

**THE MADISON MONEY MARKET FUND**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2021**

**THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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THE MADISON MONEY MARKET FUND  
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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](mailto: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 LLP  
Certified Public Accountants  
Deloitte Place Waiyaki way  
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 2021.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established and is governed by a trust deed as a Money Market Fund. The fund was registered with the Capital Markets Authority on 17 November 2011.

The objective of the fund is to achieve capital preservation by investing in short term money market instruments. It ultimately aims to mobilize savings and allow access to investment assets and returns in investments 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.

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 KShs. 173,749,829 (2020: KShs 135,233,836). The statement of financial position on page 12 shows total net assets of KShs. 2,613,258,651 (2020: KShs. 1,883,462,571). The profitability grew in line with the growth in assets under management for the fund. The growth in assets was driven by increased sales and marketing activities.

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:

	2021		2020		2019		2018		2017	
	Daily yield	Annual yield	Daily yield	Annual yield	Daily yield	Annual yield	Daily yield	Annual yield	Daily yield	Annual yield
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Closing unit price	8.84%	9.24%	9.35%	9.80%	8.86%	9.23%	9.48%	9.90%	9.32%	9.73%
Lowest unit price	6.36%	6.57%	8.00%	8.38%	8.11%	8.42%	8.88%	9.25%	7.93%	8.23%
Highest unit price	11.85%	12.59%	10.24%	10.78%	9.49%	9.91%	9.66%	10.10%	9.56%	8.99%

- (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:

	2021	2020	2019	2018	2017
Total fund value (KShs)	2,613,258,651	1,883,462,571	1,548,664,727	1,269,201,532	773,849,165
Net income distributed (KShs)	173,749,829	135,233,836	105,178,382	64,245,552	61,037,347
Number of units distributed	556,046,251	199,564,007	289,152,018	518,057,005	94,963,198

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.

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**REPORT OF THE TRUSTEE (CONTINUED)**

**PERFORMANCE RECORD (CONTINUED)**

**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 2021, the fund had 1,650 members (2020: 1,273 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 the effects of Russia invasion of Ukraine and the upcoming general elections in August 2022.

**STATEMENT AS TO DISCLOSURE TO THE FUND'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**

The auditors, Deloitte & Touche LLP, have indicated their willingness to continue in office. The trustees monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the unit holders.

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE  
By order of the Trustees  
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE  
By order of the Trustees  
KCB Bank Kenya Limited

16 March 2022

THE MADISON MONEY MARKET FUND  
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FUND MANAGER'S REPORT

The investment objective of the Madison Money Market Fund is to achieve capital preservation, while providing income. The fund invests in a diversified portfolio of fixed income instruments in the local and international markets. The Fund receives a regular and significant amount of income inflows which is distributed to the Unitholder. The Fund value as at 31 December 2021 was KES 2.63 billion compared to KES 1.89 billion in 2020, representing a 39% increase in the year. The Fund achieved a daily average return of 8.96% in 2021. The performance of the Fund in 2021 was underpinned by several factors that are discussed below:

The global economy is at an uncertain juncture. The Russian War in Ukraine has led to weak financial markets and a rise in most commodity prices. This has threatened the outlook on global economic growth and inflation. The direction of Central Bank policy in developed economies has been on a tightening path, the new developments cloud the outlook on this. The impact of this on the Kenyan economy will be felt through rising inflation (oil and food prices) and a slight reduction in exports. Economic growth is expected to be slightly affected. According to the International Monetary Fund the Sub-Saharan economic growth is estimated to have been 4% in 2021. This was a recovery from the 1.7% contraction observed in 2020. The region has been gradually recovering from the negative economic impact of the COVID-19 pandemic. However, the pandemic continues to affect millions of people in vulnerable countries and economic sectors. Economic growth in the region is expected to be accelerate slightly to 3.8% in 2022. However, there are some downside risks which might hamper the recovery. These include the path of COVID-19 pandemic (and new variants), supply chain disruptions and global central bank policy. Kenya's growth has also been on a recovery path, with GDP growing by 2.0%, 11.9% and 9.9% in the first three quarters of 2021. This is in contrast to the recession that occurred in 2020 when the economy shrunk by 0.3%. The recovery has been led by sectors that performed the worst during the height of the pandemic, such as education, transport, trade and manufacturing. The recovery is expected to continue with a likely slight slow-down by the 2022 general election.

Inflationary pressures rose in 2021. Average inflation stood at 6.1% compared to 5.2% in 2020. The rise has been driven by rising food inflation on weaker than expected rains, rising international oil prices and supply-chain constraints affecting key goods. However, inflation expectations are well-anchored and actual inflation has remained within the Government target range of between 2.50% and 7.50%.

