

THE MADISON WEALTH SPECIAL FUND
A FUND OF THE MADISON UNIT TRUST FUND
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2025

THE MADISON WEALTH SPECIAL FUND
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FOR THE YEAR ENDED 31 DECEMBER 2025

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THE MADISON WEALTH SPECIAL FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

FUND INFORMATION

CORPORATE TRUSTEE:	Standard Chartered Bank Kenya Limited Standard Chartered Building Level 5, 48 Westlands Road, Nairobi, Westlands P.O. Box 40984 - 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 2864500 Email madisoninvestmentmanagers@madison.co.ke
CUSTODIANS	Standard Chartered Bank Kenya Limited Standard Chartered Building Level 5, 48 Westlands Road, Nairobi, Westlands P.O. Box 40984 - 00100 Nairobi
INDEPENDENT AUDITOR:	Grant Thornton LLP Certified Public Accountants (Kenya) Avocado Towers, 75 Muthithi Road P.O. Box 40918 - 00100 Nairobi

**THE MADISON WEALTH SPECIAL FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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 2025.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established and is governed by a trust deed as a Special Wealth Fund. The fund was registered with the Capital Markets Authority on 15 June 2022 and commenced operations on 25 January 2023.

The objective of the fund is to maximize income while securing steady capital growth by investing in a diversified portfolio of high-yielding securities in the local and international markets.

The fund is a unit trust and the interest of the individual members is determined by the value of their units. The Trustee 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 was no change to the incorporation documents for the fund during the year under review.

FINANCIAL REVIEW

The statement of profit or loss on page 11 shows profit for the year of Kshs. 420,423,695 (2024: Kshs.269,431,161). The statement of financial position on page 12 shows total net assets of Kshs. 6,914,354,352 (2023: Kshs.1, 799,610,367).

PERFORMANCE RECORD

The performance record of the fund over the current year is as shown below:

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

	2025		2024		2023	
	Daily yield	Annual yield	Daily yield	Annual yield	Daily yield	Annual yield
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Closing unit price	11.49%	12.12%	13.82%	14.73%	13.49%	14.36%
Lowest unit price	10.11%	10.59%	13.03%	13.84%	5.63%	5.71%
Highest unit price	14.77%	15.82%	16.94%	18.31%	14.60%	15.61%

- (b) The total fund value, number of units and net income distributed for all units held at the end of the year:

	2025	2024	2023
Total fund value (Kshs)	6,914,354,352	1,799,610,367	2,126,045,588
Net income distributed (Kshs)	420,423,695	269,431,161	145,700,282
Number of units created / (redeemed)	4,694,320,290	(595,866,382)	1,980,345,306

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 are responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustee.

MEMBERSHIP

As at 31 December 2025, the fund had 256 members (2024: 106 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 capital preservation while providing competitive interest income from a portfolio of wide range of interest-bearing securities, the success of which remains dependent on overall interest rate environment in both the local and global markets. The interest rate environment is determined by the country's monetary policy, which is informed by inflation, currency movements and economic growth.

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.

APPOINTMENT OF THE AUDITOR

The auditors Grant Thornton LLP have expressed their interest to continue in office in accordance with the Funds Trust Deed and Section 55(4) of the Kenyan Capital Markets (Licensing requirements) (General) Regulations 2002. The Trustee monitors 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.



By order of the Trustee
Standard Chartered Bank Kenya Limited

23 March

2026

THE MADISON WEALTH SPECIAL FUND ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

FUND MANAGER'S REPORT TO THE UNIT HOLDERS

The investment objective of the Madison Wealth Special Fund is to enhance return while securing steady capital growth. The Fund invested in a diversified portfolio of high yielding securities in the local market. The Fund receives regular and significant amount of income inflows which are distributed to the Unitholder.

