upper Hill P.O. Box 39807, 0623 Nairobi
INDEPENDENT AUDITOR	Deloitte & Touche Certified Public Accountants Deloitte Place Waiyaki way, Muthangari P.O. Box 40092, 00100 Nairobi

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REPORT OF THE TRUSTEE

The trustee has the pleasure of submitting the fund's report together with the audited financial statements for the year ended 31 December 2020.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established, and is governed by a trust deed dated 10 September 2010 as a Balanced Fund. The fund was registered with the Capital Markets Authority on the 17 November 2010 and began operations on 10 January 2011.

The primary objective of the fund is to seek long term capital growth from a wide range of securities thereby allowing access to diverse investment assets and returns. It ultimately aims to mobilize savings and allow access to investment assets and returns in equities otherwise restricted to persons with access to large amounts of capital.

The fund is a unit trust and the interest of the individual members is determined by the value of their units. It is administered by the trustee who is responsible for its affairs.

The fund is an approved collective investment scheme within the meaning of the Capital Markets Act; and the holders are not liable for the debts of the fund.

The financial statements are an extract from the Madison Unit Trust Fund.

CHANGES TO THE INCORPORATION DOCUMENTS

There were no changes in the incorporation documents for the fund during the period under review.

FINANCIAL REVIEW

The statement of profit or loss on page 11 shows profit for the year of Shs. 787,509 (2019: Shs. 1,595,783). The statement of financial position on page 12 shows total net assets of Shs. 10,460,302 as at 31 December 2020 (2019: Shs. 13,213,664).

PERFORMANCE RECORD

The performance record of the fund over the current and previous period is as shown below:

a) The closing, lowest and highest prices of the units of the fund:

	2020		2019		2018		2017		2016	
	Bid price Shs	offer price Shs								
Closing unit price	44.54	44.54	45.95	45.95	50.13	50.13	51.03	51.03	49.99	49.99
Lowest unit price	43.22	43.22	44.62	44.62	48.76	48.76	49.37	49.37	49.04	49.04
Highest unit price	49.54	49.54	51.37	51.37	51.74	51.74	52.39	52.39	58.34	61.56

The lowest and highest bid prices of the units of the Fund for the last five years are as shown below:

	2020	2019	2018	2017	2016
Highest price	49.54	49.54	48.76	52.39	58.34
Lowest price	43.22	43.22	51.74	49.37	49.04

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REPORT OF THE TRUSTEE (CONTINUED)

PERFORMANCE RECORD (CONTINUED)

- (b) The total fund value, number of units and net income distributed for all units held at the end of each period for the last five years:

	2020	2019	2018	2017	2016
Total fund value (Shs)	10,460,302	13,213,664	12,590,595	12,453,745	11,554,740
Net income distributed (Shs)	787,509	1,595,783	264,545	990,257	(800,845)
Number of units distributed	(64,735)	20,007	23,928	10,660	22,425

There has been no amalgamation or reconstruction of the current units in the fund that have had a material effect on the size of the fund.

INVESTMENT

Under the terms of their appointment, Madison Investment Managers Limited is responsible for the investment of funds. The overall responsibility for investment and performance lies with the trustee.

MEMBERSHIP

As at 31 December 2020, the fund had 3 members (2019: 11 members).

FUND ADVISORS

The names and addresses of the fund manager, trustee, custodian and independent auditor are as shown on page 2.

PRINCIPAL RISKS AND UNCERTAINTIES

The fund's strategic focus is to seek long term capital growth from a wide range of securities, the success of which remains dependent on overall market conditions and other factors such as the impact of the ongoing Covid 19 pandemic. The trustees continue to monitor the pandemic closely with a view to assessing and mitigating its impact on the fund.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to the trustee at the time this report was approved:

- (a) there is, so far as the trustee is aware, no relevant audit information of which the fund's auditor is unaware; and
- (b) the trustee has taken all the steps that ought to have been taken as a trustee so as to be aware of any relevant audit information and to establish that the fund's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

Deloitte & Touche who were appointed during the year have expressed their willingness to continue in office as the Fund auditors. The Trustee monitors the effectiveness, objectivity and independence of the auditor. The Trustee also approves the annual engagement contract, which sets out the terms of the auditor's appointment and the related fees.