In 2021, the KES delivered mixed performance against the major international currencies; -3.5% against the USD, +4.5% against the Euro, -2.4% against the British Pound and +7.9% against the Yen. The divergent performance is as a result of strong performance of the dollar against most currencies due to improving returns on Dollar-denominated assets. Low interest rate currencies such as the Euro and Yen suffered losses as a result. The Kenya Shilling lost against regional currencies; -4.1% against the TZS and -6.2% against the UGX. The KES came under pressure primarily due to: 1) low dollar inflows for investment, 2) increased dollar demand by Kenyan importers.

In 2021, average yields on the treasury bills remained stable. The average yields on 91-day, 182-day and 364-day T-bills were 7.0%, 7.6% and 8.5% respectively, compared to 6.9%, 7.5% and 8.5% in 2020. Investors' appetite for short term government reduced, the average subscription rate declined to 91.3% in 2021 from 129.6% in 2020. Yields on longer-dated government securities increased slightly.

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 Fund Manager  
Madison Investment Managers Limited

  
Signed on behalf of Fund Manager  
Madison Investment Managers Limited

16 March..... 2022

THE MADISON MONEY MARKET FUND  
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REPORT OF THE CUSTODIAN

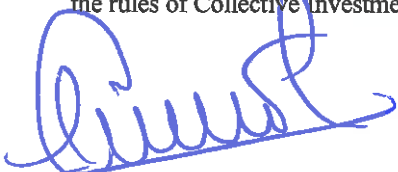
In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Equity Bank Custody Services as the Custodians and Madison Investment Managers Limited as the Fund Manager, we confirm that:

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

We have held the assets for Madison Money Market 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 2021, 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.



Signed on behalf of Custodian  
Equity Bank Kenya Limited



Signed on behalf of Custodian  
Equity Bank Kenya Limited

16 March..... 2022



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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 the Madison Money Market 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 trustee is responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the Capital Markets Authority Act, and for such internal controls as the trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The trustee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Capital Markets Authority Act. The trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Madison Money Market Fund and of its operating results. The trustee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the trustee to indicate that The Madison Money Market Fund will not be able to meet its obligations for at least the next twelve months from the date of this statement.

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE

Signed on behalf of Trustee  
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE

Signed on behalf of Trustee  
KCB Bank Kenya Limited

16 March 2022



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MADISON MONEY MARKET FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Madison Money Market Fund set out on pages 11 to 28, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021 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.

#### 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 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 MONEY MARKET 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 MONEY MARKET 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA David Waweru**, Practising certificate No. 2204.



**For and on behalf of Deloitte & Touche LLP**  
**Certified Public Accountants (Kenya)**  
Nairobi

16 March 2022

THE MADISON MONEY MARKET FUND  
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STATEMENT OF PROFIT OR LOSS

	Notes	2021 KShs	2020 KShs
Investment income	2	231,720,430	175,923,368
Operating expenses	3.1	(50,070,372)	(36,839,605)
IFRS 9 impairment provisions	3.2	(7,900,229)	(3,849,927)
<b>Profit before tax</b>	4	173,749,829	135,233,836
Tax		-	-
<b>Profit for the year</b>		173,749,829	135,233,836

The notes on pages 15 to 28 form an integral part of these financial statements. report of the independent auditor - pages 8 to 10.

THE MADISON MONEY MARKET FUND  
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STATEMENT OF FINANCIAL POSITION

	Notes	2021 KShs	2020 KShs
<b>ASSETS</b>			
Fixed deposits	5	1,841,817,219	1,093,891,417
Call deposit	6	9,625,867	13,420,451
Commercial papers	7	358,341,978	422,106,527
Treasury bills	8	209,051,010	341,486,251
Treasury bonds	9	209,838,171	-
Bank balances	10	2,547,409	18,223,388
		<u>2,631,221,654</u>	<u>1,889,128,034</u>
<b>LIABILITIES</b>			
Other payables	11	12,566,693	1,793,291
Due to related parties	12	5,396,310	3,872,172
		<u>17,963,003</u>	<u>5,665,463</u>
<b>NET ASSETS</b>		<u>2,613,258,651</u>	<u>1,883,462,571</u>
<b>FUND BALANCE</b>			
Unit holders' funds		2,439,508,822	1,748,228,735
Net income for the year		173,749,829	135,233,836
		<u>2,613,258,651</u>	<u>1,883,462,571</u>
<b>MEMBERS' FUNDS</b>		<u>2,613,258,651</u>	<u>1,883,462,571</u>

The financial statements on pages 11 to 28 were approved and authorized for issue by the trustee on 16 March 2022 and were signed on its behalf by:

For: KCB BANK KENYA LTD.