The Fund was launched in January 2023 and grew rapidly in 2024. As at 31st December 2025 the fund values was Kshs 6.98 billion, up from Kshs 1.38 billion in 2024. The Fund achieved a daily average return of 11.49% (net of fees, gross of tax) in 2025. The performance of the Fund in 2025 was underpinned by several factors that are discussed below:

The global economy showed resilience in 2025 despite trade and geopolitical conflicts coupled with policy uncertainty, high debt and financial market vulnerabilities. Inflation is expected to fall to 3.5% by 2025, down from a peak of 5.9% in 2024. The IMF projects global growth to moderate at 3.2% in 2025 similar to the 2024 growth, while sub-Saharan Africa's growth is expected to remain strong at 4.1% in 2025 and rise to 4.2% in 2026 as macroeconomic factors stabilize driven by reforms by the government to curb high inflation experienced in 2024.

The Kenyan economy showed resilience in 2025, with an average growth rate of 4.93% in the first three quarters, up from 4.53% in 2024. The improvement was majorly driven by the impressive recovery in the construction, electricity, manufacturing and transport & storage sectors. This was however curtailed by slowed growth in agriculture, information & communication, accommodation & food services and financial & insurance sectors. The overall growth is largely attributed to declining interest rates, which have boosted investor appetite

Inflationary pressures eased in 2025, with Kenya's annual inflation rate averaging 4.0%, a deceleration compared to an average 4.5% in 2024. This deceleration was primarily driven by improved food supply conditions, easing global commodity prices, the lagged effects of earlier monetary tightening and domestic currency stability that helped curb imported inflation. Notably, recorded inflation throughout 2025 was below the CBK mid-point of 5.0%.

In 2025, the Kenyan shilling was majorly bearish against most of the currencies tracked. The shilling was majorly stable against the US dollar throughout the year recording a 0.2% gain in 2025, to close the year trading at about KES 129.01 per USD. The shilling was bearish against a basket of other major currencies such as the euro (-12.7%), Great British pound (-7.0%), and the Japanese yen (-0.3%) in 2024. Regionally, it posted gains of +1.23% to the Ugandan Shilling, respectively and shed -0.2% against the Tanzanian Shilling. The stability against the dollar in 2025 was largely driven by improved forex reserves, which stood at about USD 12.17 Bn by the end of the year, an increase of USD 2.97 Bn from December 2024 and improved diaspora remittances which reached 4.5 billion in the first 11 months of 2025 thus providing a steady source of foreign exchange inflows.

Interest rates on Kenya's Treasury bills dropped in 2025 driven by the consecutive cuts in the Central Bank rate as inflation moderated within the Central Bank's target range, the need to grow credit to the private sector which was muted at the start of 2025 and the stability in the Kenyan Shilling. As a result, the yields on T-bills averaged lower compared to 2025, with the yield on the 364-day paper, 182-day paper, and 91-day paper averaging at 9.95%, 8.55%, and 8.35%, respectively, in 2025, compared to averages of 16.03%, 15.74%, and 15.22% respectively, in 2024.

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

23 March 2026


Signed on behalf of Fund Manager
Madison Investment Managers Limited

23 March 2026

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REPORT OF THE CUSTODIAN

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2023 (the Regulations)) as issued under the Capital Markets Act and the Custody Agreement between Standard Chartered Bank Kenya Limited 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 68 of the Capital Markets (Collective Investment Schemes) Regulation, to Madison Wealth Special Fund

We have held the assets for Madison Wealth Special 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 2025, 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 fund in accordance with the provisions of the Capital Markets Authority Regulations, incorporation documents, the information memorandum and the rules of Collective Investment Scheme.



Signed on behalf of Custodian
Standard Chartered Bank Kenya Limited

23 March

2026

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STATEMENT OF TRUSTEE'S RESPONSIBILITIES

Standard Chartered Bank, Kenya Limited, in our capacity as trustee of the Scheme, are required with reference to Section 132 and 133 of the Capital Markets (Collective Investment Schemes) regulation 2023, to satisfy ourselves that the fund manager has managed the scheme in the year ended 31 December 2025 in accordance with the limitations imposed on the investment and borrowing powers of the fund manager and trustee or custodian by the incorporation documents and the regulations.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance with the provisions of the incorporation documents and the regulations.