FOR: KCB BANK KENYA LTD.

By order of the Trustees
KCB Bank Kenya Limited

30 March 2021

FOR: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

THE MADISON BALANCED FUND
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FUND MANAGER'S REPORT

The objective of Madison Balanced Fund is to achieve medium-term capital growth while realizing regular income inflows over time. The Fund will invest in a diversified, portfolio of various asset classes in the local and international market to balance the portfolio risk. Nonetheless, the fund may adopt a tactical strategy from time to time and is expected to give the overall portfolio stability and a consistent income stream. The Fund value as at 31 December 2020 was KES 10.46 million compared to KES 13.21 million in 2019, representing a decline in value of 21%. The Fund achieved a return of 3.06% in the year. The performance of the Fund in 2020 was underpinned by several factors that are discussed below:

In Sub-Saharan economic growth is expected to contract by 3.0% in 2020 compared to an expansion of 2.3% in 2019. The region is contending with an unprecedented health and economic crisis which has jeopardized years of hard-won development and upended the livelihoods of millions. Economic growth in the region is expected to recover to 3.1% in 2021, however, there are some downside risks which might hamper the recovery, that is, path of COVID-19 pandemic and the resilience of the region's health systems. Kenya fell into a recession in 2020 as Q2'2020 and Q3'2020 economic growth came in at -5.7% and -1.1% respectively. Contraction in manufacturing and distributive trade activities coupled with significant underperformance in accommodation and food service activities and education activities were the main cause for negative growth.

Inflationary pressures remained relatively unchanged in 2020 with average headline inflation of 5.21% compared to 5.20% recorded in 2019 which was within the Government target range of between 2.50% and 7.50%. Favorable weather conditions for the better part of the year ensured food prices remained stable while fuel prices were lower compared to 2019.

The Kenya Shilling depreciated against the major international currencies but strengthened against the regional currencies; -7.73% against the USD, -18.11% against the Euro, -11.60% against the Pound, +6.33% against the TZS and +7.70% against the UGX. The KES came under pressure due to; 1) reduced dollar inflows, 2) foreign debt service obligations by the National Treasury, 3) increased dollar demand in the global market due to its view as a safe haven asset.

In 2020, average yields on the treasury bills declined further, the 91-day declined by 0.20% to 6.85% in 2020 from 6.87% in 2019, the 182-day declined by 4.07% to 7.50% in 2020 from 7.82% in 2019, 364-day declined by 9.83% to 8.55% in 2020 from 9.48% in 2019. This also led to a decline in other money market assets such as fixed deposits. Investors' appetite for short term government remained high, the average subscription rate increased to 129.63% in 2020 compared to average of 118.60% in 2019.

During the year, the market was on a downward trend, with NASI, NSE 25 and NSE 20 declining by 8.6%, 16.7% and 29.6% respectively. The decline was as a result of the Covid-19 sell off due to expectations that corporate earnings will decline and investors taking a risk averse stance.

We appreciate your investment in the Fund and thank you for supporting us. We look forward to developing a long term relationship with you and to working closely with you as you secure your financial future and meet your investment goals.



Signed on behalf of the Fund Manager
Madison Investment Managers Limited



Signed on behalf of the Fund Manager
Madison Investment Managers Limited

30 March 2021

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REPORT OF THE CUSTODIAN

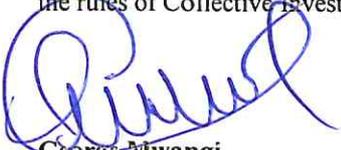
In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Equity Bank Custody Services as the Custodians and Madison Investment Managers Limited as the Fund Manager, we confirm that:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the CMA Regulations, to Madison Balanced 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.

We have held the assets for Madison Balanced Fund, including securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

For the year ended 31 December 2020, we have held the assets for the fund, including title deeds, securities and income that accrue thereof, to the order of the fund manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

To the best knowledge of the Custodian, the Fund Manager has in all material respects managed the scheme in accordance with the provisions of the CMA Regulations, incorporation documents, the information memorandum and the rules of Collective Investment Scheme.



George Mwangi
Signed on behalf of the Custodian
Equity Bank Kenya Limited

30 March 2021

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STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Capital Markets (Collective Investment Schemes) Regulations, 2001 and trust deed requires the trustee to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the fund at the end of the financial year and of the fund's operating results for the year.

