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SANLAM MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Corporate Trustee	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833-00200 Nairobi, Kenya
Registered Office	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262-00200 Nairobi, Kenya
Fund Manager	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262-00200 Nairobi, Kenya
Custodian	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833-00200 Nairobi, Kenya
Independent Auditor	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road Westlands P O Box 43963 - 00100 Nairobi, Kenya

The Trustee has the pleasure in submitting the Sanlam Money Market Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Money Market Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is tax exempt and only withholds and pays to Kenya Revenue Authority applicable tax on interest distributed to the unit holders.

The primary objective of the Fund is to provide a superior return while maintaining capital preservation.

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. It 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 INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

INVESTMENT

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and supports the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

FUND PERFORMANCE

The performance record of the Fund is as shown below:

a) Maximum and minimum yield

The highest and lowest absolute yields for the last 5 years were as per the table below:

Year	2022	2021	2020	2019	2018
Highest yield (%)	9.92	9.62	9.56	9.82	8.62
Lowest yield (%)	9.16	9.08	8.23	6.97	5.32

b) Income distribution

The profit realised by the Fund for the last 5 years has been distributed to unit holders as per the table below:

Year	2022	2021	2020	2019	2018
Amount (Shs)	1,114,058,000	646,364,000	383,842,000	154,133,000	132,007,000

FUND PERFORMANCE (CONTINUED)

c) Fund Value

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

Year	2022	2021	2020
Total Fund value (Shs)	15,706,872,000	8,435,249,000	6,155,680,000
Number of units in issue	15,706,872,000	8,435,249,000	6,155,680,000
Closing unit price (Shs)	1.00	1.00	1.00

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the 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.



Signed on behalf of the Trustee

21 March 2023

The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


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

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

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

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:



Representing Trustee

Dear Unit Holder,

The Sanlam Money Market Fund aims to deliver a competitive rate of return relative to average banks' fixed deposits. The Fund is conservative in nature and seeks capital preservation while offering ease of access to liquidity.

In 2022, the Fund recorded a return of 11.3% over 12 months. This was supported by an increase in allocation to fixed deposits, which offer a competitive return relative to treasury securities. This return was competitive despite the upward trend on interest rates for most of the year.

Review of Operating Environment and Outlook

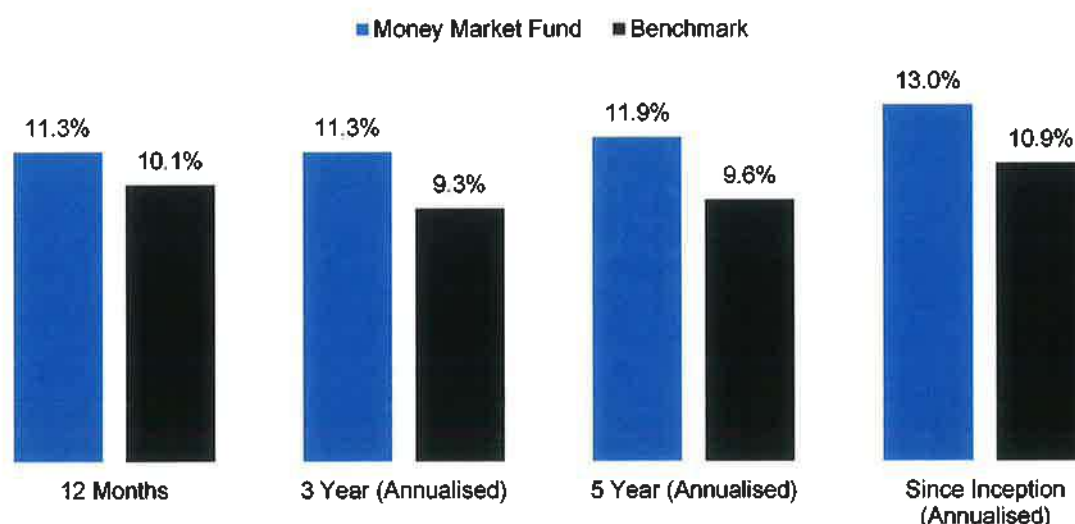
The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

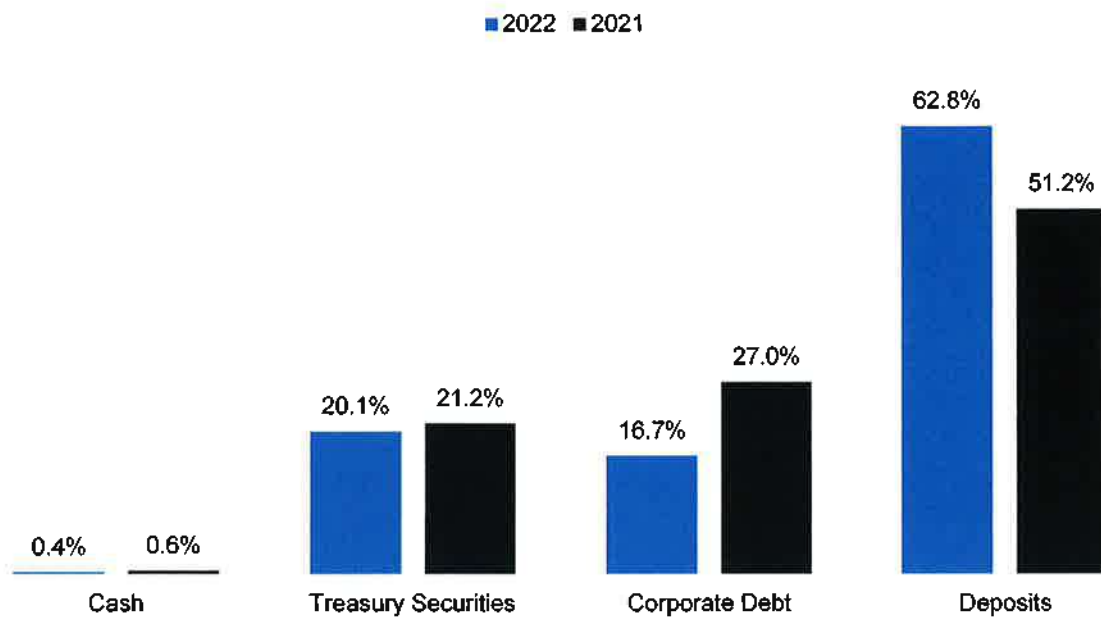
Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. The 364-day Treasury Bills as at December 2022 was 10.3% relative to 9.4% in December 2021.

Fund Performance & Asset Allocation as at 31 December 2022

Fund Performance



Asset Allocation

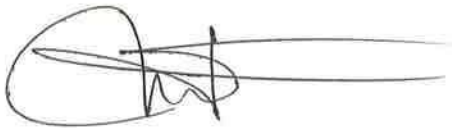


Signed on behalf of the Fund Manager

21 March 2023

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Money Market Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Money Market Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.



Signed on behalf of the Custodian

21 March 2023



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Sanlam Money Market Fund (the "Fund") set out on pages 11 to 27 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Money Market Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

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 (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND (CONTINUED)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information we have received 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- 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.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter 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 on other legal 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 explanations 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.