.....  
CORPORATE TRUSTEE

Trustee

For: KCB BANK KENYA LTD.

.....  
CORPORATE TRUSTEE

Trustee

THE MADISON MONEY MARKET FUND  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
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STATEMENT OF CHANGES IN NET ASSETS

	2021 KShs	2020 KShs
Fund balance at start of the year	1,883,462,571	1,548,664,727
Proceeds from units issued in the year	2,316,992,157	1,293,760,978
Withdrawals made by unit holders	(1,760,945,906)	(1,094,196,970)
Net proceeds made by unit holders in the year	556,046,251	199,564,008
Unit holders' funds	2,439,508,822	1,748,228,735
Total income for the year	173,749,829	135,233,836
At end of year	2,613,258,651	1,883,462,571

THE MADISON MONEY MARKET FUND  
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STATEMENT OF CASH FLOWS

	Notes	2021 KShs	2020 KShs
<b>Cash flows from operating activities</b>			
Profit before tax		173,749,829	135,233,836
<b>Working capital changes</b>			
Increase in other payables		10,773,401	35,479
Increase in due to related parties		1,524,138	639,044
IFRS 9 impairment provisions		7,900,229	3,849,927
Cash used in operations		193,947,598	139,758,286
Net cash from operating activities		193,947,598	139,758,286
<b>Investing activities</b>			
Net movement in fixed deposits (over 90days)		(221,806,094)	(502,164,637)
Net movement in commercial papers		64,819,120	(71,312,108)
Net movement in treasury bonds		(211,509,093)	-
Net movement in treasury bills		133,536,804	99,158,855
Net cash (used in) investing activities		(234,959,264)	(474,317,890)
<b>Financing activities</b>			
Proceeds from units issued		2,316,992,157	1,293,760,978
Refunds made on withdrawals by unit holders		(1,760,945,906)	(1,094,196,970)
Net cash from financing activities		556,046,251	199,564,008
<b>Increase/(decrease) in cash and cash equivalents</b>		515,034,586	(134,995,597)
<b>Movement in cash and cash equivalents</b>			
At start of year		243,616,733	382,261,017
Increase/(Decrease)		515,034,586	(134,995,597)
IFRS 9 impairment provisions		(8,385,443)	(3,648,688)
At end of year	10	750,265,876	243,616,733

THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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 2021 or later periods.

These standards are as stated below:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment-Proceeds before Intended Use.
- Amendments to IAS 37 – Onerous Contracts-Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Fund.

**(iii) Early adoption**

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

**a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards.



THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of preparation (Continued)

**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 13.

Based on the financial performance and position of the Fund and its risk management policies, the trustee is of the opinion that the Fund is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) 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.

**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.

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ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Critical accounting estimates and judgement (Continued)

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

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

- 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.

**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. The fund has an IFRS 9 provision model and has made provisions as per note 13.

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ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition

*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.

d) 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.

All financial assets of the fund are carries at an amortized costs

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

**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 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 comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Treasury bills
- Fixed deposit
- Corporate bonds

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 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.

THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

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 fund 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**.

e) 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.

f) Taxation

The fund is tax exempt and hence has no tax expense for the year as shown in the profit or loss.

*Current tax*

The fund had tax liabilities for withholding tax deducted from clients distributions and is provided on the results for the year, adjusted in accordance with tax legislation.

g) Comparatives

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

THE MADISON MONEY MARKET FUND  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**2. INVESTMENT INCOME**

	2021 KShs	2020 KShs
<i>From financial assets carried at amortised costs:</i>		
Interest on treasury bills	22,649,838	33,748,156
Interest on call deposits	2,217,858	600,831
Interest on fixed deposits	139,995,090	83,055,303
Interest on treasury bonds	6,832,938	-
Interest on commercial papers	60,024,706	58,519,077
	<u>231,720,430</u>	<u>175,923,368</u>

**3. EXPENSES**

**3.1 Operating expenses**

Management fees	48,775,058	36,675,091
Publishing costs	174,652	114,514
Capital Markets Authority Fees	50,000	50,000
Annual general meeting costs	1,070,662	-
	<u>50,070,372</u>	<u>36,839,605</u>

**3.2 IFRS 9 impairment provisions:**

Fixed deposits	8,541,575	3,561,656
Call deposits	(31,308)	(29,409)
Commercial papers	(1,054,571)	(783,355)
Treasury bills	(1,101,563)	984,594
Treasury bonds	1,670,922	-
Bank balances	(124,826)	116,441
	<u>7,900,229</u>	<u>3,849,927</u>

**Total fund expenses**

<u>57,970,601</u>	<u>40,689,532</u>
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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 settled the expenses below from the management fees charged.