It also requires the trustee to ensure that Madison Balanced Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the fund. The trustees are also responsible for safeguarding the assets of the fund.

The Custodian has confirmed that The Fund Manager has in all material respects managed the scheme in accordance with the provisions of the CMA Regulations, incorporation documents, the information memorandum and the rules of Collective Investment Scheme.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Capital Markets Act. They also accept responsibility for:

- designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then apply them consistently; and
- making judgements and accounting estimates that are reasonable in the circumstances

Having made an assessment of the Fund's ability to continue as a going concern, the Trustees are aware that the clients of the fund as at 31st December had fully liquidated their investments in January 2021 and approval to cease operations the fund was being sought with the regulator, Capital Markets Authority casting doubt upon the fund ability to continue as a going concern.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

For: KCB BANK KENYA LTD.

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CORPORATE TRUSTEE
Signed on behalf of the Trustee
KCB Bank Kenya Limited

30 March 2021

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MADISON BALANCED FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Madison Balance Fund set out on pages 11 to 29, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information..

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants* (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter

Subsequent to year end, the unit holders fully liquidated their investments in January 2021, and approval to cease operation of the fund was being sought with the regulator, Capital Markets Authority. As disclosed in note 1 (c) and 1 (d), these financial statements are not prepared on a going concern basis. Our audit opinion is not modified in respect of this matter.

Key Audit Matters

Key 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.

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

Other Matters

The financial statements of Madison Balanced Fund for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2020.

Other Information

The Trustee of the Fund is responsible for the other information, which comprises of the Report of the Trustee, Fund manager's report and the Report of the Custodian which were obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and on the other information we obtained prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MADISON EQUITY FUND (Continued)

Responsibilities of the Trustee for the financial statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, and for such internal controls as Trustees determine are 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 Trustees 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 Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee;
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- 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 the Trustee 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MADISON EQUITY FUND (Continued)

Report on Other Legal and Regulatory Requirements

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

The Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 also requires that in carrying out our audit we consider and report to you on the following matters:

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records;
- If the auditor has not been given all the information and explanation which, to the best of his knowledge and belief, are necessary for the purpose of his audit; or
- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

We confirm that there are no matters to report in respect of the foregoing requirements.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi

31 March 2021

CPA David Waweru, Practising certificate No. 2204
Signing partner responsible for the independent audit

THE MADISON BALANCED FUND
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STATEMENT OF PROFIT OR LOSS

	Notes	2020 Shs	2019 Shs
Investment income	2	807,289	1,538,055
Fair value gain on investments	3	-	56,538
Total income		<u>807,289</u>	<u>1,594,593</u>
IFRS 9 impairment provisions	4	(19,780)	9,961
Profit before tax	5	<u>787,509</u>	<u>1,604,554</u>
Tax	6	-	(8,771)
Profit for the year		<u><u>787,509</u></u>	<u><u>1,595,783</u></u>

THE MADISON BALANCED FUND
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STATEMENT OF FINANCIAL POSITION

	Notes	2020 Shs	2019 Shs
ASSETS			
Call deposit	7	10,405,652	3,603,867
Fixed deposits	8	-	3,377,120
Treasury Bonds	9	-	4,061,173
Treasury bills	11	-	933,166
Bank balances	12	63,047	-
Quoted equity investments	13	-	1,329,800
		<hr/>	<hr/>
		10,468,699	13,305,126
		<hr/>	<hr/>
LIABILITIES			
Other payables	14	8,397	91,462
		<hr/>	<hr/>
NET ASSETS		10,460,302	13,213,664
		<hr/>	<hr/>
FUND BALANCE			
Unit holders funds		9,672,793	11,617,881
Net income for the year		787,509	1,595,783
		<hr/>	<hr/>
MEMBERS' FUNDS		10,460,302	13,213,664
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 11 to 30 were approved and authorized for issue by the trustee on 30 March 2021 and were signed on its behalf by:

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

Signed on behalf of the Trustee
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