CPA Kang'e Salti, Practising Certificate No.1652
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi



2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	1,229,845	685,647
Amortised discount on bonds	8 (ii)	93,004	99,532
Total income		1,322,849	785,179
Operating expenses	6	(210,742)	(128,670)
Decrease / (increase) in allowance for expected credit losses	8 (ii)	1,951	(10,145)
Profit before income tax		1,114,058	646,364
Income tax expense		-	-
Profit for the year		1,114,058	646,364
Other comprehensive income		-	-
Total comprehensive income for the year		1,114,058	646,364

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
ASSETS			
Deposits with financial institutions	8(ii)	9,896,653	4,361,994
Government securities	8(ii)	3,161,140	1,807,575
Commercial paper	8(ii)	133,209	116,354
Corporate bonds	8(ii)	2,494,175	2,176,694
Bank balances	9	62,573	52,222
Total assets		15,747,750	8,514,839
Liabilities			
Current liabilities			
Accrued expenses	11	5,967	5,136
Distribution payable		16,490	64,551
Due to related parties	12(c)	18,421	9,903
Liabilities (excluding unit holders' balances)		40,878	79,590
Unit holders' balances	10	15,706,872	8,435,249
Total liabilities		15,747,750	8,514,839

The financial statements on pages 11 to 27 were approved for issue by the Trustee on 21 March 2023 and signed on its behalf by:



Representing Trustee

JOE ALARO

Name

STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

	Notes	2022 Shs'000	2021 Shs'000
At start of year		8,435,249	6,155,680
Gross interest distributed to unitholders		1,114,058	646,364
Withholding tax on distributed interest		(151,000)	(87,645)
<u>Transactions with unit holders:</u>			
Additional units purchased	10	16,113,324	7,593,589
Units liquidated	10	(9,804,759)	(5,872,739)
Net balances of transactions with unit holders		6,308,565	1,720,850
At end of year		15,706,872	8,435,249

STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	2021 Shs'000
Cash flows from operating activities			
Profit before income tax		1,114,058	646,364
<i>Changes in working capital:</i>			
- Accrued expenses		9,349	4,040
- Distribution payable		(48,061)	19,718
- Deposits with financial institutions		(5,019,357)	40,627
- Commercial paper		(16,856)	136,830
- Government securities		(1,353,566)	(536,035)
- Corporate bonds		(317,482)	(941,283)
Cash used in operations		(5,631,915)	(629,739)
Income tax paid		-	-
Net cash used in operating activities		(5,631,915)	(629,739)
Cash flows from financing activities			
Net contribution from unit holders	10	16,113,324	7,593,589
Liquidations by unit holders	10	(9,804,759)	(5,872,739)
Withholding tax on distributed interest for the year		(151,000)	(87,645)
Net cash generated from financing activities		6,157,565	1,633,205
Net increase in cash and cash equivalents		525,650	1,003,466
Cash and cash equivalents at start of year		2,926,418	1,922,952
Cash and cash equivalents at end of year	9	3,452,068	2,926,418

Notes

1 General information

The Fund started operations on 1 November 2014 and is governed by a Trust Deed dated 10 December 2020, is registered with the Capital Markets Authority and is domiciled in Kenya. The address of its registered office is:

Sanlam Investments East Africa Limited
5th Floor, Africa Re Centre, Hospital Road, Upper Hill
P O Box 67262-00200
Nairobi, Kenya

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Fund*

Annual improvements cycle 2018 -2020

IFRS 9, '*Financial Instruments*' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

Amendments to IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The amendments above had no material impact on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Fund

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current (published in January 2020 and effective on or after 1 January 2023)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (published in February 2021 and effective for annual periods beginning on or after 1 January 2023)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

The Trustee is of the view that the above amendments will not have any material impact on the financial statements of the Fund.

(b) Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net the carrying amount on initial recognition.

(c) Income tax

The Fund is tax exempt and only withholds and pays to Kenya Revenue Authority applicable tax on interest distributed to the unit holders.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments

Financial assets

(i) Classification and impairment of financial assets from 1 January 2018

The Fund classifies its financial assets into the following measurement categories:

- those measured subsequently at fair value through profit or loss (FVTPL); and
- those measured at amortised cost.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Fund's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

(iv) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost and debt instruments at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:

- Corporate bonds and commercial papers;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on financial assets measured at FVPL

The Fund recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

The Fund will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Financial instruments that are determined to have low credit risk at the reporting date. The Fund will consider a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive; and
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Fund follows one general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Fund will recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Fund will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Fund will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

Expected credit losses (continued)

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD)
- Loss given default (LGD) and
- Exposure at default (EAD)

To determine lifetime and 12-month PDs, the Fund uses internally developed PD tables based on the default history of obligors with the same credit rating. The Fund adopts the same approach for unrated investments by mapping them to the equivalent external credit ratings.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Fund measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Fund considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as Payables and other accruals if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-Payables and other accruals. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(f) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in 'Kenyan Shillings (Shs) rounded to the nearest thousand, which is the Fund's presentation currency.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Functional and presentational currency (continued)

Transactional balances

Foreign currency transactions are translated into the Functional Currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

(g) Distribution

All income or loss arising from investment is distributed to unit holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

(h) Unit holders' balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

3 Critical judgement in applying the Fund's accounting policies

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2(e). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

4 Financial risk management objectives and policies

The Fund generates revenues for the members by investing in various income generating activities which involve trading in the commercial paper. 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 minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Manager, Sanlam Investments East Africa Limited. The fund manager identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity. The Fund's risk management policies include the use of guidelines governing the acceptance of clients and investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

Notes (continued)

4 Financial risk management objectives and policies (continued)

The Capital Markets Authority (CMA) sets out that the book value of the Fund's investments should not exceed the following limits:

- Listed securities on the Nairobi Stock exchange – 80%
- Securities issued by the Government of Kenya – 80%
- Immovable property – 25%
- Other collective investment schemes including umbrella schemes – 25%
- Other securities not listed on a securities exchange in Kenya – 25%
- Off-shore investments – 10%

The Fund had complied with these requirements at 31 December 2022 and 2021.

a) 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. In accordance with the Funds' policy, the fund manager monitors the Funds' credit position on a daily basis, and it is reviewed on a quarterly basis by the Fund's Investments Committee.

The amount that best represents the Fund's maximum exposure to credit risk at 31 December 2022 and 2021 is made up as follows:

	2022 Shs'000	2021 Shs'000
Bank balances	62,573	52,222
Deposits with financial institutions	9,896,653	4,361,994
Government securities	3,161,140	1,807,575
Commercial papers	133,209	116,354
Corporate bonds	2,494,175	2,176,694
	15,747,750	8,514,839

b) 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 is exposed to daily withdrawal of funds by investors. The Fund maintains cash balances to meet all of these needs as experience shows that a certain amount of withdrawals are requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and on the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses the Fund's financial liabilities and unit holder balances that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Notes (continued)

4 Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

	Due on demand Shs'000	Due within 3 months Shs'000	Total Shs'000
At December 2022			
Unit holders' balances	15,706,872	-	15,706,872
Accrued expenses	-	5,967	5,967
Distribution payable	16,490	-	16,490
Due to related parties	-	18,421	18,421
Total	15,723,362	24,388	15,747,750
At December 2021			
Unit holders' balances	8,435,249	-	8,435,249
Accrued expenses	-	5,136	5,136
Distribution payable	64,551	-	64,551
Due to related parties	-	9,903	9,903
Total	8,499,800	15,039	8,514,839

c) Market risk

(i) Cash flow and fair value interest rate risk

The Fund's interest-bearing financial assets are commercial paper, government securities, corporate bonds and deposits with financial institutions, which are at fixed rate, and on which it is therefore not exposed to cash flow and interest rate risk.

The Fund Manager regularly monitors financing options available to ensure optimum interest rates are obtained.

(ii) Foreign exchange risk

At 31 December 2022 and 2021, the Fund had no exposure to foreign exchange risk.

(iii) Price risk

At 31 December 2022 and 2021, the Fund had no exposure to price risk.

d) Fair value estimation

For the Fund, all investments are measured at amortised cost.

Notes (continued)

4 Financial risk management objectives and policies (continued)

e) Capital management

The capital of the Fund is represented by unit holders' balances. The amount of unit holder liabilities can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders.

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders.

5 Investment income

	2022	2021
Investment income from:	Shs'000	Shs'000
Fixed deposits with financial institutions	703,811	368,961
Commercial paper	16,857	25,457
Corporate bonds	205,921	125,557
Government securities	299,193	175,109
Realised gain / (loss) on investments	4,063	(9,437)
	1,229,845	685,647

6 Operating expenses

Custodial and bank fees	21,263	13,064
Management fees	171,451	102,822
Auditor's remuneration	368	316
Annual General Meeting fees	314	2,000
Trustee fees	17,346	10,468
	210,742	128,670

7 Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002) and is exempt from income tax. However, the Fund withholds tax on interest distributed to unit holders as per the Kenya Revenue Authority legal notice.