	2021 KShs	2020 KShs
Custodial fees	3,143,465	2,415,926
Trustee fees	3,672,819	2,799,123
	<u>6,816,284</u>	<u>5,215,050</u>

THE MADISON MONEY MARKET FUND  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4. PROFIT BEFORE TAX**

The following items have been charged in arriving at the profit before tax:

	2021 KShs	2020 KShs
IFRS 9 impairment provisions (note 13)	7,900,229	3,849,927

**5. FIXED DEPOSITS**

Fixed deposit	1,841,817,219	1,093,891,417
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**Fixed deposit maturity analysis**

Maturity within 91 days	759,035,211	224,373,929
Maturity within 182 days	1,056,835,688	229,862,736
Maturity within 364 days	46,888,931	652,055,788
Less: IFRS 9 impairment provision(note13)	(20,942,611)	(12,401,036)
	<u>1,841,817,219</u>	<u>1,093,891,417</u>

The weighted average effective interest rate on fixed deposits at 31 December 2021 was 11.40% (2020: 11.26%).

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

**6. CALL DEPOSITS**

	2021 KShs	2020 KShs
Face value	9,707,251	13,500,000
Accrued interest	22,868	56,011
IFRS 9 impairment provision (note 13)	(104,252)	(135,560)
	<u>9,625,867</u>	<u>13,420,451</u>

The weighted average effective interest rate on call deposits at 31 December 2021 was 9.70% (2020: 9.17%).

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

THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. **COMMERICAL PAPERS**

**Commercial papers by institutions**

	2021 KShs	2020 KShs
Platinum Credit	40,320,000	172,600,000
Longhorn	40,700,000	96,648,649
Two Rivers Development	-	85,497,041
Kenya Kazi	25,000,000	51,363,998
Mycredit	37,000,000	5,000,000
Watu Credit	205,638,370	-
Accrued interest	14,160,254	16,575,048
Less: IFRS 9 impairment provision (note 13)	(4,476,646)	(5,578,210)

	358,341,978	422,106,527
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**Commercial papers maturity analysis**

Maturity within 90 days	62,434,400	67,562,731
Maturity within 180 days	148,818,019	152,415,635
Maturity within 364 days	151,566,205	207,706,371
Less: IFRS 9 impairment provision (note 13)	(4,476,646)	(5,578,210)

	358,341,978	422,106,527
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The weighted average effective interest rate on commercial papers as at 31 December 2021 was 15.04% (2020: 15.78%).

The carrying amounts of the commercial papers are denominated in Kenya shillings.

8. **TREASURY BILLS**

	2021 KShs	2020 KShs
364 Days Treasury Bills	196,860,350	323,592,990
Accrued interest	13,855,314	20,612,485
IFRS 9 impairment provision(note13)	(1,664,654)	(2,719,224)

	209,051,010	341,486,251
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**Treasury bills maturity analysis**

Maturity within 90 days	171,767,549	171,762,170
Maturity within 180 days	38,948,115	172,443,305
Maturity within 364 days	-	-
Less: IFRS 9 impairment provision(note13)	(1,664,654)	(2,719,224)

	209,051,010	341,486,251
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The weighted average effective interest rate on Treasury bills as at 31 December 2021 was 9.25% (2020: 9.07%)

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. TREASURY BONDS

	2021 KShs	2020 KShs
Cost	213,987,905	-
Unamortized premium	(9,328,951)	-
Accrued interest	6,850,139	-
Less: IFRS 9 impairment provision(note13)	(1,670,922)	-
	<u>209,838,171</u>	<u>-</u>

The weighted average effective interest rate on Treasury bonds as at 31 December 2021 was 11.50% (2020: 9.07%).

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

10. CASH AND CASH EQUIVALENTS

	2021 KShs	2020 KShs
Cash at bank and in hand	2,567,694	18,368,499
Less: IFRS 9 impairment provision(note13)	(20,285)	(145,111)
	<u>2,547,409</u>	<u>18,223,388</u>

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise of the following:-

Cash at bank	2,547,409	18,223,388
Call deposits	9,625,867	13,420,451
Fixed deposits	738,092,600	211,972,894
	<u>750,265,876</u>	<u>243,616,733</u>

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

11. OTHER PAYABLES

	2021 KShs	2020 KShs
Other payables	<u>12,566,693</u>	<u>1,793,291</u>

The payables are due within three months after the reporting period.