Signed on behalf of the Trustee
KCB Bank Kenya Limited

THE MADISON BALANCED FUND
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STATEMENT OF CHANGES IN NET ASSETS

	2020 Shs	2019 Shs
Fund balance at start of the year	13,213,664	12,590,595
Refunds due to withdrawals by unit holders	(3,540,871)	(972,714)
	<hr/>	<hr/>
Net refunds made to unit holders in the year	(3,540,871)	(972,714)
Net movement in the fund balance	9,672,793	11,617,881
Total income for the year	787,509	1,595,783
	<hr/>	<hr/>
At end of year	<u>10,460,302</u>	<u>13,213,664</u>

THE MADISON BALANCED FUND
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STATEMENT OF CASH FLOWS

	Notes	2020 Shs	2019 Shs
Cash flows from operating activities			
Profit before tax		787,509	1,604,554
Adjustments for:			
Investment income	2	(807,289)	(1,538,055)
Fair value changes on quoted investments	3	-	(2,209)
IFRS 9 impairment provisions	4	19,780	(9,961)
Fair value gain on bonds		-	(58,747)
Changes in working capital			
Tax paid	6	-	(8,771)
		<hr/>	<hr/>
Net cash from operating activities		-	(13,189)
		<hr/>	<hr/>
Investing activities			
Proceeds from the sale of equity investments	13	9,244,083	405,941
Proceeds from sale of treasury bonds		4,067,463	-
Net proceeds from treasury bills		942,592	892,500
Purchase of quoted equities		(8,203,596)	(1,332,009)
Interest received		1,098,798	1,307,330
		<hr/>	<hr/>
Net cash from investing activities		7,149,340	1,273,762
		<hr/>	<hr/>
Financing activities			
Amounts paid on withdrawals of units		(3,540,871)	(972,714)
		<hr/>	<hr/>
Net cash used in financing activities		(3,540,871)	(972,714)
		<hr/>	<hr/>
Increase in cash and cash equivalents		3,608,469	287,860
		<hr/>	<hr/>
Movement in cash and cash equivalents			
At start of year		6,980,987	6,767,109
IFRS 9 impairment provisions		(120,757)	(73,982)
Increase		3,608,469	287,859
		<hr/>	<hr/>
At end of year	7(b)	<u>10,468,699</u>	<u>6,980,987</u>

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For the purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(ii) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2019 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(iii) Early adoption

The Fund did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

c) Basis of preparation

Due to the going concern status of the fund as explained below, the financial statements have been prepared under the break up basis and in accordance with International Financial Reporting Standards. The assets of the Fund are carried at the realizable values and liabilities at their settlement values

d) Going concern

The financial performance of the fund is set out in the report of the trustees and in the statement of profit or loss. The financial position of the fund is set out in the statement of financial position. Disclosures in respect of principal risks and uncertainties are included within the report of the trustee and disclosures with respect to risk management are set out in Note 17.

Based on the events after the reporting period, the trustee is informed that the fund was fully liquidated in January 2021 and is of the opinion that the Fund is not well placed to continue in business for the foreseeable future. The annual financial statements have accordingly not been prepared on the going concern basis.

THE MADISON BALANCED FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Critical accounting estimates and judgement

In the application of the accounting policies, the trustee is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The trustee has made the following estimates and judgements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- **Impairment of investments** - the fund reviews their portfolio of investments on an annual basis.
- In determining whether investments are impaired, the trustee makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

i) *Measurement of expected credit losses (ECL):*

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behavior.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Critical accounting estimates and judgement (continued)

i) *Measurement of expected credit losses (ECL) (continued):*

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The fund uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

f) Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from equity securities is recognized when the fund's right to receive payment has been established.

Investment income

Interest income is recognized in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognized when the right to receive the payment is established.

Realized/unrealized gains and losses

Unrealized / realized gains and losses on valuation of financial assets at the reporting date or sale of financial assets are recognized in profit or loss. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

g) Financial instruments

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

Financial assets

The fund classifies its financial assets into the following categories:

Amortized cost;

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 (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortized cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial instruments (Continued)

Financial assets (Continued)

Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the fund may:

- 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**
- 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.

At initial recognition of a financial asset, the fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The fund reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the fund has not identified a change in its business models.

DE recognition/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.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Impairment

The fund recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortized cost or at fair value through other compressive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognized on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial instruments (Continued)

Impairment (Continued)

- the credit risk has increased significantly since initial recognition; or
- 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 recognized 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.