Notes (continued)

8 Investments

(l) Maturity profile of investments

At 31 December 2022

Deposits with financial institutions
Commercial papers
Government securities
Corporate bonds

	Up to 3 months Shs'000	Between 6 and 12 months Shs'000	Due within 1 to 5 years Shs'000	Allowance for ECL Shs'000	Total Shs'000
Deposits with financial institutions	3,389,495	6,518,024	-	(10,866)	9,896,653
Commercial papers	-	133,316	-	(107)	133,209
Government securities	292,373	236,901	2,631,866	-	3,161,140
Corporate bonds	100,044	1,507,923	893,944	(7,736)	2,494,175
Total	3,781,912	8,396,164	3,525,810	(18,709)	15,685,177

At 31 December 2021

Deposits with financial institutions
Commercial papers
Government securities
Corporate bonds

Deposits with financial institutions	2,874,197	1,497,119	-	(9,322)	4,361,994
Commercial papers	-	116,459	-	(105)	116,354
Government securities	295,006	518,465	994,104	-	1,807,575
Corporate bonds	-	-	2,187,927	(11,233)	2,176,694
Total	3,169,203	2,132,043	3,182,031	(20,660)	8,462,617

Sanlam Money Market Fund
Financial Statements
For the year ended 31 December 2022

Notes (continued)

8 Investments

(iii) Movement in investments

	Carrying value at 1 January Shs'000	Purchases at cost Shs'000	Sales/ maturities Shs'000	Amortised premium Shs'000	Accrued interest change Shs'000	Decrease / (increase) in provision for ECL Shs'000	Carrying value at 31 December Shs'000
Year ended 31 December 2022							
Deposits with financial institutions	4,361,994	23,303,899	(17,952,900)	-	185,204	(1,544)	9,896,653
Commercial papers	116,354	121,101	(104,850)	-	606	(2)	133,209
Government securities	1,807,575	3,559,551	(2,203,579)	(7,604)	5,197	-	3,161,140
Corporate bonds	2,176,694	580,495	(368,433)	100,608	1,314	3,497	2,494,175
Total	8,462,617	27,565,046	(20,629,762)	93,004	192,321	1,951	15,685,177
Year ended 31 December 2021							
Deposits with financial institutions	3,430,419	15,083,000	(14,145,000)	-	(699)	(5,726)	4,361,994
Commercial papers	253,183	221,693	(346,842)	-	(17,382)	5,702	116,354
Government securities	1,271,540	1,240,421	(744,097)	9,319	30,392	-	1,807,575
Corporate bonds	1,235,413	1,832,763	(976,387)	90,213	4,813	(10,121)	2,176,694
Total	6,190,555	18,377,877	(16,212,326)	99,532	17,124	(10,145)	8,462,617

Notes (continued)

9 Cash and cash equivalents

For the purpose of the statement of cashflows, cash and cash equivalents comprise of the following:

	2022 Shs'000	2021 Shs'000
Bank balances	62,573	52,222
Deposits with financial institutions	3,389,495	2,874,196
	3,452,068	2,926,418

10 Unit holders' balances

	2022	Value	2021	Value
	Number of Units '000	Shs'000	Number of Units '000	Shs'000
At start of the year	8,435,249	8,435,249	6,155,680	6,155,680
Creations	16,113,324	16,113,324	7,593,589	7,593,589
Liquidations	(9,804,759)	(9,804,759)	(5,872,739)	(5,872,739)
Gross interest distributed to unitholders	1,114,058	1,114,058	646,364	646,364
Withholding tax on distributed interest	(151,000)	(151,000)	(87,645)	(87,645)
At end of the year	15,706,872	15,706,872	8,435,249	8,435,249

11 Accrued expenses

	2022 Shs'000	2021 Shs'000
Annual General Meeting expenses	2,000	2,796
Auditor's remuneration	350	330
Custodial fees	1,820	1,012
Trustee fees	1,797	998
	5,967	5,136

Notes (continued)

12 Related party transactions

Sanlam Money Market Fund is managed by Sanlam Investments East Africa Limited. Sanlam Investments East Africa Limited is controlled by Sanlam Emerging Market Proprietary Limited incorporated in Cape town, South Africa whose ultimate beneficial owner is Sanlam Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange. There are other companies that are related to Sanlam Investments East Africa Limited through common shareholdings or common directorships.

During the year, the following transactions were carried out with related parties.

a) Unit holder's balances	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	50,955	82,095

b) Management fees

The below amounts relate to the management fees paid in 2022 and 2021.

	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	171,451	102,822

c) Due to related parties

Sanlam Investments East Africa Limited	18,421	9,903
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SANLAM FIXED INCOME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Corporate Trustee	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833 – 00200 Nairobi, Kenya
Registered Office	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262 – 00200 Nairobi, Kenya
Fund Manager	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262 – 00200 Nairobi, Kenya
Custodian	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833 – 00200 Nairobi, Kenya
Independent Auditor	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P O Box 43963 – 00100 Nairobi, Kenya

The Trustee has the pleasure in submitting the Sanlam Fixed Income Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Fixed Income Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is exempt from tax and only withholds tax on interest and dividend income distributed to the unit holders.

The primary objective of the Fund is to create long term wealth for investors with reinvestment of income cash flows.

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. It 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 INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

INVESTMENT

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and support the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

FUND PERFORMANCE

The performance record of the Fund is as shown below:

a) Maximum and minimum prices

The highest and lowest absolute yields were as per the table below:

Year	2022 Shs	2021 Shs	2020 Shs	2019 Shs	2018 Shs
Highest bid price	8.16	8.58	8.74	8.93	10.55
Lowest bid price	7.73	8.16	8.44	8.59	8.76

b) Income distribution

The income generated by the Fund for the last 5 years has been distributed to unit holders as per the table below:

Year	2022	2021	2020	2019	2018
Amount (Shs)	5,964,000	4,895,000	1,966,000	1,862,000	1,025,000

FUND PERFORMANCE (CONTINUED)

c) Fund value

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

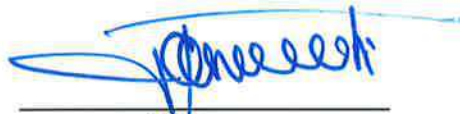
Year	2022	2021	2020
Total Fund value (Shs)	44,685,000	47,533,000	35,443,000
Number of units in issue	5,734,000	6,100,229	4,265,981
Closing unit price (Shs)	7.74	8.16	8.49

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the 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.



Signed on behalf of the Trustee

21 March 2023

The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:



Signed on behalf of the Trustee

Dear Unit Holder,

The Sanlam Fixed Income Fund's objective is to provide periodic cash flow income while ensuring moderate capital growth. Its risk profile is higher than the Money Market Fund.

The Fund generated a return of 11.0% during the year supported by bond market performance and a higher allocation to fixed deposits.

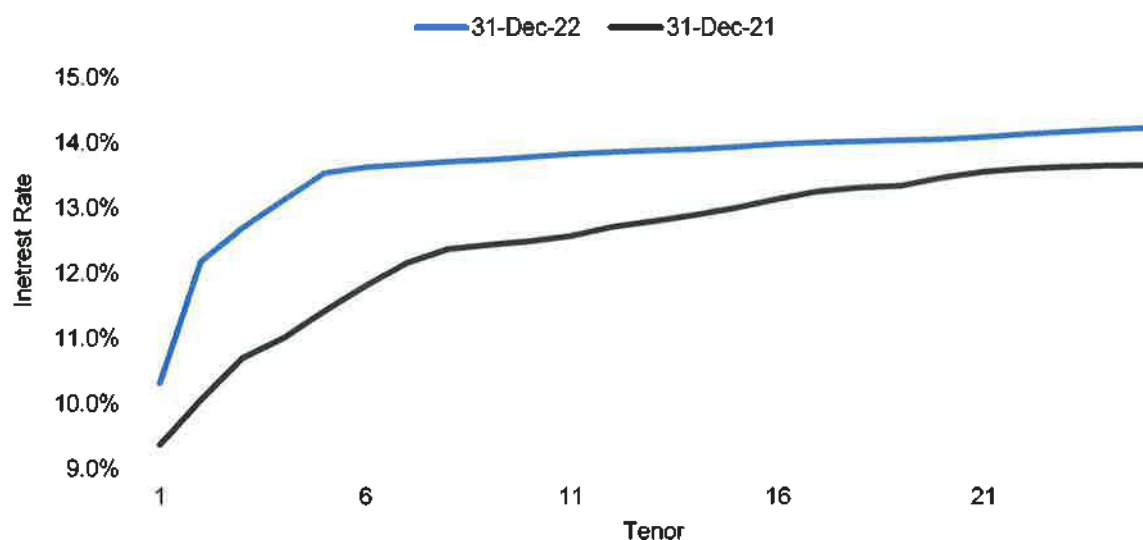
Review of Operating Environment and Outlook