Signed on behalf of Trustee
Standard Chartered Bank Kenya Limited

23 March

2026

REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF THE MADISON WEALTH SPECIAL FUND

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Madison Wealth Special Fund set out on pages 11 to 26, which comprise the statement of financial position as at 31 December 2025, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025 and of its accompanying financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, 2023.

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 year.

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.

Responsibilities of the Trustee for the financial statements

The Trustee is 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 2023, and for such internal controls as Trustee determines 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 Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional 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.

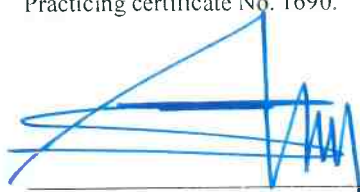
We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the financial statement of the current year and therefore the key audit matters. We describe those matters in our reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alfred Siele,
Practicing certificate No. 1690.



Grant Thornton LLP
Certified Public Accountants

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi



2TH MARCH 2026

M/1903/1225/AUD

UNIQUE CODE: 71988260327

THE MADISON WEALTH SPECIAL FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 Kshs	2024 Kshs
Investment income	2	568,332,342	326,031,255
Operating expenses	3.1	(107,102,621)	(53,010,301)
Charge for expected loss allowance	3.2	(40,806,026)	(3,589,793)
Profit before taxation	4	420,423,695	269,431,161
Tax expense		-	-
Profit for the year		420,423,695	269,431,161
Other comprehensive income for the year		-	-
Total comprehensive income for the year		420,423,695 =====	269,431,161 =====

The notes on pages 15 to 26 form an integral part of these financial statements. Report of the independent auditor - pages 8 to 10.

THE MADISON WEALTH SPECIAL FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Notes	2025 Kshs	2024 Kshs
ASSETS			
Demand deposits with financial institutions	5	10,969,806	-
Deposits with financial institutions	6	1,563,112,162	319,326,862
Commercial papers	7	1,369,380,145	321,034,341
Government securities	8	3,989,204,162	1,164,623,215
Bank balances	9	902	107
		6,932,677,177	1,804,984,525
LIABILITIES			
Payables	10	4,938,226	1,851,856
Due to related party	11	13,374,599	3,522,302
NET ASSETS		6,914,354,352	1,799,610,367
FUND BALANCE			
Unit holders funds		6,493,930,657	1,530,179,206
Net income for the year		420,423,695	269,431,161
MEMBERS' FUNDS		6,914,354,352	1,799,610,367

The financial statements on pages 11 to 26 were approved and authorized for issue by the Board of Directors on 23 March 2026 and were signed on its behalf by:


Rebecca Tiba
Director


J. M. Wainaina
Director

THE MADISON WEALTH SPECIAL FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 Kshs	2024 Kshs
1 January	1,799,610,367	2,126,045,588
Proceeds from units issued in the year	5,361,485,742	362,388,614
Withdrawals during the year	(667,165,452)	(958,254,996)
Net proceeds made by unit holders in the year	4,694,320,290	(595,866,382)
Unit holders' funds	6,493,930,657	1,530,179,206
Total income for the year	420,423,695	269,431,161
31 December	6,914,354,352	1,799,610,367