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 reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- *Financial liabilities*

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 company 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.

- *All other financial liabilities are classified and measured at amortized cost.*

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of deposits held at call with banks.

i) Taxation

The tax expense for the year is recognized in profit or loss.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

j) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. INVESTMENT INCOME

	2020 Shs	2019 Shs
<i>Interest income</i>		
Interest on treasury bills	57,407	143,140
Interest on call deposits	296,591	101,878
Treasury bonds interest	445,060	454,232
Interest on fixed deposits	285,232	576,205
Interest on corporate bond	14,508	31,875
	<hr/>	<hr/>
	1,098,798	1,307,330
	<hr/>	<hr/>
<i>At fair value through profit or loss:</i>		
Gain/(loss) on sale of equity investments	(289,313)	230,725
Loss on sale of treasury bonds	(2,906)	-
	<hr/>	<hr/>
	(291,509)	230,725
	<hr/>	<hr/>
	807,289	1,538,055
	=====	=====

3. FAIR VALUE CHANGES

Treasury bonds (Note 9)	-	58,747
Quoted equity investments (Note 13)	-	2,209
	<hr/>	<hr/>
	-	56,538
	=====	=====

4. FUND EXPENSES

IFRS 9 impairment provisions:

Corporate bonds	14,268	-
Fixed deposits	(52,127)	(27,841)
Treasury bonds	(32,339)	464
Treasury bills	(9,426)	(5,071)
Bank balances	502	632
Call deposits	98,902	-
	<hr/>	<hr/>
Total IFRS 9 impairment provisions	19,780	9,961
	<hr/>	<hr/>
Total fund expenses	19,780	9,961
	=====	=====

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PROFIT BEFORE TAX

	2020 Shs	2019 Shs
The following items have been charged in arriving at the profit before tax:		
IFRS 9 impairment provisions	19,780	(9,961)
Bank charges	-	-
	<u> </u>	<u> </u>

As per the Information Memorandum Clause 13 the Fund Manager should meet the custodial fees and Trustee fees from the fund management fees. The Fund Manager did not charge management fees and also settled the expenses below on behalf of the fund.

	2020 Shs	2019 Shs
Custodial fees	57,240	53,640
Trustee fees	240,000	240,000
	<u> </u>	<u> </u>

6. TAX

At start of year	-	-
Withholding tax expense	-	8,711
Withholding taxes paid	-	(8,711)
	<u> </u>	<u> </u>

7. (a) CALL DEPOSITS

Face value	10,466,903	3,577,187
Accrued interest	59,506	48,535
IFRS 9 impairment provision	(120,757)	(21,855)
	<u> </u>	<u> </u>
	<u>10,405,652</u>	<u>3,603,867</u>

The weighted average effective interest rate on call deposits at 31 December 2020 was 9.83%. (2019 9.15%).

The carrying amounts of the fund's call deposits are denominated in Kenya shillings.

(b) CASH AND CASH EQUIVALENTS

	2020 Shs	2019 Shs
Bank balance	63,047	-
Call deposits	10,405,652	3,603,867
Fixed deposits	-	3,377,120
	<u> </u>	<u> </u>
	<u>10,468,699</u>	<u>6,980,987</u>

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. FIXED DEPOSITS

	2020 Shs	2019 Shs
Maturity within 90 days	-	3,355,548
Accrued interest	-	73,699
IFRS 9 impairment provision	-	(52,127)
	<hr/>	<hr/>
	-	3,377,120
	<hr/> <hr/>	<hr/> <hr/>

The weighted average effective interest rate on fixed deposits at 31 December 2019 was 11.06%

The fund had divested from fixed deposits to cater for payments due to withdrawing clients. The carrying amounts of the fund's fixed deposits are denominated in Kenya shillings.

9. TREASURY BONDS

	2020 Shs	2019 Shs
FXD3/2016/5	-	539,286
IFB1/2013/12	-	1,511,454
IFB1/2015/9	-	2,042,772
IFRS 9 impairment provision	-	(32,339)
	<hr/>	<hr/>
	-	4,061,172
	<hr/> <hr/>	<hr/> <hr/>

Movement in treasury bonds

At start of year	4,061,173	4,034,765
Realized (loss)/gain (Note 2)	(18,708)	31,875
Unrealized gain (Note 3)	-	58,747
Disposals	(4,042,465)	-
IFRS 9 impairment provision	-	(32,339)
	<hr/>	<hr/>
At end of year	-	4,061,173
	<hr/> <hr/>	<hr/> <hr/>

The funds divested from treasury bonds to cater for payments of withdrawing clients.