The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

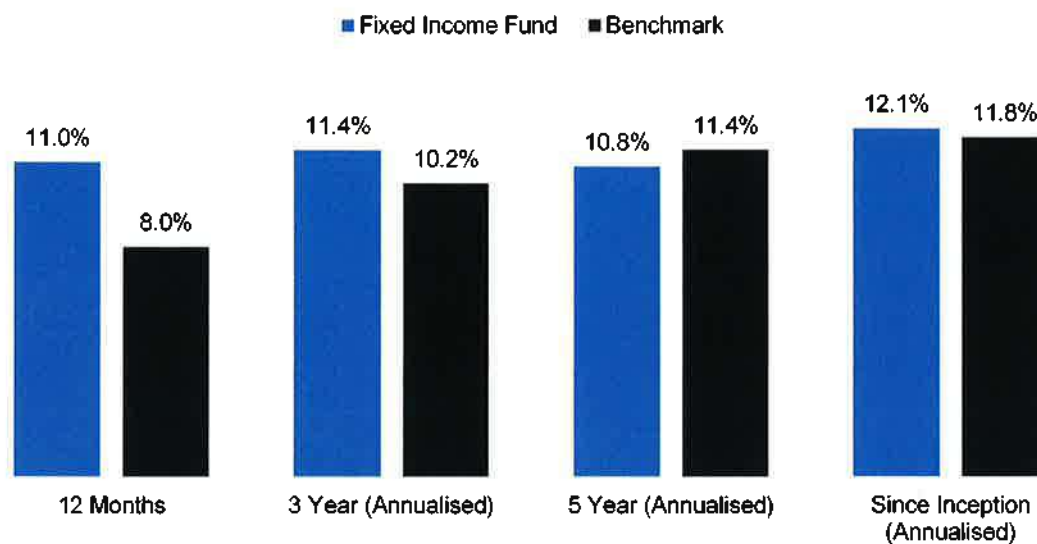
Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. However, long term bonds remain attractive to investors due to the possibility of locking in high returns.

Nairobi Stock Exchange Yield Curve

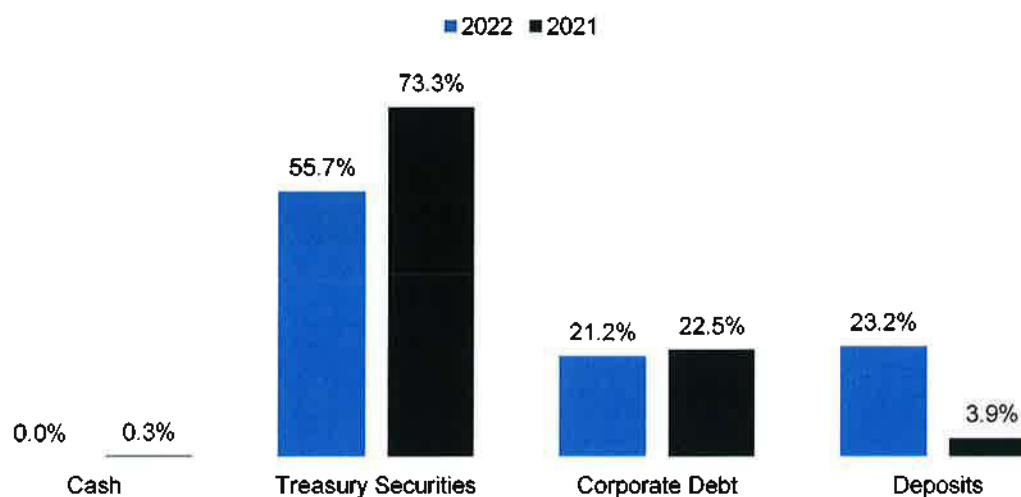


Fund Performance and Asset Allocation as at 31 December 2022

Fund Performance



Asset Allocation



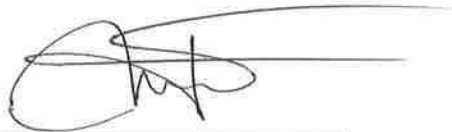


Signed on behalf of the Fund Manager

21 March 2023

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Fixed Income Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Fixed Income Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.



Signed on behalf of the Custodian

21 March 2023



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Sanlam Fixed Income Fund (the "Fund") set out on pages 11 to 30 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Fixed Income Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

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 (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND (CONTINUED)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information we have received 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- 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.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter 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 on other legal 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 explanations 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.


CPA Kang'e Saiti, Practising Certificate No.1652
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi


22 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	5,212	5,367
Fair value loss on financial assets at fair value through profit or loss	8(ii)	(555)	(749)
Total income		4,657	4,618
Operating expenses	6	(1,405)	(1,331)
Decrease / (increase) in allowance for expected credit losses	8(ii)	1,131	(626)
Profit before taxation		4,383	2,661
Income tax expense		-	-
Profit for the year		4,383	2,661
Other comprehensive income		-	-
Total comprehensive Income for the year		4,383	2,661

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
ASSETS			
Government securities	8(ii)	25,178	36,973
Deposits with financial institutions	8(ii)	10,471	1,986
Corporate bonds	8(ii)	9,562	10,199
Bank balances	9	6	151
Total assets		45,217	49,309
Liabilities			
Current liabilities			
Accrued expenses	11	335	325
Distribution payable		197	1,451
Current liabilities (excluding unit holder balances)		532	1,776
Unit holder balances	10	44,685	47,533
Total liabilities		45,217	49,309

The financial statements on pages 11 to 30 were approved for issue by the Trustee on
21 March 2023 and signed on its behalf by:


Representing Trustee

JOE ALARO
Name

STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

		2022	2021
		Shs'000	Shs'000
Balance at 1 January		47,533	35,443
Gross interest distributed to unitholders		4,383	2,661
Withholding tax on distributed interest		(808)	(726)
<i><u>Transactions with unit holders:</u></i>			
Additional units purchased	10	13,747	15,398
Units liquidated	10	(20,170)	(5,243)
Net balances of transactions with unit holders		(6,423)	10,155
Balance at 31 December		44,685	47,533

STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	2021 Shs'000
Profit before income tax		4,383	2,661
<i>Changes in working capital</i>			
– Accrued expenses		10	239
– Distribution payable		(1,253)	816
– Government securities		11,795	(8,776)
– Corporate bonds		637	(7,407)
– Deposits with financial institutions		(119)	1,278
– Due from related party		-	8
Cash generated / (used in) operations		15,453	(11,181)
Income tax paid		-	-
Net cash generated / (used in) operating activities		15,453	(11,181)
Cash flows from financing activities			
Net contribution from unit holders	10	13,747	15,398
Liquidations by unit holders	10	(20,170)	(5,243)
Withholding tax on distributed interest		(808)	(726)
Net cash (used in) / generated from financing activities		(7,231)	9,429
Net increase / (decrease) in cash and cash equivalents		8,222	(1,752)
Cash and cash equivalents at start of year		1,354	3,106
Cash and cash equivalents at end of year	9	9,576	1,354

Notes

1 General information

The Fund started operations on 1 November 2014, and is governed by a Trust Deed dated 10 December 2020, is registered with the Capital Markets Authority and is domiciled in Kenya. The address of its registered office is:

Sanlam Investments East Africa Limited
5th Floor, Africa Re Centre, Hospital Road, Upper Hill
P O Box 67262-00200
Nairobi, Kenya

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Fund*

Annual improvements cycle 2018 -2020

IFRS 9, '*Financial Instruments*' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The amendments above had no material impact on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Fund

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current (published in January 2020 and effective on or after 1 January 2023)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (published in February 2021 and effective for annual periods beginning on or after 1 January 2023)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

The Trustee is of the view that the above amendments will not have any material impact on the financial statements of the Fund.

(b) Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net the carrying amount on initial recognition.