THE MADISON WEALTH SPECIAL FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 Kshs	2024 Kshs
Cash flows from operating activities			
Profit before taxation		420,423,695	269,431,161
Working capital changes			
Increase in payables		3,086,370	(508,601)
Increase in due to related parties		9,852,297	(563,036)
Charge for expected credit / loss allowance	3.2	40,806,026	3,589,793
Cash generated from operations		53,744,693	2,518,156
Net cash generated from operating activities		474,168,388	271,949,317
Cashflows from investing activities			
Net movement in deposits with financial institutions		(1,274,236,016)	(254,295,503)
Net movement in commercial papers		(1,048,345,804)	490,885,435
Net movement in government securities		(2,824,580,947)	(444,410,219)
Net cash used in investing activities		(5,147,162,767)	(207,820,287)
Cashflows from financing activities			
Proceeds from units issued		5,361,485,742	362,388,614
Refunds made on withdrawals by unit holders		(667,165,452)	(958,254,996)
Net cash generated / (used) from financing activities		4,694,320,290	(595,866,382)
Increase / (Decrease) in cash and cash equivalents		21,325,911	(531,737,352)
Movement in cash and cash equivalents			
1 January		65,031,466	600,358,611
Increase / (Decrease)		21,325,911	(539,363,972)
ECL provisions	3.2	(40,806,026)	(3,589,793)
31 December	9	45,551,351	65,031,466

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF MATERIAL 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 year (and/or prior years)

Several new and revised standards and interpretations became effective during the year. The Trustee 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 years beginning on or after 1 January 2024 or later years.

These standards are as stated below:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Non - current liabilities with covenants
- Amendments to IFRS 16 - Lease liability in a sale and leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier finance arrangement
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

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.

Going concern

The financial performance of the fund is set out in the report of the Trustee 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 11.

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.

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

Probability of default : (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon. The Fund applies PD rates associated with the credit ratings for banks and Kenya Government from rating agencies.

Loss Given Default : (LGD)

LGD is an estimate of the loss arising on default. The Fund uses LGD based on the Global Credit Data (GCD) LGD study, whose average is 38%.

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

b) Critical accounting estimates and judgement (Continued)

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

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 years, 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.

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.

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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 carried at an amortized cost.

Derecognition/write off

Financial assets are derecognized 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 recognizes loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortized cost.

- Cash and cash equivalents
- Treasury bonds
- Fixed deposit
- Commercial paper

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).

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

- *Financial assets (Continued)*

Impairment (Continued)

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 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 unit trust is registered under the Income Tax Act (collective investments scheme rules 2002) and is exempt from income tax.

g) Comparatives

There are no changes in the current year.

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

2. INVESTMENT INCOME

	2025 Kshs	2024 Kshs
<i>Interest income determined using the effective interest rate method:</i>		
Interest on demand deposits with financial institutions	524,546	1,545,985
Interest on deposits with financial institutions	93,057,132	80,184,584
Income on government securities	355,066,751	138,858,460
Interest on commercial papers	96,535,159	85,300,525
Fair value gain/loss	23,148,754	20,141,701
	<u>568,332,342</u>	<u>326,031,255</u>

3. EXPENSES

3.1 Operating expenses

Management fees	91,493,657	45,363,192
Publishing costs	168,244	138,891
Annual general meeting costs	73,960	22,289
Audit fees	134,467	94,580
Trustee fees	8,234,429	4,084,693
Custody fees	6,997,189	3,306,656
Bank charges	675	-
Total operating expenses	<u>107,102,621</u>	<u>53,010,301</u>

The fund total expense ratio (TER) for the year was 2.34% (2024:2.93%).

The fund also incurred Kshs 642,742 (2024: 74,126) brokerage commission in its dealing activities for treasury bonds. (The commissions were paid to the following brokers: AIBAXY's Kshs 122,745, SBG Securities Kshs 185,722, Old Mutual Securities Kshs 55,146, Renaissance Capital Kenya Kshs 46,324, Kestrel Capital Limited Kshs 91,661 Dyer & Blayer Limited Kshs 140,618 NCBA Investment Bank Kshs 526).