The carrying amounts of the fund's treasury bonds are denominated in Kenya shillings.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. CORPORATE BONDS

	2020 Shs	2019 Shs
Athi River mining bond	-	1,000,000
Imperial Bank bond	-	1,000,000
Less: Provision for impairment – lifetime ECL	-	(2,000,000)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The carrying amounts of the fund's corporate bonds are denominated in Kenya shillings

The Athi River Mining Bond was due to mature in 2020 but the company is under receivership and a lifetime impairment provision was made in the year 2019.

There was a recovery of Kshs 14,508 from the Athi River Mining Bond in the year 2020.

11. TREASURY BILLS

	2020 Shs	2019 Shs
364 Days Treasury Bills	-	914,359
Accrued interest	-	28,233
IFRS 9 impairment provision	-	(9,426)
	<u> </u>	<u> </u>
At year end	-	933,166
	<u> </u>	<u> </u>

The weighted average effective interest rate on Treasury bills as at 31st December 2019 was 10.24%.

The carrying amounts of the fund's treasury bills are denominated in Kenya shillings.

12. CASH AND CASH EQUIVALENTS

	2020 Shs	2019 Shs
Cash at bank	63,047	-
	<u> </u>	<u> </u>
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise of the following:-		
Cash at bank	63,047	-
Call deposits	10,405,652	3,603,667
Fixed deposits	-	3,377,120
	<u> </u>	<u> </u>
	10,468,699	6,980,987
	<u> </u>	<u> </u>

The carrying amount of the company's cash at bank and in hand are dominated in Kenya shillings.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. QUOTED SHARES – AT FAIR VALUE

Year ended 31 December 2020

	Number of shares		Market Value		31 December 2020	Realised gain	Fair value gain/loss
	1 January 2020	31 December 2020	Additions	Disposals			
Diamond Trust Bank Kenya	12,200	-	-	1,415,122	-	85,322	-
Safaricom PLC Equity Bank	-	105,900	3,240,951	3,094,995	-	(145,956)	-
Kenya Limited	-	75,400	3,317,656	3,027,871	-	(289,785)	-
KCB Bank Limited	-	46,700	1,706,095	1,706,095	-	61,106	-
	<u>12,200</u>	<u>228,000</u>	<u>8,203,596</u>	<u>9,244,083</u>	<u>-</u>	<u>(289,313)</u>	<u>-</u>

Year ended 31 December 2019

	Number of shares		Market Value		31 December 2019	Realised gain	Fair value gain/loss
	1 January 2019	31 December 2019	Additions	Disposals			
Diamond Trust Bank Kenya	-	12,200	-	1,332,009	1,329,800	-	(2,209)

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 OTHER PAYABLES

	2020 Shs	2019 Shs
Other payables	8,397	91,462
	<u>=====</u>	<u>=====</u>

The carrying amounts of the company's other payables are denominated Kenya shillings.

The maturity of other payables is between 1 to 3 months.

15. RELATED PARTY BALANCES AND TRANSACTIONS

Madison Balanced Fund is managed by Madison Investment Managers Limited as their Fund manager. Madison Investment Managers Limited is a subsidiary of Madison Group Limited which is a holding company and owns a number of other subsidiaries which are fellow subsidiaries to Madison Investment Managers Limited. The Fund transacts with this company within the Madison Group Limited. As at 31 December 2020, the investments held on behalf of the related parties were as below:

	2020 Shs	2019 Shs
Transactions with related parties over the year:		
Madison Life Assurance Kenya Limited	10,522,557	10,041,846
	<u>=====</u>	<u>=====</u>

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The fund generates revenues for the members by investing in various income generating activities which involve trading in the Securities Exchange. These activities expose the fund to a variety of financial risks, including credit risk and the effects of changes in market dynamics. The trust deed sets out the investment policy and management of the fund's assets to minimize potential adverse effects on its financial performance.