(c) Income tax

The Fund is tax exempt and only withholds and pays to Kenya Revenue Authority applicable tax on interest distributed to the unit holders.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial Instruments

Financial assets

(i) Classification and impairment of financial assets

The Fund classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL); and
- those to be measured at amortised cost.

As at the reporting date, the classification of the Fund's financial assets was as follows:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government, and corporate bonds.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iii) Measurement (continued)

Classification and subsequent measurement of debt instruments depends on:

- (i) the Fund's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Business model: the business model reflected how the Fund manages the assets in order to generate cash flows. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

(iv) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model.

The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:

- Corporate bonds and commercial papers;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on financial assets measured at FVPL.

The Fund recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

The Fund will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Financial instruments that are determined to have low credit risk at the reporting date. The Fund will consider a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive; and
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Fund follows one the general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Fund will recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Fund will recognise lifetime ECL, but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Fund will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

Measurement of expected credit losses (continued)

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Fund uses internally developed PD tables based on the default history of obligors with the same credit rating. The Fund adopts the same approach for unrated investments by mapping them to the equivalent external credit ratings.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Fund measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Fund considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Fund uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as Payables and other accruals if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-Payables and other accruals. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(f) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in 'Kenyan Shillings (Shs) rounded to the nearest thousand, which is the Fund's presentation currency.

Transactional balances

Foreign currency transactions are translated into the Functional Currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

(g) Distribution

All income or loss arising from investment is distributed to unit holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

(h) Unit holders' balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

Notes (continued)

3 Critical judgement in applying the Fund's accounting policies

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2(e). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

4 Financial risk management objectives and policies

The Fund generates revenues for the members by investing in various income generating activities which involve trading in the commercial paper. 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 minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Manager, Sanlam Investments East Africa Limited. The Fund Manager identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity. The Fund's risk management policies include the use of guidelines governing the acceptance of clients and investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

The Capital Markets Authority (CMA) sets out that the book value of the Fund's investments should not exceed the following limits:

- Listed securities on the Nairobi Stock exchange – 80%
- Securities issued by the Government of Kenya – 80%
- Immovable property – 25%
- Other collective investment schemes including umbrella schemes – 25%
- Other securities not listed on a securities exchange in Kenya – 25%
- Off-shore investments – 10%

The Fund had complied with these requirements as at 31 December 2022 and 2021.

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund is exposed to credit risk from its operating activities.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a daily basis, and it is reviewed on a quarterly basis by the Fund's Investments Committee. In order to determine whether an instrument is subject to 12 months ECL or Life Time ECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition. The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include;

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application.

Notes (continued)

4 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

The Fund considers a financial instrument defaulted and therefore credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises lifetime ECL.

Impairment losses on financial assets subject to impairment assessment

The table below shows the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and year end stage classification and analysis of changes in the gross carrying amount and the corresponding ECL's.

At 31 December 2022	Stage 1 12 months ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Bank balances	6	-	-	6
Deposits with financial institutions	10,482	-	-	10,482
Corporate bonds	9,570	-	-	9,570
Government securities	25,178	-	-	25,178
Gross carrying amount	45,236	-	-	45,236
Loss allowance	(19)	-	-	(19)
Carrying amount	45,217	-	-	45,217
At 31 December 2021				
Bank balances	151	-	-	151
Deposits with financial institutions	1,988	-	-	1,988
Corporate bonds	10,347	-	1,000	11,347
Government securities	36,973	-	-	36,973
Gross carrying amount	49,459	-	1,000	50,459
Loss allowance	(150)	-	(1,000)	(1,150)
Carrying amount	49,309	-	-	49,309

Notes (continued)

4 Financial risk management objectives and policies (continued)

b) 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 is exposed to daily withdrawal of funds by investors. The Fund maintains cash balances to meet all of these needs as experience shows that a certain amount of withdrawals are requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and on the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses the Fund's financial liabilities and unit holder balances that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Due on demand Shs'000	Due within 3 months Shs'000	Total Shs'000
At December 2022			
Unit holders' balances	44,685	-	44,685
Accrued expenses and other payables	-	532	532
Total	44,685	532	45,217
At December 2021			
Unit holders' balances	47,533	-	47,533
Accrued expenses and other payables	-	1,776	1,776
Total	47,533	1,776	49,309

c) Market risk

(i) Cash flow and fair value interest rate risk

The Fund's interest-bearing financial assets are corporate bonds, government securities and deposits with financial institutions, which are at fixed rate, and on which it is therefore not exposed to cash flow interest rate risk. The Fund manager regularly monitors financing options available to ensure optimum interest rates are obtained.

(ii) Foreign exchange risk

At 31 December 2022 and 2021, the Fund had no exposure to foreign exchange risk.

(iii) Price risk

At 31 December 2022 and 2021, the Fund had no exposure to price risk.

Notes (continued)

4 Financial risk management objectives and policies (continued)

d) Fair value estimation

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

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

There were no transfers between the levels in the year. The following table presents the Fund's financial assets that are measured at fair value at 31 December 2022 and 2021.

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2022				
Investment in government securities	25,178	-	-	25,178
At 31 December 2021				
Investment in government securities	36,973	-	-	36,973

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or at fair value through comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes (continued)

4 Financial risk management objectives and policies (continued)

e) Capital management

The capital of the Fund is represented by unit holders' balances. The amount of unit holder liabilities can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders.

5 Investment income

	2022	2021
	Shs'000	Shs'000
Interest income	5,964	4,895
Realised (loss) / gain on investments	(752)	472
	5,212	5,367

6 Operating expenses

Management fees	1,044	994
Custodial fees	117	115
Annual General Meeting expenses	-	3
Trustee fees	79	69
Audit fees	165	150
	1,405	1,331

7 Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002) and is exempt from income tax. However, the Fund withholds tax on interest distributed to unit holders as per the Kenya Revenue Authority legal notice.

Notes (continued)

8 Investments

(l) Maturity profile of Investments in the Fixed Income Fund

At 31 December 2022	Up to 3 months Shs'000	6 to 12 months Shs'000	Due within 1 to 5 years Shs'000	Due after 5 Years Shs'000	Allowance For ECL Shs'000	Total Shs'000
Deposits with financial institutions	9,570	912	-	-	(11)	10,471
Government securities	-	-	-	25,178	-	25,178
Corporate bonds	-	4,721	3,912	937	(8)	9,562
Total assets	9,570	5,633	3,912	26,115	(19)	45,211
At 31 December 2021						
Deposits with financial institutions	1,203	785	-	-	(2)	1,986
Government securities	-	-	-	36,973	-	36,973
Corporate bonds	-	-	10,347	1,000	(1,148)	10,199
Total assets	1,203	785	10,347	37,973	(1,150)	49,158

Notes (continued)

8. Investments (continued)

(ii) Movement in investments

	Carrying Value at 1 January Shs'000	Purchases at cost Shs'000	Accrued interest change Shs'000	Fair value loss Shs'000	Sales/ maturities Shs'000	Decrease/(increase) in provision for ECL Shs'000	Carrying Value at 31 December Shs'000
Year ended 31 December 2022							
Deposits with financial institutions	1,986	36,666	61	-	(28,233)	(9)	10,471
Government securities	36,973	17,342	(503)	(874)	(27,760)	-	25,178
Corporate bonds	10,199	902	2	319	(3,000)	1,140	9,562
Total	49,158	54,910	(440)	(555)	(58,993)	1,131	45,211

Year ended 31 December 2021

Deposits with financial institutions	5,044	43,845	(95)	-	(46,814)	6	1,986
Government securities	28,197	17,323	264	(941)	(7,870)	-	36,973
Corporate bonds	2,792	10,055	(9)	192	(2,199)	(632)	10,199
Total	36,033	71,224	160	(749)	(56,883)	(626)	49,158

Notes (continued)

9 Cash and cash equivalents

For the purpose of the statement of cashflows, cash and cash equivalents comprise of the following:

	2022 Shs'000	2021 Shs'000
Bank balances	6	151
Deposits with financial institutions	9,570	1,203
	<u>9,576</u>	<u>1,354</u>