3.2 Expected Credit Loss Allowance expense / (credit):

Deposits with financial institutions	8,296,607	(1,874,608)
Commercial papers	6,992,940	(3,274,427)
Government Securities	25,492,194	8,738,828
Demand deposits with financial institutions	24,285	-
Bank balances	2	-
	<u>40,806,026</u>	<u>3,589,793</u>
Total fund expenses	<u>147,908,647</u>	<u>56,600,094</u>

The fund total expense ratio (TER) for the year was 1.55% (2024:2.93%).

4. PROFIT BEFORE TAX

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

	2025 Kshs	2024 Kshs
Provisions for expected credit losses (note 3.2)	<u>40,806,026</u>	<u>3,589,793</u>

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

5. DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS

	2025 Kshs	2024 Kshs
Demand deposits with financial institutions	10,994,089	-
Less: Provisions for expected credit losses (note 12)	(24,283)	-
	<u>10,969,806</u>	<u>-</u>
	=====	=====

The weighted average effective interest rate on fixed deposits at 31 December 2025 was 11%.

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

6. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2025 Kshs	2024 Kshs
Deposits with financial institutions	1,563,112,162	319,326,862
Maturity analysis		
Maturity within 91 days	45,007,304	67,161,413
Maturity above 91days and within 182 days	202,351,803	
Maturity within 364 days	1,326,179,716	254,295,503
Less: Provisions for expected credit losses (note 12)	(10,426,661)	(2,130,054)
	<u>1,563,112,162</u>	<u>319,326,862</u>
	=====	=====

The weighted average effective interest rate on fixed deposits at 31 December 2025 was 11.01% (2024:15.52%).

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

7. COMMERCIAL PAPERS

	2025 Kshs	2024 Kshs
Commercial Paper	1,369,380,14	321,034,341
Maturity analysis		
Maturity within 91 days	439,680,318	153,612,166
Maturity within 182 days	5,002,648	4,668,706
Maturity within 364 days	933,831,563	164,894,913
Less: Provisions for expected credit losses (note 12)	(9,134,384)	(2,141,444)
	<u>1,369,380,145</u>	<u>321,034,341</u>
	=====	=====

The weighted average effective interest rate on commercial papers as at 31 December 2025 was 14.69% (2024:18%)

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

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

8. GOVERNMENT SECURITIES CARRIED AT AMORTIZED COST

	2025 Kshs	2024 Kshs
Opening balance	1,164,623,215	720,212,996
Additions	2,926,924,387	413,885,096
Disposals	(100,000,000)	-
Unamortized (premium)	(90,565,330)	(13,094,060)
Accrued Interest	124,224,953	54,130,052
Less: Provisions for expected credit losses (note 12)	(36,003,063)	(10,510,869)
	<u>3,989,204,162</u>	<u>1,164,623,215</u>

The weighted average effective interest rate on Treasury bonds as at 31 December 2025 was 14.69% (2024:15.52 %.)

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

9. CASH AND CASH EQUIVALENTS

	2025 Kshs	2024 Kshs
Cash at bank and in hand	904	107
Less: Provisions for expected credit losses(note 12)	(2)	-
	<u>902</u>	<u>107</u>

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

Cash at bank	902	107
Demand deposits with financial institutions	10,969,806	-
Deposits with financial institutions	34,580,643	65,031,359
	<u>45,551,351</u>	<u>65,031,466</u>

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

10. PAYABLES

	2025 Kshs	2024 Kshs
Trustee fees	1,203,714	317,007
Custodial fees	962,971	200,906
Audit fees	125,233	116,000
AGM expenses	73,960	23,144
Publishing expenses	71,607	66,127
Withholding tax payable	2,500,741	1,128,672
	<u>4,938,226</u>	<u>1,851,856</u>

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

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

11. RELATED PARTY DISCLOSURES

Madison Wealth Special 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 for the Fund Manager 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 2025, the investments held on behalf of the related parties were as below:

	2025 Kshs	2024 Kshs
Transactions with related parties over the year:		
Madison Investment Managers Limited		
- Investment	-	7,003,752
	=====	=====
- Management fees	91,493,657	45,363,192
	=====	=====
Due to related parties; The balance outstanding at year end was as follows:	2025	2024
	Kshs	Kshs
Madison Investment Managers Limited		
Management fees	11,529,827	3,036,467
VAT on management fees	1,844,772	485,835
	13,374,599	3,522,302
	=====	=====

12. 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, treasury bills, commercial papers 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 MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

12. 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 Trustee 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 Trustee 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 expected loss allowance

	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
31 December 2025					
Deposits with financial institutions	Various	12 months ECL	1,573,538,823	10,426,661	1,563,112,162
Commercial Paper	Various	12 months ECL	1,378,514,529	9,134,384	1,369,380,145
Government securities	Various	12 months ECL	4,025,207,225	36,003,063	3,989,204,162
Demand Deposits with financial institutions	Various	12 months ECL	10,994,089	24,283	10,969,806
Bank balances	Various	12 months ECL	904	2	902
			6,988,255,570	55,588,393	6,932,667,177

THE MADISON WEALTH SPECIAL FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2025

Basis for measurement of expected loss allowance

	Internal/external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
31 December 2024					
Deposits with financial institutions	Various	12 months ECL	321,456,916	2,130,054	319,326,862
Commercial Paper	Various	12 months ECL	323,175,785	2,141,444	321,034,341
Government securities	Various	12 months ECL	1,175,134,084	10,510,869	1,164,623,215
Bank balances	Various	12 months ECL	107	-	107
			<u>1,819,766,892</u>	<u>14,782,367</u>	<u>1,804,984,525</u>

12. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk management (Continued)

(b) Credit risk (Continued)

Basis for measurement of loss allowance (Continued)

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 expected loss allowance during the year were as follows:

Basis for measurement of loss allowance	Fixed deposits Kshs	Commercial papers Kshs	Treasury bonds Kshs	Bank balances Kshs	Call deposit Kshs	Tot Ksh
As at 31 December 2025						
At start of year	2,130,054	2,141,444	10,510,869	-	-	14,782,367
Changes relating to assets	8,296,607	6,992,940	25,492,194	2	24,283.00	40,806,023
	<u>10,426,661</u>	<u>9,134,384</u>	<u>36,003,063</u>	<u>2</u>	<u>24,283</u>	<u>55,588,367</u>
Exposure to credit risk	<u>10,426,661</u>	<u>9,134,384</u>	<u>36,003,063</u>	<u>2</u>	<u>24,283</u>	<u>55,588,367</u>

THE MADISON WEALTH SPECIAL FUND
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025

Basis for measurement of expected loss allowance	Fixed deposits Kshs	Commercial papers Kshs	Treasury bonds Kshs	Bank balances Kshs	Total Kshs
As at 31 December 2024					
At start of year	4,004,662	5,415,870	1,772,041	-	11,192,573
Changes relating to assets	(1,874,608)	(3,274,426)	8,738,828	-	3,589,794
Exposure to credit risk	2,130,054	2,141,444	10,510,869	-	14,782,367

(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 2025 amounted to Kshs 18,312,825 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.

13. EVENTS AFTER THE REPORTING YEAR

The Trustee approved the financial statements and authorized that the financial statements be issued. At the time of approval, the Trustee was 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.

14. FUND BALANCE

The fund manages the members funds to maximize their returns through optimal investments and also to provide for liquidity as and when the clients want to withdraw.

	2025 Kshs	2024 Kshs
Fund balance at start of the year	1,799,610,367	2,126,045,588
Proceeds from units issued in the year	5,361,485,742	362,388,614
Withdrawal made by unit holders	(667,165,452)	(958,254,996)
Total income for the year	420,423,695	269,431,161
Unit Holders Funds	6,914,354,352	1,799,610,367

15. REGISTRATION

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

16. PRESENTATION CURRENCY

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