THE MADISON MONEY MARKET FUND  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**12. RELATED PARTY BALANCES AND TRANSACTIONS**

Madison Money Market 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 fund and owns a number of other subsidiaries which are fellow subsidiaries to Madison Investment Managers Limited. The fund transacted with the Company as follows;

As at 31 December 2021, the investments held on behalf of the related parties were as below:

	2021 KShs	2020 KShs
<b>Transactions with related parties over the year:</b>		
Madison Investment Managers Limited		
- Investment	<u>478,120</u>	<u>2,806,077</u>
- Management fees	<u>48,775,058</u>	<u>36,675,091</u>
<b>Due to related parties;</b> The balance outstanding at year end was as follows:		
Madison Investment Managers Limited	<u>5,396,310</u>	<u>3,872,172</u>

**13. 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

*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.

THE MADISON MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

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

**Basis for measurement of loss allowance**

	Internal/external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
<b>31 December 2021</b>					
Fixed deposits	Various	12 months ECL	1,862,759,831	20,942,611	1,841,817,220
Commercial papers	Various	12 months ECL	362,818,624	4,476,646	358,341,978
Treasury bonds	Various	12 months ECL	211,509,093	1,670,922	209,838,171
Treasury bills	Various	12 months ECL	210,715,664	1,664,654	209,051,010
Call deposits	Various	12 months ECL	9,730,118	104,252	9,625,866
Bank balances	Various	12 months ECL	2,567,694	20,285	2,547,410
			2,660,101,024	28,879,370	2,631,221,654

THE MADISON MONEY MARKET FUND  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

Basis for measurement of loss allowance (Continued)

	Internal/external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
<b>31 December 2020</b>					
Fixed deposits	Various	12 months ECL	1,106,292,453	12,401,036	1,093,891,417
Commercial papers	Various	12 months ECL	427,684,737	5,578,210	422,106,527
Treasury bills	Various	12 months ECL	344,205,475	2,719,224	341,486,251
Call deposits	Various	12 months ECL	13,556,011	135,560	13,420,451
Bank balances	Various	12 months ECL	18,368,499	145,111	18,223,388
			<u>1,910,107,175</u>	<u>20,979,141</u>	<u>1,889,128,034</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 changes in the loss allowance during the year were as follows:

Basis for measurement of loss allowance	Fixed deposits KShs	Call deposits KShs	Commercial papers KShs	Treasury bonds KShs	Treasury bills KShs	Bank balances KShs	Total KShs
<b>As at 31 December 2021</b>							
At start of year	12,401,036	135,560	5,578,210		2,719,224	145,111	20,979,141
Changes relating to assets	8,541,575	(31,308)	(1,101,564)	1,670,922	(1,054,571)	(124,826)	7,900,229
Exposure to credit risk	<u>20,942,611</u>	<u>104,252</u>	<u>4,476,646</u>	<u>1,670,922</u>	<u>1,664,654</u>	<u>20,285</u>	<u>28,879,370</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

Basis for measurement of loss allowance (Continued)

Basis for measurement of loss allowance	Fixed deposits KShs	Call deposits KShs	Commercial papers KShs	Treasury bonds KShs	Treasury bills KShs	Bank balances KShs	Total KShs
<b>As at 31 December 2020</b>							
At start of year	8,839,380	164,969	4,593,616	-	3,502,578	28,670	17,129,213
Changes relating to assets	3,561,656	(29,409)	984,594	-	(783,354)	116,441	3,849,928
Exposure to credit risk	<u>12,401,036</u>	<u>135,560</u>	<u>5,578,210</u>	<u>-</u>	<u>2,719,224</u>	<u>145,111</u>	<u>20,979,141</u>

(c) Liquidity risk

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 2021 amounted to KShs 17,963,003 (2020: KShs 5,665,463) and are payable within one year hence any discounting effect is not significant.

Being a constant value Fund, extra caution is exercised in selecting nature and tenure of assets to invest in. This is because the Fund's liability is pegged on a fixed unit price, whereas the Fund's assets may be unduly exposed to market risk. The Trustee actively monitors these investments.

14. EVENTS AFTER THE REPORTING PERIOD

The trustee approved the financial statements on 16 March 2022 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.

15. REGISTRATION

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

16. PRESENTATION CURRENCY

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