10 Unit holders' balances

	2022		2021	
	Number of units	Value	Number of units	Value
	'000	Shs'000	'000	Shs'000
At start of the year	6,100	47,533	4,266	35,443
Creations	1,776	13,747	2,239	15,398
Liquidations	(2,604)	(20,170)	(642)	(5,243)
Total gross interest distributed to unitholders	566	4,383	326	2,661
Withholding tax on distributed interest	(104)	(808)	(89)	(726)
At end of the year	<u>5,734</u>	<u>44,685</u>	<u>6,100</u>	<u>47,533</u>

11 Accrued expenses

	2022 Shs'000	2021 Shs'000
Due to related party [Note 12(c)]	89	99
Annual General Meeting expenses	15	15
Custodial fees	15	9
Trustee fees	51	52
Audit fees	165	150
	<u>335</u>	<u>325</u>

Notes (continued)

12 Related party transactions

Sanlam Fixed Income Fund is managed by Sanlam Investments East Africa Limited. Sanlam Investments East Africa Limited is controlled by Sanlam Emerging Market Proprietary Limited incorporated in Cape town, South Africa whose ultimate beneficial owner is Sanlam Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange. There are other companies that are related to Sanlam Investments East Africa Limited through common shareholdings or common directorships.

a) Unit holder's balances	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	34,340	32,633
	<hr/>	<hr/>
b) Management fees		
The below amounts relate to the management fees paid in 2022 and 2021.		
	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	1,044	994
	<hr/>	<hr/>
c) Due to related party		
Sanlam Investments East Africa Limited	89	99
	<hr/>	<hr/>

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SANLAM BALANCED FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Corporate Trustee	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833 – 00200 Nairobi, Kenya
Registered Office	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262 – 00200 Nairobi, Kenya
Fund Manager	Sanlam Investments East Africa Limited 5 th Floor, Africa Re Centre, Hospital Road, Upper Hill P O Box 67262 – 00200 Nairobi, Kenya
Custodian	Stanbic Bank Kenya Limited Stanbic Centre Chiromo Road, Westlands P O Box 72833 – 00200 Nairobi, Kenya
Independent Auditor	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P O Box 43963 – 00100 Nairobi, Kenya

The Trustee has the pleasure of submitting the Sanlam Balanced Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Balanced Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is exempt from tax.

The primary objective of the Fund is to create long term wealth for investors with reinvestment of income cash flows.

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. It 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 INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

INVESTMENT

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and support the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

FUND PERFORMANCE

The performance record of the Fund is as shown below:

a) Maximum and minimum unit prices

The highest and lowest unit prices of the units of the Fund for the last 5 years were as per the table below:

Year	2022 Shs	2021 Shs	2020 Shs	2019 Shs	2018 Shs
Highest bid price	17.38	17.08	15.37	15.08	15.03
Lowest bid price	16.67	15.34	14.18	13.40	13.30

b) Fund Value

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

Year	2022	2021	2020
Total Fund Value (Shs)	29,546,000	24,449,000	21,160,000
Number of units in issue	1,691,000	1,430,000	1,365,000
Closing unit price (Shs)	17.36	16.96	15.37

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.

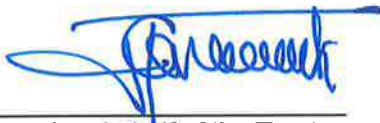
INCOME DISTRIBUTION

The profit for the year of Shs 742,000 (2021: Shs 2,414,000) has been credited to the unitholders' accounts.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the 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.



Signed on behalf of the Trustee

21 March 2023

The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

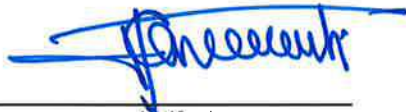
The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Act. They also accept responsibility for:

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

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

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:



Signed on behalf of the Trustee

Dear Unit Holder,

The Sanlam Balanced Fund aims to deliver medium to long term capital growth with lower volatility relative to an equity Fund.

The Balanced Fund return was up 5.9% supported by an increased allocation in fixed deposits and treasury securities. The Fund reduced its exposure to domestic equities to preserve the Fund's return.

Review of Operating Environment and Outlook

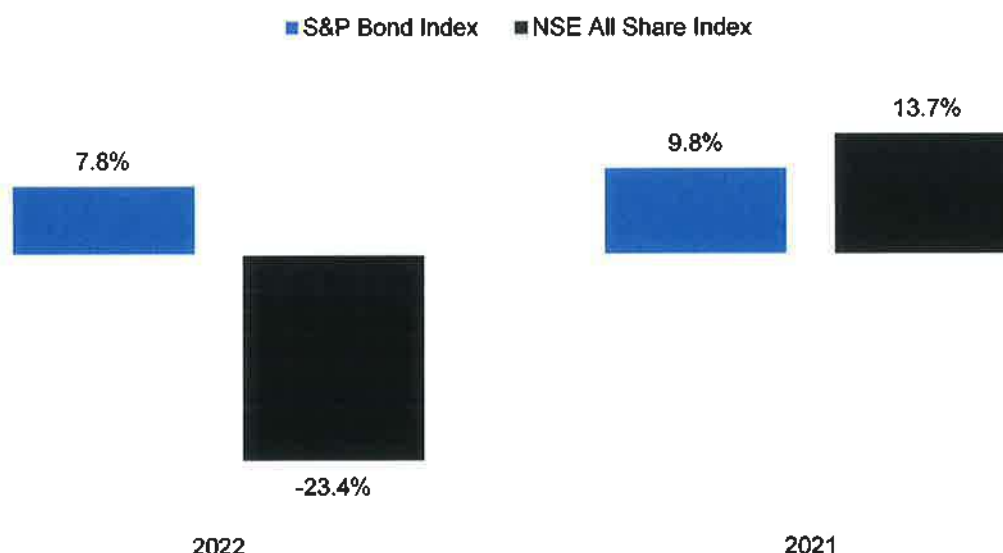
The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. However, long term bonds remain attractive to investors due to the possibility of locking in high returns.

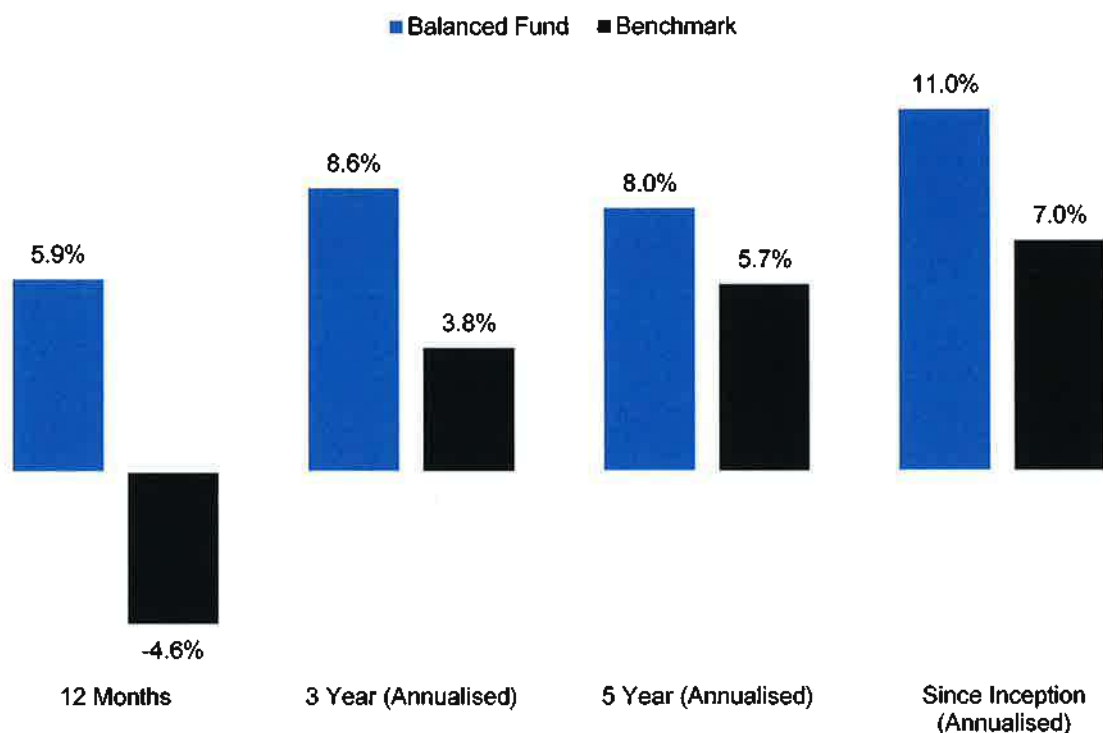
The Kenyan equities market declined in 2022, in line with the trend in global equities. Macroeconomic risks led to global risk aversion. A higher inflationary environment and the stronger US Dollar has led to reduced investor flows to higher risk assets leading to a decline in equities prices. The NSE All Share Index was down by 23.4% in FY 2022. Kenyan Banks continued to register strong growth in profits in Q3 2022. Banks in the portfolio an average profit growth of 31.1% year-on-year; primarily supported by increased lending, reductions in loan loss provisions and better operational efficiencies.