Risk management is carried out by the management.

(a) Market risk

Price risk

The Fund is exposed to equity securities price risk because of investments in quoted shares.

The trust deed sets out the following guiding principles for the Fund Manager in order to manage this risk:

- invest in a solid spread of high performance securities
- take capital profits when appropriate
- select stocks in companies with proven performance and good prospects for growth
- spread securities over those economic sectors that meet the criteria of performance and growth; and
- administer the portfolio according to best practice.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(a) Market risk (Continued)

Price risk (Continued)

All quoted shares held by the fund are traded on the Nairobi Securities Exchange (NSE).

The Fund is not exposed as all the equity securities were disposed of during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest bearing assets include term deposits and treasury bonds which have fixed interest rates hence exposure to interest rate risk is not considered to be material.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The credit risk on term deposits and bank balances is limited as the counterparties are all recognized banks with good reputations. The Fund's equity investments are done through reputable intermediaries to protect the Fund against any misappropriations.

In assessing whether the credit risk on a financial asset has increased significantly, the trustees of the fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the trustees of the fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

If the trustees of the fund 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 recognized on a collective basis. For such purposes, the fund's financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the debtor operates; and
- 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.

THE MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

The gross carrying amount of financial assets with exposure to credit risk at the statement of financial position date was as follows:

	Lifetime expected credit	12 month expected credit losses	Total	
	2020	2020		2019
	Shs	Shs	Shs	Shs
Fixed deposits	-	-	-	3,429,247
Corporate bonds	-	-	-	2,000,000
Treasury bonds	-	-	-	4,093,511
Treasury bills	-	-	-	942,592
Call deposits	10,526,409	-	10,526,409	3,625,722
Bank balances	63,549	-	63,549	-
	<hr/>	<hr/>	<hr/>	<hr/>
Gross carrying amount	10,589,958	-	10,589,958	14,091,072
Loss allowance	(121,259)	-	(121,259)	(2,115,747)
	<hr/>	<hr/>	<hr/>	<hr/>
Exposure to credit risk	10,468,699	-	10,468,699	11,975,326
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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 ratings as follows:

- i) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- ii) financial assets that are credit impaired at the balance sheet date;
- iii) 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 MADISON BALANCED FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

The changes in the loss allowance during the year were as follows:

Basis for measurement of loss allowance	Fixed deposits Shs	Treasury Bonds Shs	Corporate bondss Shs	Treasury bills Shs	Bank balances Shs	Call deposits Shs	Total Shs
As at 31 December 2020							
At start of year	52,127	32,339	2,000,000	9,426	-	21,855	2,115,747
Changes relating to assets	(52,127)	(32,339)	(2,000,000)	(9,426)	502	98,902	(1,994,488)
Exposure to credit risk	-	-	-	-	502	120,757	121,259
As at 31 December 2019							
At start of year	79,968	31,875	2,000,000	14,497	(632)	-	2,125,708
Changes relating to assets	(27,841)	464	-	(5,071)	632	21,855	(9,961)
Exposure to credit risk	52,127	32,339	2,000,000	9,426	-	21,855	2,115,747

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the investment manager on the amount to be invested in assets that can be easily liquidated.

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or at the risk of damaging the Fund's reputation.

The Fund's financial liabilities as at 31 December 2020 amounted to Shs 8,397 (2019 – Shs 91,462) and are payable within one year hence any discounting effect is not significant.

(d) Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

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ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(d) Fair value of financial assets and liabilities (Continued)

Determination of fair value and fair values hierarchy

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

There were no transfers between the levels in the period. The assets classified under level 1 and 3 at the end of the reporting period include:

Financial assets	Fair values as at		Fair value hierarchy	Valuation techniques and key inputs
	2020 Shs	2019 Shs		
Equity investments	-	1,329,800	Level 1	Quoted bid prices in an active market
	=====	=====		

17. EVENTS AFTER THE REPORTING PERIOD

The trustee approved the financial statements on 26 March 2021 and authorized that the financial statements be issued. On this date, the trustees were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the fund and results of its operations as laid out in these financial statements.

18. REGISTRATION

The fund is registered in Kenya under the Capital Markets Authority (CMA) Act.

19. PRESENTATION CURRENCY

The financial statements are presented in Kenya Shillings (Shs).