Market Performance

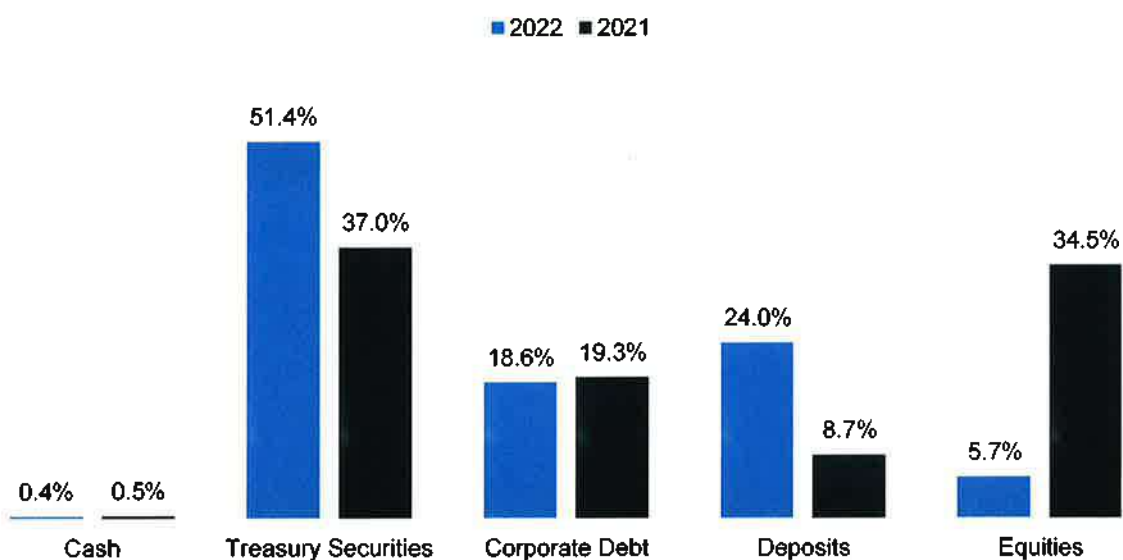


Fund Performance and Asset Allocation as at 31 December 2022

Fund Performance



Asset Allocation



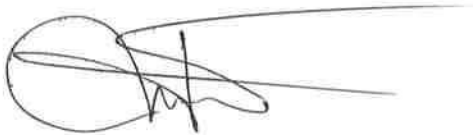


Signed on behalf of the Fund Manager

21 March 2023

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Balanced Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Balanced Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.



Signed on behalf of the Custodian

21 March 2023



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Sanlam Balanced Fund (the "Fund") set out on pages 11 to 29 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Balanced Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

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 (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND (CONTINUED)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information we have received 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- 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.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter 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 on other legal 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 explanations 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.

CPA Kang'e Saiti, Practising Certificate No.1652
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

22 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	2,503	3,548
Fair value loss on financial assets at fair value through profit or loss		(796)	(276)
Total income		1,707	3,272
Operating expenses	6	(996)	(781)
Decrease / (increase) in allowance for expected credit losses		31	(77)
Profit before income tax		742	2,414
Income tax expense		-	-
Profit for the year		742	2,414
Other comprehensive income		-	-
Total comprehensive income for the year		742	2,414

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
ASSETS			
Government securities	8(ii)	15,344	9,152
Quoted ordinary shares	8(ii)	1,691	8,558
Deposits with financial institutions	8(ii)	7,164	2,160
Corporate bonds	8(ii)	5,518	4,700
Bank balances	9	111	129
Total assets		29,828	24,699
Liabilities			
Current liabilities			
Accrued expenses	11	282	250
Liabilities (excluding unit holder balances)		282	250
Unit Holder Balances	10	29,546	24,449
Total liabilities		29,828	24,699

The financial statements on pages 11 to 29 were approved for issue by the Trustee on 21 March 2023 and signed on its behalf by:

Representing Trustee

JOE ALARO

Name

STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

	Notes	2022 Shs'000	2021 Shs'000
At start of year		24,449	21,160
Total comprehensive income for the year		742	2,414
<i><u>Transactions with unit holders:</u></i>			
Additional units purchased	10	8,929	5,482
Units liquidated	10	(4,574)	(4,607)
Net balances of transactions with unit holders		4,355	875
At end of year		29,546	24,449

STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	2021 Shs'000
Profit before income tax		742	2,414
<i>Changes in working capital</i>			
- Accrued expenses		32	182
- Quoted ordinary shares		6,867	(4,878)
- Government securities		(6,192)	4,342
- Deposits with financial institutions		(2,028)	1,046
- Due from related party		-	9
- Corporate bonds		(818)	(4,700)
Cash used in operations		(1,397)	(1,585)
Income tax paid		-	-
Net cash used in operating activities		(1,397)	(1,585)
Cash flows from financing activities			
Net contribution from unit holders	10	8,929	5,482
Liquidations by unit holders	10	(4,574)	(4,607)
Net cash generated from financing activities		4,355	875
Net increase / (decrease) in cash and cash equivalents		2,958	(710)
Cash and cash equivalents at start of year		2,293	3,003
Cash and cash equivalents at end of year	9	5,251	2,293

Notes

1 General Information

The Fund started operations on 1 November 2014 and is governed by a Trust Deed dated 10 December 2020, is registered with the Capital Markets Authority and is domiciled in Kenya. The address of its registered office is:

Sanlam Investments East Africa Limited
5th Floor, Africa Re Centre, Hospital Road, Upper Hill
P O Box 67262-00200
Nairobi, Kenya

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Fund*

Annual improvements cycle 2018 -2020

IFRS 9, '*Financial Instruments*' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

Amendments to IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

The amendments above had no material impact on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Fund

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current (published in January 2020 and effective on or after 1 January 2023)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (published in February 2021 and effective for annual periods beginning on or after 1 January 2023)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

The Trustee is of the view that the above amendments will not have any material impact on the financial statements of the Fund.

(b) Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net the carrying amount on initial recognition.

(c) Income tax

The Fund is tax exempt.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments

Financial assets

(i) Classification and impairment of financial assets

The Fund classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL); and
- those to be measured at amortised cost.

As at the reporting date, the classification of the Fund's financial assets was as follows:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government, and corporate bonds.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial Instruments

Financial assets (continued)

(iii) Measurement (continued)

Classification and subsequent measurement of debt instruments depends on:

- (i) the Fund's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Business model: the business model reflected how the Fund manages the assets in order to generate cash flows. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

(iv) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model.

The new impairment model applies to the following financial instruments that are not measured at FVTPL :

- Corporate bonds and commercial papers;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on financial assets measured at FVPL.

The Fund recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial Instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

The Fund will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Financial instruments that are determined to have low credit risk at the reporting date. The Fund will consider a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive; and
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Fund follows one the general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Fund will recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Fund will recognise lifetime ECL, but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Fund will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

Measurement of expected credit losses (continued)

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Fund uses internally developed PD tables based on the default history of obligors with the same credit rating. The Fund adopts the same approach for unrated investments by mapping them to the equivalent external credit ratings.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Fund measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Fund considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Fund uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as Payables and other accruals if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-Payables and other accruals. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(f) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in 'Kenyan Shillings (Shs) rounded to the nearest thousand, which is the Fund's presentation currency.

Transactional balances

Foreign currency transactions are translated into the Functional Currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

(g) Distribution

All income or loss arising from investment is distributed to unit holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

(h) Unit holders' balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

Notes (continued)

3 Critical judgement in applying the Fund's accounting policies

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2(e). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

4 Financial risk management objectives and policies

The Fund generates revenues for the members by investing in various income generating activities which involve trading in the commercial paper. 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 minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Manager, Sanlam Investments East Africa Limited. The Fund Manager identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity. The Fund's risk management policies include the use of guidelines governing the acceptance of clients and investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

The Capital Markets Authority (CMA) sets out that the book value of the Fund's investments should not exceed the following limits:

- Listed securities on the Nairobi Stock exchange – 80%
- Securities issued by the Government of Kenya – 80%
- Immovable property – 25%
- Other collective investment schemes including umbrella schemes – 25%
- Other securities not listed on a securities exchange in Kenya – 25%
- Off-shore investments – 10%

The Fund had complied with these requirements as at 31 December 2022 and 2021.

a) 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. In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a daily basis, and it is reviewed on a quarterly basis by the Fund's Investments Committee.

Notes (continued)

4 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

The amount that best represents the Fund's maximum exposure to credit risk at 31 December 2022 and 2021 is made up as follows:

	2022 Shs'000	2021 Shs'000
Bank balances	111	129
Government securities	15,344	9,152
Deposits with financial institutions	7,164	2,160
Quoted ordinary shares	1,691	8,558
Corporate bonds	5,518	4,700
	29,828	24,699

b) 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 is exposed to daily withdrawal of funds by investors. The Fund maintains cash balances to meet all of these needs as experience shows that a certain amount of withdrawals are requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and on the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses the Fund's financial liabilities and unit holder balances that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Due on demand Shs'000	Due within 3 months Shs'000	Total Shs'000
At December 2022			
Unit holder's balances	29,546	-	29,546
Accrued expenses	-	282	282
Total	29,546	282	29,828
At December 2021			
Unit holder's balances	24,449	-	24,449
Accrued expenses	-	250	250
Total	24,449	250	24,699

Notes (continued)

4 Financial risk management objectives and policies (continued)

c) Market risk

(i) Cash flow and fair value interest rate risk

The Fund's interest-bearing financial assets are government securities and deposits with financial institutions, which are at fixed rate, and on which it is therefore not exposed to cash flow and interest rate risk. The Fund Manager regularly monitors financing options available to ensure optimum interest rates are obtained.

(ii) Foreign exchange risk

At 31 December 2022 and 2021, the Fund had no exposure to foreign exchange risk.

(iii) Price risk

The Fund is exposed to equity securities price risk because of investments in quoted shares. To manage the price risk arising from investments in equity, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Fund. All quoted shares held by the Fund are traded on the Nairobi Securities Exchange (NSE).

At 31 December 2022, an increase/decrease on the prices of shares by 5% would result to an increase/(decrease) in net returns on investments of approximately Shs 85,000 (2021: Shs 428,000).

d) Fair value estimation

Determination of fair value and fair value hierarchy

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

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

There were no transfers between the levels in the year. The following table presents the Fund's financial assets that are measured at fair value at 31 December 2022 and 2021.

Notes (continued)

4 Financial risk management objectives and policies (continued)

d) Fair value estimation (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2022				
Investment in government securities	15,344	-	-	15,344
Investment in quoted shares	1,691	-	-	1,691
Total assets	17,035	-	-	17,035
At 31 December 2021				
Investment in government securities	9,152	-	-	9,152
Investment in quoted shares	8,558	-	-	8,558
Total assets	17,710	-	-	17,710

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or at fair value through comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

e) Capital management

The capital of the Fund is represented by unit holders' balances. The amount of unit holder liabilities can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders.

The Funds objectives when managing capital are to safeguard the Funds ability to continue as a going concern in order to provide returns for unitholders.

5 Investment income

	2022 Shs'000	2021 Shs'000
Interest income	3,425	1,684
Dividend income	291	79
Realised (loss) / gain on investments	(1,213)	1,785
	2,503	3,548

Notes (continued)

6 Operating expenses

	2022 Shs'000	2021 Shs'000
Management fees	677	527
Custodial and bank fees	104	74
Annual General Meeting expenses	-	(5)
Trustee fees	50	35
Auditor's remuneration	165	150
	996	781

7 Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002) and is exempt from income tax. However, the Fund withholds tax on interest distributed to unit holders as per the Kenya Revenue Authority legal notice.

8 Investments

(i) Maturity profile of investments

	Up to 3 months Shs'000	6 - 12 months Shs'000	Due within 1 - 5 years Shs'000	Due after 5 years Shs'000	Allowance for ECL Shs'000	Totals Shs'000
At 31 December 2022						
Deposits with financial institutions	5,140	2,030	-	-	(6)	7,164
Government securities	3,524	-	-	11,820	-	15,344
Corporate bonds	-	2,360	2,573	625	(40)	5,518
Total	8,664	4,390	2,573	12,445	(46)	28,026
At 31 December 2021						
Deposits with financial institutions	2,163	-	-	-	(3)	2,160
Government securities	-	-	-	9,152	-	9,152
Corporate bonds	-	-	4,774	-	(74)	4,700
Total	2,163	-	4,774	9,152	(77)	16,012

Sanlam Balanced Fund
Financial Statements
For the year ended 31 December 2022

Notes (continued)

8 Investments

(ii) Movement in Investments

	Carrying Value start of year Shs'000	Purchases at cost Shs'000	Accrued interest change Shs'000	Fair value loss Shs'000	Sales/ maturities Shs'000	Decrease/(increase) in ECL provision Shs'000	Carrying Value at end of year Shs'000
Year ended 31 December 2022							
Deposits with financial institutions	2,160	51,474	73	-	(46,540)	(3)	7,164
Quoted ordinary Shares	8,558	2,122	-	(431)	(8,558)	-	1,691
Government securities	9,152	19,216	315	(524)	(12,815)	-	15,344
Corporate bonds	4,700	600	25	159	-	34	5,518
Total	24,570	73,412	413	(796)	(67,913)	31	29,717
Year ended 31 December 2021							
Deposits with financial Institutions	3,953	25,910	(59)	-	(27,641)	(3)	2,160
Quoted ordinary Shares	3,680	12,627	-	190	(7,939)	-	8,558
Government securities	13,493	5,222	(170)	(561)	(8,832)	-	9,152
Corporate bonds	-	4,632	46	96	-	(74)	4,700
Total	21,126	48,391	(183)	(275)	(44,412)	(77)	24,570

Notes (continued)

9 Cash and cash equivalents

For the purpose of the statement of cashflows, cash and cash equivalents comprise of the following:

	2022 Shs'000	2021 Shs'000
Bank balances	111	129
Deposits with financial institutions	5,140	2,164
	<hr/>	<hr/>
At end of year	5,251	2,293
	<hr/>	<hr/>

10 Unit holders' balances

	2022		2021	
	Number of Units '000	Value Shs'000	Number of Units '000	Value Shs'000
At start of the year	1,430	24,449	1,365	21,160
Creations	481	8,929	265	5,482
Liquidations	(263)	(4,574)	(322)	(4,607)
Total comprehensive income	43	742	122	2,414
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	1,691	29,546	1,430	24,449
	<hr/>	<hr/>	<hr/>	<hr/>

11 Accrued expenses

	2022 Shs'000	2021 Shs'000
Due to related party [Note 12(c)]	60	48
Annual General Meeting expenses	10	10
Custodial fees	14	10
Trustee fees	33	32
Auditor's remunerations	165	150
	<hr/>	<hr/>
	282	250
	<hr/>	<hr/>

Notes (continued)

12 Related party transaction

Sanlam Balanced Fund is managed by Sanlam Investments East Africa Limited. Sanlam Investments East Africa Limited is controlled by Sanlam Emerging Market Proprietary Limited incorporated in Cape town, South Africa whose ultimate beneficial owner is Sanlam Limited incorporated in South Africa and listed on the Johannesburg Stock Exchange. There are other companies that are related to Sanlam Investments East Africa Limited through common shareholdings or common directorships.

During the year, the following transactions were carried out with related parties.

a) Unit holder's balances	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	16,838	16,453

b) Management fees

The below amounts relate to the management fees paid in 2022 and 2021.

	2022 Shs'000	2021 Shs'000
Sanlam Investments East Africa Limited	677	527

c) Due to related party

Sanlam Investments East Africa Limited	60	48
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